A STUDY OF RURAL MARKETING IN INDIA: INNOVATION FOR SUSTAINABLE GROWTH

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ABSTRACT

As urban market has reached the saturation point with huge competitiveness, it is inevitable for corporate to find a new market. About three-fourth of Indian population lives in rural India and its geographical area is vast and scattered. In this context, the new opportunity for new market potential is rural market provided the marketing plan is suited to rural consumers’ needs and their buying behavior. That marketing strategy is rural marketing but it is often ambiguous with agriculture marketing. Rural marketing refers to doing business activities such as marketing of goods and services from urban places to rural customers as well as delivering non-agricultural products manufactured in rural places to urban areas. However, the infrastructure, transportation, income, education and the purchasing power of the rural people in rural regions need to be upgraded. Reverse innovation is the key to this untapped rural market. This paper will focus on the concepts and the aspects of rural marketing and it will also highlight the importance of innovation in marketing by analyzing the innovative strategies used by Indian Corporates in rural marketing. Methodology of this paper is based on secondary data obtained from sources like Journals, Articles, and Websites etc. It enables us to know the role of marketing innovation played by the corporates towards rural market which will foster a roadway to sustain.

KEYWORDS: Innovation, Rural Marketing, Sustainable, Consumer, Corporate.

INTRODUCTION

With the initiation of various rural development programmes and the steps taken by the Government of India to initiate proper irrigation, infrastructure developments, prevention of flood, grants for fertilizers and various schemes to cut down the poverty line have improved the condition of the rural masses and there have been an upsurge of employment opportunities for the rural poor.

Table 1. Rural India Market

<table>
<thead>
<tr>
<th>RURAL</th>
<th>Number Of Villages</th>
<th>Population Size</th>
<th>Percent Of Population</th>
<th>Total GDP Size</th>
<th>India’s Per Capita GDP</th>
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<tbody>
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<td></td>
<td>6,50,000</td>
<td>850 million</td>
<td>70%</td>
<td>Around Half of India’s GDP</td>
<td>12.3 % growth between 2009-10 to 2015-16, contributed by Rural Growth</td>
</tr>
</tbody>
</table>

Source: www.ibf.org

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The annual real income per household in rural India is forecasted to rise to 3.6 per cent in 2015 from 2.8 per cent in the last 20 years, stated by Market research firm Nielsen. The rural market as seen in the above table has maximum proportion of Indian population and areas and it is obvious that rural market has maximum consumer size. However, the urban market is nearly reached the saturation point. So, the corporate are eyeing to this rural market offering a plethora of investment opportunities in contrast to urban sector. This is proven by the statistical figure:

This indicates the Fast Moving Consumer Goods sector in rural India is estimated to cross US$20 billion by 2018 and US$ 100 billion by 2025.

The rural FMCG market expanded at a CAGR of 13.2 per cent to US$ 100 billion during 2009-15. In rural markets, durables like refrigerators and consumer electronic goods are likely to witness growing demand in the coming years as the government plans to invest significantly in rural electrification.

Apart from the opportunities, the corporates have to face the prevailing challenges like logistic problems, poor infrastructure, promotion, language factors, etc. However with innovative marketing strategies, themarketers have to capture the rural market with the objective of sustainable growth.

LITERATURE REVIEW

Sachin[10] (2015) studied role of MART research agency in rural area and concluded that with economic reforms in India, there is need for appropriate marketing strategy with the help of the state marketing board or federation or market committees.

Kumar.[6] (2013) explained about the challenges and opportunities of Indian rural market and mentioned the rural market is the future but tapping this market requires a clear understanding of the current and future expectations of the rural consumers.

Harpreet[11] (2012) noticed that with increasing GDP growth, the purchasing power of rural is increasing and non-consumers of yesteryears are now entering as first time buyers in rural market for large number of products in bulk amount. This indicates the time to shift the management thinking approach from gross margin to higher profit from high value unit sales to game of high volumes, capital efficiency and from one solution fits all thinking to market innovation.

Pawan & Neha[5] (2013) documented that marketers are unable the vast rural opportunities due to the challenges such lack of infrastructure in rural market.

Sivanesan[12] (2014) proposed the potentiality as well as problems of India rural market and noted that the differences in occupations options affect the rural consumer behavior which is sparkly and fundamentally different from the urban.
Rajesh and Abhishek\(^9\) (2012) stated that packages in rural markets should be small in size for trial of new products catered by the fact that the rural consumers have low disposable income.

