

Importance of rural marketing in india flashcard



Why Rural Market is so Important? Rural market has following arrived and the following facts substantiate this. •742 million people •Estimated annual size of the rural market •FMCG Rs 65, 000 Crore •Durables Rs 5, 000 Crore •Agri-inputs (incl. tractors) Rs 45, 000 Crore •2 / 4 wheelers Rs 8, 000 Crore Opportunities: •Infrastructure is improving rapidly.

- In 50 years only 40% villages connected by road, in next 10 years another 30%.
- More than 90 % villages electrified, though only 44% rural homes have electric connections. Rural telephone density has gone up by 300% in the last 10 years; every 1000+ pop is connected by STD.
- Social Indicators have improved a lot between 1981 and 2001
- Number of “ pucca” houses doubled from 22% to 41% and “ kuccha” houses halved (41%to 23%)
- Percentage of BPL families declined from 46% to 27%
- Rural Literacy level improved from 36% to 59%
- Low penetration rates in rural so there are many marketing opportunities.

Durables Urban Rural Total (% of rural HH)
CTV 30.

4 4. 8 12. 1Refrigerator 33. 5 3. 5 12. 0 FMCGs Urban Rural Total (% of rural HH) Shampoo 66.

3 35. 2 44. 2 Toothpaste 82. 2 44. 9 55.

6 Detergents Formulation Synthetic Detergents are formulations comprising surfactants like alkyl benzene sulphonate, fatty acid soaps, fatty alcohol, ester and similar compounds, bleaching, optical brighteners, phosphates and anti-redeposition agents, fabric softeners and certain other chemicals to improve the detergent action. Classification Classified either based on the charge on the organic part of the detergent (like anionic, cationic or non-

ionic) or on the case with which they decompose into smaller units which would no longer foam (bio degradable or soft detergents and non bio degradable or hard detergents). Use pattern Anionics are the most commonly used detergents for washing and cleaning applications, while cationic (with germicidal characteristics) and non-ionics (with low foaming proportion) are mainly used for industrial applications. The traditional heavy-duty laundry powder contains approximately 15% active surfactant, often Acid slurry (Linear alkylbenzene sulphonate). The builder has traditionally been Sodium tripoly phosphate (STPP) at an average level of 20 to 25%.

This phosphate builder is added to help soften the water. Fabric wash market structure The estimated production of synthetic detergents including powders and bars is approximately 36 lakh tonnes in 1999. The ratio of powder to bar is 60 : 40. The detergent powder segment caters to three categories, lower, middle and higher end markets. Per capita Consumption of Synthetic detergents in India (average) 2.

5 to 3 kg Characteristics of the Detergent market More users opt for the convenience of detergent powders over bars. Powder usage would improve as more users change their washing habit, in favour of bucket wash. Studies show that usage of synthetic detergents such as Surf, Ariel and Henko, has increased, compared to the conventional detergent bars that were produced with vegetable oils. Market initiatives Industry majors have been kept busy evolving responses to the challenges of growth in the detergent industry. Faced with distinctly sluggish volume growth, Hindustan Lever launched a rural initiative to enhance the penetration of its products.

Procter and Gamble Home Products took a very different approach of streamlining its distribution network and reducing the number of stockist, in an effort to cut costs. HLL also put through de-bottlenecking and cost-cutting measures at Vashisti Detergents, in which it has a stake. Nirma, in an effort to cut costs, launched a series of ambitious backward integration projects; completed, it will manufacture practically every key input. Henkel SPIC, a relatively recent entrant into the market, waited two years and spent Rs.

60 crores to acquire control over key brands of Shaw Wallace group companies- Calcutta Chemicals and Detergents India Ltd. The company, which made a rights offer to fund the acquisition, hopes these brands will give it the critical mass when it comes to competing with the heavyweights.

Growth trends of the industry In terms of value, the Rs. 4, 000 core detergents market is among the largest FMCG categories in India, next only to edible oils and biscuits. The Indian market for detergents is among the largest in the world.

