

Customization of Marketing Mix for Rural Markets

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Introduction

More than 617 million Indians (74.3%) of India's population live in rural areas. They are distributed over a mind-boggling 6,30,000 villages. The large amorphous mass of rural India is verily a marketer's delight. Data generated by National Applied Council of Applied Economic Research (NCAER) show that not less than 75% of all India sales in some product categories come from rural India. Among them are bicycles, transistors and mechanical wrist watches. Rural markets also account for between 50 to 75% of black and white TVs, pressure cookers, table fans and sewing machines. Truly, disposable income is not an urban manifestation alone. Unfortunately, the gigantic market is being addressed as a spill off of the urban oriented communication. Be that as it may, some companies have hit the rural dirt tracks with some imaginative campaigns. We posit that evolving specific gameplans for the rural markets in different product categories will lead to a bonanza for the marketer.

With the heightened disposable income triggering an increased demand for a plethora of products, rural advertising has become a pivotal area. It is important to educate and enlighten villagers about products and services that can improve the productivity of their fields and also improve their standards of living. Advertising has to be attuned to change the attitudes habits and lifestyles of villagers in areas of social concern such as literacy, family planning, hygiene, etc., The efforts of the government alone would be insufficient. They need to be reinforced by the commitment and willingness to change on the part of the villagers themselves.

The key factor influencing the impact of advertising is the content of advertising meant for the target audience. For nearly five decades companies had not given adequate importance to exclusive advertising for rural markets. Specific campaigns geared for the rural markets were conspicuous by their absence. In recent times a change in the mindset of the marketers has been discernible. Thus advertising has resulted in a spike in demand from the rural market. However other factors too have contributed to the rise in demand. Among them are

- Increase in the procurement prices
- Several years of good monsoon
- Rural development spends in the Five Year Plans increasing from Rs.14,000 crores in the seventh plan to more than five times that amount by the tenth plan.
- Growth of television medium both satellite and DD network
- Growth in income of rural consumers
- Infrastructural developments – roads, banks and electrification
- Increased competition in the urban market space forced many competitors to tap rural markets.

The Three Waves of Rural Thrust

If we were to analyze the pattern of Indian marketers' attempts to tap the rural markets over the decades, three distinct phases could be discerned. The *first wave* covered push into rural markets due to the trickle down effect. Products consumed in the urban markets also had *latent untapped*

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potential in the countryside. It was quite obvious that distributors of several FMCGs and durables were also catering to the rural demand on their own. Even in the absence of any attempts by marketers to reach out specifically to the hinterland, products trickled down. Realizing this, companies also started expanding their official distribution network to tap the latent rural demand for their products. While aggressive marketers such as HLL and ITC initiated their own rural distribution networks, others piggybacked on the reach of non-competing firms. Another contributing factor for the rural push was growing *saturation in urban markets*. As more and more companies entered a product category and product uniqueness became difficult to establish, growth rates in urban markets started tapering. An obvious option for such marketers was to explore newer suburban and rural markets, which they did. For some marketers driven by *market share*, sustaining their pie of the market demanded that they extend their reach to rural markets. An incentive to push into the rural markets was that the first entrants in rural markets had very high chances of entrenching themselves. This is because the rural retail outlets stock very few brands in each product category, as shelf space is limited.

If *distribution* was the focus of the first wave, the **second wave** reflected a better understanding of the rural milieu. A closer look at the rural markets by the early entrants made them delve deeper and appreciate better the local nuances. This phase saw extensive successful experimentation with pricing and promotion. Low income levels being a major issue, marketers began experimenting with packaging. At this stage the sachets that offered lesser quantities of products at reduced prices revolutionized the rural scenario. All of a sudden, rural customers could try out branded products at price points ranging from fifty paise to two rupees. Ease of displaying sachets in their shops helped rural retailers to stock relatively more product categories and even more brands within each product category. Importance of local advertising media dawned on advertisers. Innovative but locally highly relevant media options were explored. This phase saw the emergence of wall paintings, folk theatre, mobile vans running commercials, magic shows, folk dance and drama, etc as advertising media. The new media took care of the limited reach of mass media such as print and electronic channels. *Haats* and *melas*, periodic local bazaars, began to be used not only for sales but also for promotions and advertising.

