

URBAN ORIENTATION: AN OBSTACLE FOR RURAL MARKETING SUCCESS

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Introductory Note

The Indian Rural Market with its vast size and a large demand base definitely offers huge opportunities to marketers. We have two thirds of the consumers in the country living in rural areas generating almost half of the national income. It is thus quite natural that rural markets assume an important role when compared to the total market of India. India is classified in around 450 districts comprising approximately 6.3 lakh villages which can later be sorted out on different parameters namely literacy levels, accessibility, income levels, penetration, distance from nearest towns etc.

The success of a brand in the Indian rural market is as unpredictable as expecting rain from the skies nowadays. It has always been a difficult task to gauge the rural markets. Many brands, which should have been successful, have failed miserably. More often, companies attribute rural market success to luck. Therefore a need is felt at the marketing level to understand the social dynamics and attitude within each village, though nationally it follows a consistent pattern.

The rural market has been growing steadily since the 1980's and is now bigger than the urban market for both FMCG's [53% of the total market] and Durables [59%]. The annual size of the rural market, in value terms, is currently estimated at around Rs.50,000 crores for FMCG's, Rs.5000 crores for durables, Rs.45,000 crores for agri-inputs and implements and another Rs.8000 crores for automobiles.

[I] What is a rural market?

Govt. of India defines a non-urban market.

An *Urban market* is the one which has a population density of 400 people per square km. 7% of its population has to be involved in non-agriculture activities and there is a municipal body.

Roughly 73% of Indian population lives in the rural areas [12% of the world population]. Rural markets cannot be termed as one homogenous entity.

Rural markets are becoming more vital for the growth of many companies. For instance, in HLL, the largest FMCG company in the country, more than half of its annual turnover of Rs.9954 crores comes from the rural market. The situation is similar for companies manufacturing dry cells, wristwatches, cassette recorders, soaps, tea etc.

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But despite the high rural share in these categories, the rural penetration rates are dismally low, thus offering tremendous potential for growth. In durables, lack of infrastructure

[Electrification] poses as a main obstacle for low penetration.

Some impressive facts about the rural sector:

- Number of rural supermarkets [Haats] in India – 42,000 exceeds the total number of retail chain stores in USA [35,000].
- In 2001- 02, LIC sold 55% of the policies in rural India.
- Of the 2 million BSNL mobile phone connections, 50% are in rural areas.
- Of the 20 million who have signed up for rediffmail, 60% are from small towns. Of the one lakh who have transacted on rediffmail online shopping site, 50% are from small towns.
- 24 million Kissan Credit Cards [KCC] issued in rural areas exceeds the 17.7 million credit plus debit cards issued in urban India. A whopping Rs.52,000 crores has been sanctioned under the KCC scheme.
- The number of middle and higher income families [Having Rs.70,000+ annual income] in rural [21.7million] and urban [24.7 million] is nearly the same.
- Electricity consumption by the agri-sector has shown a sharp increase from 17.6% of total consumption [In 1980-81] to 29.2% [In 1999-2000]. During the same period, industry share has dropped from 58.4% to 34.8%.

Unfortunately, we do not have many instances of companies investing sufficient money in research or time in the field to really understand rural consumers in terms of their values, aspirations, needs and usage habits.

Marketing is all about "*Knowing your Customer*", but having largely ignored this basic principle, success has moved away from most corporates in these rural markets. The reason for such a phenomenon occurring is mainly attributed to '*Urban Orientation*' of marketers.

The phenomenon of urbanization and westernization have had a profound homogenizing effect on consumer behavior due to which we do not find much difference between a consumer in Mumbai and to one in New York. Unfortunately, the next logical step of extending our thinking and strategy to rural areas has not seen the required success because a rural consumer is fundamentally different and different rural geographies display considerable heterogeneity calling for rural specific and region specific strategies. In other words, companies that have walked that extra mile in understanding the rural markets have registered success.

Following are some specific aspects that form the fundamentals for rural marketing strategies:

[II] Understanding Rural Consumers

In the urban family, the husband, wife and most often the children too are involved in the buying process. But in a typical village the male members are in charge of making decisions as the women folk are in less contact with the markets.

Further, while an urban individual is free to take independent purchase decisions, community-decision making is quite common in a village due to strong caste and social structures and existence of low literacy levels.

Illustration : Arvind Mills.

