

RURAL MARKET:

THE NEXT BIG OPPORTUNITY IN INDIA

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ABSTRACT:

Rural Market offers huge untapped potential for marketers. As Urban Markets are getting saturated, Rural Markets are becoming more and more viable. Many companies have taken initiative and have seen successful to cover the rural market through various marketing strategies.

The basic objective of this paper is to throw a light on the opportunities and potential, the rural market has in India. Paper shows the growth and marketing strategies adopted by different corporate in different sectors. It also highlights something on few sectors where many national and multinational companies are finding bright prospects for their products. Further, few successful examples of marketing strategies have been taken to support this paper.

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INTRODUCTION:

Typically, a Rural Market represents a community in a rural area. In recent years, Rural Market have acquired significance in countries like China and India, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities. On account of the green revolution in India, the rural areas are consuming a large quantity of Industrial and Urban manufactured products. In this context, a special marketing strategy, namely, rural marketing has taken shape. Rural marketing involves delivering manufactured or processed inputs or services to rural producers or consumers. Also rural marketing is getting importance because of the saturation of the urban markets. So the marketers are looking for extending their product categories to an unexplored market i.e. the rural market. This has also led to the CSR activities being done by the corporate to help the poor people attain some wealth to spend on their product categories. Thanks to the increasing literacy level and media explosion, people are becoming conscious about their lifestyles and about their rights to live a better life. Brand consciousness is on the rise. This, clubbed with increasing disposable income of rural households, has made the rural consumer more demanding and choosier in his purchase behaviour than ever before.

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 real income for rural households will move from 2.8 per cent in the past two decades to 3.6 per cent in the next two. Urban India will account for nearly 68 per cent of consumption growth while rural consumption will grow by 32 per cent by 2025. 12.2% of the world's consumers live in India. "Rural households form 72% of the total households. This puts the rural market at roughly 720 million customers." Gupta of TSMG extrapolates the Census 2001 numbers and comes up with an estimate of 790 million. "Total income in rural India (about 43% of total national income) is expected to increase from around US\$220 billion in 2004-2005 to US\$425 billion by 2010-2011, a CAGR of 12%," he says. A mere one percent increase in India's rural income translates to a mind-boggling Rs 10,000 Crore of buying power. Nearly two-thirds of all middle-income households in the country are in rural India. And close to half of India's buying potential lies in its villages. Thus for the country's marketers, small and big, rural reach is on the rise and is fast becoming their most

important route to growth. Realizing this Corporate India is now investing a sizeable chunk of its marketing budget to target the rural consumers.

Take a look at this example; "If a farmer in rural earns US\$1, all of it is his to dispose off as he pleases. The same income in the hands of an urban person, who is possibly a tech worker, is actually not US\$1 of disposable income. It is most likely 67 cents; the rest goes as tax. The farm economy, with zero-tax on farm income, creates far more disposable income. Buying power in the hands of the rural rich is higher than the buying power of the urban rich and the same thing is happening in India also.

Why Companies See Bright Prospects in Rural India?

FMCG SECTOR:

The Indian rural market is expected to touch US\$ 100 billion, more than ten-fold, in the next 15 years. The rural market is currently estimated to be worth approximately US\$ 9 billion in consumer spending in the fast moving consumer goods (FMCG) space per annum.

FMCG and retail giants are making good use of technology to reach out to rural India. From low-cost handsets to tablet PC's, the Indian FMCG and retail sector is latching on to technology and applications to reach out to rural India. For instance, Marico is using mobile technology innovatively to arm its field representatives in their procurement process. The company procures large quantities of safflower (kardi) seeds for its flagship product sunflower oil.

Of the expenditure on consumer goods in rural household, approximately, 44% is on food articles such as biscuits, tea, coffee and salt, 20% on toiletries, 13% on washing material, 10% on cosmetics, 4% on OTC products and 9% on other consumables. A number of category products have established themselves firmly in the rural households.

RETAIL SECTOR:

The rural retail market is currently estimated at US\$ 112 billion, or around 40 per cent of the US\$ 280 billion Indian retail market. Rural India consumers hold a major share in many

categories. Rural India buys 46 per cent of all soft drinks, 49 per cent of motorcycles and 59 per cent of cigarettes and almost 11 per cent of the rural women use lipstick.

Big retailers are focusing on the rural market. 'Aadhar', the Future Group and Godrej Agrovet's joint venture (JV) in rural retailing will be revamped, while Rajkot based Champion Agro Ltd is planning to open 400 agri-retail outlets across Gujarat. ACIL Cotton Industries, a company based in Vadodara, has launched 40 ACIL Krishi Stores across Gujarat.

Mega retail chains are looking to build a high-quality supply chain-retailers such as Bharti-Wal-Mart, Carrefour and Reliance are working to strengthen their supply chain formula by roping in farmers as stakeholders. Despite being the biggest names in the trade, these retailers are ploughing rural areas to teach innovative farming methods and find the best suppliers among them.

Hindustan Unilever (HUL) has launched a multi-brand rural engagement module- Khushiyonki Doli- that provides various personal care and home care brands such as Wheel, Surf Excel, Fair & Lovely, Sunsilk, Vim, Lifebuoy and Close Up. Launched last year in Uttar Pradesh, Andhra Pradesh and Maharashtra, the main objective of the campaign is to reach out to media dark villages with HUL brand messages to inculcate good personal hygiene habits.

