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# RURAL INDIA – A PROMISING MARKET PLACE

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## **Abstract**

*Rural consumers have their distinct personality and independent thinking based on strong set of beliefs and values. Indian villages constitute a potentially huge market. It is often said, “Markets are made, not found” and this is especially true of the rural market. It is a market meant for the truly creative marketer. Everybody should consider that “The spirit of India lies in its villages”. The next big marketing revolution could happen in the rural sector. When it happens, marketers should have already studied the lay of the land and evolved the right strategies and tactics for victory. The time to prepare for tomorrow is today. It has to be considered as an investment today for a better future tomorrow. Companies should focus on nurturing the markets and have a long – term perspective rather than concentrating on the achievement of short- term commercial gains. The “mantra” for success in today’s scenario is to create avenues and opportunities that are mutually beneficial to both the target population for whom the programme is intended as well as for the company which evolves the programmes.*

## **Introduction**

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

- Prof. C.K.Prahlad

In the initial years, the focus was on the easily accessible, well-developed urban market. Soon there was proliferation of the brands and intense competition, resulting in the near saturation of the urban market. This forced companies to look for greener pastures, that is, new markets. All eyes turned to the world’s most promising potential market of 742 million rural consumers, who had yet to taste the fruits of modernity, a promise that seemed ready to be fulfilled because of the explosion in the buying capacity in the rural sector. Already rural markets are proving to be vital for the growth of most companies. Take the largest FMCG company in the country, HLL whose more than half of annual sales of Rs. 11,700 crore come from the rural market.

## **Some Impressive Facts about the Rural Sector**

- There are 42,000 rural supermarkets (haats) in India, that exceed the total number of retail chain stores in the U.S (35,000).

- In 2001-02, the LIC sold 55% of its policies in rural India.
- Of the 20 lakh BSNL mobile phone connections, 50% are in small towns and villages.
- Of the six lakhs and odd villages in the entire country, 5.22 lakhs had Village Public Telephone (VPT) by March 2004.
- The billing per cell phone in small towns in AP is higher than the billing in the capital city of Hyderabad .
- Internet access in semi-urban and rural areas has increased through the “Sanchar Dhabas” of BSNL, operating in 3,617 out of 6,332 blocks in the country.
- The 41 million Kissan Credit Cards (KCC) issued in rural India exceed the 40 million credit plus debit cards issued in urban India.

## **Rural Markets – The way ahead**

To succeed in the rural market, companies will need to switch over from **4Ps** of marketing to **4As** in their strategy – **Awareness, Acceptability, Availability and Affordability**. Due to the limited reach of the mass media (television, radio, and the press), marketers have to augment their efforts with traditional media –

“melas”, “haats” “jattras”, and puppetry to create awareness in the media- dark markets. Access and availability are equally important as the “mantra” for success in rural markets. Clinic shampoo and Parley-G biscuits are expensive brands, but they are the largest selling products in rural India because of deep distribution and easy availability, Affordability is the key factor in rural India and recognizing this fact, companies have introduced sample packs (sachets) and coinage pricing (Rs. 1,2,5). To claim a larger share of the growing rural pie calls for a radical shift in management thinking – from gross margins to high profit, from high value unit sales to a game of high volumes and capital efficiency, and from the one solution fits all mentality to market innovation. Even three decades after that speech, very few corporates are ‘walking the talk’ when it comes to rural marketing. Except the original rural marketing giants such as HLL and ITC who continue to dominate the scene with their constant innovations in the area (Project Shakti of HLL and E-Choupal of ITC), most corporates pay only lip service to the subject.

### Ground Realities

Although a rural consumer gets information on products or services through multiple sources of communication, when it comes to decision making, he always consults others in the community. Opinion leaders continue to play a key role in the decision making process of a rural consumer. But interestingly the composition of opinion leaders has undergone a change over the years.

HLL tops the list with their successful rural marketing projects like ‘project shakti’ and operation Bharat. Amul is another case in point of aggressive rural marketing. Some of the other corporates that are slowly making headway in this area are Coca Cola, Eveready batteries, Colgate, LG Electronics, Philips, BSNL, LIC, Cavin Care, Britannia and Hero Honda to name a few. We can safely say that until some years ago, the rural market was being given a step motherly treatment by many companies and advertising to rural consumers was usually a

hit and miss affair. Hence advertising that is rooted in urban sensitivities did not touch the hearts and minds of the rural consumers. While this is definitely changing, the process is slow. The share of FMCG product in rural market is 53% and durables boast of 59% market share. Therefore one can claim that rural markets are growing faster than urban markets.