Market Research reported that even the cheapest branded jeans were found to be beyond the reach of rural males; although there was skepticism towards ready-mades. Arvind Mills introduced a Ready-to-Stitch Ruf and Tuf jeans kit at Rs.195/- against the organized sector price range of Rs.150-300. The product was made available in most of the local retail outlets in locations with a population of upto 5000. Tailors in the village were thoroughly trained and provided with additional machine accessories required for stitching heavy denim cloth as the success of the company's venture depended heavily on the finesse of the local village tailor.

Result : In the first two months, demand for Ruf and Tuf crossed a million pieces and within 18 months, five million kits were sold.

Other similar successes : 'Tiger' from Britannia, 'Sampoorna TV' from LG, 'A1' tea from HLL.

[III] Rural Distribution

Rural distribution comprises a huge network including six lakh plus villages in the country. But the main issue arises as to where from rural consumers buy?

In the case of durables, it is 90% purchased from 20,000 + population towns which are 2,300 in numbers. Situation with FMCG product buying is still more complex.

Direct supplies upto 20,000 + population feeder towns needs to be quite sufficient, as each distributor in turn would have a supply network of 100 + outlets in 50 odd locations which can cover all villages upto 2000 + population category. Such 85,000 larger villages house about 40% of the total rural population but takes care of more than 60% of rural consumption.

Rural marketing involves more intensive personal selling efforts compared to urban marketing. To effectively tap the rural market, a brand must associate itself with the same things the rural folks are normally used to.

Besides melas, rural markets do have the practice of fixing specific days in a week as 'Market Days' when exchange of goods and services are carried out. This is another potential, low cost distribution channel available to marketers.

The existing market structure in villages contains a mix of both 'rural markets' and 'retail outlets'. The central stock points need to be located in feeder towns.

The network of feeding the retail outlets with mobile outlet in weekly haats and melas, always ensures that the set up does not adversely affect product pricing as it is desirable to keep the same highly competitive and at the same time acceptable to the rural masses.

[IV] Rural Promotions

In the area of communication, corporate marketers have perhaps failed to recognize that a rural consumer may be buying a particular brand or even the product category itself [durables] for the first time in his life.

With scanty presence of key influencers within a village set-up and few sources of information [due to limited reach of print and electronic media], the rural consumer feels inhibited and ill equipped to buy confidently due to lack of information.

Hence there is a strong need to build re-assurance and trust about product quality, service support and company credentials in the minds of rural consumers of such types.

The above is best done using the techniques of 'Face-to-Face' 'Below the line' touch, feel and talk mode at haats, melas and mandis. Corporate marketers have not used these platforms effectively so far and are busy trying to accustom themselves for the same.

There are 42,000 haats, each catering to the daily needs of 10-20 villages. 'Haats' could serve as both sales outlets and re-distribution points mainly because shopkeepers residing in the villages [Rural retailers] visit such haats frequently for replenishment of their stocks.

Similarly from the list of 25,000 melas in India [90% are religious, non-commercial and one day affair], the 1000 larger and more commercial ones in nature normally visited by thousands of visitors can be definitely thought of for brand promotions.

The 7,000 mandis also serve as good platforms for promotion of high-end durables, besides agri-input products.

While using promotional strategies in rural markets, marketers need to be very cautious in the choice of the vehicle to be employed for communication purposes. They must not forget that only 16% of the rural potential has access to vernacular newspapers.

Even though T.V. is a powerful medium, audiovisuals must be planned to convey the right message to rural folks. Marketers need to experiment and also rely on the rich, traditional media forms like folk dances, puppet shows that are quite familiar and seem more comfortable to the rural consumers in the light of creating a high impact for their product campaigns.

[V] Rural Communications

In order to communicate effectively with rural audiences, it is very much essential

to understand the aspirations, fears and hopes of the rural customers in relation to the product category, well before developing a communication package that delivers the product message.

While Companies could be having a national strategy, there is a need for them to act locally. This means that they need to develop special creatives basically aimed at homogenous rural segments which may have a stark difference from the approaches used in urban marketing communications.

To effectively tap the rural market, there must be a strong association between the brand and the things rural folks do. This can be easily done by utilizing the various rural media to reach them in their own language and in large numbers so that the brand can be associated with their rituals, celebrations, festivals, melas and other activities on the occasion where they assemble.

[VI] Rural Psyche

Price sensitivity of a rural consumer is something the marketers should be aware of. The marketing strategy revolves around what attracts the rural customers to a product

[Ex: Packaging]

Rural customers are generally daily wage earners and so do not have monthly income patterns as their urban counterparts. So it makes sense for marketers to offer products packed in smaller units that are less priced, thus increasing its affordability to the rural segment. The other aspects that can be considered in a similar fashion are that of color and convenience.

