



Rural Marketing

ASHISH MALIK
Assistant professor,
Hindu college, Delhi University
Delhi (India)

Abstract:

This paper is a conceptual study. It starts with an introduction of rural marketing and go on stating the opportunities and challenges that a marketer have in rural areas. This study also describes rural marketing mix and all the explanation is given with the support of secondary data collected from various reliable resources. Nokia case study will provide a deeper insight to the reader about all theoretical concepts.

Keywords: *Connectivity, Consumer, Marketing, Resources*

1. Introduction

The rise of rural markets has been the most important phenomenon of the 1990's, providing volume growth to all leading companies. Many corporate have been trying to get a grip on rural market. But challenges are many: how to make the product affordable, how to penetrate villages with small populations, connectivity, communications, etc. Efforts of the marketers and manufacturers are now on to understand the attitude of rural consumers, and to walk their walk and talk their talk. The marketing mix of many companies is now being tailored to rural tastes and lifestyles. Government agencies like IRDA (Insurance Regulatory and Development Authority) and NCAER (National Council for Applied Economic Research) define 'rural' as "villages with a population of less than 5000, with 75% of the male population engaged in agriculture, etc." Two-third of the country's consumer (more than 700 million) live in rural areas and almost 26% of the national income is generated there. And 10 consecutive good monsoons have led to improved returns from agriculture increasing the spending power in India's rural areas. However, 68% of the rural market lies untapped due to various reasons ranging from inaccessibility to lack of awareness. The rural market has been growing at 3-4% per annum, adding more than 1 million new consumers every year and now accounts for close to 50% of the volume of consumption of fast-moving consumer goods (FMCG) in India.

2. Features of Indian rural market

- **LARGE AND SCATTERED:** The rural market of India is large and scattered in the sense that it consists of over 63crores consumers from 5,70,000 villages spread throughout the country.
- **MAJOR INCOME FROM AGRICULTURE:** Nearly 60 % of the rural income is from agriculture. Hence rural prosperity is tied with agricultural prosperity.
- **LOW STANDARD OF LIVING:** The consumer in the village area do have a low standard of living because of low literacy, low per capita income, social backwardness, low savings, etc.
- **TRADITIONAL OUTLOOK:** The rural consumer values old customs and tradition. They do not prefer changes.
- **DIVERSE SOCIO-ECONOMIC BACKWARDNESS:** Rural consumers have diverse socio-economic backwardness. This is different in different parts of the country
- **INFRASTRUCTURE FACILITIES:** The Infrastructure Facilities like roads, warehouses, communication system, and financial facilities are inadequate in rural areas. Hence physical distribution becomes costly due to inadequate Infrastructure facilities.

3. Profile of rural consume

- **LOW INCOME LEVELS:**

Though rural incomes have grown in the past decade the per capita incomes of rural consumer are low compared to urban counterpart. A large part of the income is spent on basic necessities, leaving a smaller portion for other consumer goods.

- **LOCATION PATTERN OF RURAL CONSUMERS:**

Rural consumers are scattered over a large area, unlike their urban counterparts who are highly concentrated. More than three lakh villages are in the category of 500 people or less (55 percent of the total), and more than 1.5 lakh villages have 200 people or less(25 percent of the total)

- **REFERENCE GROUPS:**

In rural areas the reference groups are primary health workers, doctors, teachers and panchayat members. The village trader or the grocer, commonly called 'Baniya' or 'Mahajan' may also be an important influence in decision making of the rural customers

- **OCCUPATION:**

In rural areas the principal occupation is farming, trading, crafts, and other odd jobs like plumbing, electric works etc. There are also primary health workers and teachers.

- **MEDIA HABITS:**

Rural people are fond of music and folklore. Like, in rural Maharashtra a popular form of entertainment is the Tamasha. And then there are T.V, Radio and Video films.

- **OTHER VARIABLES:**

Culture, language, religion, caste and social customs are some other important variables for profiling a rural consumer. Rural consumers have a lot of inhabitations and tend to be rigid in their behavior.