The **third wave** of rural push, currently on, is interesting not only from the perspective of marketers' innovative attempts but also for the emergence of a supportive eco system. Products/services are being customized, keeping in mind the rural conditions in mind. From scaling down the features of products sold in urban markets in the earlier waves, marketers evolved into developing completely new products to suit the rural conditions. Besides their own commitment to serve rural markets, what immensely helped marketers was also the emergence of a support system for them to undertake the job and execute their plans well. Top advertising agencies such as Lintas and O&M set up exclusive subsidiaries (Linterland and Ogilvy Outreach respectively) to help clients serve the rural markets better. Madison went on to acquire a controlling stake in Chennai-based rural advertising specialist agency *Anugrah*. This phase also saw the coming together of specialized rural outfits such as Delhi-based MART, Pune-based *Sampark*, Chennai-based Anugrah-Madison. They forged a national alliance called *Rural Network*, which evolved later into *Rural Marketing Agencies Association of India (RMAAI)*. Holding seminars, conferences and workshops across the country, they set themselves an ambitious agenda – sensitize marketers to the rural nuances, spread awareness of the rural potential in various sectors, promote deeper understanding of rural markets among the academic fraternity, etc. Emergence of consultants, advertising agencies, exclusive publications, market research experts and organizations – all dedicated to the rural markets – things are smoother for marketers to professionally plan and execute their rural plans.

Customization of Marketing Mix

Product, Price, Place and Promotion constitute the 4Ps of marketing mix. The strategic decisions taken by marketers on these elements of the marketing mix decide the commercial fate of the brands involved. In the context of Indian rural marketing, let us discuss these **in the order** in which they were customized by marketers.

- (i) *Promotion*: Marketers and advertisers are quite familiar with the media options to be used, if they were to focus on the urban markets. Mass media vehicles such as radio, print, hoardings and TV are very effective. Even newer media such as cellphones and ATMs are being leveraged of late.

However, when it comes to the rural markets, the reach of mass media is very limited. Even where the reach is better, the choice within each medium is not very high. Moreover, the comfort level in using these to communicate effectively is not there.

An effective media mix was invariably the first hurdle faced by marketers in the rural markets and they were quick in altering it to adapt to the local media habits. Invariably, the media mix to be used for promotion has to have high local relevance, for effectiveness.

One of the first non-traditional media to emerge in the rural context was wall painting. Brightly painted walls near the village bus stop, cinema hall, banks, post offices, big retail outlets or panchayat office, generated lot of visibility among the rural audience. Another prominent gathering place is the common well, which also began to be used as an advertising medium. Borewell pumps, where available, were also used to paste stickers to promote brands. Advertisers also sensed the potential of traditional folk media such as puppetry, dance and drama in presenting commercial messages in a non-commercial and interesting way. Characters and situations were woven into the storyline so that a brand message could be sneaked in. Familiarity with and enjoyment by the local people of such media was slowly leveraged by advertisers in various product categories. Magic shows were also added to these media, to project brand features.

The above mentioned media offer the advantage of using local language and talent, so that receptivity and interest levels are high. This takes care of the drawbacks of say TV advertising, where dubbing is resorted to so that different geographic pockets can be catered to using a single commercial. Characters portrayed and lip sync mismatches are easily observed drawbacks in such commercials.

Demonstrations also generate awareness levels and if these were also to be construed as promotional tools, the rural markets presented several opportunities. The periodic markets conducted on a rotating basis among different villages attract hundreds and thousands of people from nearby villages. Such markets come in varying sizes, depending on the periodicity and number of villages and talukas covered. Ranging from weekly to annual gatherings, these periodic markets are ideal for brands with weak distribution networks on the countryside for multiple purposes. On the one hand the stalls put up either directly by marketers or their distributors generate instant sales. On the other, brand awareness levels spread wider due to presence in these bazaars. Marketers looking at rural marketers both at the short as well as the long term used these bazaars. For those with a short-term focus, sales generated at these gatherings was a bonus,

whereas for those with long-term interests, spreading the brand awareness levels was the gain.

- (ii) *Pricing:* Affordability is a major issue in rural markets, relative to urban markets, due to several factors. Agriculture constitutes the mainstay of Indian rural economy. Marginal farmers, whose landholding size is small and use of efficient farming practices limited account for the bulk of Indian farmers. As a result, the farm income is not very high.

By its very nature, agriculture delivers cash to the framers only when the crops are harvested. In other words, income to farmers is sporadic – twice or thrice a year.

Another distinct element of rural agri income is its uncertainty. This is because agri-output is still heavily dependent on rainfall. During periods of lesser rainfall, agri-output decreases and hence farmers' income gets affected.

This combination of irregularity, uncertainty and less income has a direct bearing on marketers. The overriding picture is that of low income, which has a bearing on the rural purchasing power.