[VII] Importance of Customs

It is very important to understand the differences between urban and rural markets in India. Rural and Urban markets in our country are so very diverse in nature that the 'Urban Marketing Programmes just cannot be successfully extended to the rural markets'.

The buying behavior demonstrated by the rural Indian differs largely when compared to that of the typical urban Indian. Further there is a vast difference between the rural consumer and their urban counterparts on the aspects related to values, aspirations and needs.

Buying decisions in rural areas are greatly influenced by social customs, traditions and beliefs and also it is a requirement that most rural purchases do require collective social sanction which is normally unheard of in many urban areas.

Another contrasting feature between the two is the precision in the 'Assessment of Purchasing Power of the Consumers'. In urban markets, income levels are generally used to measure purchasing power and accordingly markets for the same are segmented. But this measure is inadequate for the purpose of defining the purchasing power in rural areas, mainly because incomes in rural areas are grossly underestimated.

Farmers and Artisans are paid both in cash and kind. But while reporting their incomes, they tend to report only their cash earnings, which at a later stage affects the calculation of their purchasing power.

This is the reason why marketers are often surprised to find that their products are sometimes consumed by people who according to their surveys and estimates do not really have the purchasing power to do so.

In the light of the above, there is a strong need felt for marketing managers to understand the rural consumer much better in order to plan his strategies for producing the desired result in the rural markets.

[VIII] Changing the Marketing Mix

Marketers attempting to extend their marketing plans from urban to rural areas fail on various occasions. There is a need to adopt a strategy appealing individually to the rural audience and later formulate separate annual plans, and sales targets for rural segments.

Suitable changes need to be incorporated in the marketing mix and corporate marketers to refrain themselves from designing goods for the urban markets and then subsequently pushing them in the rural areas.

The unique consumption patterns, tastes and needs of the rural consumers needs a thorough analysis at the product planning stage in such a way that it matches the needs of the rural population.

[IX] MOTIVATORS FOR PURCHASE ...A Rural Consumers Viewpoint

[A] Various studies suggest that rural youth are playing an increasingly important role in purchasing decisions. They are the ones who actually travel out frequently in the village. In other words, they are the real drivers of the rural market. They may not be the final consumers, but often they are the ones who influence the purchase of high value products and they decide on which brands to choose. Reference is made to youth in the age group of 8 to 15 years who influence most purchases. This is largely because they tend to retain messages they have seen or heard and then repeat back these messages to others too.

[B] Another typical rural phenomenon is that kids in the houses are sent by their mothers to purchase some items without mention of any brand. In such situations at the retail outlets, kids tend to ask for products they have seen or heard on TV or radio. So to a large extent, kids are also responsible for driving this change as much as the youth are.

[X] Need for rethinking the Urban Marketing model to suit Rural Markets

What Marketers and Advertisers are nowadays worried is the way to develop a scalable model of influencing the rural consumers mind over a large period of time and keep it going, given limited budgets to perform in such markets.

That's where mature marketers [those who really understand rural markets] and advertising agencies have made a difference and have gone ahead developing a scalable media/ communication model to suit the new market place.

The basic problem of deploying mass media for marketing communication in rural India is the presence of time gap between the point of exposure and the time of purchase, which is pretty long.

The most important element in rural communications is the perfect integration of the following *three things* as you communicate:

- Communication [the exposure to a message]
- Trial or demonstration [convincing]
- Final Sale

If the above three elements can be integrated into one timeframe, the cost effectiveness then gets measured on a different platform. When you measure the effectiveness of say, TV, you don't measure on these elements. So there is a concept of touch and feel within the communication itself that you have provided as you create communication for the rural consumer.

One of the characteristics of rural consumer is the variability in income size and patterns. Somebody gets daily wages while some earn weekly salaries. Yet another might be paid on a monthly basis. Given this scenario, it is often said that if a rural consumer buys daily, he has before him 365 opportunities in a year to switch brands. In an advanced country like America, where the product is brought only once a month, you get 12 such opportunities to change the brand.

Changing brands everyday is certainly a possibility among rural consumers that marketers cannot undermine. But a bigger problem for marketers is brand recognition. The challenge is to create communication that aids rural consumers recognize brands, logos, visuals, colors etc, so that he or she actually buys Lifebuoy and not something else. But all this is really not happening at the pace required.

[XI] Urban and Rural Retailers Differences

In the urban sector, by and large, the retailer has transformed himself as more of a conduit. Levels of influence vary from one one category to another. In consumer electronics sector, extent of influence of the retailer can be as high as 50% on aspects related to brand choice and this phenomenon is observed cutting across all socio-economic classes. Even a well read person having knowledge of the latest products, who has watched commercials, has met people using the products, can still change his choice of brand based on the recommendation of his retailer.

