

# Innovative Marketing Practices- Targeting Rural Market

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**Abstract**—Today's World is shifting towards consumption driven economy and has been cognizant of the importance of the growing rural segment in that context. For many businesses world's rural markets hold the key to future growth. Marketers that recognize this immense opportunity are putting up efforts to grab a strong position in these markets. Companies are building and maintaining efficient sales and distribution networks customized to serve the big rural market. The large chunk of data obtained from various geographical parts of the world is processed through new innovative Enterprise Resource Planning Software. The improved Supply Chain Management activities among various departments of an organization helped in fastening the Distribution of goods to the rural markets. The aim of the paper is to show how innovative marketing strategies are channelized towards Rural Markets and what insights the marketers have found that shifted their entire paradigm towards this large market. In the end, the paper will describe of how the adoption of the new management practices and transformation of 4 Ps of Marketing Mix to 4 As of Rural Marketing helped in creating the value for the prominent enterprises of the world and established them as big brands in Rural India.

## 1. INTRODUCTION

The task of any business is to provide customer value at a profit. In a highly competitive environment where not only the companies urge the buyers to avail their products, but the consumer itself has become so aware and is surrounded with a lot of choices. In this situation a company can have an edge and a win-win situation if it streamline its value process and choose, communicate and deliver the higher-up benefits to the consumers. The companies are getting the fresh ideas within their hierarchy of management which includes young and aggressive employees to senior personnel who have vast experiences. Predicting the future uncertainties and market driven forces, the Companies have adopted innovative strategies not only in the field of Marketing but for all the stakeholder activities including Human resource practices, efficient Supply chain and a balanced and wise Finance allocation to each activity based on the profitability.

## 2. LITERATURE REVIEW

This area has been subjected to a significant amount of prior research. Various frameworks have been suggested by

researchers. Ajith Paninchukunnath (2010) mentioned that firms should adopt the 3P Framework of Rural marketing. This framework will help the marketing firms to develop innovative products for rural markets <sup>[1]</sup>. R.Gomathi & M.Gomathi (2013) discussed the rural marketing process carried out by consumer durable and non-durable companies and paradigm shift from urban markets to rural markets <sup>[7]</sup>. Mamta Kapur, Sanjay Dawar, Vineet R Ahuja(2014) in Harvard Business Review article mentioned that In rural India commodities are giving way to branded products and more-expensive goods are replacing entry-level versions <sup>[4]</sup>. This resulted in recognition of enormous opportunity for corporations to gain a strong foothold in India's rural market.

As the rural penetration increases, the rural markets will demand more of household things which will invite FMCG companies to explore more distribution channels. Based on this point, Kavitha T.C. provided detailed information about the growth of FMCG industry in rural markets of India and examined the challenges, opportunities for the FMCG's in rural market <sup>[3]</sup>. The markets are expanding, demanding more technology innovation. Dr. M.P.Thapliyal, Pooja Vashishta(2012) in their research paper suggested Indian SMEs to extend the scope of ERP for strategic, managerial and organizational issues <sup>[2]</sup>.

## 3. RESEARCH METHODOLOGY

### 3.1 Objectives of the Study

Following are the objectives of the present research

1. To study the potential of rural markets of India
2. To study how efficiently Supply Chain Management Techniques and ERP can fasten the marketing decision process and increase the supply of goods in rural areas.
3. To discuss how 4P's of marketing transforms to 4A's in rural markets.

### 3.2 Research Design

The researcher has followed a descriptive cum analytical approach in drafting the paper. The Potential of Indian Rural

markets have been described in detail. Survey result of the villagers of three villages is discussed to understand the importance of ERP and efficient Supply Chain Management Techniques.

**3.3 Data Collection & sample Techniques**

Data has been collected from both Primary and Secondary sources. The secondary data has been collected from newspaper articles, journals, magazines, books and various web portals. Primary data has been collected by physical survey. Convenient sampling technique was used for the study.

