

Strategies for Marketing to the Rural Customer in India: The 4 As Model of Rural Marketing

Aditi Naidu*

Abstract

The present paper brings together recent research findings and on-ground efforts of marketing to the rural Indian customer. The major premise of the paper is that to serve the rural markets, marketers need to plan and implement the 4 As of marketing mix. Drawing from literature review as well as from real life marketing exercises as found in news articles in business periodicals, textbooks, and case studies, the paper presents the Indian rural marketing experience so far. By bringing out the current practices in rural marketing in India, the paper demonstrates strategies for effective marketing to the rural markets in India as anchored on the 4 As model of rural marketing.

Keywords: Rural Markets, 4 As of Rural Marketing, Acceptance, Affordability, Awareness, Accessibility, India

Introduction

Recent years have seen rural markets emerging as an important growth engine in the Indian consumption landscape. With 69 percent of India's population living in rural areas, they present a significant market opportunity (www.business-standard.com). The rural segment is growing at a healthy pace of 8-10 percent per annum and is expected to add US\$ 100 billion in consumption demand by 2017. The rural Fast Moving Consumer Goods (FMCG) market is anticipated to expand at a CAGR of 17.41 percent to US\$ 100 billion during 2009–25. Moreover, the FMCG sector in rural and semi-urban India is estimated to cross US\$ 100 billion by 2025 (www.ibef.com).

Rural markets are being increasingly recognised as opportunities for growth for marketers with urban markets getting increasingly saturated and rural markets indicating a growth rate faster than that of urban markets.

In India, while urban markets are now being considered as upgradation and replacement markets for consumer durables, rural markets are being looked at for revenue generation as penetration levels are low here (Anderson & Markides, 2007), while demand is growing. Marketers are responding to the growth potential of rural markets by designing specific products and marketing strategies for the rural customer. For instance, LG Electronics succeeded in a customised affordable TV for rural markets; Sampoorna TV, another consumer durables major in India; Godrej did well with its customised 'Chotukool' - a tiny refrigerator ('Chota' meaning small); and Mirc Electronics launched its Operation Vistaar (Vistaar means to expand) to intensify the marketing of its 14 inch TV branded as Igo for Rs. 5000, while Videocon offers its entry level 14 inch TV priced at Rs. 7000. Even a company like Samsung, which describes itself as a high-end technology driven marketer, despite keen on maintaining this equity, is attempting at building awareness in semi urban markets through road shows in the country. However, just a stripped down version of products at low price is not what the rural customer wants, as Godrej Appliances discovered when its Champion refrigerator did not do well in the rural markets (www.rediff.com/money).

In fact, the rural customer is a value conscious customer, who is looking for value and not just a low price (Kashyap, 2012).

Rural Customers

Understanding the customer is as important in rural markets as is in urban markets. In fact, Godrej Appliances learnt it the hard way when its stripped-down version, Champion refrigerator with half a freezer did not perform up to the company's expectations. The company realised that product features are important to the rural customer who is as aware as his urban counterpart (www.rediff.com).

* Assistant Professor, Marketing, Jaipuria Institute of Management, Indore, Madhya Pradesh, India.
Email: aditinaidu74@yahoo.co.in

com/money). The basic consumer behaviour model has a limited application to understanding rural customer behaviour in India since the rural market is not a homogeneous group; rather it consists of a diverse range of cultural, social, traditional, socio-economic factors affecting consumption (Kashyap, 2012). Kashyap (2012) maintains culture as the most decisive factor affecting consumer behaviour in rural India. For instance, when in 2002, rural retail chain, the Hariyali Kisaan Bazaar of DCM Shriram Consolidated Ltd was launched, a glass of water was served at the entrance to welcome potential customers, however, this small welcoming gesture was an error since incoming rural customers felt obliged to purchase something from the retail outlet, leading to fewer footfalls. Asian Paints has demonstrated the effectiveness of understanding the rural customer: in the 1950s, market research led to the paint major to discover that farmers paint the horns of their bullocks and accordingly, small 50 ml paint packs were launched which became popular. Opinion leaders in villages include the *sarpanch* (village leader), teachers, retired army personnel. Asian Paints demonstrated again in the 1990s, its prowess of implementing marketing activities based on understanding rural customer behaviour by painting the village Sarpanch's house, during the launch of its Utsav brand of paint for customers to see for themselves the quality and durability of the paint (www.newindianexpress.com/business).