Volume growth can be impacted by a variety of factors. Plateauing of demand in the urban market and a slowdown in the rural off take due to a fall in disposable incomes are factors which could have had an impact on volumes. Another is consumer resistance to sharp increases in the selling price by most manufacturers in late 1990's. Resurgence in rural demand For players such as Hindustan lever, the recovery in volume growth has been spurred by resurgence in rural demand in 1999 first half. According to CMIE statistics, agricultural output in 1998-99 was higher by 6. 8 percent after declining by 5.

percent the previous year. This is likely to have left consumers in rural areas with higher disposable incomes. Mr. Arun Adhikari, Vice-President, Marketing (Soaps and Detergents)), Hindustan Lever feels the recovery in 1999 can be attributed entirely to higher rural disposable incomes, after the contraction in the rural economy over the past two years. “: We can see this in the kinds of brands, pack sizes and markets that the growth is coming from.

The growth in 1999 has come from the Northern and Eastern Markets which were depressed earlier, where consumption has been low”. Higher sales growth has been one reason why the major players have been able to put up a reasonable show in recent years. But what probably brought about the dramatic turnaround in financial performance in 1999 is the sharp improvement in profit margins in the business. Price fluctuation The selling prices of major detergent brands were hiked (much of it in the mid-priced to medium segments) by between 9 percent and 25 percent in recent times, in response to rising production costs.

For instance, price increases in the case of brands such as Nirma Popular and Wheel Green were around 8 percent. Selling prices of products in the mid price segment, such as Ariel Supersoaker, were hiked 20 to 25 percent, while that of those in the premium end, such as Surf Excel, Henko Stain Champion were raised 10 to 12 percent. INDIAN DEMAND ISTMA (Indian Soaps and Toilet Manufacturer Association) has estimated the Indian detergent bars and powders demand to be in the region of 3.5 million tonnes per annum Per capita consumption of detergent on all India basis is around 2.

5 to 3 Kg, which could vary between different regions depending upon the prevailing economic and social conditions. Likely growth rate in demand 7 to 8% per annum new product Different Strategies Rural markets, as part of any economy, have untapped potential. There are several difficulties confronting the effort to fully explore rural markets. The concept of rural markets in India is still in evolving shape, and the sector poses a variety of challenges. Distribution costs and non availability of retail outlets are major problems faced by the marketers.

The success of a brand in the Indian rural market is as unpredictable as rain. Many brands, which should have been successful, have failed miserably. This is because, most firms try to extend marketing plans that they use in urban areas to the rural markets. The unique consumption patterns, tastes, and needs of the rural consumers should be analyzed at the product planning stage so that they match the needs of the rural people. Therefore, marketers need to understand the social dynamics and attitude variations within each village though nationally it follows a consistent pattern.

The main problems in rural marketing are: • Understanding the rural consumer • Poor infrastructure • Physical Distribution • Channel Management • Promotion and Marketing Communication Dynamics of rural markets differ from other market types, and similarly rural marketing strategies are also significantly different from the marketing strategies aimed at an urban or industrial consumer. Strategies to be followed: Marketing Strategy: Marketers need to understand the psyche of the rural consumers and then act accordingly. Rural marketing involves more intensive personal selling efforts compared to urban marketing. Firms should

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refrain from designing goods for the urban markets and subsequently pushing them in the rural areas.

To effectively tap the rural market a brand must associate it with the same things the rural folks do. This can be done by utilizing the various rural folk media to reach them in their own language and in large numbers so that the brand can be associated with the myriad rituals, celebrations, festivals, “ melas” and other activities where they assemble. Distribution Strategy: One of the ways could be using company delivery vans which can serve two purposes- it can take the products to the customers in every nook and corner of the market and it also enables the firm to establish direct contact with them and thereby facilitate sales promotion. However, only the bigwigs can adopt this channel.

The companies with relatively fewer resources can go in for syndicated distribution where a tie-up between non-competitive marketers can be established to facilitate distribution. Annual “ melas” organized are quite popular and provide a very good platform for distribution because people visit them to make several purchases. According to the India n Market Research Bureau, around 8000 such melas are held in rural India every year. Rural markets have the practice of fixing specific days in a week as Market Days (often called “ Haats’) when exchange of goods and services are carried out. This is another potential low cost distribution channel available to the marketers.

Also, every region consisting of several villages is generally served by one satellite town (termed as “ Mandis” or Agri-markets) where people prefer to

go to buy their durable commodities. If marketing managers use these feeder towns they will easily be able to cover a large section of the rural population. Promotional Strategy: Firms must be very careful in choosing the vehicle to be used for communication. Only 16% of the rural population has access to a vernacular newspaper. So, the audio visuals must be planned to convey a right message to the rural folk. The rich, traditional media forms like folk dances, puppet shows, etc with which the rural consumers are familiar and comfortable, can be used for high impact product campaigns.