4. Rural market- A world of opportunities

Gone are the days when a rural consumer went to a nearby city to buy "branded products and services". Today, rural markets are critical- be it for a branded shampoo or an automobile. Trends indicate that the rural markets are coming up in a big way and growing twice as fast as the urban, witnessing a rise in sales of typical urban kitchen gadgets such as refrigerators, mixer grinders and pressure cookers. According to a National Council for Applied Economic Research (NCAER) study, there are as many 'middle income and above' households in the rural areas as there are in the urban areas. There are almost twice as many 'lower middle income' households in rural areas as in the urban areas. At the highest income level there are 2.3 million urban households as against 1.6 million rural households. The various infrastructural problems have been tackled to a great extent. Work is in progress for the better connectivity by roads; more than 90% of villages are electrified. Rural telephone density has gone up by 300% in last 10 years. Rural literacy rate has also improved from 36% to 59%. There is an increasing convergence between urban and rural consumers especially the young consumers, who have almost same aspirations as that of a young urban consumer. Thus, the marketer scan targets a certain section of rural consumers in the same manner as they are targeting the urban ones.

Lastly, as we know that India's rural population accounts for 12.5% of the world's total population, 600,000 villages with 700 million people; the country side thus, offers a huge consumer base and huge opportunity for rural marketers in India. The rise in income levels in rural households is a result of an increase in non-farm job opportunities and government initiated employment generation schemes, such as the National Rural Employment Guarantee Act (NREGA). The migration to urban India, too, has resulted in increased remittances back home and a shift in buying patterns. According to the Crisil report, ownership of televisions in rural households increased to nearly 42% in 2009-2010, up from 26% five years earlier. Also, about one in every two rural Indian households now has a mobile phone.

5. Why do companies go rural?

Over the years Rural India has seen an impressive growth. Substantial improvement in purchasing power, increasing brand consciousness, changing consumption pattern and rapid spread of communication network in rural areas has presented a growing potential for the corporate sector. It's better to target the rural market as it is growing by the day. Rural India is emerging as a large market for a number of goods and services— financial services, health care, education and telecommunication...the list seems to be endless.

- **URBAN MARKETS ARE GETTING SATURATED**

It's becoming difficult for existing companies to maintain their market shares in urban markets because of cutthroat competition. For example, it is reported that there are around 86 branded cosmetic soaps in the urban markets! So there is no point for a new company to enter the urban market. The rural markets provide better opportunities.

- **A HUGE UNTAPPED MARKET**

With only around 1, 00,000 of the 6, 38,667 villages tapped so far; there is huge potential and market areas. With a rural population of more than 700 million, it is a huge market.

- **RISING DISPOSABLE INCOMES**

Good monsoons during the past 10 years have raised farmers' incomes. Nonfarm sectors now account for almost 50% of total rural incomes. Also, agricultural income is not taxed.

- **REMITTANCES FROM ABROAD**

Many households in rural India have one of their family members abroad , mostly in Gulf countries . People working there send their saving to their families in India , which is an additional source of Income.

- **IMPACT OF THE MEDIA**

The growing rich of the electronics media has created a huge change in the lifestyles of rural consumers because of TV serials. Rural people are spending more on lifestyle products like lipsticks. Revlon, for instant, sells more lipstick in the rural market than in urban areas.

The Indian rural market with its vast size and demand base offers a huge opportunity that MNCs cannot afford to ignore. To expand the market by tapping the countryside, more and more MNCs are foraying into India's rural markets. Some are- Hindustan Unilever, Coca-Cola, LG, Britannia, Philips, Colgate Palmolive and foreign-invested telecom companies.

6. Problems in booming rural market

The peculiarities of the rural markets and rural consumers pose challenges to the marketers in reaching them effectively. While making out a case for opportunities that are rapidly developing in rural markets, one should not underestimate the several daunting problems in planning for growth. Nearly 80 percent of villages in the country are not connected by well-constructed roads. Due to poor transportation facilities, farmers and marketers find it difficult to reach markets. Also, because of lack of facilities for public as well as private warehousing marketers face problem of storage of goods.