**4. DATA ANALYSIS AND INTERPRETATION**

**4.1 A view of Rural Markets and its Potential**

According to World Bank, 67.97% of the Indian Population lives in rural areas [18]. Around 70 % of the Indian Population lives in rural areas. India has close to 7 lakhs of Villages. Around 83.3 % of the villages have a population of less than 2000 [16]. Out of which 18.62 % of the Rural Population lives in Uttar Pradesh which is also one of the largest state of India. This market generates around half of the country’s Gross Domestic Product (GDP). Per capita GDP in India has grown at a compound annual growth rate (CAGR) of 6.2 per cent in its rural regions, since 2000 [24].

According to ICE 360 survey 2014, rural India now contributes 55.4 % of India’s income and has a share of 56.1 % on consumption expenditure. The rural poor have increased their consumption more than urban poor [10]. The dependence on agriculture has become very less. Only 25.8 % of households are dependent on cultivation of land, while majority around 43 % earn their livelihood from non farming activities [10]. The current government of India has launched some new schemes and welfare plans for rural India. Pradhan Mantri Jan-Dhan Yogna (PMJDY) is now ensuring access to various financial services like opening of savings account, access to need based credit, insurance and pensions to weaker sections and lower income groups [19]. The new allocation of funds under Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) have further reduced unemployment levels by providing 100 days of employment to one person in every rural household [17]. As per the survey of National Council for Applied Economic Research (NCAER), the rise in rural incomes is at par with rise in urban incomes. The rural middle class is growing at 12 percent [23].

From 2009 to 2012 spending by rural residents reached \$69 billion, which is 25 % more than their urban counterparts [4]. According to report by Nielsen consumption in rural areas is growing at 1.5 times the rate in urban areas. The advancement in Internet and mobile facilities in rural India has also created growth parameters. According to Internet and Mobile Association of India, the mobile internet user base has grown to 213 million and the rural areas have contributed

greatly in the growth. With the growth of internet in rural India, digital commerce, digital advertising and social media industries are also seeing an opportunity to penetrate [14]. The government of India has provided urban amenities and livelihood opportunities in rural areas to bridge the urban rural divide and reducing the migration of rural people to urban areas. Fig. 1 represents the amenities to be provided under PURA [20].

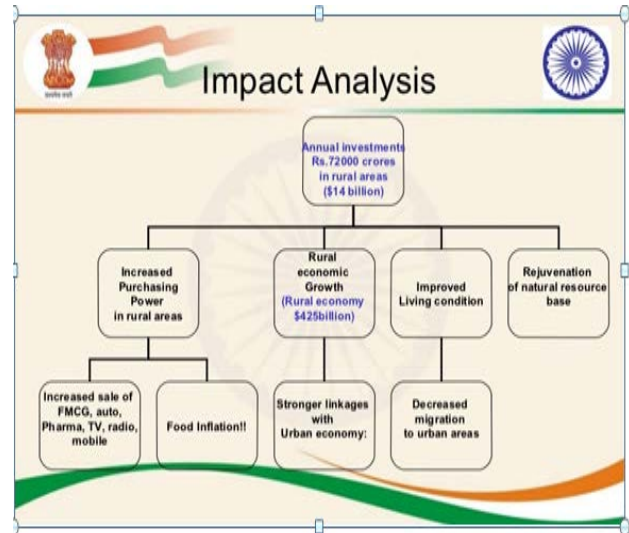


Fig. 1

Seeing the various schemes implemented by government and the shift of the rural people towards Secondary and Tertiary sectors for livelihood is a clear indication that the spending and consumption power of the rural markets have increased which is an opportunity for the Consumer Durable sectors, Fast Moving Consumer Goods (FMCG) sector and other service sectors such as Telecom, banking, insurance, healthcare, education and power.

**4.2. Supply Chain Management Components**

Once the Company has found out the market space to enter, it must found out how to make the products that are cost effective and provide high value to the customers, along with a good amount of profits to enjoy. In that scenario, both **logistics** and efficient **Supply Chain Management** are considered to provide a competitive advantage over other players and achieve superiority in the market place in terms of customer preference. Companies focus on faster delivery services and after sales service. Fig. 2 represents the various components of the Supply Chain.