Santosh\(^{11}\) (2014) said that innovative techniques of distribution and marketing of products in rural markets can make the companies earn greater profits than the ordinary way.

Ravisankar and K. Ashok Vardhan Reddy\(^8\) (2016) revealed that in this changing world, the long term organizational goal with customer satisfaction is achievable through innovation business models in rural markets.

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Masese\(^2\) (2016) mentioned about innovation in rural marketing and concluded greater strategic attention to the unique demands of designing, positioning and promoting the product in rural market, greater the chances of the product’s success in this market.

Nancy and Swati\(^3\) (2013) quoted that the problems of rural marketing can be solved by improvement of infrastructure, transportation, communication, warehousing and packing facilities but there should be only internal competition and no external system should be allowed to interfere the rural market in the larger interests of the nation.

Rai\(^7\) (2013) said Indian rural innovation will show the path of development for the underdeveloped, developing as well as developed societies.

So, the previous studies mentioned the challenges and need of innovation in rural marketing but not about what exactly the type of innovation is needed in the rural marketing and what strategy to implement this type of innovation required towards rural market which will foster a roadway to sustain. The present study will fill this research gap seen in the literature review.

**OBJECTIVE OF THE STUDY**

The objective of the study includes the following:

- To study the concepts and aspects of rural marketing.
- To explain the importance of reverse innovation in rural marketing.
- To highlight the steps of reverse innovation in rural marketing.

**RESEARCH METHODOLOGY**

The study is conceptual, exploratory cum descriptive. It is based on secondary data availed from various research works done in rural marketing, journals, magazines, research articles and e-books.

**RURAL MARKETING AND REVERSE INNOVATION IN MARKETING-CONCEPTS**

Innovation and marketing are a pair of gears that work together to move the business forward. In today’s century, marketing should always go in collaboration with innovation. Marketing researchers may find out what is needed, what is going on, but the innovation team will give the ideas and the possible solutions. Innovation is a broader concept which includes not only creating, launching and marketing new products, but also imparting information, making mental suspicion and induces sale action improving the customer’s overall experience. Marketing innovation refers to applying creative marketing method including significant and appreciable changes and modification in product design or packaging, product placement, promotion or
pricing with integration of marketing with technology. Innovative marketing of products signifies about leveraging the 4 P’s of marketing mix in such a way that has never been adopted before by the corporate exercising the innovation. These P’s mean Product (Design and Packaging), Price, Place and Promotion.

There are different types of innovation to achieve different objectives:

- **INCREMENTAL INNOVATION**: Small changes in existing products and services by means of technological improvement or modification in business model
- **BREAKTHROUGH INNOVATION**: Significant changes to either technology or business model of a product or service.
- **RADICAL INNOVATION**: Substantial changes to both technology and business model. It creates new markets. Breakthrough innovation or Radical innovation is generated from R&D and other creative activity.\(^{[25]}\)

According to Ram Kishen Y, Reverse Innovation in Rural Marketing is “Understanding the psyche of rural consumer and designing products and services, pricing strategy, distribution channels, promotional aspects by identifying his needs & wants and creating demand so as to generate value to the company as well as to the consumer”\(^{[22]}\).

This definition clears two points about Reverse Innovation in Rural Marketing viz.

- Involvement of R&D to know the consumer buying behavior
- Innovative marketing mix strategies i.e., creative strategies in 4 P’s based on target customer.

Reverse innovation isn’t optional. It is oxygen. It is the strategy of innovation adopted initially in rural market and then scaling up the same in urban market, as stated by Vijay Govindarajan.\(^{[23]}\)

### Table 2

<table>
<thead>
<tr>
<th>Sources</th>
<th>Rural India Meaning</th>
<th>Limitations</th>
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<tbody>
<tr>
<td>Census</td>
<td>- Population &lt; 5,000</td>
<td>No consideration of total population</td>
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<tr>
<td></td>
<td>- Population density &lt; 400/km(^2)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- &gt;25% of male working population engaged in agriculture</td>
<td></td>
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<tr>
<td></td>
<td>- No existence of Municipality or board</td>
<td></td>
</tr>
<tr>
<td>NSSO</td>
<td>- Population &lt; 5,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Population density &lt; 400/km(^2)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- At least 75% of male working population employed as agriculturists.</td>
<td></td>
</tr>
<tr>
<td>Planning Commission</td>
<td>Towns with population less than or equal to 15,000</td>
<td>No consideration of town characteristics</td>
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</table>

Rural marketing is about doing business activities such as marketing of goods and services from urban places to rural customers as well as delivering non-agricultural products manufactured in rural places to urban areas. In this, the dominant participant is from rural area. Rural marketing under Indian economy covers two categories:

- Market for consumer durable and non-durable products
- The one for agricultural inputs like fertilizers, pesticides, seeds, etc.