It is suggested that marketers should use cheaper materials in packaging for rural markets as high packaging cost increases the total cost of products. For example, small polypack of refined oil is more popular than in containers due to its lowest cost.

The literacy rate is low in rural areas compared to urban areas. This leads to the problem of communication for promotion purpose. Print medium becomes ineffective and to an extent irrelevant since its reach is poor.

Trust is another key factor which has to be properly dealt with as rural consumers only buy from people they identify with. The marketers should educate the rural consumers about the uses of the

products. This leads to better involvement of buyer and fosters long lasting relationship with the company.

Nearly 50 percent of the villages in the country do not have all weather roads so physical communication becomes highly expensive. Even today most villages in the eastern parts of the country are inaccessible during the monsoon. Moreover, 3,00,000 villages in the country have no access to telephones. Statistics indicate that the rural areas account for hardly 2000 to 3500 mobile theatres, which is far less when compared to the number of villages. Due to non-availability of power, as well as television sets, majority of the rural population cannot get the benefits of various media.

The messages have to be delivered in the local languages and dialects which vary widely from state to state, region to region and probably from district to district. It is difficult for marketers to design promotional strategies in different languages and dialects.

Rural areas are scattered and it is next to impossible to ensure the availability of a brand all over the country. About 68% of the market remains untapped due to inaccessibility. This makes the distribution of products and their ready availability challenging.

For any branded product there are a multitude of 'local variants', which are cheaper, and, therefore, more desirable to villagers. Rural consumers are cautious in buying and decisions are slow. They like to give a product a trial and only after getting personal satisfaction they buy it again.

The main problem of rural marketing is seasonal demand in rural areas, because 75 percent of rural income is also seasonal. For example, the demand for consumer goods will be high during the peak crop harvesting period, because this is the time at which the rural people have substantial high cash flow.

There is a vast difference in the lifestyles and thinking of the people. The rural customer has a fairly simple thinking as compared to the urban counterpart. Life in rural areas is still governed by customs and traditions and people do not easily adopt new practices

Added to this is the wide prevalence of fake brands, which flourish mainly due to illiteracy and lack of awareness. Local companies often copy the logo and colour schemes of established brands, while slightly modifying the product name in an attempt to fool customers into believing their fake products for the genuine ones.

Marketers are often unable to obtain a true picture of the needs and wants of the rural people due to difficulties in conducting market research. Wide geographical spread and vast variation in languages increase the time and costs involved. Moreover, a conservative outlook often restricts women from taking the surveys.

7. Rural marketing mix

7.1 Rural Product Strategies

First strategy can be to go for *Small Unit Packing*. This method stands a good chance of acceptance in rural markets. The advantage is that the price is low and is easily affordable by the rural consumer. Products like shampoos, pickles, biscuits, etc. have tested this method.

Secondly marketer can go with *Sturdy Products*. Sturdiness of the product either in terms of weight or appearance is an important criterion for rural consumers. For the rural consumers, heavier weight means that the product is more durable. *Utility Oriented Products* Rural consumers are more concerned with the utility of the product and its appearance.

When it comes to giving a brand name to product, in case of rural consumers branding is just a symbol of identification. Generally rural consumers give their own brand name on the name of an

item. A brand name or logo is very important for a rural consumer for identification purposes. E.g. - 'Billi waali cell'- Battery with the cat as a symbol- Eveready.

The following things should be kept in mind by marketers while launching the product in rural market.

- The product for rural market has to be simpler and easy to use.
- The product has to be conveniently packaged for low price and convenient use. Sachets were one of the popular methods through which companies targeted rural markets.
- The product literature has to be simple enough for the rural customer to understand.
- There should be no product frills: only functional benefits should be communicated even on the packs. Lack of information has led to rural folks finding alternative uses for the same products.

After looking for product to be launched, an important component of product itself is packaging, which now-a-days have come to be known as fifth 'P' of the marketing. Its importance is not lesser in case of rural marketing also.

