



INNOVATIONS IN RURAL MARKETING IN INDIA: A CRITICAL REVIEW OF SELECT CASES

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Abstract:

The urban markets are crowded and saturated and the share of agriculture in GDP (Gross Domestic Product) is going down but India still lives in her villages. A considerable proportion of the global population resides in the rural pockets of the world. Though this segment constitutes a significant part of the population, it took longer for corporate to make inroads to create market. Hence it is proposed to study the potentiality and early innovations made in Indian Rural Market. As the primitive urban market required some breakthrough innovation to accelerate the process of evolution, this market also calls for relevant and path breaking innovations in different sectors. This paper critically reviews the pragmatic pre-emptive innovations made in rural markets for better penetration using secondary data and case studies collected from various sources.

Key Words: Rural Marketing, Innovation, E-Rural Marketing, E-Governance & Organised Retailing.

1. Introduction:

"The organizations have only two functions, one is marketing and other is innovation". Modern of potent products day tool marketing of has information, taken has precedence completely seeks more over metamorphosed knowledge the process about of production the nature product, and itself. Dynamics it's this features can be business attributed uses. Marketers today to the fact that *Peter Drucke* need to be adaptive to survive. Marketing the new-age consumer equipped with the customer today indeed is the 'King'. He can make or break the business organization. And when this information is presented in a creative and effective manner, it creates an everlasting impression on the consumer's mind and may even alter his perception of what he needs. The urban consumer has always been pampered with the most dazzling array of goods and services from every industry. But the urban market is fast shrinking due to saturation caused by the competition, and the growth rate over the past few years has consistently shown a declining trend. In the hunt for fresh pastures, the vast and hitherto vastly unexplored terrains of rural India consistently sought by marketers (Patel, 2013).

Why Rural India? According to the third annual edition of Accenture Research, "Masters of Rural Markets: From touch points to Trust points - Winning over India's Aspiring Rural Consumers," The hinterlands in India consist of about 6,50,000 villages. These villages are inhabited by about 850 million consumers making up for about 70 per cent of population and contributing around half of the country's Gross Domestic Product (GDP). Consumption patterns in these rural areas are gradually changing in an increasing order resembling the consumption patterns of urban areas. Some of India's largest consumer companies serve one-third of their consumers from rural India. Owing to a favourable changing consumption trend as well as the potential size of the market, rural India provides a large and attractive investment opportunity for private companies.

Rural Market Size and Growth:

India's per capita GDP has grown at a Compound Annual Growth Rate (CAGR) of 12.3 percent during 2009-10 to 2015-16, due to significant growth achieved in the rural sector. Nielsen estimates that the fast moving consumer goods market in rural India will hit USD 100 billion by 2025 from USD 12 billion currently¹. Moreover, the government's efforts to improve the efficiency of welfare programs with cash transfers will further boost rural consumption; it plans to deposit USD 570 billion in the accounts of 100 million poor families by 2014². The rural economy has rapidly transformed in the last decade and is now being led by manufacturing. Indeed, agriculture accounts for only about one-fourth of rural GDP compared to half a decade ago. About 55 percent of manufacturing GDP is rural; nearly 75 percent of new factories built in the last decade were in rural areas, and rural factories account for 70 percent of all new manufacturing jobs³. Industrial development in rural India has increased household purchasing power and income stability. Rural India accounts for about 50 percent of India's GDP and nearly 70 percent of India's population. This enormous opportunity has been clear for a decade or more. However, only in recent years have these markets lived up to their promise. Per capita rural GDP has also experienced strong improvement over the past few years. Since 2000, it has grown faster than per capita urban GDP, 6.2 percent compound annual growth rate (CAGR) versus 4.7 percent⁴. Between 2009 and 2012, rural consumption per person grew at 19 percent per annum, two percentage points higher than its urban

counterpart. In incremental terms, spending in rural India during these two years was USD 69 billion, significantly higher than the USD 55 billion spent by urban populations⁵. As incomes rise, rural consumption shifts from necessities to discretionary goods and lifestyle products, including mobile phones, television sets and two-wheelers. Nearly 42 percent of rural households owned a television in 2009-2010, up from 26 percent five years earlier. Similarly, 14 percent of rural households had a two-wheeler in 2009-2010, twice the penetration during 2004-2005⁶. About one in every two rural households has a mobile phone today, evening India's poorest states such as Bihar and Orissa. Rural consumers have been trading up, and their consumption basket is beginning to mirror that of the urban consumer. Premium products are replacing entry-level versions, and commodities are giving way to branded products. While companies have realized that rural markets offer significant growth opportunity, a large proportion have remained unsure of the profitability. Bigger corporates with long term goals realized it early and diffused innovations to rural markets for the benefits of rural folk vis-à-vis profitability.