The rural retailer influences still more and is more important than urban retailer because urban consumers are more educated, exposed to media etc. In certain categories in the urban areas, the retailer has no role to play other than just speaking about the products and making sure that it is available at all required times and providing the

value added services. In the rural sector, the rural retailer plays a very significant role in terms of giving information to the rural consumer about the genuinity of the product itself.

Also the retailer is influential in every single product category in rural India simply because he extends credit to most of his customers. Customers buy from the retailer on credit – The moment you have an 'account' with the retailer, he exerts an influence on everything the customer buys. On the other hand some companies have analyzed that there is no effect of other influencers [Sarpanch, Senior leaders] on consumers, especially in FMCG purchases.

Research also suggests that the rural retailer tends to stock very few brands within each product category as against the urban retailer who keeps as many brands as possible. The rural retailer is savvy enough to have realized which brands move fast and therefore stock every one of those brands. He certainly ensures that the fast moving brands are there and so does not restrict his basket to one, two or three brands of some specific companies.

The basket is not restricted because none of these stockists ever reach the retailer. In 90% of the cases it is the retailer who goes into the market and purchases the product that is prevalent, moving and popular. These rural retailers hardly get any service from the re-distribution stockists.

For shops within the village, their stocking pattern is very much dependent on the kind of investment the retailer can afford in a one-time purchase. So if his average investment is something like Rs.1000 to Rs.1500 once in a week — it implies that he spends this amount to replenish his weekly stocks. A lot depends on what sorts of product he is stocking in the village.

Rural credit is virtually non-existent . Conversely as of date, 80% of urban durable sales are made on the basis of hire purchases. This concept of hire purchase still hasn't entered rural India. As a result, second-hand sets exchanged for new ones in the urban market are finding their way into the rural market. We have also qualitative factors like some religious months wherein the rural customers do not buy any durables during that period.

Marketers cannot let their capital get stuck for that period because the stocks will be just lying there. As far as the durables are concerned, there is still some hope, because the rural mindset is to visit the nearer town and buy. This visit is not primarily because they want to buy, but they see their visit as an occasion, a kind of a holiday from their normal routine. So in distribution terms, it is not yet absolutely necessary for the durables – Refrigerators, fans, TV's, radios – to go right to the doorstep in the rural markets.

HLL covers about 70,000 retail outlets. It is not the coverage but a new innovative approach that needs to be created. HLL may like to invest in mobile vending or invest into very unconventional, very new and innovative approaches or else it becomes difficult, because for every HLL brand there are 10 to 15 imitation products and they

cannot be fought on the basis of price difference. In other words the strategy should be more pitched on the aspects of accessibility, availability and visibility of the products at the local shop.

It is rather inexpensive to reach out to the rural consumer. In rural markets, brands are non-existent and per se don not make much difference in decision making of the products. Rural consumers identify FMCG by three things: Color, Visuals of animals and birds and by Numbers. Typical connotations used in rural markets to identify brands are as follows: 555, 777, Pila Hathi, Lal Saboon.

So it is highly imperative to understand that lots need to be done in the rural markets when it comes to aspects of communications, media, marketing, branding. In rural markets, to sell brands, it is necessary to simultaneously educate the consumers. In other words to create brand communication, marketing efforts must be strongly supported by education.

[XII] Some Issues to Address

- Do Organizations, which are at present traditionally focused on urban market, need to have a different kind of Organizational structure, Management Process, Systems [including MIS] to successfully enter the rural market?
- Can the same Organization carry on even for the rural markets or do you need recognition, a commitment at the senior management level for tapping the rural market?
- Does rural marketing need a specialized division?

— Given the huge nature of the rural market accompanied with its diversity, you need a long term vision, elicit top management backing on the project and of course resources, as results are not obtained overnight.

We definitely need a paradigm shift in thinking process. For many 'Rural' has just been a geographical extension of the urban market. But in reality it is not. Hence it has to be tackled in a very different fashion. The rural distribution value chain is entirely different from the urban value chain. The way consumers process communication in the rural areas is entirely different the way it is processed by urbanites. This is mainly due to cultural factors. The more rural you go, cultural factors bring in more heterogeneity. One rural village in the same district is very different from a rural village say three districts away. So looking at it as an extension could be entirely a wrong decision. So to this extent it does require a different treatment and require a total paradigm shift in the way we think.