Some Live Examples: One very fine example can be quoted of Escorts where they focused on deeper penetration. They did not rely on T. V or press advertisements rather concentrated on focused approach depending on geographical and market parameters like fares, melas etc. Looking at the 'kuchha' roads of village they positioned their bike as tough vehicle. Their advertisements showed Dharmendra riding Escort with the punch line 'Jandar Sawari, Shandar Sawari'.

Thus, they achieved whopping sales of 95000 vehicles annually. HLL started 'Operation Bharat' to tap the rural markets. Under this operation it passed out low-priced sample packets of its toothpaste, fairness cream, Clinic plus shampoo, and Ponds cream to twenty million households. ?? ITC is setting up e-Choupals which offers the farmers all the information, products and services they need to enhance farm productivity, improve farm-gate price realization and cut transaction costs. Farmers can access latest local and global information on weather, scientific farming practices as well as market prices at the village itself through this web portal – all in Hindi. It also

facilitates supply of high quality farm inputs as well as purchase of commodities at their doorstep.

?? BPCL Introduced Rural Marketing Vehicle (RMV) as their strategy for rural marketing. It moves from village to village and fills cylinders on the spot for the rural customers. BPCL considered low-income of rural population and therefore introduced a smaller size cylinder to reduce both the initial deposit cost as well as the recurring refill cost. Points to remember during launching: Rural Market Is a Homogeneous Mass Reality: It's a heterogeneous population. Various Tiers are present depending on the incomes like Big Landlords; Traders, small farmers; Marginal farmers: Labors, artisans.

State wise variations in rural demographics are present viz. Literacy (Kerala 90%, Bihar 44%) and Population below poverty line (Orissa 48%, Punjab 6%) Disposable Income Is Low Reality: Number of middle class HHs (annual income Rs 45, 000- 2, 15, 000) for rural sector is 27. 4 million as compared to the figure of 29. million for urban sector. Rural incomes CAGR was 10.

95% compared to 10. 74% in urban between 1970-71 and 1993-94.

Individuals Decide About Purchases Reality: Decision making process is collective. Purchase process- influencer, decider, buyer, one who pays can all be different. So marketers must address brand message at several levels.

Rural youth brings brand knowledge to Households (HH). CULTIVATOR Cultivator is a farm implement for stirring and pulverizing the soil, either before planting or to remove weeds and to aerate and loosen the soil after the crop has begun to grow. The cultivator usually stirs the soil to a greater

depth than does the harrow. The cultivator is used in crop work or farming. Small lightweight mechanical cultivators are used for gardening.

Garden cultivators can be used to mix soils with manures and fertilizers in preparation for planting. They till the soil and convert soil lumps to a tilth. Different attachments can rotate and plough the soil. Harrow In agriculture, a harrow is an implement for cultivating the surface of the soil, in this way it is distinct in its effect from the plough, which is used for deeper cultivation. Harrows were originally horse-drawn.

In modern practice they are almost always tractor-mounted implements, drawn after the tractor CHISEL PLOW The chisel plow is a common tool to get deep tillage with limited soil disruption. The main function of this plow is to loosen and aerate the soils while leaving crop residue at the top of the soil. Reaper-Binder The reaper-binder, or binder, was a farm implement that improved upon the reaper. The binder was invented in 1872 by Charles Withington. In addition to cutting the small-grain crop, it would also tie the stems into small bundles, or sheaves.

These sheaves were then 'shocked' into conical stooks, resembling small tips, to allow the grain to dry for several days before being threshed.

Thrashing Machine The thrashing machine, or, in modern spelling, threshing machine, was a machine invented by Scottish mechanical engineer Andrew Meikle for use in agriculture. It was designed (c. 1796) for the separation of grain from stalks and husks. For thousands of years, grain was separated by hand with flails, and was very labourious and time consuming.

Mechanization of this process took the drudgery out of farm labour.

Strategy ? The basic strategy is the awareness of the new tools ? To make farmers understand the benefits ? Finally the need of the tools 7 modern tools is made understand to the rural people Target ? Farmers are the main target ? Besides farmer other rural people engaged in agricultural activities ? Many agro-industries Promotion ? Mouth to mouth Publicity is the major way in which promotion of tools is done ? Awareness through radio & media is the other promotion step ? Making special arrangements for Farmers & making them under stand the benefit of use of Modern tools