



Rural Marketing as Opportunity Marketing in India: The way ahead

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Marketing may aptly be described as the process of defining, anticipating and knowing customer needs, and organizing all the resources of the company to satisfy them. In fact, satisfaction of customer's needs and wants provides the rationale for the firm's existence. In today's volatile business environment, India's rural markets represent an opportunity no company can afford to ignore. Since 2000, per-capita Gross Domestic Product (GDP) has grown faster in India's rural areas than in its urban centres: 6.2 percent CAGR versus 4.7 percent. Rural incomes are growing, and consumers are buying discretionary goods and lifestyle products, including mobile phones, television sets and two wheelers. Between 2009 and 2012, spending in rural India reached US\$69 billion, significantly higher than the US\$55 billion spent by urban populations. Marketing may aptly be described as the process of defining, anticipating and knowing customer needs, and organizing all the resources of the company to satisfy them.

Keywords: Rural Marketing, Customer Retention, Retaining Customer and Rural Sales

"India's way is not Europe's. India is not Calcutta and Bombay. India lives in her seven hundred thousand villages" – **Mahatma Gandhi**

Introduction:

The term 'rural marketing' used to be an umbrella for the people who dealt with rural people in one way or other. This term got a separate meaning and importance after the economic revaluation in Indian after 1990. In today's volatile business environment, India's rural markets represent an opportunity no company can afford to ignore. Since 2000, per-capita Gross Domestic Product (GDP) has grown faster in India's rural areas than in its urban centres: 6.2 percent CAGR versus 4.7 percent. Rural incomes are growing, and consumers are buying discretionary goods and lifestyle products, including mobile phones, television sets and two wheelers. Between 2009 and 2012, spending in rural India reached US\$69 billion, significantly higher than the US\$55 billion spent by urban populations. Marketing may aptly be described as the process of defining, anticipating and knowing customer needs, and organizing all the resources of the company to satisfy them. In fact, satisfaction of customer's needs and wants provides the rationale for the firm's existence.

Knowledge of consumer behaviour, therefore, is vital for a firm to achieve its marketing goals. The consumer's behaviour comprises the acts, processes and social relationships exhibited by individuals, groups and organizations in searching, obtainment, use of, and consequent experience with products and services. An understanding and knowledge of the motives underlying consumer behaviour helps a firm in seeking better and more effective ways to satisfy its customers. It helps to select appropriate sales and advertising strategies, and to plan marketing programme in a more efficient manner.

Rural Consumers and Role of Local Bodies in Consumer Protection

Still about 70 percent of India's population lives in rural areas. There are about 6,38,365 villages in the country as against about 300 cities and 5,161 towns. Of the 121 crore Indians, 83.3 crore live in rural areas while 37.7 crore stay in urban areas, as per the Census 2011. The National Council of Applied Economic Research (NCAER) survey

report says that there are 720 million consumers across the villages in rural India.

Hence, the development of the nation largely depends upon the development of the rural population. Majority of the rural population is dependent upon agriculture for their subsistence. Community Development Programmes, Integrated Rural Development Programme, bringing local self-government to the roots of the village through introduction of *Panchayati Raj* system ushered a new era of rural development. Schemes for providing effective rural healthcare, guaranteeing 100 days of job, promoting literacy and adult education, expansion of rural industries are other development programmes that have received the thrust of the government's development approach. Islands of poverty still exist but most of rural India is transformed beyond imagination, as a result of a host of factors which has put unprecedented wealth into the hands of farmers across the country and turned rural India into a huge consumer market.

Changing Face of Rural India

Over the past few years rural India has witnessed an increase in the purchasing power of consumers, accompanied by their desire to upgrade their standard of living. The steps taken by the Government of India to address the poverty have improved the condition of rural masses. As a result, rural consumers have upgraded their lifestyles through making changes in their consumption patterns by adding more nutritious food and are purchasing lifestyle products such as cosmetics, beverages, mobile phones etc., which have become necessities for them. A number of schemes and programmes of the government have changed the rules of the marketing game in rural India. The flagship schemes of Government of India especially Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme, which has a budget of more than 40,000 crores have given the rural population an opportunity to meet their daily needs. With the initiation of various rural development programmes there have been an upsurge of employment opportunities for the rural poor.

According to a study on the impact of slowdown on rural markets commissioned by the Rural Marketing Association of India (RMAI) and conducted by MART (a New Delhi-based research

organisation that offers rural solutions to the corporate world), the rural economy has not been impacted by the global economic slowdown that took place since 2008. The study reveals that rural incomes are on the rise, driven largely by continuous growth in agriculture for four consecutive years. A record harvest of 230 million tonnes of food grains in 2010 coupled with a 40 per cent increase in the minimum support price of wheat and paddy over a two-year period has resulted in farmers' income rising sharply. The rural economy got a further boost with the farmer loan waiver of 71,600 crore. Today India's 56 percent of income, 64 percent of expenditure and 33 percent of savings come from rural India. The rural share of popular consumer goods and durables ranges from 30 to 60 percent.