7.2 Rural packaging strategies

Packaging is defining new paradigms in rural marketing, making it perhaps the most vital component in marketing mix. According to the survey of National Council for Applied Economics and Research (NCAER) in 1998, it is the low-income group which now comprises of overwhelming majority of consumers for mass consumption products. Marketers have realized, "To enter the rural market, it is necessary to offer products at the lowest unit price". At the same time, innovative packages are necessary to add value to the premium products. Particularly, Innovations, which help lower the price, are desirable. Small packs and combi-packs (*Another packaging innovation is 'combi-packs', When related products are packed together and sold at economy prices, the consumer finds it a better option to buy. The combi-pack may become an assortment when more than two products are packed together. They have become a major attraction in rural India*). This is because; income of rural consumers is unsteady. The sources of income as well as the size of income earned per day vary. They cannot hence make planned purchases and large purchases. Small pack sizes help the rural consumer pick the product at a price that he can afford. In case of certain products like detergent and paste are bought in larger quantities, whereas shampoos, toilet soaps, eatables are bought in small pack sizes. The reason for this is: 'The products that are common to family members are bought in large pack sizes whereas individual-use products are preferred in small packs'. Another benefit to be noted from small packaging is storability. Edibles, for example, cannot last long unless preserved and kept under ideal conditions. Further shelf space of rural consumers is also limited as they live in small huts or semi- pucca houses.

From the side of distributors, small pack sizes are convenient to carry. Rural retailers cannot afford big premises. In that case, smaller sizes are easy to display. They increase the visual appeal they carry compared to large ones; the colors on the smaller packs are looked at with more interest.

7.3 Rural pricing strategies

Pricing strategies are linked to product strategies. Pricing of products is not an easy task because this is the most influential attribute of product. Use of low cost/cheap products is a common strategy widely adopted by manufacturing and marketing concerns. To decrease the cost and thereby the price, a company can go for various methods. First is penetrating the market. Penetration is chosen when market is highly price sensitive, and a low price stimulates market growth. Products like Chik shampoo, Rin detergent penetrated the market with lower prices in the initial stages and later went up the price ladder. Secondly, marketer can go for discriminatory pricing. Discriminatory pricing is employed to charge different customer groups differently projecting differences in quality of offer. This discrimination can be on the basis of form, location, time or type of customer. Marketer can also play with psychology of rural consumer. Some smart sellers quote their prices that end in an odd

number e.g. Rs. 99.95 paise. It conveys two notions. 1) *There is a discount or bargain.* 2) It belongs to a lower price range. Example: Bata Shoe Company has been using this price tactics since long. It is present in both rural and urban markets. There are other pricing strategies too but these are most successful in case of rural marketing.

7.4 Rural promotion strategies

The promotion measure should be cost effective. Word of mouth and opinion leader play a significant role in influencing the prospective rural consumers about accepting or rejecting a product or a brand. In case of rural market mass media is a powerful medium of communication. The mass media generally used are: Television, Cinema, Radio, Print Media (handbills, booklets, posters, banners, etc.)

When we talk about personal interaction with rural consumers, Opinion Leaders play an important role. Word of Mouth holds a lot of validity in the rural areas. This is the reason why opinion leaders are thriving among rural consumers. In personal selling it is required that the potential users are identified and awareness is created among them. A highly motivated sales person can achieve this. Marketer can also go for Special Campaigns: These should be undertaken during harvest & marketing seasons in rural areas. E.g. Tractors owners meet (tonee) conducted by MRF.

8. Case study of Nokia

Nokia Corporation (Nokia), a Finnish multinational communications corporation, is a global manufacturer of mobile devices headquartered in Keilaniemi, Finland. Nokia operates through four business groups: Mobile Phones, Multimedia, Enterprise Solutions and Networks. Nokia is focused on wireless and wired telecommunications. Nokia India is a subsidiary of Finland-based Nokia Corporation. Nokia has played a pioneering role in the growth of cellular technology in India.

Recognizing India's fastest-growing markets for mobile phones, several global telecom giants jumped into the fray when the Indian government first opened up the country's telecom market to private enterprise in 1994. Among them Nokia forged ahead of rivals and today commands a lead position in market share for mobile phones. In specific segments, such as GSM telephony, Nokia's market share in India is as high as 70%.

