

Rural - Urban Slice in India Marketing and Viewpoint

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Abstract

In country like India, where the 70% of the people live in rural area, the rural market holds a lot of marketing potential. There is a wide spread difference in the standard of living between urban and rural India. In order to launch products and develop advertising for rural market there is a need to understand both the rural context and also the consumer. This article provides the opportunity to explore consumers and the type marketing programmes which emphasizes the advertising patterns on consumer dividend that has been successful in emerging markets and more specifically in rural India. First it has been discussed about the marketing opportunity for companies in rural India and then we will focus on some of the unique characteristic of rural India and how this translate into innovative advertising programmes for companies entering the rural market and finally to see the advertising in rural area.

Keywords: Rural and Urban, Standard of living, Marketing Opportunity, Consumer.

Introduction

The marketing opportunity for companies - Under penetrated rural market
 India is the second largest consumer market in the world with over 1 billion potential consumers and therefore, many companies are now seeing India as a fertile ground for expansion and growth of their market.

Rural and urban potential

Rural – urban profile			Urban	Rural
Population	2001-02	(mn)	53	135
household)				
Population	2010	-11 (mn)	69	153
household)				
Market (Towns/Villages)			3,768	627,000
Universe of outlets (mn)			1	3.3

Source: Statistical Outline of India (2011-12), NCAER

Category	Market size (US \$ million)	Urban penetration (%)	Rural Penetration (%)	Total penetration (%)
High penetration categories > 50%: Drive up gradation and consumption				
Fabric wash	1210	89.6	82.9	84.9
Personal wash	938	79.9	90.7	92.8
Packet Tea	635	91.2	82.2	84.9
Low penetration categories: Drive penetration				
Toothpaste	409	69.8	32.3	43.5
Skin	312	36.6	19.8	24.7
Hair wash	230	40.1	16.3	23.3
Talcum powder	148	66	36.8	45.1
Branded Atta	107	44	30.2	34.3
Instant coffee	55	-	-	-
R & G Coffee	30	-	-	-
Ketchups	25	12.5	0.7	4.2
Deodorants	19	-	-	-
Jams	13	-	-	-

Penetration and Per Capita Consumption Rural - Urban Penetration (2013)

The NCAER (National Council for Applied Economic Research) study throws some interesting information on the Indian consumer and their behavior and purchasing power. The following inference can be drawn for the consumer study. First of all the consumers were classified by their propensity to consume. At the Bottom end of the scale are consumers who are in the market for manufactured essential consumables and basic durables. At the top end of the scale is a relatively small but rapidly growing segment for branded international products ranging from automobiles and electronic to cosmetics and garments, often at international price. The middle segment is itself highly differentiated, depending on the products and price sensitive, requiring a targeted approach to product design and pricing. Over the years, the bottom layer is expected to more narrow further while the top level is expected to expand.

India's Consumer Classes: Distribution of People Income-Wise (Source: Hll, Ncaer.)

Income groups	2001-02			2012-13		
	Total	Rural No.	%	Total	Rural No.	%
High	1.48	0.41	27.7	2.96	0.7	23.6
Middle	69.18	4.83	64.8	90.25	59.85	66.3
Low	32.29	29.52	91.42	20.41	95.8	95.7
Total	102.95	74.76	72.6	114.52	80.96	70.7

Projection of Household income distribution for 2015

Very Rich	5 %
Consuming class	54%
Climbers	34%
Aspirants	4%
Destitute	3%

The NCAER study also highlights that the key to growth lies in the rural area, where over 70% of India live. During the period of 90's the main marketing phenomenon is to provide volume growth to all leading companies. Higher rural income driven by the agricultural growth, education, penetration of television has induced the propensity to consumer branded and value added products in rural areas.

The impact of globalization has been felt in rural Indian as much as in urban. But it is a slow phase. It has its impact on target groups like farmers, youth and women. Farmer, today has to 'keep in touch' with latest information and maximize at the both ends (input and output).

Challenger and Innovations in Rural Markets

The Indian rural market with its vast size and demand base offers a huge opportunity that Multinational Companies cannot afford to ignore.

Expanding the market by tapping the countryside, many Multinational Companies are entering into India's rural markets. Among those that have made some advances are Hindustan Lever, Coca-Cola, LG Electronics, Britannia, Standard Life, Philips, Colgate Palmolive and the foreign-invested telecom companies.

