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RURAL MARKETING IN THE DEVELOPMENT PARADIGM

Commerce

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ABSTRACT

Indian rural marketing has always been complex to forecast and consist of special uniqueness. However many companies were successful in entering the rural markets. They proved that with proper understanding of the market and innovative marketing ideas, it is possible to bag the rural markets. It is very difficult for the companies to overlook the opportunities they could from rural markets. As two-thirds of the Indian population live in rural areas, the market is vast than expected. For the companies to be successful in rural markets, they have to overcome certain challenges such as pricing and distribution. This paper on rural marketing gives examples of two companies who were successful in rural areas with their innovative marketing strategies. The rural market has been growing at five times the pace of the urban market.

INTRODUCTION

WHAT IS RURAL?

According to the census of India, villages with clear surveyed boundaries not having a municipality, corporation or board, with density of population not more than 400sq.km and at least 75 per cent of the male working population engaged in agriculture and allied activities would qualify as rural. So, from the above stated conditions, there are 638,000 villages in the country. Of these, only 0.5 cent has a population above 10,000 and 2 per cent have population between 5,000 and 10,000. Around 50 per cent has a population less than 200.But, FMCG and consumer durable companies are considering a territory as a rural market which has more than 20,000 and below 50,000 population. According to them, class-II and class-III towns are considered as rural. According to the census of India 2001, there are more than 4,000 towns in the country that are categorized as Class II and III Towns based on the population. Size of rural market is estimated to be 42 million households and rural market has been growing at five times the pace of the urban market.

RURAL MARKETING

The concept of Rural Marketing in India Economy has played an influential role in the lives of people. The rural market in India is not a separate entity in itself and it is highly influenced by the sociological and behavioral factors operating in the country. Rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas. The rural market in India is vast, scattered and offers a plenty of opportunities in comparison to the urban sector. It covers the maximum population and regions and thereby, the maximum number of consumers. 'Go rural' is the slogan of marketing guru's after analyzing the socio-economic changes in villages. The Rural population is nearly three times of the urban, so Rural consumers have become the prime target market for consumer durable and non-durable products, food, construction, electrical, electronics, automobiles, banks, insurance companies and other sectors besides hundred per cent of agri-input products such as seeds, fertilizers, pesticides and farm machinery.

However, the success of the product in the rural market is as predictable as rain. It has always been difficult to understand the rural markets. Marketers need to understand the social dynamics and attitude variations within each village. But by overcoming the challenges and looking into the opportunities which rural markets offers to the marketers it is said that the future is very promising for those who understand the dynamics of rural markets and exploit them to their best advantage. Rural markets face the critical issues of Distribution, Understanding the rural consumer, Communication and Poor infrastructure.The marketer has to strengthen the distribution and pricing strategies. Improvement in infrastructure and reach, promise a bright future for those intending to go rural. Rural consumers are keen on branded goods nowadays, so the market size for products and services seems to have burgeoned. The rural population has shown a trend of wanting to move into a state of gradual urbanization in terms of exposure, habits, lifestyles and lastly, consumption patterns of goods and services.

To expand the market by tapping the countryside, many MNC's are foraying into India's rural markets. Among those that have made headway are Hindustan Liver, Coca-Cola, LG electronics, Britannia, Colgate Palmolive and the foreign invested telecom companies. These companies' foreseeing the vast size and demand in the rural market cannot afford to ignore. Rural market accounts for half the total market for TV sets, Fans, Pressure cookers, bicycles, washing soap and tooth powder where FMCG products in rural products in rural markets is growing much faster than the urban counterpart.

Example

The methods and strategies followed by HLL's Shakti:

HLL's Shakti

The Indian rural FMCG market is something no one can overlook. Increased focus on farm sector will boost rural incomes, hence providing better growth prospects to the FMCG companies. Better infrastructure facilities will improve their supply chain. FMCG sector is also likely to benefit from growing demand in the market. Because of the low per capita consumption for almost all the products in the country, FMCG companies have immense possibilities for growth. And if the companies are able to change the mindset of the consumers, i.e. if they are able to take the consumers to branded products and offer new generation products, they would be able to generate higher growth in the near future.At present, urban India accounts for 66% of total FMCG consumption, with rural India accounting for the remaining 34%. However, rural India accounts for more than 40% consumption in major FMCG categories such as personal care, fabric care, and hot beverages. In urban areas, home and

personal care category, including skin care, household care and feminine hygiene, will keep growing at relatively attractive rates. Within the foods segment, it is estimated that processed foods, bakery, and dairy are long-term growth categories in both rural and urban areas.

