



RURAL MARKETING – SUCCESS STORIES OF COMPANIES

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ABSTRACT

The nature of rural market in India is vast and scattered. Rural marketing is considered to be in its growth stage, as about 70% of India's population lives in rural areas. The country has more than 600,000 villages as against to 300 cities and 4600 towns. It is the major reason why almost all players, both National and Foreign, are thronging the rural markets.

The rural markets show different patterns in consumer behaviour compared to the urban population. In rural marketing, word of mouth plays a prominent role in carrying the brand / product to consumers.

Companies are using the market opportunity very well and their growth & success stories are very much visible. The companies have tasted success because of their better understanding of the character of the rural market, the opportunities & challenges it poses.

Keywords: Word of mouth, Rural, Consumer Behaviour, Urban,

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

- C.K.PRAHALAD

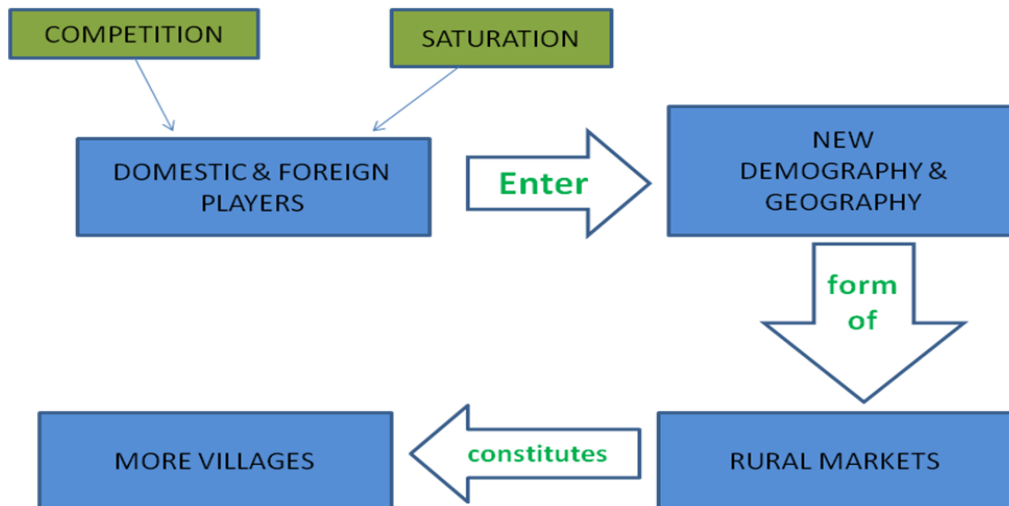
INTRODUCTION

A Market is defined based on the Population size, and a rural market is a village with a population of less than 10000. With more and more competition shooting up and markets getting saturated, manufacturers, both local and foreign players, are looking to enter new geography as well as an untouched demography, which is readily available in the form of rural markets in India, where the villages outnumber the towns and cities.

The rural population has shown a trend of wanting to move into a state of gradual urbanization in terms of exposure, habits, lifestyles and lastly, consumption patterns of goods and services. The rural markets exhibit certain unique characteristics and the marketers have to understand it and follow certain strategies to stay alive and competitive in the market.

Rural marketing poses some challenges and has some opportunities for the marketers to be faced and to be grabbed respectively. Top MNCs in the country like ITC, HUL, Tata, and Godrej and et al have sketched plans ready to go rural. In rural marketing, word of mouth plays a prominent role in carrying the brand / product to consumers.

Rural marketing can be defined as a function that manages all activities involved in assessing, stimulating and converting the purchasing power of rural consumer into an effective demand for the specific product/service and moving these product/services to the people of rural areas.



To be precise, Rural Marketing in India Economy covers two broad sections, namely:

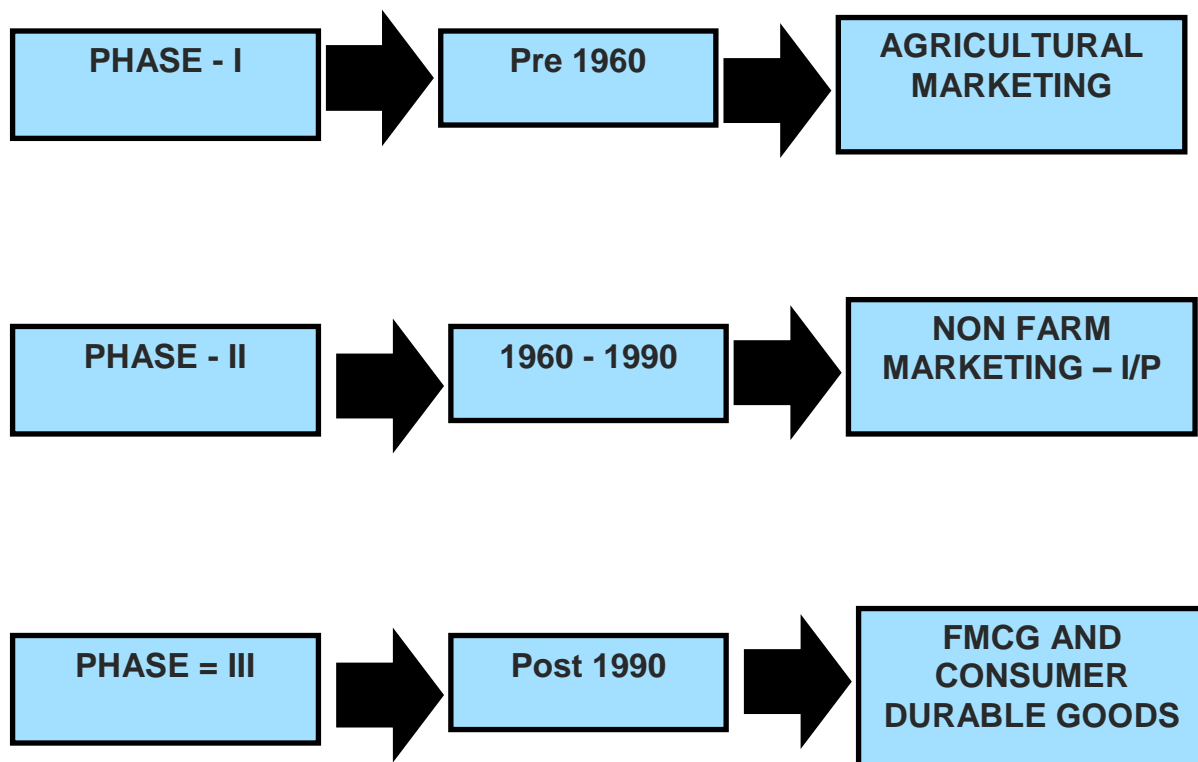
- ❖ Selling of agricultural items in the urban areas
 - ✓ Reliance Fresh and ITC
- ❖ Selling of manufactured products in the rural regions
 - ✓ Companies in FMCG category

Rural marketing scientists also term it as **developmental marketing**, as the process of rural marketing involves an urban to rural activity, which in turn is characterised by various peculiarities in terms of nature of market, products and processes. Rural marketing differs from agricultural or consumer products marketing in terms of the nature of transactions, which includes participants, products, modalities, norms and outcomes.

The major field which gained prominence presently is **Micro Finance** (SHGs). The success of it is primarily due to the participation and over-whelming response from the rural population.

EVOLUTION OF RURAL MARKETING

Kashyap and Raut (2006) have listed three distinct phase in the evolution of rural marketing during which the term change it meaning and connotation.



RURAL CONSUMER BEHAVIOUR

Rural Consumer Buyer Behaviour refers to the buying behaviour of final consumers - individuals and households who buy goods and services for personal consumption. The consumer behaviour is not constant but changes over time. Therefore it is mandatory for the manufacturers to understand the change in preferences among the consumers.

The consumer residing in rural backdrop will have the following factors making impact on his/ her behaviour while purchasing a product,

- ❖ Environment of the consumer
- ❖ Brand preference and loyalty
- ❖ Creative use of product
- ❖ Location
- ❖ Influence of occupation
- ❖ Monsoon and Climatic conditions
- ❖ Place of purchase
- ❖ Cultural Factors – Male Dominated

CLASSIFICATION OF RURAL CONSUMER GROUPS

Since the manufacturers target the rural consumers, the spending power of them has to be analysed for pricing, and other activities. Based on their economic status the rural consumers in India are classified into the following groups:

<u>Group</u>	<u>Strength</u>	<u>Purchasing power</u>	<u>Examples</u>
<u>Affluent Group</u>	<u>Less</u>	<u>High</u>	<u>Wheat farmers in Punjab and rice merchants of Andhra Pradesh</u>
<u>Middle Class</u>	<u>Moderate</u>	<u>Moderate</u>	<u>Farmers cultivating sugar cane in UP and Karnataka</u>
<u>Poor</u>	<u>High</u>	<u>Very less</u>	<u>The farmers of Bihar and Orissa</u>

COMPANIES LOOKING TO GO RURAL

Corporate are sensing the untapped, less competitive, huge market potential, for expansion and growth, in the rural areas. Thus, few Opportunities why companies can look in for the rural markets are

- ❖ With approximately 128 Million Households, the Rural Population in India is nearly 3 times the urban population
- ❖ Infrastructure is improving rapidly - More than 90% villages are electrified, though only 44% rural homes have electric connections
- ❖ Currently in India Rural literacy level improved from 36% to 59%.
- ❖ 42 million rural households (HHs) are availing banking services in comparison to 27 million urban HHs.
- ❖ Investment in formal savings instruments is 6.6 million HHs in rural and 6.7 million HHs in urban.