In the rural space there are few people who draw regular incomes through monthly salaries, such as staff of government run schools and hospitals; employees of post offices and banks. But they are scattered across the rural landscape. Therefore a collection or grouping of large populace with reasonable income levels to purchase products in quantities and at frequencies desired by marketers is missing.

Once it was clear that affordability in rural markets was much lesser than in urban market, marketers realized that affordable price points had to be identified and then catered to. Marketers of durables and FMCG took two different routes. The former had a close look at the features of their products and their utility value to the rural customers vis-à-vis their urban counterparts. Common sense dictated that most of the advanced features in durables were valued only by urban consumers. Majority of the rural consumers were either not aware of them or found them of limited use. If the durables were to be made more affordable for the rural customers, reducing their price by stripping them of fancy features and thus reduce their price was an imperative. As for FMCG marketers, packaging innovations came in handy to introduce attractive price points for customers. Be it the sachet revolution, squeeze tubes or pillow packs many product categories gained. Beverages, shampoos, toothpastes, hair oils, edible oils, pickles, etc benefited as price points ranging from 25 paise to two rupees emerged. Even without packaging innovations, marketers of products such as soaps introduced lower price points by just reducing the unit pack size.

Lower unit pack sizes, packaging innovations and offering basic, functional products at reduced prices characterized the pricing customization by Indian marketers for the rural markets.

- iii. *Place:* The urban-rural divide in terms of infrastructure is striking. Fifty percent of villages with population less than 1,000 are yet to be connected by proper roads. Forty percent of villages lack all-weather roads. Given this state of affairs, it is not surprising that development appears to be skewed, and rural connectivity is still an issue. For marketers looking to tap the rural markets, accessibility to these areas is a huge challenge. Both reaching out to the hinterland and doing so at a viable cost are question marks.

The traditional distribution network has been used in rural markets, but with a longer chain. As for customization, *haats* and *mandis* were one of the first to be used for distribution. A combination of dealers and the marketers working together or independently worked on using *haats* and *mandis*. These were used to not only generate awareness levels and sell directly to consumers, but also sell bulk quantities to rural retailers. They used these as locations to replenish their stocks, to be sold in their far flung villages where the traditional distribution network did not reach.

Another new outlet discovered by marketers for distributing their products into the interiors is the specialized agri-based network set up by different firms. *Hariyali Kisaan Bazaar*, was set up by DCM Shriram Consolidated Ltd to facilitate sale of agri inputs such as fertilizers, pesticides, farming equipment, seeds, animal feed, etc. Each such Bazaar caters to a catchment area of about 20 km.



Marketers of FMCGs, durables and branded apparel are tying up with the DCM group, to sell their products. Over 100 such Bazaars are operational across the country presently and the company proposes to scale up to 300 by December 2008. Similarly, ITC's internet-enabled rural interface to help sale of agri outputs, e-Choupal, is presently operational in six states and there are 5,200 kiosks. The kiosks are supported by warehouses for farmers to sell crops., ITC also leverages the e-Choupal extensively as a distribution point. An article on rural retailing mentions, "ITC first pushed its own products, like salt, into the hinterland, and then invited others like Parachute and Philips to ride on this distribution chain (1). ICICI Prudential has tied-up with ITC to use e-Choupal for its insurance policies. (2).



Similarly *Triveni Khushali Bazaar*, a rural agri-inputs store run by Triveni Engineering & Industries Ltd in the sugarcane belt of Uttar Pradesh, is also used to sell cement and FMCG products.

Bancassurance (3) in the rural context is being implemented vigorously, as insurance firms try to catch up with the rural commitments mandated by IRDA. Max New York Life has eleven bancassurance tieups with regional rural banks (RRBs).

NGOs and SHGs operating in rural areas are also being tapped by marketers. Hindustan Unilever's *Project Shakti* best exemplifies this. Through state governments, and NGOs involved in microfinance, women entrepreneurs in villages are identified to act as local

distribution and sales points for Unilever's products. About 25,000 *Shaktiammas*, as these women entrepreneurs are called, operate in fifteen states. Indirectly, the SHGs and NGOs who identify the *Shaktiammas*, play the role of distribution partners of HUL.

- iv. *Product*: Rural affordability, i.e. pricing, led to customization of the final 'P' of the marketing mix – the product. This is the most innovative customization, as it revealed a very professional approach to serving the rural markets – by developing products keeping their needs and environment in focus.

