

RURAL INDIA - THE NEXT HORIZON

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Abstract

Indian rural market, with its vast size in terms of population and demand offers greater challenges to marketers in many areas. Nearly 70% of the country's population are residing at 6,00,000 odd villages whereas the remaining occupied in places like metros, city, town etc., More than 60% of income in rural through agricultural sources, the prosperity of rural markets always tied with good monsoons and growth. Durables like radio, B&W TV, CTV, Bicycle witnessed a steady growth rate as well penetration level in the rural markets.

Introduction

Rural marketing is not something unique in our country in many Asian countries there are large rural populations, many of them are illiterate. Until recently these were a forgotten market, found mainly in the Indian sub-continent, China, and Indonesia. The Indian rural market with its vast size and demand base offers a huge opportunity that cannot be ignored. With 128 million households, the rural population is nearly three times the urban

Importance of Rural Markets

The importance of the rural market for some FMCG and durable marketers is underlined by the fact that the rural market accounts for close to 70 per cent of toilet-soap users and 38 per cent of all two-wheeler purchased.

The rural market accounts for half the total market for TV sets, fans, pressure cookers, bicycles, washing soap, blades, tea, salt and toothpowder, What is more, the rural market for FMCG products is growing much faster than the urban counterpart.

Former Managing Director and Chief Executive Officer of ICICI Bank, Mr K.V. Kamath, while addressing a gathering recently said "every CEO is looking at the next horizon - rural India". Many Indian companies now are zeroing the rural market. To cite a couple of recent examples Bajaj Allianz Life Insurance Co has planned to focus more on the rural market in an endeavor to augment its business volumes. The company, believes that the rural economy will offer it with substantial growth opportunities in the days ahead, plans to start with a product characterised by lower sum assured. Motorola has announced an alliance with DCM Shriram Consolidated Ltd's Hariyali Kisaan Bazaar chain of rural and semi-urban utility marts for sales and distribution of handsets

MNCs are Leading the Journey to Rural Markets

But MNCs are leading the journey into India's rural markets. Amongst those that have made some headway are Hindustan Lever, Coca-Cola, LG Electronics, Britannia, Standard Life, Philips, Colgate Palmolive and the foreign-invested telecom companies. As discussed earlier, 70% of the population in Indian subcontinent lives in rural areas. This is considered as a unique market segment, and as Prof. C.K. Prahalad argues in his paper "Strategies at the Bottom of the Pyramid: Creating Sustainable Development" that there are several ways and means through which money can be earned by providing services to the poor and needy. He also argues that increasingly there is an opportunity for the poor to financially benefit from and contribute to the knowledge-based economy. Nevertheless he states, "The potential of the bottom of the pyramid cannot be realized without an entrepreneurial orientation among managers - an orientation that aims to create markets. The real strategy challenge for managers is *to visualize an active market* when what exists is abject poverty." So, it is evident from Professor Prahalad's argument is that entrepreneurship is rather important than financing schemes to reach the rural market.

Hindustan Lever Limited, ITC and other multinationals understands the importance of rural marketing better than home grown Indian marketers. HLL has launched various programmes to reach out to the rural consumer. HLL has also empowered rural women by helping them in obtaining financial assistance through its popular project called Shakti.

It is ITC's belief that India's rural transformation cannot be brought about by the government alone. Nor can the efforts of a few enterprises make a decisive difference. Only an inspired public-private partnership can transform lives and landscapes in rural India. ITC's humble endeavours have demonstrated that it is possible to create and sustain a model that can harmonise the need for shareholder value creation with making a substantial contribution to society.

Success of e-choupal

ITC is yet another example of Multinational taking the lead in rural marketing. The company has been working with the Indian farmer for nearly hundred years. ITC is now involved in taking this partnership to new heights, by leveraging information technology through its unique and innovative e-Choupal initiative. ITC is significantly widening its farmer partnerships to offering value added services like investing in rainwater harvesting to bring much-needed irrigation to parched drylands; empowering rural women by helping them evolve into entrepreneurs; enhancing livestock quality to significantly improve dairy productivity; providing infrastructural support to make schools exciting for village children.

e-Choupal delivers real-time information and customised information to develop the farmer's decision-making ability, thereby synchronizing farm output to market demands; securing better quality, productivity and better price realization. The model helps aggregate demand in the nature of a virtual producers' co-operative, in the process

facilitating access to higher quality farm inputs at lower costs for the farmer. The e-Choupal initiative also creates a direct marketing channel, eliminating wasteful intermediation and multiple handling, thus reducing transaction costs and making logistics efficient. The e-Choupal project is already benefiting over 3.5 million farmers. Over the next decade, the e-Choupal network will cover over 100,000 villages, representing 1/6th of rural India, and create more than 10 million e-farmers.

Success Story of Philips Television

Philips is yet another multinational with enormous success in its rural marketing initiatives. They have specially designed products specifically targeted at the semi-urban and rural consumer in India. For example it has created a specific brand 'Vardaan' in its colour TV range, targeted at the rural and semi-urban markets.

To counter the power supply problem in rural India, Philips has customised its televisions to work on a voltage range of 90 volts to 270 volts, thereby eliminating the need for a voltage stabiliser. Philips also launched the world's first "Free Power Radio", which has become very popular in the rural market. Philips has introduced innovative promotion campaigns especially for rural markets. The Consumer Electronics and Lighting divisions of Philips have launched integrated rural marketing programmes, which are spread across semi-urban towns having a population below 50,000. Philips has also structured the pricing of products to make them affordable for the target audience in small towns and rural areas. For example, Philips introduced a portable CD system, at an affordable price of Rs.4000 for the semi-urban and rural customers.

Conclusion

Plenty of opportunity is there in the rural markets, as it is evident from the success stories discussed above. Companies should have real commitment to tap the rural potential, as it is rightly pointed out by C.K. Prahalad "there is fortune at the bottom of the pyramid"

References

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