The Rural Marketing Mix: The 4 As for Succeeding in Rural Markets

While the 4 Ps of marketing: product, price, place, and promotion, have been the well-established standard by which every marketing strategy has been implemented in the past, this approach was designed for urban markets and due to the distinctiveness of rural markets, is not appropriate to rural markets (Kashyap, 2012). The 4 As of marketing: acceptability, affordability, awareness, accessibility - have evolved as a more customer oriented solution for designing appropriate marketing strategy for rural markets (Kashyap, 2012). The 4 As of rural marketing together drive the rural marketer's efforts for sustained growth in rural markets.

Acceptance

Understanding what the rural customer wants is pivotal in succeeding in the rural markets. While on one hand, the

rural customers have growing aspirations, they are price sensitive. Rural customers are highly value conscious: in the case of consumer durables, this translates into high functionality in terms of the product being durable and fitting multiple uses (Accenture Research Report, 2010). In terms of the product fitting into the rural customer's requirements, a research found that rural customers purchased motorcycles especially to attend social functions with families and to carry various products such as agricultural produce; hence for the rural customer, it is not so much the appearance and the style of the motorcycle that matters, as is its load carrying capacity (Kumar, 2011).

Rural markets do require products customised to specific needs of functionality and affordability. Rural marketers who have succeeded in offering such customised products in rural India include Nokia which offered a customised phone, rich in features valued by the rural customer such as multi-lingual keypads, a built in torch and FM radio, sold as a bundled offer with different telecom providers at less than Rs. 2000 (Accenture research report, 2010). Similarly, LG reaped large benefits with its highly customised 'Sampoorna' TV with customised easy to use features at Rs. 14,400, which, despite being Rs. 2000 more than competing brands, was a success. On the other hand is the case of Godrej Appliance's Champion refrigerator which did not do well. Godrej understood rural customer requirements better as it co-created a refrigerator: a mini refrigerator without compressor, running on battery, weighing less than 8 Kgs with a top loading storage facility priced at around Rs. 3,000 (www.ibef.org).

From literature and instances of marketing successes, it becomes evident that acceptance in rural marketing would include parameters such as the functional aspects of the product, the product being rich in features, the product's durability, multiple usage, customised to the rural customer's living conditions, and being easy to use. What works in rural marketing are offering products customised to consumer needs, which are perceived as value for money, are feature rich, easy to use and which fit the rural customer usage requirements. What is not effective in rural markets is assuming the rural consumer is price sensitive enough such that they would purchase stripped-down products with inadequate features. In fact, the rural customer has more specific requirements for features to suit their more challenging living conditions in India, as demonstrated with the success of Nokia phones with a built in torch.

Affordability

The rural customer is price sensitive and expects value for money (Sainy, 2014). According to Kashyap (2012), affordability is an important marketing decision in rural marketing since the rural customer's income levels still are much lower than his urban counterparts. Affordability means the price of the offering should be within the rural customer's purchasing capacity and does not mean a low-cost, low quality version of an urban product or service. Raj and Selvaraj (2007) too have pointed out that rural markets cannot be treated as "dumping grounds" for low-end products meant especially for the urban customer. In fact, rural customers are highly value conscious and a product will not find customers in this market, if it does not offer value, however low the price. Affordability thus, is not only a low pricing decision, but involves designing products and services such that they offer value simultaneously with fitting the rural customer's purchasing capacity. This has led to the success of various sachet packaging-whether in personal care products, such as shampoos as demonstrated by CavinKare's Chic shampoo sachets or even in the case of insurance such as one which Max Vijay offers with sachet purchasing with small, frequent payments made to the local retailer (Kashyap, 2012).

Rural marketers have built affordability by introducing smaller, low priced packs in rural India. For instance, Godrej has introduced its Cinthol, Fair Glow and other Godrej products in 50 gram packs that are priced at Rs. 4-5, particularly in the markets of Uttar Pradesh, Madhya Pradesh, and Bihar; Lux toilet soap is made available in 25 gram packs in rural areas. Further, Philips introduced its free power radio, a radio that does not require power or battery for operation, for Rs. 995 and Tata Tea introduced a new brand of tea, Agni Sholay, in three different packs to cater to the needs of all the segments in rural priced Rs. 31.50, Rs. 13, and Rs. 6.50 respectively for 250, 100 and 50 gram packs (Sainy, 2014).