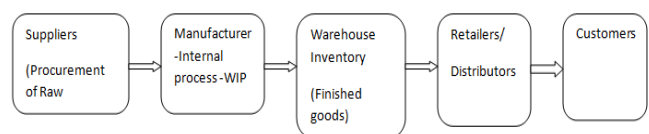


Fig. 2

This is a multilayered approach of planning, controlling and coordinating with the parties involved in the process. Any delay whether in the supply of raw material, blocking of assembly line in production or communication gap between company and distributors or distributors and retailers can lead to supply risk resulting in late delivery of material to the end consumer.

Every business follows the above processes converting a raw material to finished goods and then supplying these goods to Customers. But there are some companies who have done an innovation in this area also and this has resulted in narrowing down the demand-supply gap between rural consumers and the companies, minimized the inventory costs, highly distributed network of Retailers and Distributors and delivering the goods to the consumers at the right place and at the right time. In this era of competition, where similar nature companies are fighting to grab the maximum market share, the leader emerges out is the one who can control the cost of production. There are some Efficient Supply Chain Strategies where a company can think of to reduce the making and inventory costs by adapting some integration methods.

**4.2.1. For example Backward Integration by Reliance Industries**

Reliance Industries started the business as a textile manufacturer. Soon they took over the raw material polyester fibers instead of being dependent on suppliers, thus reducing the supplier bargaining and cost of production [21].

**4.2.2. Forward Integration by Amul**

Before establishment of Amul, an India Dairy Cooperative the farmers in the villages were forced to sell their large collected milk to middlemen at a very low price. Then after the formation of Amul the small cooperative societies collected milk from every village and supply the milk to the central processing plant and thus liquid milk and milk related products are marketed in Pan India [6-22]. Thus Amul has started up a highly efficient Supply Chain Operation through Forward Integration.

**4.3. Enterprise Resource Planning (ERP)**

Now for an organization which has control over on all the stages of a production from being a supplier itself to a distributor, there is a lot of data which needs an integration and correlation. In that scenario, **Enterprise Resource Planning (ERP)** provides automation and integration to all the multi departmental firms where data from various departments is unified in a single system by generating an efficient workflow. A lot of big giants of India including HUL, Godrej, BASF, Maruti Udyog Limited, Sony India Pvt. Ltd. have already used ERP to meet increased loads, reduce turnover and delivery time [2].

There are various advantages of ERP system which includes improved Supply Chain Network which led to effective

tracking and management of processes and the status of all the operation can be coordinated simultaneously. Configuration of ERP system along with supply chain can minimize the delays like late shipment of raw material by supplier and blocking of the production line etc. [8]. The best role of the ERP system is to forecast the Demand so that the production levels can be set to address the customer requirements. There should be an appropriate Demand-Supply relation.

ERP and Supply Chain Management work in collaboration. Generally, customers are not brand loyals, they can switch to other Company's products if the product they want is not available in the market. For stating this point, the researcher has done a survey in three villages of India where a Sample Size of 30 people from each village were taken and two questions were asked to each respondent.

**4.4. Research Questionnaire**

1. Would you consider switching your favorite brand if it is not available in the shop from where you buy?(To check how Hard-core loyals are the villagers in case of unavailability of Product)
2. Does Price increase shift your preference towards lower priced brand?

**4.5 Results and Interpretation**

The result of the responses of Question no. 1 is shown in Table 1

Table 1

Village	Percentage of respondents responded with Yes	Above 50 % or Majority
Kulan	63.3	Yes
Dharsul	70	Yes
Majra	40	No

**Interpretation-**The majority of the respondents of village Kulan and Dharsul would consider shifting to the lower priced brand, if the price of the product of their old brand increases while only 40 % of the respondents of village Majra would shift to other brand and majority are brand loyals.

The result of the responses of Question no. 2 is shown in Table 2.

