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Research Paper | Management

Strategies for Seizing Rural Markets- A Checklist for Fmcg Firms

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ABSTRACT

Abstract: Rural markets are the drivers of growth across diverse sectors- consumer durables, automobiles, FMCGs, Telecom, to name a few, but the FMCG Sector has been in the forefront of transforming the rural market scenario. Opportunities in rural market are aplenty but not without roadblocks. FMCG giants like ITC, Hindustan Unilever shown the way to succeed in rural markets, but the story was hit when there was hardly any competition. In the time to come when FMCG behemoths jostle for space in the rural revolution, who wins/ or loses, or would they co-exist, complementing one another, and ultimately what consumer gains? Depends on how well the firms craft and execute their strategies. The present paper focuses on strategies for seizing rural market- a checklist for FMCG firms that include knowing the potential, the peculiarities of rural masses and markets, the opportunities and challenges, the path traversed by the winners, and of course the need for uniqueness and innovation. Here it goes.

"The future lies with those companies who see the poor as their customers."

C. K. Prahalad

In this age of liberalization, privatization and globalization, rural market offers a big attraction to the marketers to explore markets that are untapped. Rural marketing involves the process of developing, pricing, promoting, distributing rural specific product and a service leading to exchange between rural and urban market, which satisfies consumer demand and also achieves organizational objectives.

KEYWORDS: Multi frequency ASSR, Single frequency ASSR, normal hearing

Peculiarities of rural markets/ consumers:

- Large, Diverse and Scattered Market: Rural market in India is large, and scattered into a number of regions. There may be less number of shops available to market products.
- Agrarian Economy: Rural Prosperity is tied with agriculture prosperity. In the event of a crop failure, the income of the rural masses is directly affected.
- Traditional Outlook: Change is a continuous process but most rural people accept change gradually. This is gradually changing due to literacy especially in the youth who have begun to change the outlook in the villages.
- Rising literacy levels: It is documented that approximately 45% of rural Indians are literate. They are also educating themselves on the new technology around them and aspiring for a better lifestyle. Lot of youth move out of the village and visit surrounding cities. They come back and influence decision-making.
- Diverse Socioeconomic background: Due to dispersion of geographical areas and uneven land fertility, rural people have heterogeneous socioeconomic background, which ultimately affects the rural market.
- Poor Infrastructure: The facilities like cemented roads, warehouses, communication system, and financial facilities are inadequate in rural areas. Hence physical distribution is a challenge to marketers.

Panoramic view of rural markets:

More than 700 million people in 6,00,000 villages, about two—third of its workforce was engaged in agriculture. A study conducted by NCAER, which compared the rural income and buying power, established that if the rural income in India goes up by 1%, there would be a corresponding increase of about Rs. 10,000 crores in the buying power.

Rural India buys 46% of soft drinks sold, 49%of motor cycles, 59% of cigarettes; 18 million TV sets are in rural India, Of 2 million BSNL mobile connections, 50 % are in small towns/villages. Rural households consume more than half of all the tea sold in India.

Estimated annual size of the rural market -

FMCG	Rs. 65,000 Crore
Durables	Rs. 5,000 Crore
Agri-Inputs(including tractors)	Rs. 45,000 Crore
2 / 4 Wheelers	Rs. 8,000 Crore

Marketers can make effective use of the large available infrastructure -

Post Offices	1,38,000
Haats (periodic markets)	42,000
Melas (exhibitions)	25,000
Mandis (agri markets)	7,000
Public Distribution Shops	3,80,000
Bank Branches	32,000

Drivers of growth of rural markets

- Increase in competition, saturated urban markets.
- Rural population involved themselves in business other than agriculture
- Increase white-collar jobs in nearby towns
- Commercialization of agriculture
- Media penetration in rural areas (particularly satellite channels)
- Globalization and economic liberalization
- Revolution in the Information Technology
- Women empowerment
- Improving infrastructure

Strategies of Triumphant FMCG brands

The companies like Hindustan Unilever, Coca-cola, Pepsi, ITC, Tata, BPCL, Colgate Palmolive and the like have made rapid strides in rural markets, while companies like Procter & Gamble, Nestle etc are moving cautiously. Let us see how the winners have done the things differently.