The Indian rural market offers a huge opportunity that Multinational Companies cannot afford to ignore. With 142 million households, the rural population is nearly three

times the urban. As a result of the growing prosperity, fuelled by monsoons and the increase in agricultural output to 207 million tonnes from 189 million tonnes in 2012, rural India has become large consuming class with 41 per cent of India's middle-class and 58 per cent of the total disposable income. This has gained an importance of the rural market for some FMCG and durable marketers is underlined by the fact that the rural market constitutes to 70 % of toilet-soap users and 38 % of all two-wheeler purchased. The rural market constitutes half of the total market for TV sets, fans, pressure cookers, bicycles, washing soap, blades, tea, salt and toothpowder, the rural market for FMCG products is growing much faster than the urban counterpart. The rural market may be beguiling but it is having its own problems: Low per capita disposable incomes that is half the urban disposable income; large number of daily wage earners, acute dependence on the vagaries of the monsoon; seasonal consumption linked to harvests and festivals and special occasions; poor roads; power problems; Lack of formal retail and distribution network; relative cheapness of labour and inaccessibility to conventional advertising media. However, the rural consumer is not unlike his urban counterpart in many ways. More and more Multinational Companies are meeting the consequent challenges of **availability, affordability, acceptability and awareness (the so-called 4 A's)**.

Availability

The foremost challenge is to ensure availability of the product or service. India's 627,000 villages are spread over 3.2 million sq km; 700 million Indians live in rural areas, finding them is not easy. However, given the poor state of roads, it is an even greater challenge to regularly reach products to the far-flung villages. Any serious marketer must strive to reach at least 13,113 villages with a population of more than 5,000.

Marketers must trade off the distribution cost with incremental market penetration. Over the years, India's largest MNC, Hindustan Lever, a subsidiary of Unilever, has built a strong distribution system which helps its brands reach the interiors of the rural market. To serve remote village, stockists use autorickshaws, bullock-carts and even boats in the backwaters of Kerala. Coca-Cola, which considers rural India as a future market, has evolved a hub and has spoken a distribution model to reach the villages. To ensure full loads, the company depot supplies, twice a week, and the large distributors act as hubs. These distributors supply, once a week and the smaller distributors supply the adjoining areas. LG Electronics defines all cities and towns other than the seven metros cities as rural and semi-urban market. To tap these unexplored country markets, LG has set up 45 area offices and 59 rural/remote area offices.

A Brief description of the Indian FMCG industry Product wise production

Segment	Unit	Size	Key players	Share of market leader (%)
Household care				62
Fabric wash market	Mn tones	50	HLL, P&G, Nirma, SPIC	38
Laundry soaps/bars	US\$ mn	1102		
Detergent cakes	Mn tones	15		
Washing powder	Mn tones	26		
Dish wash	US\$ mn	93	HLL	59
Personal care				
Soap & Toiletries	Mn tones	60	HLL, Nirma, Godrej	
Personal Wash Market	US\$ mn	989	HLL, Nirma, Godrej	
Oral care	US\$ mn	537	Colgate Polmolive, HLL	40
Skin care & cosmetics	US \$ mn	274	HLL, Dabur, P & G	58
Hair care	US \$ mn	831	Marico HLL, CavinKare P&G, Dabur, Godrej	54
Feminine hygiene	US \$ mn	44	P&G, Johnson and Johnson	
Food and Beverages				
Bakery products	Mn tones	30	Britannia, Parle, ITC	
Tea	000 tonnes	870	HLL, Tata Tea	31
Coffee	000 tonnes	20	Nestle, HLL, Tata Tea	49*
Mineral water	Mn crates	65	Parle Bisleri, Parle Agro, Coca Cola, Pepsi	
Soft drink	Mn crates	284	Coca Cola, Pepsi	
Branded atta	000 tonnes	750	Pillsbury, HLL, Agro Tech, Nature Fresh, ITC	15
Health beverages	000 tonnes	120	SmithKline Beecham, Cadbury, Nestle, Amul	
Milk and dairy products	US\$ mn	653	Amul, Britannia, Nestle'	
Chocolates	US\$ mn	174	Cadbury's Nestle'	
Culinary products	US\$ mn	326	HLL, Nestle	78
Edible oil	Mn tones	13	Ruchi Soya, Marico, ITC, Agrotech	28

Note: * R&G

Source: ORG Marg, AC Nielson, FICCI, India Stat and HLL.