Rural marketing

Rural marketing is planning and implementation of marketing function for the rural areas. It is a two-way marketing process which encompasses the discharge of business activities that direct the flow of goods from urban to rural areas (for manufactured goods) and vice-versa (for agriculture produce), and also within the rural areas (Gopaldaswamy, 2005, p. 6). According to National Commission on Agriculture, rural marketing is a process which starts with a decision to produce a saleable farm commodity and involves all aspects of market structure or system, functional and institutional, based on technical and economic considerations, and includes pre and post-harvest operations, assembling, grading, storage, transportation and distribution.

Rural innovations:

Innovation is the main reason behind the growth of any country. There is the widespread agreement that economic growth of any country depends largely on how that country innovates, and reinvents itself in the competitive environment. Marketers make consistent attempts to innovate tools and strategies to overcome the challenges that they face in business arena. As the rural market is different from urban, the marketers realized that there is a strong need to approach the rural market with different innovations. The business innovations are broadly classified as product/service innovations and process innovations.

Role of Innovations in Rural Markets:

The main challenges or the areas of innovations in rural areas are as follows. *a. Physical Distribution:* To serve more than 0.6 million villages, spread over 3.3 million sq. km. *b. Channel Management:* To manage multiple intermediaries in the entire supply/value chain serving rural markets. *c. Promotion and Communication:* To communicate with existing or prospective consumers living in media dark areas. *d. Poor Infrastructure:* Only 50 percent of villages in India are connected with *pucca* roads and less than 50 percent of homes have electricity. *e. Uneconomical Market size:* As villages have very small populations, it is not profitable for marketer to approach each and every village. *f. Consumer Profile:* Rural consumers are very diverse in terms of socio-economic profile (Kashyap & Raut, 2010). The principles and practices of innovation to be adopted in rural market have to take into consideration of needs, lifestyles and consumer behavior of the rural population. It is extremely important that the product, pricing, promotion and distribution strategy are not just innovative alone but they must make product value proposition attractive and relevant for rural consumers (Desai, 2013). The positive results achieved by ITC's *e-Choupal*, HUL's Project *Shakti*, Colgate's Project *Jagruti*, Escort's *Rajdoot* motorcycle, etc., are due to the fact that they had structured their rural marketing in terms of planning, effort, operations distinctively from their urban marketing. This proves the justification for treating and approaching rural marketing distinctively from urban marketing.

Review of Literature:

The market Dynamics are changing and because of the companies wooing the same set of customers, the market has become an arena of cut through competitions. Therefore, the real market promise in the future is expected to come not from the developed markets like urban areas, but from the under privileged segments, through largely untapped till now have the potential of expediting a substantial growth rate if catered to properly. "Managers who focus on gross margins will miss the opportunity at the bottom of the pyramid; managers who innovate and focus on economic profits will be rewarded" (Prahlad and Hart. 2002). However, catering to these lesser tapped markets including the rural markets calls for a radical restructuring of the business process and developing marketing approaches to suit the demographics and psychographics of the newly developed markets. Thus, effective penetration in the emerging markets calls for a rethinking of a marketing programs directed at these markets (Dabvar & Chattopadhyay, 2002). As in the bottom of the pyramid market effective penetration into the rural market requires a judicious use of innovation. Innovation must be used in such a way so as to avoid undesirable inclusions or undesirable exclusions. In order to effectively survive in the rural markets and to bring a sustainable growth, it is important that the neglected rural lot are not merely treated as consumers' but as strengthened producers (Jaiswal, 2008).

Objectives of Study:

- To Study the status and potential of Rural Market in India.

- To Compare Rural and Urban marketing on various dimensions.
- To analyze select innovative marketing cases in Rural India.

Research Methodology:

This is an exploratory research. The secondary data and case studies were collected from different authentic sources like textbooks, research articles, newspapers, internet etc. The cases on rural marketing innovations were rigorously reviewed to draw conclusions on their feasibility, viability and profitability which can pave the way to other marketers.