- ❖ Two-thirds of Indian consumers live in rural areas and almost half of the national income is generated here.
- ❖ Since the Market Penetration rates in rural areas are low, there is huge marketing opportunities
- ❖ The 66th round of the National Sample Survey showed that monthly per capita expenditure (MPCE) in rural India was Rs 953.05 (US\$ 20.69) in 2009-10, an increase of 64.6 per cent from 2004-05.
- ❖ Global information and management company AC Nielsen has revealed that over 80 per cent of FMCG categories are growing faster in rural India as against urban India.
- ❖ Rapid growth in Micro-Finance which leads to finance mobility

SUCCESS IN RURAL MARKETS

Companies both Manufacturers and marketers have analysed the reason to go rural in order to expand their market captivation and reap the success with it. Below are few examples how they made use of the rural markets to succeed,

- Market Size
 - ✓ The success of HERO HONDA its 100cc category is primarily due to the market size of the rural market.
- Largely untapped market
 - ✓ PARAGON CHAPPALS has become the household name because of its large rural market tapping.
- Too crowded urban market
 - ✓ CHIK SHAMPOO has got rejuvenation as its entered rural markets with low cost packets.
- Better exposures through Media
 - ✓ Better media usage has paid for SAMSUNG in beating NOKIA, in the race for the market place.
- Income on the rise
 - ✓ TATA has sensed the income rise and growth in consumption among the rural population to launch NANO
- Great success stories
 - ✓ Every other followed COCO-COLA after its launch f Rs.5/- bottles to capture the rural segment.
- Remoteness is no longer a issue
 - ✓ ARUN ICECREAMS sales shot up only after it overcame remoteness.
- Change in Life style
 - ✓ BLUE STAR recorded good sales in Air conditioners due to its sales in rural markets
- Increase in Educated population
 - ✓ The increase in sales of DELL COMPUTERS is a proof of increase in educated population.

STRATEGIES ADOPTED BY COMPANIES

As there are new entrants and existing players, companies has to adopt few strategies or techniques to improve their rural marketing and to stay competitive. Thus few strategies to that kept the companies alive in the rural market are,

- ❖ Communication in local language
 - ✓ AIRTEL is the leading Telecommunication Company in the country as it has established a good connectivity in the rural areas by communicating its message among the rural population effectively.
- ❖ Understanding the culture
 - ✓ CYCLE BRAND AGARBATHIS understood the culture of Indian rural markets to create a niche for its product.
- ❖ Understanding the needs better
 - ✓ PROCTER & GAMBLE understood the needs of rural consumers to launch washing powders in various packages.
- ❖ Using Indian Names for the products
 - ✓ ITC uses the name 'ASHIRVAAD' for its atta brand to make consumers remind about its products.
- ❖ Promoting the products / brands through
 - Indian Cine stars – JOHN ABRAHAM endorses GARNIER MEN.
 - Indian Sports Team – SACHIN TENDULKAR endorses CANON Cameras
 - Common Man – AXE Deodorants in its advertisements uses common man
- ❖ Reusable packaging
 - ✓ HEINZ sells its Health drink COMPLAN in reusable bottles to woo rural segments.
- ❖ Small sized products
 - ✓ HINDUSTAN UNILEVER customized its products in low cost sachets to tap the rural market.
- ❖ Less priced product
 - ✓ SONATA WATCHES has less priced its products to woo low end consumers in rural areas.
- ❖ Building Efficient SCM
 - ✓ BRITANNIA Industries use localisation for manufacturing and efficient distribution of its biscuits among its rural markets.
- ❖ Product Customisation
 - ✓ HIMALAYA PHARMACEUTICALS has launched face wash for different skin types.

The rural population can easily be captured with the above mentioned strategies rightly applied. If the product is in their reach they would prefer, if there is an opportunity to see it, at least. Because they don't have any choices they don't even think of going for the product or brand.

CHALLENGES FACED BY COMPANIES IN RURAL MARKETS

There are dangers on concentrating more on the rural customers. The rural markets are always different from those urban markets so the manufacturers have to reduce the product features in order to lower the prices, which is a dangerous game to play. The following are few challenges faced by consumers:

- ❖ low literacy – Electronics goods manufacturers face this challenge
- ❖ Low and seasonal income – There won't be constant sales in some goods and the packages.
- ❖ Difference in culture and language – Companies has to spend a lot in communication of information as INDIA is a land of vast culture and language

- ❖ Inadequate storage facilities – Lack of refrigeration will ruin vegetables, Milk, etc
- ❖ Channel Management – Intermediaries play an important role in channel management. If no proper maintenance is done, everything will be spoiled.
- ❖ Counterfeit brands & Adulteration – FMCG's face the danger of duplication and suffers so badly.
- ❖ Dispersed markets – The huge in size markets with diversity in location, culture and language create the companies a hurdle to Employ Sales Force in reaching them.

CONCLUSION

The rural markets are high in potential to feed market thirsty producers, with the only option of providing them with, what is actually preferred, by the rural consumers. The markets are wide open with some barriers to overcome. Rural population has the ability to spend but they aren't willing. To be successful the willingness has to be kindled by the marketer in the minds of the consumer. Moreover the products are not in reach, if the marketers want to be successful they have to achieve this thing of bringing the products close to the consumers.

The manufacturers, unless analyse the market characteristics and frame & follow strategies accordingly, the survival of them in those markets would be in question as the behavioural patterns would be changing from time to time. The success stories energies more and more players to enter into the rural markets and get the maximum out of it.

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