- Hindustan Unilever has embarked on ambitious venture, Project Shakti, to spur growth and penetration of its products in rural India while changing lives and boosting incomes. Project Shakti, was piloted in Nalgonda district of AP 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 was to create by 2010 about 11,000 Shakti entrepreneurs covering one lakh villages and touching the lives of 100 million rural consumers. For HLL, it is "enlightened self-interest". HLL plans to allow other companies which do not compete with HLL to get onto the Shakti network to sell their products. Talks are on with battery companies like Nippo, TVS Motor for mopeds, insurance companies for LIC policies. HLL contributes 20 per cent of the total FMCG business in the country impending satura-

tion of the urban markets.

- Coke's Thanda Matlab campaign as well as the Chota Coke campaign also targets the rural masses. According to the Coke spokesperson, due to the poor and erratic power supply in villages, the company has invested in non-electric chilling equipment to ensure the availability of chilled products to the consumers. The introduction of 200 ml packs at highly affordable prices provided the MNC with a strong product offering, as its international quality products are made available at affordable prices.
- ITC's E-Choupal: What was started by ITC as a cost-effective alternative supply chain system to deal directly with the farmer to buy products for exports is getting transformed into a meta market for rural India. The ITC virtual mandi is emerging as a one-stop shop for selling and buying of all kinds of products and services in the rural market. The tobacco giant has already set up over 700 choupals covering 3,800 villages in four States —Madhya Pradesh, Uttar Pradesh, Karnataka and Andhra Pradesh — dealing with products ranging from soybean, coffee, aquaculture and wheat. orders on the Internet kiosk with ITC have a choice either bring their produce to the ITC warehouse or factory and get reimbursed for the transportation cost or they could give their supplies to one of the collection centres that have been set up by the company for a cluster of villages or even deliver it to the sanchalak who runs the Choupal. The facility will be available for selling both ITC's products as well as those of other companies. It has already roped in US seeds giant Monsanto, fertiliser companies such as BASF and Nagarjuna Fertilisers and the State-owned MP State Seeds Corporation to take orders and market their products through the site. ITC is experimenting with using the kiosk to sell fast moving consumer goods (FMCGs). As the first step, it is selling gas lanterns and packaged vegetable oil. At the moment, these are being manufactured by third parties on behalf of ITC. Orders by farmers are being booked by the sanchalak who also arranges to have them delivered to the farmer's doorstep.
- BPCL introduced Rural Marketing Vehicle (RMV) as their strategy for rural marketing. It moves from village to village and fills cylinders on the spot for the rural customers. BPCL considered low-income of rural population, and therefore introduced a smaller size cylinder to reduce both the initial deposit cost as well as the recurring refill cost.

Rural Marketing is not a one-time act, not a marketing gimmick or a sound byte. It involves addressing some 700 million potential consumers, over 40 per cent of the Indian middle-class, and about half the country's disposable income. This market has been characterised by unbalanced growth and infrastructural problems. Nestle's rural initiatives have largely been based on price-led initiatives. Brands such as Maggi noodles and KitKat chocolates have been priced at Rs 5, and few other candy and chocolate brands are priced at Rs 2 per unit. These price points not only help Nestle in making inroads into rural markets. Currently, rural markets account for below 10 per cent of the food major's revenues.

Challenges in rural marketing

Ever growing rural markets are luring the big players to grab a pie, but still few firms are wary of their moves. Mr Carlo Donati, Chairman and Managing-Director, Nestle, while admitting that his company's product portfolio is essentially designed for urban consumers, cautions companies from plunging headlong into the rural market as capturing rural consumers can be expensive.

The major problems of rural marketing of FMC Goods include the following.