A Silent Uprising

According to a report by McKinsey & Company named 'The 'Bird of Gold: The Rise of India's Consumer Market', by 2025 India will triple its income level and will become the fifth largest consumer market, climbing from its current position at 12. A lot of this wealth will be created in the urban areas, but even the rural households will benefit. The real annual income for rural households will move from 2.8 percent in the past two decades to 3.6 percent in the next two. Rural markets are growing at double the pace of urban markets and for many product categories, rural markets account for well over 60 percent of the national demand. Companies are realising slowly but surely that the key to gain true market leadership lies in tapping the rural potential. With urban markets getting saturated, most companies are looking at huge potential in rural markets. Major corporations have seen great success with innovative strategies such as smaller packaging customised development and positioning and a good distribution network. The rural India success story is being replicated across a range of sectors in the rural markets.

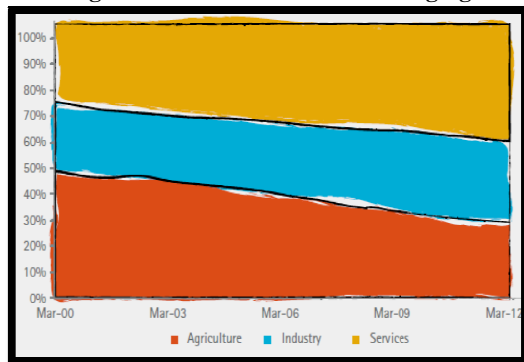
Presently, the rural market accounts for a hefty share in most market segments – 70 percent of toilet soaps, 50 percent of TV, fans, bicycles, tea and wrist watches, washing soap, blades, salt, tooth powder and 38 percent of all two-wheelers purchased. Rural India consumers hold a major share in many categories. Rural India buys 46 percent of all soft drinks, 49 percent of motorcycles

and 59 percent of cigarettes and almost 11 percent of rural women use lipstick. This was found in a survey by MART. Car sales in rural India have been on the increase in last three years since the government announced various schemes such as farm loan waiver etc., for the rural population. According to report entitled 'India Retail Report 2009' by Images FR Research, India's rural market offer a sea of opportunity for the retail sector. Presently, India is globally the fifth largest life insurance market in the emerging insurance economies. 78 percent households in rural India are having awareness about life insurance and 24 percent are policy owners. According to the Ministry of Communications and Information Technology, India is having more than 826.93 million mobile phones and 35.55 million landlines in April 2011, which is about 70.23 percent. Out of this about 40 percent are from rural areas, and by 2012, rural users will account for over 60 percent of the total telecom subscriber base in India.

India's Rural Markets: More Promising than Ever

The rural economy has rapidly transformed in the last decade and is now being led by manufacturing. Indeed, agriculture accounts for only about one-fourth of rural GDP compared to half a decade ago.

Fig.1- The rural GDP mix is changing



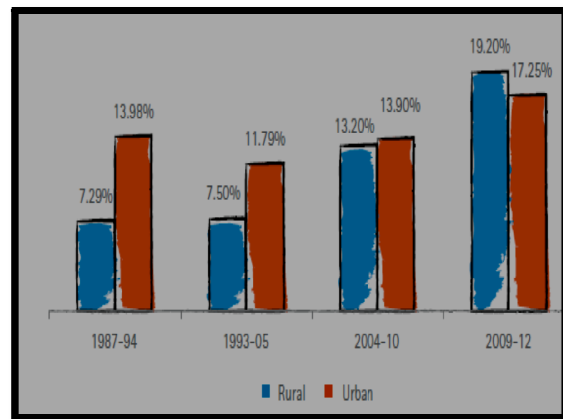
Source: Govt of India Industries Reports

From above figure, it can be observed that about 55percent of manufacturing GDP is rural; nearly 75 percent of new factories built in the last decade were in rural areas, and rural factories account for 70 per cent of all new manufacturing jobs. Industrial development in rural India has increased household purchasing power and income stability. Rural India accounts for about 50 percent of India's GDP and nearly 70 percent of India's population. This enormous opportunity has been clear for a

decade or more. However, only in recent years have these markets lived up to their promise.

Per capita rural GDP has also experienced strong improvement over the past few years. Since 2000, it has grown faster than per capita urban GDP: 6.2 percent compound annual growth rate (CAGR) versus 4.7 percent. Between 2009 and 2012, rural consumption per person grew at 19 percent per annum, two percentage points higher than its urban counterpart. The following figure showing that The percentage increase in monthly per capita expenditure in rural markets surpassed its urban counterparts during 2009 and 2012, indicating increased consumption in rural markets.