Table 2

Village	Percentage of respondents responded with Yes	Above 50 % or Majority
Kulan	78	Yes
Dharsul	74	Yes
Majra	64	Yes

**Interpretation-** The majority of the respondents of all the three village viz. Kulan, Dharsul and Majra would consider shifting towards product of lower priced brand if the price of the product of their old brand increases in the market. This means villagers are price sensitive.

## 5. ACTION PLAN BY MARKETERS

So non-availability of the product leads to a shift in the brand for the villagers. This means Companies need sufficient and timely data to let their product available at any point of time. The proper implementation of **ERP system** would help the distributors to keep a track of scarcity of the products and with the help of the communicated network, timely availability of the product could be catered. Also the reason for non availability could be the lack of transportation plan and less inventory storage to the distributors. This demands a successful implementation of Supply Chain Management system. Also the price increase would shift the villagers towards other brands. This means that the villagers are **price sensitive**. So companies need to take care of the costing and market price of the product in rural areas. Some possible ways to control over the costs are:

- Maintain a healthy relationship with the suppliers of the product. This can be achieved by paying the suppliers on time, so that appropriate trade discounts can be obtained which leads to reduction in the costing of the product.
- Understand the psychology of the villagers, if they are not able to spend more then come up with the small packs or sachets of the products so that the villagers could afford it.
- Provide discount schemes for the bulk purchase of the product. This strategy can lead to more sales volumes and also customers get the value product for the money they spend.

## 6. 4PS MARKETING MIX MAPPING WITH 4AS OF RURAL MARKETING

The 4Ps of marketing are Product, Price, Place and Promotion. But when we talk of Rural Markets then these 4Ps alone are not sufficient for the companies. They need to customize them with 4As viz. Availability, Affordability, Awareness and Acceptability.

### 6.1 Product

Traditional Products are modified in three ways to map with Affordability

- Same Product targeted to Rural-** Example Maggi Noodle packet sold in Rural Markets is same as that of sold in Urban Markets.
- Smaller Stock Keeping Units (SKU's)-**According to late Shri. R. Chinni krishnan of CavinKare who is also known as Father of Sachet Revolution in India "Whatever I make must be affordable for the common man." He came up with most innovative packaging concept in history of FMCG sector of India which is known as Sachet. The Sachet of Chik Shampoo were made and targeted to the rural markets. These Sachets are available for Re1 and 50

paisa. Chik is the Second large brand in the Shampoo Category by Volume of Sales in Rural India <sup>[9]</sup>.

- Different Product in the same Category-**Samsung is the mobile phone maker but on seeing the electricity shortage problem in rural India, they came up with an innovative product in same mobile category known as Samsung Guru E1107. It was the World's First Solar Powered Mobile phone. The battery supports 570 hours of standby and 8 hours of talk time <sup>[11]</sup>.
- Different Product in different Category-**The launch of e-choupal initiative of ITC limited where ITC installed computer and provide internet facility to farmers and purchased agricultural and aquaculture products like wheat, coffee and prawns. This initiative saved procurement cost for the company and farmers got high incomes due to high yield and improvement in the quality of the output and saved them from the intermediaries.

### 6.2 Price

People in rural areas want cost effective products that provide them high values. So companies must look upon this factor very seriously. Also as per the primary research done by researcher in Question 2, Villagers are Price Sensitive and they switch to the brands which have low costs and provide them high value. It is evident from the survey responses that in all the three villages about 80 % of the people will shift towards lower priced brands if the cost of the product of the brand they are using is increased.