Nokia was the first mobile phone maker to set up a satellite R&D center in India as it began tailoring products for the rural terrain. The phones look as sleek as high-end models, but are also sturdy to withstand rough usage. Some phones- Nokia 1200 and Nokia 1208- also double up as flashlights because of rural India's frequent power outages.

But now, Nokia's first mover advantage in rural India is being chipped away. Both home-grown and foreign rivals are muscling in on Nokia's rural territory, beating it down on price. All eyes now are on Nokia, as it rolls out innovative services that can be sold alongside its handsets through a range of partnerships. For rural market, Nokia set up a manufacturing facility in India in 2006, which allows it to manufacture and sell low-cost phones. The phones look as sleek as high-end models, but are also sturdy to withstand rough usage. They have seamless keypads to protect them from dust and special grips to make them easier to hold in India's humidity. It launched many of the cell phones, compatible with several Indian languages, Hindi, Tamil, Telugu being the most common. Such compatibility is also reflected in the customized versions of the keypads which house both the Devnagari script along with the English alphabet. In 2000, Nokia introduced the Nokia 3210 with a Hindi menu.

In order to strengthen its hold on the rural markets, Nokia also rolled out Nokia Life Tools- a range of agriculture, education and entertainment services designed especially for the consumers in small towns and rural areas of the emerging markets. The first pilot of these applications was rolled out in January 2009 as "Mera Nokia" in five districts of Maharashtra.

In order to provide accessibility to purchase it offered financing options to reduce upfront costs for ownership of mobile phones in cost-sensitive rural markets. It has worked out a financing package, as a tie up with a micro-finance agency called SKS Microfinance that will allow users to pay as low as \$1.9 or close to Rs 100 per week as an installment for the handset.

Nokia ran pilots of this program. The test was conducted across 2,500 villages in Andhra Pradesh and Karnataka, followed by the formal launch of the program in 12 states with special focus on rural women.

However, price is not the only driver for rural users. They seek a value for money proposition. In most cases the demand emerging from the rural market is of sturdy handsets that have strong battery life. Also, voice and easy text messaging are other essential and important features in an entry-level phone," says Devinder Kishore, director marketing, Nokia India.

In case of distribution Nokia has a partnership with HCL for distribution of its phones. Last year the company also decided to start its own distribution efforts, and has set up a number of concept stores in metros and tier-1 cities. As of now there are 130,000 mobile outlets in the country, out of which 75,000 are Nokia brand outlets. While value-added services like texting, music and caller ring back are popular with consumers, Life Tools has yet to gain traction. Another snag came when wire agency Reuters called off its partnership with Nokia to provide Life Tools with real-time news feeds. Nokia has also failed to move with important trends, such as the popular dual Sim-card phones. Such phones offer one reason why local player Micromax has been able to gain market share with its product portfolio: 23 of its 26 models offer dual SIM cards. With Nokia ramping up its value-added offerings, competitors are readying for a fight. Samsung plans to roll out smart phones that allow users to download maps, games and music, and access interactive features online. LG and Sony Ericsson are expanding their music and games applications. Nokia is now facing competition across all its product segments. Chinese phones costing US\$20 have flooded the market, and local and foreign competitors- like Intex and Karbonn- are aiming to do the same. Micromax Mobile, too, is a challenger. Since it has become the third-largest GSM phone vendor with 6% market share, after Nokia (62%) and Samsung (8%).

9. Conclusion

The rural market is where the markets of the future are likely to be. Urban markets are becoming increasingly competitive and even saturated for many products. On the other hand, rural markets offer growth opportunities. Rural market is the market of the new millennium. Marketers will have to understand the rural customers before they can make inroads into the rural markets. The size of the rural market is fast expanding. It is often said that markets are made, not found, this is especially true of the rural market of India. However, it should also be recognized that it is not that easy to operate in rural market because of several problems. Rural marketing is thus a time consuming affair and requires considerable investments in terms of evolving appropriate strategies to tackle the problems. There is a need to differentiate the brand according to regional disparities. The differentiation may not necessarily be in terms of product content. It may also be in terms of packaging, communication or association with the brand.

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