Innovations in Rural Markets:

E-Rural Marketing / ICT Initiatives:

E-marketing can be defined as, achieving marketing objectives through use of electronic communication technology. In very simple terms e-Rural Marketing refers to customized application of e-marketing for the rural markets. As the technology usage environment and the corresponding benefits that are sought in the rural markets are very different from urban markets, the overall implementation of e-marketing in the rural areas becomes quite different from that of the urban markets. Therefore, e-rural marketing represents application of Internet based technologies as a tool, to facilitate efficient and effective exchange with and from the rural market. Some of the organisations have successfully harnessed the potential lying dormant in the rural areas through the application of advanced technology, in a manner that is relevant and user friendly for the rural consumers. Many organisations have integrated Internet as a part of their strategy to cater to the rural market and others are creating a business model through its application. Some of the successfully implemented Internet initiatives in the rural market are discussed as following.

E-Rural Marketing: Select Case Studies

ITC'se - Choupal: ITC launched three web-based initiatives (e-Choupals) as part of its strategy to vertically integrate its sourcing operations in the year 2000. Company launched aquachoupal.com in Andhra Pradesh for shrimp farmers, soyachoupal.com for Soya farmers in Madhya Pradesh and plantersnet.com for the coffee farmers in Karnataka. These portals also act as facilitators for inputs to farmers in aqua, soya and coffee domains. ITC Infotech structured the entire virtual interaction model for providing inputs like fertilisers, pesticides etc. that the farmers in different states can use. It had deployed a total of 970 kiosks serving 6,00,000 farmers who supplied it with soya, coffee, shrimp, and wheat from 5,250 villages spread across six states: Madhya Pradesh, Karnataka, Andhra Pradesh, Uttar Pradesh, Maha- rashtra and Rajasthan by the first half of 2005. Its plan was to set up 3000 kiosks to cover 10,00,000 farmers by adding 30 new villages a day. It was also using this network for distributing products for other organisations. Adding additional services such as selling seeds, fertilisers, and crop enhances the profitability of the system even further. ITC installed computers with solar charged batteries for uninterrupted power and the V-Sat connection suitable for the rural environment. Thus, thee-choupal network became independent of erratic power supply which is a regular feature in rural India. Local farmer (*sanchalak*) operates the computer on behalf of ITC but for farmers. The services offered to the farmers of the villages are information on weather forecast and prices of crops in local language, knowledge about farming methods, soil testing, expert advice, purchase of seeds, fertilisers, pesticides, cycles, tractors, insurance policies, products and services of over 37 companies and sale of crops to the ITC centre, after checking the prices on the net.

TARA haat: TARA *haat* Information and Marketing Services Ltd., promoted by Development Alternatives Group, (an alliance between Hughes Escorts Communication, Hewlett Packard, Oracle, KLG Systel, jaldi.com, Global Development Gateway (sponsored by World Bank and Gates Foundation), Excelsior Ventures Management, LLC and James Martin one of the world's leading NGOs), is an organisation that focuses on rural India for taking the benefits of technology to the rural population. www.TARAhaat.com, an Internet portal was launched by this organisation on June 1, 2000, in Bundelkhand near Jhansi in Madhya Pradesh, which aims to connect rural India to the external world. Since then, it has expanded into Uttar Pradesh, Punjab and Haryana and had 38 centres by the end of 2005. The portal is supported by franchise network of cyber cafes or TARA *kendras* providing wide gamut of services like entertainment, information and commercial needs. Each TARA *kendra* serves villages within 5 km radius, which comes to about 4 villages. Then next are the TARA kiosks called TARA *dhabas*, which operate in the same manner as local PCO booths providing education and entertainment services. TARA *haat* has a rural ambience to increase the acceptability of the rural users. It is extremely user friendly portal and has sound and media animation for simplifying the navigation process for those who cannot read, as the system can process simple voice instructions. Even children, housewife or an illiterate Person can use it. Computer displays content in local language and has self-explanatory animated icons. Its email service TARA *dak* supports 11 languages thus, making it relevant and easy to use for the rural consumers who are only familiar with vernacular language. It has integrated delivery systems called TARA vans (TARA *rath*), or vans which are franchised to local people to deliver the goods ordered by the villagers at his doorstep. TARA cards have been provided to regular users enabling them to make transaction without paying money in advance. TARA card enables villagers to buy the products and services listed at portal, although cash transactions are also possible. Rural producers are also able to connect to global market and sell their products to