CONSUMER DURABLE SECTOR:

The rural consumer durables markets' annual growth rate is 30 per cent, according to a study by an industry body. The market will grow up to 45 per cent in rural and semi-urban India by 2011, due to improved income and better living standards among rural people.

The total size of the consumer durables market stands at US\$ 6.72 billion and will reach US\$ 11.2 billion by 2015. Mobile phones, LED televisions and music systems, which include fancy items such as iPod, are some major growth drivers.

Lighting solutions company BPL Techno Vision has launched its rechargeable Light Emitting Diode (LED) lantern 'BPL Chirag' for the domestic rural market. The product has been launched in Uttar Pradesh (UP) in the first phase due to its large geography and rural household base.

INTERNET / INFORMATION TECHNOLOGY:

The total number of active internet users in rural area will rise by 98 per cent to touch 24 million by the end December 2011 from 12.1 million in last year, according to a survey conducted by IMRB for the Internet and Mobile Association of India (IAMAI).

Reliance Communications and Handygo Technologies Pvt. Ltd. have joined hands to provide 'Behtar Zindagi' - a value added services (VAS) solution in rural areas, in which the subscribers would get live information on weather, livestock, mandi prices, fishery advisory, finance and health schemes.

Hindustan Unilever Ltd (HUL) is experimenting with tablet personal computers (PCs) to increase its rural reach. The firm has been able to reach to 500,000 outlets in a year's time. The firm already uses Shakti Amma channel to reach out to rural markets.

HUL has initiated discussions with top telecom firms and banks and financial services companies to create a joint distribution model, which will span across 638 thousand villages, comprising some 775 million people reside.

Over 100 farmers across Maharashtra, Karnataka and Gujarat are showing interest in sophisticated applications. In Maharashtra, farmers are planning their harvest, production and managing inventory using an enterprise resource planning (ERP) product called FarmERP, reflecting a growing shift in the way sophisticated software applications can be used by the masses. The idea to develop the software came from the project called Parivartan Network, involved setting up 2,000 Internet kiosks with agricultural content for farmers in 60 centres across Maharashtra.

Various projects taken up by the private sector such as ITC's e-Choupal, HUL's Project Shakti, Microsoft's Project Shiksha and Google's Internet bus among various others, are assisting in generating not only awareness and usage but also its importance.

With over 52 million Active Internet Users, Indian marketers are using internet as an efficient tool for their awareness and ad campaigns. Based on a report released by IAMAI, Online Advertising in India is estimated to have grown by 26 per cent in FY 2010-11.

Online advertising industry was worth US\$ 223 million in India in 2010 and is expected to witness a 50 per cent jump in 2011. While online advertising accounted for a mere 4 per cent of total advertising spends, the figure is expected to rise sharply over the coming years.

RURAL MEDIA:

Urban consumers shop daily and have 365 opportunities a year to switch brands while the rural purchasers who buy their goods in weekly haats have only 54. Attempts to reach rural consumers, even once during the purchase cycle to ensure repeat purchase, make point of purchase advertising and trade push indispensable. This requires a significant reorientation in the allocation of funds across media. For example, outdoor advertising accounts for over 7% of all media expenditures in India, while it only accounts for 0.8% in USA.

Rural buyers living in small isolated groups distributed across vast distances have limited access to the broadcast media. The existence of a multiplicity of languages and varying level of illiteracy complicates the task of communication further. To overcome some of these challenges, Unilever pioneered the concept of video vans that travel from village to village screening films in the local language, interspersed with advertisements for Unilever's products. The company also provides product usage demonstrations to the captive audience because written instructions on the pack may be illegible to the consumers who are either illiterate or do not understand the dialect.

Where mass media is used, variability can, at times, back fire. On re-entering India in the 1990s, Coca Cola decided to reinvest massively on a TV advertising campaign. It opted for slick commercials, rich in colour, with high production values, but the effect was somewhere lost on a market where 60% of all TVs are still black and white.

However, in the recent past, the improved technology has allowed the cable and satellite networks to increase their reach across the countryside thus exposing a rural consumer to a lifestyle that was beyond his dreams. And this increasing awareness has led to a significant change in his buying behaviour and consumption patterns.

While the urban market is getting increasingly competitive and saturated, the rural market is blooming with increase in the disposable incomes of the households, thus promising a far better

scope for growth for marketers. Hence, with the shifting dynamics of the present-day market situation, now it is the turn of the rural consumers to dictate the terms. And this reinforces the need for marketers to formulate a well-designed strategy to feel the pulse and to tackle the mystic rural market.

CONCLUSION:

As existing markets reach saturation levels, marketers start moving into the interiors and find that there is a vast untapped customer base out there. As urban India grows, it needs more help from rural areas. When the new immigrants travel back home, they carry with them stories of urban lifestyles. Awareness is thus created in the potential markets. There are vast opportunities for the companies in sector to grow. If government helps in developing the infrastructure then India has a real chance of going towards supremacy in the world through its rural segment. The increased level of income and change in life style has led many companies to launch the product which will suit specially to the rural market. Media and technology is being used by these companies heavily and actually they are creating the market for their rural product.

However, the rural marketers would need to think rural for long-term success. If they can look beyond their products and induce private initiatives to replace government intervention for providing basic services, they would surely capture the first quantum growth in these areas.

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