Fig. 2- Rural consumption growth is outpacing urban consumption



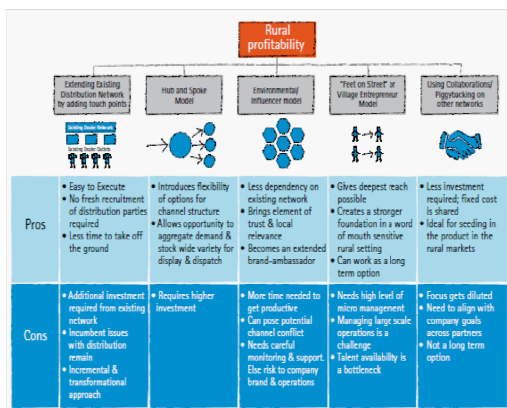
Source: NSSO 2012

In incremental terms, spending in rural India during these two years was US\$69 billion, significantly higher than the US\$55 billion spent by urban populations.⁸ As incomes rise, rural consumption shifts from necessities to discretionary goods and lifestyle products, including mobile phones, television sets and two-wheelers. Nearly 42 percent of rural households owned a television in 2009-2010, up from 26 percent five years earlier. Similarly, 14 percent of rural households had a two-wheeler in 2009-2010, twice the penetration during 2004-2005.⁹ About one in every two rural households has a mobile phone today, even in India's poorest states such as Bihar and Orissa. Rural consumers have been trading up, and their consumption basket is beginning to mirror that of the urban consumer. The percentage increase in monthly per capita expenditure in rural markets surpassed its urban counterparts during 2009 and

2012, indicating increased consumption in rural markets.

The following figure.3 describing that the economic, demographic and cultural drivers that are shaping India’s rural market call for innovative strategies and capabilities. Companies are experimenting with different sales and distribution models to position themselves for the long term. But the results have been mixed, and companies face numerous barriers to efficient sales and distribution.

Fig.3-Emerging Sales & Distribution Model for Rural India



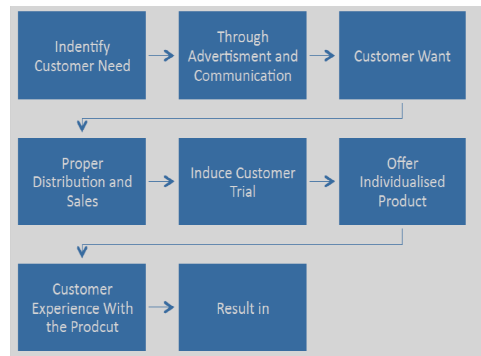
Source: Accenture-Rural Masters Report 2012

Retaining Rural Customers

It is widely acclaimed that India is one of the largest consumer market in the world. But the consumer in India shows wide variation in size and potential of various consumer market segment. These difference can be seen in terms of geographical difference , urban – rural consumer (there style of living consumption pattern etc.), age and family life cycle , income level, education level, linguistic and religion diversity , food habit ; festival etc. revolution in communication technology are forcing marketer to look beyond time tested concept such as brand loyalty and mass marketing . Marketer are trying to determine the underlying need and motive of consumer as well as various factor which influence the formation of these need and satisfaction of these. Marketers are also trying to understand the “Learning Process” adopted by buyer and consumer. Rural customers can also be sceptical about businesses and their products. Given the strong social fabric in rural areas and the pivotal role it plays in influencing

purchase decisions, companies must find new ways to promote their products and establish credibility.

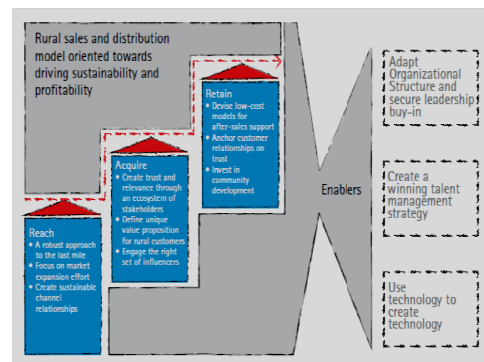
Fig. 4-Process of boosting Customer Retention



To boost retention, companies must provide satisfying experiences across the customer lifecycle and generate positive word of mouth. However, providing reliable and consistent after-sales service and optimizing the costs of a high-quality experience remain major obstacles. The wide geographic dispersion of a small number of customers drives high sales-service costs, and many businesses cannot provide a dedicated after-sales service network.