distant clients through the sister portal called TARA *bazar*. TARA *guru*, a decentralized university provides guidance and consultancy to the micro enterprises established by rural entrepreneurs. TARA *gyan* offers range of computer enabled education services ranging from basic IT training to English proficiency to vocational skills in areas like textile cutting, plumbing, TV repair, etc. The person operating these kiosks and cyber cafes can provide these services using the same infrastructure. This not only enhances the knowledge of the people in rural areas but also create avenue to earn money and reduce problem of unemployment in rural areas by creating opportunities of self-employment. TARA scouts, collects latest information to update the site and TARA vendors are suppliers, dealers or agents for supplying TARA approved products. It also contains information on topics like health, nutrition, first aid, healthy motherhood, diseases, livelihood, law, government schemes, water, agriculture, entertainment, etc. It also guides on selection of projects and developing project reports, finance, registration, clearances and licensing for setting up small-scale industry.

EID Parry's Indiaagriline: EID Parry and Nagarjuna Fertilisers have launched a portal, www.indiagriline.com an experiment with Information Technology for the rural markets in Tamil Nadu in 2001. In 2004 the Parry's Indiaagriline had 30 franchised access centres or kiosks known as Parry corners already operational. These Parry corners were franchised to local villagers who owned and operated them in their own homes. These kiosks are equipped with PC, printer, telephone, furniture and a power source with a backup. The farmers could log on at www.indiagriline.com, through the kiosks located in the village itself and be informed with regard to farming activities in the area. This platform provides information on five crops namely banana, sugarcane, cashew, tapioca and groundnut and focuses on 271 villages around its Nellikuppam factory near Cuddalore. This information helps the farmer to increase their yield on one hand and provides good quality output to the organisation on the other. The increases in productivity of farmers, enables the organisation to sale its agri-inputs in the market better than it would have been possible otherwise. It not only builds a strong brand in the rural areas but also creates additional buying capacity for the company's produce. It has tried to integrate the entire model into the daily life of the people living in the target villages by providing information that is useful, needed and relevant for the rural population.

HUL's Project i-Shakti: The Project *i-Shakti* kiosks set up by HUL in partnership with women self-group of Andhra Pradesh have got overwhelming response from local people. At the launch of these kiosks, important members of the village community like *sarpanch*. School teachers, doctors are invited to reinforce social relationships within villages. The kiosks remain open from 9 a.m. to 7 p.m. six days a week. To gain access to the services offered, the users have to first register themselves and obtain a unique registration number. An ID card with the registration number is given. The kiosks offer information chiefly in the form of the audio visuals in the areas like, (a) Health and Hygiene, (b) E-Governance, (c) Education, (d) Agriculture, (e) Employment, (f) Legal Services, and (g) Veterinary Services. The information provided in above areas is put together from the best available resources, focussing on locally relevant information based on inputs from home-grown experts. These experts are also available on request to help provide solutions to problems through a query-mailing system. People can also send queries on health and hygiene to local doctor for a speedy response.

Kandhamal Apex Spices Association for Marketing (KASAM): KASAM is a registered Apex Society formed by 61 Spices Development Societies (SDS) of the Kandhamal district, most of which are self-help groups for women. Situated in small town of Bandhgarh, in Orissa, this co-operative was set up to trade fairly with, and to help the Kuttia Kondh tribe in 1998. This co-operative is vital to the welfare of more than 12,000 subsistence tribal farmers in a region where average family plot is only around one third of a hectare. The Kandhamal region of Orissa, in eastern India, is the poorest region of the second poorest state of India (after Bihar). Orissa's Kandhamal district produces organic turmeric, which is grown without using any chemical fertilizers or pesticides. 70 per cent of the population is below the poverty line and literacy percentage is only 32 per cent. Under such demographic environment, the Kandhamal turmeric is organic by default. The tribal practice traditional, primitive methods of cultivation. Thus, it is good for health and skin care and does not pose any health hazards at all. It has a characteristic aroma and can be stored for more than 2 years. This organic turmeric has a huge demand in Europe, America and Australia, but neither the state administration nor the farmers in Kandhamal had the resources to tell the world where to come for it. The farmers used to sell their produce to local merchants at nominal prices of Rs. 8-10 per kg as there were no linkages with the market and the farmers on their own could not access the highly profitable markets because of lack of resources, information and the huge distances. KASAM has started marketing of organic spices in a big way. It has developed infrastructure for production and supply of value added spices. It took up organic spices export from the year 2000. KASAM is now preparing to sell some of its production in the domestic market directly to branded spices companies and institutional buyers. It has entered into a marketing tie-up with Orissa State Co-operative Milk Producers' Federation (OMFED), whose website www.omfed.com prominently features Kandhamal turmeric powder. OMFED has established its processing unit at Phulbani, the district headquarters of Kandhamal to do the value addition to the natural produce. The sun dried turmeric is processed and graded within a co-operative owned factory, and from there it is exported worldwide. The organic turmeric has also been certified by SKAL, Netherlands the international certification awardee with EKO, the Dutch equivalent of