Affordability

The second challenge is to ensure affordability of the product or service. With low disposable incomes, products need to be affordable to the rural consumer, most of whom are on daily wages. Some companies have addressed the affordability problem by introducing small unit packs. Godrej recently introduced three brands of Cinthol, Fair Glow and Godrej in 50-gm packs, priced at Rs 4-5 meant specifically for Madhya Pradesh, Bihar and Uttar Pradesh — the so-called 'Bimaru' States.

Hindustan Lever, is among the first Multinational Companies to realize the potential of India's rural market, has launched a variant of its largest selling soap brand, Lifebuoy at Rs 2 for 50 gm. The move is mainly targeted at the rural market. Coca-Cola has addressed the affordability issue by introducing the returnable 200-ml glass bottle priced at Rs 5. Coca-Cola has also introduced Sunfill, a powdered soft-drink concentrate.

Acceptability

The third challenge is to, gain acceptability of the product or service. Therefore, there is a need to offer the products that suit the rural market. One company which has reaped rich dividends by doing so is LG Electronics: developed a customized TV for the rural market with hit selling MORE THAN 130,000 sets in the very first year. Because of the lack of electricity and refrigerators in the rural areas, Coca-Cola provides low-cost ice boxes — a tin box for new outlets and thermocol box for seasonal outlets.

The insurance companies have tailor-made products for the rural market have performed well. HDFC Standard LIFE topped private insurers by selling policies worth Rs 3.5 crore in total premia. The company tied up with non-governmental organisations and offered reasonably-priced policies in the nature of group insurance covers. With large parts of rural India inaccessible to conventional advertising media — only 41 per cent rural of the households have access to TV and building awareness is yet another challenge.

Coca-Cola uses a combination of TV, cinema and radio and has reached 56.4 per cent of rural households. It doubled its spend on advertising on Doordarshan, which alone reached 41 per cent of rural households. It has also used banners, posters and tapped all the local forms of entertainment. Since price is a key issue in the rural areas, Coca-Cola advertising stressed its 'magical' price point of Rs 5 per bottle in all media. LG Electronics uses vans and road shows to reach rural customers. The company uses local language in advertising. Philips India uses wall writing and radio advertising to drive its growth in rural areas.

The Mass marketing through television and other form of media is often seen as a more cost efficient means to reach a large number of potential consumers in developed markets.

Knowing all these aspect of marketing like, 1) Low Per Capita Income; 2) Lack of formal retail and distribution network; and 3) relative cheapness of labour. Along with the 4 A's the companies have reached the rural market but in the lethargic rate. To overcome this lethargic rate companies has adopted different market strategies one of these strategies was the promotional activity. Thus the very next challenge faced by these companies is to promote their product though mass media.

Companies cannot rely on conventional advertising techniques, particularly in Indian rural market where only one in every three households own television set and more than a half of all villagers are illiterate. Instead, companies need to turn to more innovative methods of advertising to reach their potential customer base. The result has been consumer video vans which carry infomercials to rural village. Another strategy consumer goods companies have used to reach the rural mass – market is to market at large festivals.

Many companies congregated at the Kumbh Mela like festival where millions of people were expected to attend over span of month. Companies provided "**Touch and feel**" demonstration and free samples for consumers as the majority of them were from rural areas, Colgate Palmolive distributed free tubes of herbal toothpaste at the festival to villagers who traditionally used a neem tree sticks. Hindustan Lever Limited marketed its

life buoy soap and handed out glasses of Brooke Bond tea. This marketing strategy proved to be extremely effective in advertising to the mass rural market.

Dynamics of Advertising on rural masses: This dramatic change of market is in progress, where villages now used to crack open peanut M&M candies, eat the nut and through away the shell are now demanding chocolate candies that will melt in their mouth not in their hands. Charcoal cleaning teeth are a rare sight, so in the case with twigs of neem (neem) and babul (Babool) tree.