Today, companies are leveraging data analytics to forecast product demand to assess the attractiveness of a given market. However, rural markets have limited data on consumer demographics, behaviors, preferences and perceptions, and these limitations thwart rational sales planning. Moreover, poor connectivity prevents companies from easily acquiring real-time and reliable sales data. That makes it difficult for them to monitor and measure key performance indicators including the number customers lost or gained.

Fig.-5 Mastering sales and distribution in rural markets



The above figure suggesting that, to succeed in rural markets, companies must master the art of reaching, acquiring and retaining rural customers. Rural Masters excel at all three elements by building a deep understanding of rural consumers and translating these insights into new approaches across their sales, distribution, marketing and customer service functions. In the sections that follow, we look at how these companies have achieved the needed mastery. Our framework offers insights into how companies can achieve mastery across the full rural customer lifecycle.

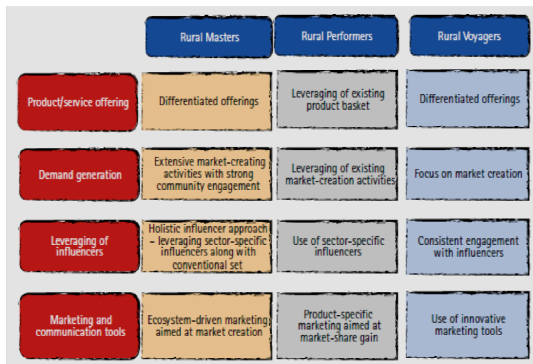
Bringing technology to market embodies three major themes.

1. The first is value creation. For companies to be successful in sustainable technology innovation, it is critical that they punctuate their incremental or value added innovations with radical or value creating innovations.
2. The second theme is speed. As window of opportunities for new technologies are shrinking product development timeliness are by necessity shortening, creating a real dilemma for product developers- how to produce superior high technology product faster, yet at price the market will tolerate.
3. The third theme is entrepreneurship. The tool that entrepreneur employ to recognize and create opportunity , test a business concept in market, and gather resources to execute the business concept.

mechanisms need to focus in the rural areas. In addition, technology can help increase customer loyalty. By recording and analyzing customer purchase data, companies can forecast expected behavior. Such forecasts can guide key business decisions including rural market product portfolios, sales pipelines and identification of target segments to serve. Some Rural Masters also track incremental profits, which helps them define profitable customer strategies. A leading auto company, for example, has integrated its systems end-to-end to track product level incremental profits. The process uses multiple systems to report key data points such as call center customer data, productivity numbers from customer relationship management packages, gross margins and operating costs from the company’s enterpriser source planning system. The ability to track incremental profits at the product level has helped the company optimize its business strategy.

Mahatma Gandhi said, “A consumer is the most important visitor on our premises. He is not dependent on us, were on him. He is not an interruption to our work; he is the purpose of it. We are not doing a favour to a consumer by giving him an opportunity. He is doing us a favour by giving us opportunity to serve him’. Keeping these words in mind, there is an urgent need to address the concerns of the rural consumers and the only way forward is to involve the available constitutional mechanism of PRIs. In addition, technology can help increase customer loyalty. By recording and analyzing customer purchase data, companies can forecast expected behavior. Such forecasts can guide key business decisions including rural market product portfolios, sales pipelines and identification of target segments to serve.

Fig.6-Acquiring rural customers



Source: Accenture Research and Analysis 2012

The Way Forward

Taking into consideration the changing face of rural India and the fast growing rural market, in future Indian consumer movement and government

Conclusion:

The term ‘rural marketing’ used to be an umbrella for the people who dealt with rural people in one way or other. This term got a separate meaning and importance after the economic revaluation in Indian after 1990. In today’s volatile business environment, India’s rural markets represent an opportunity no company can afford to ignore. Since 2000, per-capita Gross Domestic Product (GDP) has grown faster in India’s rural areas than in its urban centres: 6.2 percent CAGR versus 4.7 percent. It is widely acclaimed that India is one of the largest consumer market in the world. But the

consumer in India shows wide variation in size and potential of various consumer market segment. These difference can be seen in terms of geographical difference, urban – rural consumer (there style of living consumption pattern etc.), age and family life cycle , income level, education level, linguistic and religion diversity , food habit ; festival etc. revolution in communication technology are forcing marketer to look beyond time tested concept such as brand loyalty and mass marketing. market is for sure now looking attractive for companies wanting to explore new turf. Hariyali Kisan Bazaars (DCM) and Aadhars (Pantaloon-Godrej JV) have already set up rural retail hubs, ChoupalSagars (ITC) has done the same and so have KisanSansars (Tata), Reliance Fresh, and others like the NayaYug Bazaar. We hope that the present marketers can make use of these opportunity marketing for the development of Rural Marketing and Rural India.

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