Value engineering whereby marketers look at ways to reduce input costs is another way of building affordability into the rural offering (Accenture Research Report, 2010). Affordability in rural marketing may be built through offering value for money, smaller pack sizes. To appeal to the rural customer, the key is to recognise that the rural customer is a value conscious customer, who seeks value and not necessarily low price.

Awareness

The major objectives of rural marketing communication are to create awareness and to induce trial (Kalotra, 2013). The author found that advertising through television and viral marketing are most effective in the rural setting. Further, Kalotra (2013) found that in promotional activities, marketers can benefit if rural customers feel they are treated as valued customers. His study further found that effective promotional campaigns in rural markets are those which are embedded in rural perspectives, rural tradition, rural mentalities and rural values, with a focus on local language, customs and modes of communication.

Rural markets require novel treatments for promoting products and gaining customer awareness. For instance, Asian Paints selected some opinion leaders in the villages and painted their houses to demonstrate that the colour does not come off; Life Insurance Corporation of India made use of puppet shows to create awareness amongst the rural people regarding the importance of insurance products; ICICI Prudential promoted its product in the *haats*, *mandis*, and other local markets organised in the rural areas. It also educated the rural people by advertising through mobile vans. Many companies use folk theatre formats as a means to promote their products. The Government of India utilised this medium for selling seeds and fertilisers (Sainy, 2014).

Accessibility

That distribution is key for sustainable growth in Indian rural markets with far flung, geographically dispersed, poorly connected villages, has been reported in two Accenture reports (Accenture Research Reports, 2010; 2013). This became more apparent recently, when lack of availability due to inadequate presence in the rural markets was attributed to Britannia's (a leading marketer of biscuits in India) loss in its market share, when despite awareness of its biscuits, people were not consuming the biscuits (www.businesstoday.intoday.in).

Marketing to rural markets in India, organisation such as Pepsico and Coca Cola have adopted a range of innovative, distribution strategies including hub and spoke models (Kashyap, 2012), creating sustainable channel partner relationships and the village entrepreneur ('feet on street') model to reach the last mile.

LG Electronics recognised availability led to profitability in rural markets with gains in revenues as it established a dedicated rural infrastructure with an increased number of branch offices, establishment of 65 remote area offices, 230 service centres and 2,600 mobile authorised service centres in villages with population below 10,000 (www.rediff.com/money).

Companies are using a variety of strategies to extend their distribution networks into rural India. The most successful companies, though, have adopted a multipronged approach. For instance, ITC uses smaller scale sub-distributors who carry a narrower assortment of products catering to local tastes for rural areas with populations of 10,000-20,000 with adequate transportation infrastructure but not enough demand to support a traditional distributor; vans that bypass distributors and supply ITC's products directly to retailers in more sparsely populated areas (5000-10000 people) as well as two and three wheelers for still smaller and less accessible micro markets (with populations below 5000 and no paved roads) that deliver to retail kiosks carrying ITC's goods in small sizes for lower prices (Kapur *et al.*, 2014).

Organisations such as Tata Motors have partnered with local residents in rural areas who it has been hiring and training since 2010 to become Tata Motors "gram mitras" (meaning village advisors or friends) who work on commission to generate leads for existing dealers' sales teams. Similarly, Idea Cellular has recruited and trained some 4,000 youths (labelled "sons of the soil") who reside in the villages near its cell towers. To extend its reach even further, Idea supplements these local workers with traveling *grameen pratinidhis* ("village representatives") who need extra income and are already visiting remote villages on business of their own. Further, Vodafone India has set up a network of mini stores known as "*laal dukaan*", or "red stores," for the colour of Vodafone's logo. The shops are run by locals who've invested Rs 35,000 to Rs 50,000 (around \$580 to \$830) to open them. They are designed to meet all the telecom needs of customers within an 18- to 32-kilometer radius, from sales to connectivity to technical support. The network has been so successful that the 94 million rural subscribers served by nearly 5,500 red stores now constitute 60% of Vodafone's customer base (Kapur *et al.*, 2014).

Colgate built a viable distribution reach covering the below 5000 population villages by recruiting 240 entrepreneurs

working full time for the company, distributing the products on bicycles with an attached product storage box. Other approaches that have been successful include using the SHG (self-help group) models such as HUL's 'Project Shakti'; use of vans such as by Eveready, leading marketer of batteries and torches, which has its own fleet of more than 1000 vans for distribution in rural areas (Kashyap, 2012) and adding layers to existing distribution network as well as through the use of e-commerce to reach the rural customers (Accenture Research Report, 2013).