Keeping in mind the above factors, FMCG major Hindustan Lever has started a project named "Shakti" for rural marketing of their products in 2000. The Project is a distribution model that HLL established in late 2000 to sell its products through women self-help groups who operate like a direct-to-home team of sales women in inaccessible areas where HLL's conventional sales system does not reach. The Shakti model trains women from SHGs to distribute HLL products of daily consumption such as detergents, toilet soaps and shampoos - the latter's penetration being only 30 per cent in rural areas.

Each Shakti dealer covers 6-10 villages which have a population of less 2,000. The company is creating demand for its products by having its Shakti dealers educating consumers on aspects like health and hygiene. Now, with this new distribution model, the smaller markets are now being referred to as `Shakti markets'To get started the Shakti woman borrows from her SHG and the company itself chooses only one person. With training and hand-holding by the company for the first three months, she begins her door-to-door journey selling her wares. The company will provide the agent with the goods which are more consumed. With this model HLL generates income for the underprivileged rural women by providing a sustainable micro-enterprise opportunity.

Like Coke and Pepsi, HLL also follows hub and spoke distribution model. It would be cost reduction technique for both the HLL and its dealers in rural markets. In this distribution model, company will have hub distributors to place the bulk products which covers 10 to 15 villages. Dealers get the products directly from the hub distributors whenever they are out of stock. Distributors are the company's mediators between the company and dealers.

HLL evolved Project Shakti to reach areas of low access and low market potential. HLL's first distribution model was piloted in Nalgonda district in 2001, it has been scaled up and extended to over 5,000 villages in 52 districts in AP, Karnataka, Gujarat and Madhya Pradesh with around 1,000 women entrepreneurs in its fold.The vision is ambitious: to create about 11,000 Shakti entrepreneurs covering one lakh villages and touching the lives of 100 million rural consumers by 2010. Andhra Pradesh was chosen for the pilot project as it has the most number and better established SHGs - there are about 4.36 lakh SHGs in AP covering nearly 58.29 lakh rural women. HLL might have seen incremental sales of Rs 1 crore a month each in AP and Karnataka where it has covered the whole State.

Though the development is certain, but the impact is slow and HLL is not expecting any quick returns in this project. Since the experiment began in Andhra Pradesh, HLL has seen 15 percent incremental sales from rural regions, which contributes 50 percent to over all sales of HLL products in Andhra Pradesh.

OBSERVATION

There are two important challenges faced by the companies while entering rural markets. They are

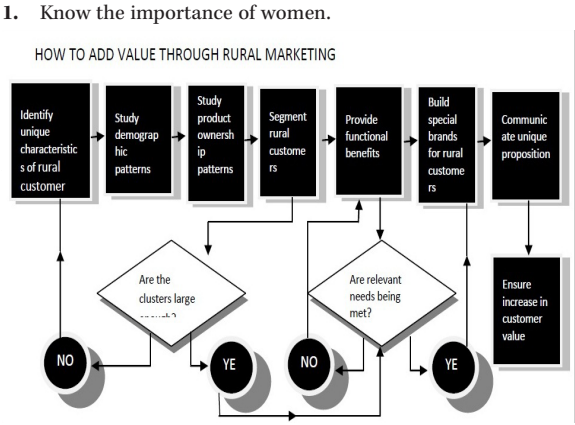
1. PricingStrategies
2. Distribution channels

(1) The two companies had followed Hub and Spoke distribution model which is proved effective in rural marketing.
(2) Pricing should be sensitive to consumers and should be in accordance with the packing. educate by creating awareness in the rural population about various products and creating opportunities to them.
(3) The process followed is a mutual benefit to the company and people involved. These methods help in cost reduction to the companies where as to people it is a great opportunity to run their own business in the case of HLL's Shakti project.

VALUE ADDITION TO RURAL MARKETING

After understanding the differences between rural and urban market, it is essential to understand the needs of rural people and redesign marketing plan to make it more rural specific. The following points must be strongly considered;

1. Know the importance of women.



CONCLUSION

Indian rural market is undoubtedly complex but there are some simple truths that we need to accept. The rural consumers are very value-conscious. They may or may not have purchasing power, but they can make a difference to the company's growth if concentrated. Gone were the days when a rural consumer had to go to a nearby town or city to buy a branded product. The growing power of the rural consumer is an opportunity for the companies to flock to the rural markets. Gandhiji believed that **India's future lay in her villages** and rural markets will have a significant part in India's economy. With the technological innovations, infrastructure development and enrichment of human capital in rural areas, backed by policy support by the government recognizes agriculture as one of powerful growth engine.

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