Consumerism and globalization is invading parts of India where, as some would venture to say, time seems to have ceased for centuries. Some years ago, the rural markets was being given a step-motherly treatment by many companies and advertising to rural consumers was usually a hit and miss affair. More often than, not the agenda being to take a short cut route by pushing urban communication to the rural market by merely transliterating the advertising copy. Hence advertising that is rooted in urban sensitivities didn't touch the hearts and minds of the rural consumer. While, this is definitely changing, the process is slow. The greater challenge for advertisers continues to be a finding the right – mix that will have a pan - Indian rural appeal. Coca – Cola, with their Aamir Khan advertising campaign succeeded in providing just that Corporate are still apprehensive to "Go Rural"

The challenge in rural advertising is the reach message and the available means of reaching messages to these markets, hence the video van is one of the very effective means of reaching out physically to the rural consumers. The fact of the matter remains that when compared to the Indian urban society, which is turning into a consumerism society, the rural consumer will always remain driven by his needs first and will therefore be cost conscious and thrifty in his spending habits. Although the melting of the urban – rural divide will take a while, this is not for want of the availability of the means but for want of the rural consumer's mindset to change; which has its own logic, which is driven by tradition, custom and values that are difficult to shed. This was pointed out by the MART – Anugrah Madison in their survey between urban and rural consumer.

The company studied the rural and urban divide and this study was carried out jointly by MART – Anugrah Madison surveyed regular T.V viewers among man and women in the age group of 18 to 50 years. The parameters to test are comprehension, believability association with characters featured in the commercials attraction and acceptability and emotional involvement with the commercials taking two product categories (consumer goods and durable goods). Among the consumer goods two product namely, Babool Tooth Paste and Navarathna Hair Oil both commercials appealing urban and rural consumers. And among Durable goods Samsung Plano Digital flat TV and Asian Paints. The study was conducted in Chennai and New Delhi taking 40 rural and 20 urban respondents.

The study gives us insight into several aspects of marketing as it can be sent that, the urban audiences have a good comprehension of the commercials which they see on the Television, the same cannot be said of the rural viewers. A cross section of the rural audience did not relate to the spots and even if they had, there was doubt, fear or even strong views on the right and wrongs of what was being shown.

While the rural viewers like good entertaining films, they expect it to be also rational. Similarly, they do not relate to icons who are not from their region.

Another highlight coming from the study is that what works in the north may not work in the south. This reinforces the need for region specific communication while dealing with the rural audiences.

Finding of the survey conducted by MART and Anugrah Madison Consumer goods

Babool		Navratna hair oil	
Urban	Rural	Urban	Rural
Only music good	The song and dance is good	Good presentation	Music is very good it is nice to hear
Message not clear. Not explained properly	I like the child. It is smiling nicely	Entertaining thanda thanda cool cool	The ice cubes and the music is given a chill feeling
Runs baboolki to din tumhara very quickly	Dancing with dog! Why a dog is coming in this tooth paste advertisement	Govinda ka dance acchahai or gana bhi achhahair	Entertaining attractive thanda thanda cool cool
Interesting and draws attention	Entertaining and attractive subah baboolki to din tumhara		Navaratna tel lagane se sardad dur hota hai

Babool and Navaratna hair oil: Attraction and acceptability

Consumer durable goods : Asian paints and Samsung TV: Attraction and acceptability Asian paints		Samsung TV	
Urban	Rural	Urban	Rural
Mr. Chandru's friend who comes in motor cycle is good	Kalakare chandru, pramadham it has become very popular	The race from TV look good	Yes, the couple looks attractive. I like the red flower which come from the TV
When he says padmadham. It sounds good	The friend character. I like him very much. His acting is good	The complete mood and acting is good	Only Chennai people can understand the advertisement
Funny hwa sunil babu badhiya hai	The whole advertising is attractive	The narration is good	It is only for educated top people
Anth mein asian paints nahi bolta to pata hi nahin chalta	Cannot understand, no interest	Boring, band statement recall	Cannot understand. No interest
	Ghar, gadi aur aurat do dikhat hai	Jo kahana chahte hain saaf saaf	Pata nahin kis cheez ka advertisement hai

Conclusion

This article indicates that the rural urban divide is very much there and it will take some time before it zoom and zaps in the rural folk to catch-up with the urban counterpart in relation to the comprehension of TV commercials. Though it is generally believed that the top of the rural hierarchy consist of opinion leaders and educated village youth have some understanding levels as the urban audience, their number is small. A large majority of the rural folk has a mindset that is different from the urban viewers and hence there is a need to tackle them differently. Marketers aiming to target their band commercials to both urban and rural audience will do well to pre-test the spots and that the spots communicate what is intended for the targeted viewers. The companies should explore the key opportunities

and challenges of advertising rural India. To be successful, these companies need to be innovative, dogged and culturally sensitive in developing advertising message strategies.

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