the British Soil Association. With this certificate, KASAM can export organic spices to countries such as the USA, UK, Netherlands, Egypt, South Africa, Bangladesh and Sri Lanka, through exporters under the active guidance of the Spices Board of India (Dogra & Ghuman, 2011).

Organised Rural Retailing: An overwhelming proportion of the Rs. 400,000 crore Indian retail market is unorganized. In fact, only a mere Rs. 20,000 crore segment of the market is organized. The presence of the organized retail format is limited to metro cities only. In terms of physical size, 96 per cent of the 5 million-plus outlets are smaller than 500 square feet in area. India's per capita retailing space of about 2 square feet (16 square feet in the United States) is the lowest in the world. The organized retail industry was expected to grow to Rs. 1,60,000 crores by 2005. There is no role model for Indian retailers to follow or adapt in their attempts to expand into rural markets. Urban centres already have a well-defined retail network and international retail models are adapted after relevant contextual changes have been incorporated. In rural India, *haats*, mobile traders and village shops form the traditional retail network. In such conditions, marketers are trying to experiment with new models such as Self-Help Groups by HUL and ITC's Choupal Sagar to serve end consumers in rural markets. The government has also established some good rural retail networks such as the Public Distribution System (PDS), Khadi and Village Industries Commission (KVIC), rural banks and Indian Farmers Fertilizer Co-operative Limited (IFFCO). During post liberalization, a few corporates have taken initiatives to set up organized retail formats in rural areas. ITC was the first to take such an initiative and launched the country's first rural mall in Madhya Pradesh, signalling the arrival of organized retailing in rural India. The mall, christened *Choupal Sagar*, offers a diverse product range, including soaps, detergents, toothpastes, televisions, DVDs, sewing machines, grinders, etc., in an attempt to provide farmers a one-stop destination for all their needs. Other initiatives include DCM Shriram Consolidated's *Hariyali Kisan Bazaars*, which started by offering farm-related inputs and services but soon planned to sell FMCGs and durables also. Other corporate houses that are setting up agri-stores to provide products/services targeted at farmers include Escorts and Tata Chemicals (with *Tata Kisan Sansar*). The Godrej Group runs a chain of agri-stores named *Adhaar* in Maharashtra and Gujarat that serve as one-stop shops for farmers selling agricultural products and also provide farmers with instructions on how to effectively utilize these products.

Conclusion:

These innovative rural marketing initiatives may seem to be small in the context of a giant market called rural India but this is a remarkable beginning in the post liberalised era. We prospect the second Green Revolution in the near future if these experiments prove to be successful. The corporate involvement in agri-business, organised retailing, e-marketing, e-governance, CSR initiatives at all levels in the food chain will not only provide much needed assured markets to the farmers but will also bring the latest know-how to the farmers. It will also lead to better earning opportunities for the farmers through higher yield, higher prices for the produce on one hand and this will also create direct and indirect employment opportunities for the farmers who are finding it difficult to be part of service led growth on the other hand. These innovations are positively impacting the family, farmers and the rural youth. Family can have better health, farmers can have the better productivity and youths have better employment opportunities. Rural people have an opportunity to have vast amount of relevant information, which they can use to make informed decisions. They also now have a platform because of these innovations, which can create urban like self-employment opportunities in the village itself.

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