Coca Cola India tapped the rural market in a big way when it introduced bottles priced at Rs. 5 and backed it up with the Aamir Khan ads. The company on its behalf has also been investing steadily to build their infrastructure to meet the growing needs of the rural markets. Clearly the main challenges that one faces while dealing with the rural marketing is the basic understanding of the rural consumer who is very different from his urban counterpart. Campaigns have to be tailor made for each product category and each of the regions where the campaign is to be executed.

The other challenges are the spread and the means available for reaching out to these markets. Hence the **video van** is one of the very effective means of reaching out physically to the rural consumers. The rural consumers will always remain driven by his needs first and will therefore be cost conscious and thrifty in his spending habits. Decision-making is still conscious and deliberate among the rural community. One rupee or a five-rupee sachet or the Kutti Hamam helps in giving the consumers an opportunity to try. It does help in generating volume though not in terms of values. There is better scope for language writers who understand the rural and regional pulse better. We also see great scope for regional departments in the areas of rural marketing specialists like Event Managers, Wall Painters, Folk Artists and Audio Visual Production Houses. In fact all these people, who have specialized knowledge of a region, are bound to do well thanks to the demands of the rural marketers. Moreover, rural India is not as poor as it used to be a decade or so back. Things are sure changing. In other words, rural markets are up for grabs.

The four factors, which influence demand in rural India, are **access, attitude, awareness, and affluence**. HLL has successfully used this formula to influence the rural market for its shampoos in sachets. The sachet strategy proved so successful that according to ORG-Marg data, 95 per cent of total shampoo sales in rural India are by sachets. Today, the young and the educated in the villages are already large in number. Rural marketing requires every element of marketing including product, pricing, packaging, advertising and media planning to target the rural customers.

The impact of globalization will be felt in rural India as much as in urban. But it will be slow. It will have its impact on target groups like farmers, youth and women. Animal feed producers no longer look to Andhra Pradesh or Karnataka. They keep their cell phones constantly connected to global markets. Surely, price movements and products availability in the international market seem to drive their local business strategies. On youth, its impact is on knowledge and information while on women it still depends on the socio-economic aspect.

### **Stiff Competition**

In the rural and semi urban areas, the FMCG market penetration is now less than one per cent while 128 million households in the rural population is nearly three times the size of the urban market. However the Study says that the rural market may be alluring but it is not free from problems like low per capita disposable income, a large number of daily wage earners, acute dependence on the weather, seasonal consumption linked to harvests and festivals, poor infrastructure like roads and power and inaccessibility to conventional advertising media. Similarly out of two million BSNL mobile connections, 50 percent are in rural India. The billing per mobile in small towns in AP is higher than in Hyderabad. In the same way, the 24 million Kisan Credit Cards issued in the rural markets exceed the 18 million cards issued in the urban market. Though rural retailing has a huge potential, it is important for retailers to analyze the market, understand the local tastes and preference and so on.

### **Rural Markets – Mirage or Reality**

Cadburys has launched chocobix, a chocolate flavored biscuits and the launch is on the basis of the understanding that rural mothers opt for biscuits rather than chocolates for their children. Another very important factor that needs to be looked at is the proliferation of spurious products. Rural masses are primarily illiterate and identify a product by its packaging. Brands such as Bonds Talcum, Funny & Lovely etc., which are doing the rounds of rural markets, eat into the demand for genuine products.

### **Conclusion**

As the rural market is already bigger than its urban counterpart, there is need to develop good understanding about it among corporate managers. To make this happen, rural marketing should be taught as a subject in every business school. Most management institutes do not offer it even as an elective and very few offer it as a core subject. There is an urgent need to make this subject compulsory and assignment should be so designed that the students visit villages and get sensitized to rural life. Rural marketing seems to be unglamorous when compared to e-marketing and international marketing. Industry associations, government agencies and academic institutions should give due importance to rural marketing. We have awards for the best marketer, best advertising person, best IT manager and several others but none for rural marketing.

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