What works therefore are efficient, innovative distribution systems that reach the last mile with a large number of Indian village with low population, but taken together, these villages present a large market opportunity. Efforts to reach the rural populace include building sustainable relationships with stakeholders-such as dealers, customers in need for economic empowerment, based on trust.

Conclusion

The 4 As of rural marketing together drive the rural marketer's efforts for sustained growth in rural markets. To succeed in rural markets, organisations would require to offer products customised to consumer needs, which are perceived as value for money, are feature rich, easy to use products that fit rural customer usage requirements. What is not effective in rural markets is assuming the rural consumer is price sensitive enough such that they would purchase stripped down products with inadequate features. In fact, the rural customer has more specific requirements for features to suit their more challenging living conditions in India, as demonstrated with the success of Nokia phones with built in torch. To appeal to the rural customer, the key is to recognise that the rural customer is a value conscious customer, who seeks value and not necessarily low price. Rural markets require novel treatments for promoting products and gaining customer awareness. Further, to succeed in rural markets, organisations would require to build and maintain efficient, innovative distribution systems that reach the last mile with a large number of Indian villages with low population, but taken together, these villages present a large market opportunity.

References

Accenture Research Report. (2010). Masters of rural markets: The Hallmarks of High Performance. Retrieved from <https://www.accenture.com/>

- t20160914T044700__w__/in-en/_acnmedia/Accenture/Conversion-Assets/LandingPage/Documents/4/Accenture-Masters-Rural-Markets.pdf; 10/9/16
- Accenture Research Report. (2013). Masters of Rural Markets: Profitably Selling to India's Rural Consumers. Retrieved from https://www.accenture.com/t20160914T044344__w__/in-en/_acnmedia/Accenture/Conversion-Assets/LandingPage/Documents/4/Accenture-Masters-of-Rural-Markets-Selling-Profitably-Rural-Consumers.pdf; 15/9/16
- Anderson, J., & Markides, C. (2007). Strategic innovation at the base of the pyramid. *MIT Sloan Management Review*, Fall.
- Growth Markets in rural India. (Feb. 4, 2013). *Business Standard*. Retrieved from http://www.business-standard.com/article/management/growth-markets-in-rural-india-113020400032_1.html; accessed 13/5/16
- IBEF. (2016). Indian Rural Market: Rural Segment Quickly Catching Up. Retrieved from <http://www.ibef.org/industry/indian-rural-market.aspx>; accessed 13/7/16
- Kalotra, A. (2013). Rural marketing potential in India-An analytical study. *International Journal of Advanced Research in Computer Science and Software Engineering*, 3(1), 1-10
- Kapur, D. (2011). Consumer Insights on Purchase of Bikes in Rural Markets in India. Retrieved from <https://www.youtube.com/watch?v=LYVgD1x1pJo>; accessed, 10/8/16
- Kapur, M., Dawar, S., & Ahuja, V. R. (2014). Unlocking the wealth in rural markets. *Rural India: Emerging Trends and Strategies* (Vol. 1).
- Kashyap, P. (2012). *Rural marketing* (2 ed.). Dorling Kindersey (India) Pvt Ltd., Pearson, New Delhi
- Mera Gaon Mera Desh. (October 9, 2011). *Indian Express*. Retrieved from <http://www.newindianexpress.com/business/news/article350457.ece?service=print>; accessed 23/3/15
- Raj, S. J. M., & Selvaraj, P. (2007). Social changes and the growth of indian rural market : An invitation to FMCG sector. *International Marketing Conference on Marketing and Society*, 8-10 April, IIMK, pp. 103-110
- Sainy, B. (2014). Rural markets in india as challenges and ways ahead. *International Journal of Innovative Research and Development*, 3(1), 142-148
- Shashidar, A. (Dec. 12, 2013). High Time Britannia increases its rural penetration. *Business Today*. Retrieved from <http://businesstoday.intoday.in/story/varun-berry-on-britannia-expansion-plan/1/201428.html>; accessed 23/8/16
- Switching on in rural India. (2004). Retrieved from <http://www.rediff.com/money/2004/apr/03spec1.htm>; accessed 15/7/16
- The Coolest Little Refrigerator for Rural India. Case Study. Retrieved from <http://www.ibef.org/research/case-study/the-coolest-little-refrigerator-for-rural-india>; accessed 14/7/16