### 6.3 Place

Reach to the highly Rural Areas is very difficult and companies try to cover them directly or indirectly. As of now only two Companies has managed to reach directly (40-45 % not even 50 %) and they are HUL and ITC. These companies have highly efficient **Distributed Networks** where they reach to the masses. The most common Distribution Strategy is Satellite Distribution where Hub and Spokes are formed in villages of a District of India. Fig. 3 represents Hub and Spoke Distribution model

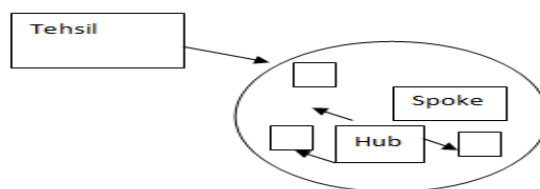


Fig. 3

One village of a Tehsil acts as a Hub, the distributors of the companies supplies the products to this Hub which takes the responsibility of delivering products to the nearby villages of that Tehsil called as Spokes. In this way, the products are delivered to each and every village of India. Thus marketers

amalgamate Place with Availability. HUL **Project Shakti** a rural Distribution initiative is working on the same lines. They created a micro-entrepreneurship model in which a rural woman from poor economic background is selected as Shakti Entrepreneur referred as 'Shakti Amma'. She gets the stocks from HUL's rural distributors and sells those goods home to home in her village. As of now Project Shakti has distribution network 165,000 villages and reach of over four million rural households <sup>[6-12]</sup>.

#### 6.4. Promotion

When people are not aware of the entry of a new product, they will not buy it. To make the people aware and distinguishes their product from others, companies advertise them through various means which includes Conventional medium such as Radio, Television and Non Conventional medium such as Wall Paintings, Marketing Campaigns, video testimonial etc. But Promotional strategies now-a-days are not the same. The new and highly evolved innovative ways have changed their way by 360 degrees. Marketing Campaigns are the live examples of this revolution. Campaigns are designed by Companies by keeping either Health as a platform or Melas, Haats or Mandies as a platform.

##### 6.4.1. Health as a platform for Promotions

HUL found a business opportunity to shift the positioning of soaps from a beauty platform to health platform, because people in rural still were not aware that washing hands with soaps could prevent them from germs. So they started promoting their health soap brand Lifebuoy through a campaign called "Lifebuoy Swasthya Chetna" where they tied up with schools and children were taught how a soap can save them from various diseases by showing them various street plays, skits and presentations <sup>[5]</sup>. They gave the children an assignment to tell about the health benefits to their parents as well as in villages.

##### 6.4.2 Melas as a platform for promotions

People in villages are gathered in large numbers in Melas and Mandies. So companies started promoting their brands in these places. Getting the insight that rural people love cinemas and entertainments, Vodafone a telecom Operator provided Musical Earmuffs to promote their Valued Added Services to the devotees who were gathered in the largest religious festival of India called Kumbh Mela. These Earmuffs were branded with Vodafone logo and a message that instructed people to Dial 123 to listen to devotional songs <sup>[13]</sup>.

##### 6.4.3. Video Testimonials as a platform for promotions

Castrol, the lubricant Giant in the Indian Automotive retail lubricant segment promoted the CRB plus, tractor engine oil to the farmers in rural areas. They showcased a movie called "Jai Kissan" where they connected CRB plus as a lost friend to the minds of the farmers who has always protected their tractors. The campaign is called Operation Attack. The effect

of this campaign was that 12 % sales of CRB plus surged and 65 % CRB non users were shifted to CRB plus <sup>[15]</sup>.

## 7. CONCLUSION

The strategies and practices introduced here are essential that can be applied to allow companies to break from the competition and be a market leader in their positioning segments. The Rural Markets are challenging as well as enthralling. They offer large scope of growth due to their huge size. The theories of Marketing need to be reshaped while applying to rural markets. The trends in the buying behavior of a rural consumer need to be understood by the Marketers. Intensive research needs to be carried out to understand the demand and supply in the rural areas. Long term business planning is required rather to focus on achieving short term goals. All the business units of a company must work in a synchronous manner to earn the profits. But the profit making should not be the only objective of the firms. Providing high value and cost effective products or services in a sustainable way to the consumers must be the primary goal. Innovation alone is not sufficient in deciding the actions but Innovation with relevance must be the right action plan adopted by the companies.

## 8. ACKNOWLEDGEMENT

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