1. Large and scattered Market: The rural market of India consists of about 70+ crores consumers. There are about 600000 villages in India, 79 per cent of them with a population less than 1,000. Almost 80 per cent of the villages do not have all-weather roads
2. Seasonal and Irregular Demand: Not only the rural market is very large and very widely scattered but the demand is also seasonal because the rural demand is closely associated with farming and farming in India depends on the vagaries of monsoon.
3. Problems of promotion and marketing communication: With hundreds of dialects, cultural diversities, customs, the goods people purchase, how much and how frequently the purchase largely varies, and the task becomes much more complex for the marketers.
4. Problems of sales force management: Creative, innovative and dedicated sales-force is vital for understanding the needs of the market well and design the offerings. 'Markets are made and not merely found' is literally true in the case of the rural market of India.
5. Low Standard of living: The number of people below the poverty line is more in rural markets. Thus the market is also underdeveloped and marketing strategies have to be different from those used in urban marketing.
6. Transportation and warehousing: Transportation is one of the biggest challenges in rural markets. Only 50% of Indian villages are connected by roads. However, the rest of the rural markets do not even have a proper road linkage which makes physical distribution a tough task. Many villages are located in hilly terrains that make it difficult to connect them through roads.
7. Ineffective distribution channels: Due to lack of proper infrastructure, manufacturers are reluctant to open outlets in these areas. They are mainly dependent on dealers, who are not easily available for rural areas.
8. Spurious brands: Cost is an important factor that determines purchasing decision in rural areas. A lot of spurious brands or look-alikes are available, providing a low cost option to the rural customer. Many a time the rural customer may not be aware of the difference due to illiteracy and ignorance.

What's in store for future?

There have been significant improvements in the rural sector in respect of agricultural production, spread of education, banking facilities, electrification, transportation, communication, etc. In this contest rural markets have good prospects for most of the goods and services of this liberalized economy. Also, sizeable youth segment is emerging, with its own income or pocket money, which marketers need to recognize. Yesterday's luxuries are becoming today's necessities. Improved irrigation facilities, infrastructure, better roads, free trading in agri-produce, removal of excise duty on tractors and agri-implements; and the insurance scheme for farmers should all give a boost to the rural economy and generate a greater demand for corporate products.

However, to benefit from this new opportunity, urban marketers will have to gain a better understanding of rural lifestyles, needs and aspirations and design appropriate products. Corporates will need to extend their distribution reach to service this new segment living in six lakh odd villages, offer smaller packs at lower price points, and communicate in the local idiom to connect with rural audiences. A pan India marketing strategy will not work for rural India..

Suggestions

- Opening company outlets more in number in rural markets to closely monitor the growth, albeit the viability will be adverse initially.
- Company should take due care in the recruitment, selection and training of sales people
- The business model for rural retail can be successful only when integration between the profit and social motive is apparent.
- Empowerment in terms of economic power, purchasing power, knowledge and information dissemination is crucial for rural ventures to succeed. The model should empower the rural consumer, and at the same time take advantage of this empowerment through creation of demand.
- The rural share in consumer expendables like cooking oil, tea, electric bulbs, hair oil, shampoo, toilet soap, toothpaste, washing cakes and washing powder is concerned, their share on an average is much higher than consumer durables. However, in case of health beverages and cosmetics like shampoos, nail polish, lipsticks and the like, large gaps exist. Hence these products provide substantial opportunity to enter the rural markets.
- The greatest hindrance is that the rural market is still evolving and there is no set format to understand consumer behaviour. Lot of study is still to be conducted in order to understand the rural consumer.
- Deceptive practices like fake discounts, price manipulations, selling sub-standard goods etc. would be highly detrimental and thus should be avoided in the long run.
- The unique consumption patterns, tastes, and needs of the rural consumers should be analyzed at the product planning stage so that they match the needs of the rural people.
- Cut-throat competition may spoil the prospects of all firms, complementary and cooperative approach rather would go a long way in protecting the interests of all stakeholders- consumer the most important than any one else.

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