Working backwards from the price rural customers could afford resulted in research to develop products exclusively for them. So far, attempts have been made in durables and services. LG developed a TV in late 1990s with on-screen displays in Indian languages such as Hindi, Bengali, Tamil and Marathi. The sub-brand, *Sampoorna*, was predominantly for the rural markets, priced Rs 2,000-3,000 lesser than competitive national TV brands. As an extension of *Sampoorna*, an entry level CTV called *CinePlus* was launched for rural markets, priced attractively at Rs 5,000.

Philips too developed a TV sub-brand *Vardaan*, exclusively for the rural markets. This TV could withstand voltage range of 90-270 volts. Voltage fluctuations are quite common in rural electricity supply and *Vardaan* was designed to overcome this challenge.

Availability of electricity itself is a major hurdle in the countryside. As a marketer of radio sets that run on batteries and electricity, Philips was well aware of this issue. Undertaking research to develop products that do not need conventional energy sources, Philips developed *Free Power Radio*, a radio set that does not need batteries or electricity. It runs on simple winding of a lever provided in the set. The price – an attractive Rs 995 per set.

To remove fluoride content from hand pumps, Ion Exchange designed water-purifying attachments to the pumps, that do not need electricity to run. (4).

Nokia developed affordable cell phones for rural markets, with unique features such as local language capability, preset time/cost limits on calls, etc.

ICICI Bank and Dena Bank have customized their rural ATMs, so that they operate on biometric authentication. Branded *Asaan*, ICICI Bank's rural ATMs are battery operated so that power failure is not an issue and they even accept soiled currency notes. Dena Bank's ATMs have voice instructions for rural users.

BP Energy sells smokeless, biomass run stoves (*Oorja*) for rural markets, priced attractively at Rs 675. Using biomass pellets, *Oorja* uses a mini fan to fan the flames. These have been launched in Tamil Nadu.

Bank of India introduced *Bhumiheen Credit Card* for providing credit facilities to landless farmers. For farmers sponsored by NGOs and SHGs, the scheme includes consumption loans of Rs 1000 and a credit limit of Rs 25,000.

Challenge of marketing Consumer durables

The harsh realities of the rural markets make the task of rural marketing daunting. It is hard to see any big change in the retailing situation for the durables in rural India over the next few years.

The organized retail format stores are still only few in number and in its infant and experimentation stage only. Therefore distribution of durables will continue to remain urban-centric. Even if the corporates are in a position to serve the consumer needs in nearby larger towns or smaller cities instead of bigger cities it would still mean getting closer and closer to the rural consumer. Also the importance of segmenting the market should not be lost sight of. Rural is not a single homogeneous market. On the basis of the level of development and availability of the infrastructure different rural markets have different level of potential for the durable products. Therefore, segmentation becomes extremely important to know which are the rural markets that can be targeted with a particular model or product.

Potential for Further Customization

There is no doubt that plain vanilla offerings and customization in promotion, distribution and pricing have expanded the rural market base. Rural customers are able to relate better to the products offered to them, whereas marketers are now adept at understanding the nuances of the rural markets.

Does this mean, however, that there is nothing left to innovate or customize? Hardly. The following areas offer potential to fine tune the rural thrust further by marketers:

- Can the spreading digital cinema theatres be used to beam down customized messages in rural cinema halls?
- When established marketers know the expected sales of their brands in different geographic pockets, can the packaging be customized so that the brand label is in the local language?
- How about new launches only with brand names easily accepted in almost all geographic pockets? LG's *Sampoorna*, for example, gets easily registered as little variations of the word exist in almost all Indian languages.
- Can washing machines be developed that run on solar energy?
- Kerosene-run refrigerators.(5)
- Solar pressure cookers?
- Using the post office network in rural areas for displaying pre-stamped insurance enquiries
- Allowing irregular insurance premium payments within a year, without late fee, in line with irregular income patterns in rural areas
- Use of the countrywide network of primary health centers to promote health insurance
- Tying up with microfinance groups, NGOs and SHGs for collection of EMIs on purchase of durables by their members on hire purchase schemes
- Using the cheapest form of postal communication, the post card, for commercial messages
- Leveraging the network of rural petrol pumps for selling products (6)

Conclusion

The journey of marketers to the rural markets has indeed been one of surmounting one hurdle after another. These include the 4As – availability, affordability, acceptance and awareness. Adapting themselves to the rural atmosphere, marketers quickly innovated along all elements of the 4Ps of the marketing mix – promotion, pricing, place and product.

Evolution of a supporting ecosystem in the twenty first century provides several opportunities for serious marketers. Continuous customization, with inputs from all stakeholders, seems a sure shot approach to provide both short- and long-term returns in the rural markets.

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