A separate rural cell has been created by some companies having a set of people who understand the ethos of the rural market – people who understand the social fabric, who understand how the rural consumer interacts with various categories. It definitely needs a different level of understanding for tackling this market.

The basic difference between regular marketing and rural marketing and communication is 'Sensitivity'. The marketer need a certain amount of earthiness within

himself, sensitivity about rural people, market, environment, issues, concerns may be of a specific geography. In other words the marketers need to "sensitize themselves".

[XIII] Areas where one can be careful while taking Rural Marketing Decisions

Marketers to be sensitive to the requirement of the region that is planned for products to be sold, especially for FMCG goods, like "Vegetarianism" is a very big issue in certain rural areas. So marketers need to be careful with their products. This could be one way of innovation. Although law only requires products consumed internally [like toothpaste] to be vegetarian, one can still ensure that this extends to other external-use products too A case of tapping rural sensitivity.

As the marketing head of the company entering rural markets, the first issue to be handled is a way of cracking rural distribution, because when the consumer goes to the shop and can't find the product, then may be all other issues like sensitivity, product awareness suddenly are rendered useless. In other words it is suggested to focus on getting "Logistics" right in place first.

Points to be careful about while entering rural markets:

- Distance yourself from what you already know.. Time for unlearning
- Learn everything anew
- Be choosy about the kind of people who drive the rural programmes
- Particular way of fresh thinking and a mindset that understands the rural context is a pre-requisite.

Rural Market Research is another area of concern which is still at a fledgling stage forming barely 10% of the total research pie. Some of the specialized rural market research agencies are Sampark and Video-on-Wheels. Though it was expected to take off in a big way when rural market spends started going up in India, the hard fact is that money flowing into it is still a trickle.

Marketing firms are just not ready to invest money for research in rural areas. They feel MR firms are not bringing anything new to the table. Sales forces are out in the field, interact with retailers on a regular basis, while agency personnel visit rural areas for 15 days a year.

Part of the problem facing large firms is that their core strength has always been quantitative research, while rural marketers are not interested in numbers. They feel such details will come later when the market matures – right now they are only interested in qualitative data.

The diversity and heterogeneity in rural research makes the task difficult and the numbers aggregated given to them don't mean much. No two villages are the same, even if they are in the same area and have the same incomes. To get usable rural information, clients are looking elsewhere for authentic sources of information. This is

where small agencies are taking the lead. Big agencies have not got the rural touch – their researchers are primarily urban and find it hard to break the ice with rural consumers.

Urban and Rural research may be designed to get the same information, but the process of acquiring it differs. Smaller agencies seem to have better techniques, like usage of various tools to get responses.

Ex: If you ask a farmer to rank three brands verbally, he won't be able to. But if you give him a coloured disk with a pointer and let him use different colors as points on a scale, he will give a great response.

[XIV] Conclusions

There is a lot of money in Rural India. But there are hindrances at the same time. The greatest hindrance is that the rural market is still evolving and there is no set format to understand consumer behavior. Lot of study is still to be conducted in order to understand the rural consumer. Only FMCG's with deeper pockets, unwavering rural commitment and staying power will be able to stay longer on this rural turf.

A radical change in attitudes of marketers towards the vibrant rural markets is called for, so that they can successfully impress on the 230 million rural consumers spread over approximately 6 lakh villages in rural India.

An Income dispersal projection by NCAER for 2006-07 shows that the number of poor households will shrink by half to 28 million households from 61 million in 1997-98, whereas the middle income households will double and rich households will treble over the decade in rural India.

This upward push taking rural people from poverty to prosperity will lead to greatly increased purchasing power amongst the rural masses. To get a larger share of the growing rural pie will call for a radical shift in management thinking; from gross margins to high profits, from high value unit sales to a game of high volumes, capital efficiency etc.

Companies will need to take the following specific initiatives to succeed in the dynamic rural market –

- Top Management support absolutely essential for all rural initiatives
- CEO to articulate strong commitment to rural marketing; only then will the marketing team give focused attention and sustained support to this growing market segment.
- Rural Marketing should be treated as a separate area of work like export marketing.
- Detailed region wise rural strategy should be put in place and specific sales targets set for different rural markets to counteract heterogeneity in rural markets.

- More rural research studies should be undertaken to gain sharp insights into the rural consumers and in the process generate reliable data on the rural sector.
- Language and regional behavior variations to be minutely considered while developing rural communications strategy.
- Advertising agencies to entrust development of rural communication packages to professionals hailing from small towns, as they have a better connect with rural mindsets.

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