Affordability, Awareness, Acceptability and Availability are determinants of rural consumers buying behavior. Radical change with affordable
cost and not substandard for rural market has to be framed but not as extension of urban market because the lifestyle, needs, wants and buying behavior of rural is drastically different from urban consumers. The rural consumer hardly changes the brand once selected.

**IMPORTANCE OF REVERSE INNOVATION IN RURAL MARKETING**

Importance of Reverse Innovation in rural marketing is as follows:

- **RURAL CONSUMERS BUY LOW PRICE BUT NOT SUBSTANDARD** i.e., suited to rural income but no compromise in utility and convenience. For example, Nokia 1110; Rs 5 strategy of coca cola ; Good Night Fast Card, developed by GCPL which costs just one rupee, which overcomes the price barrier and does not require electricity.

- **THEY GO FOR SMALL UNIT AND LOW PRICED PACKING:** Since the rural are mainly daily wages earner and have seasonal income sturdy products fitted to rural lifestyle as exemplified by Philips and Exide batteries, Chik shampoo of CavinKare (Sachets).

- **RURAL MARKET IS SCATTERED:** Distribution system need to be innovative like E-Choupal by ITC, Project Shakti by HUL, etc. The urban distribution strategy won’t work in rural market.

- **PROMOTION IS NECESSARY IN THEIR OWN LANGUAGE:** Radio, audio-visuals, non-conventional interactive media forms in their own language for comprehension of the product. For example, Hindustan Unilever started a brand awareness campaign called Operation Harvest that uses audiovisual media and delivery vans for mobile entertainment interspersed with the company’s add distributing free samples. These promote product trials and identify key distribution and retail points based on audience interest.

- **ETHNOGRAPHY:** Association with their culture with the myriad rituals, celebrations, festivals, melas, nautanki, haats etc. where the rural population assemble to promote brand.

**SUGGESTIONS FOR STRATEGIC FRAMEWORK FOR REVERSE INNOVATIVE RURAL MARKETING**

An above normal monsoon as predicted by India Meteorological Department (IMD), could boost rural demand, Corporates are eyeing to the vast opportunistic rural market. The following suggestions may help corporates to tap the rural market:

**KNOWLEDGE ABOUT THE IMPORTANCE OF REVERSE INNOVATION AND R&D OF NEEDS IN RURAL MARKETING**

Earlier the companies understand the importance of reverse innovation in rural marketing, better their success in rural market. This is because the product in urban market cannot be simply marketed in rural. To explore the untapped rural market, marketing strategy should take care about the lifestyle, affordability and needs of the rural consumers.

ITC, Philips, Nokia recognized this strategy much ahead of its competitors.

**ADOPTING REVERSE INNOVATION 4 P’S STRATEGIES**

- **REGARDING PRODUCT:** The marketers need to live with the rural people and think like them to know their needs. The product should be socially and economically acceptable by the rural customers. Rural consumers prefer small unit and low priced packing affordable to rural consumers; avoid sophisticated packaging; develop refilled and reusable packaging; new product design
sturdy products fitted to rural lifestyle as exemplified by Philips and Exide batteries.

- **REGARDING PRICING:** The marketers must be aware that rural market is heterogeneous. The targeted customers need to be segmented as rural rich, rural above poverty line or rural below poverty line. So, the marketer has to know the target customer affordable price but not substandard i.e., suited to rural income but no compromise in utility. Application of Value Engineering is about substituting the costly raw material with cheaper one with no declination in quality as in milk-soya protein.

- **REGARDING DISTRIBUTION:** The marketers must use those distribution networks directly accessible and ecologically acceptable to the rural consumers. Engaging local communities as partners, utilization of company delivery van can serve two purposes: it can take the products to the customers in every nook and corner of the market and establish direct contact of the firm with them. Haats, the mobile supermarket of rural held once in a week and Mandis, the agricultural markets can be used effectively by corporates at low cost distribution channel ITC’s Chaupal Sagar and Project Shakti by HUL are able to reach the interior.

- **REGARDING PROMOTION:** For market creation, promotion to create awareness through right media is mandatory. The promotion will have greater effect if it can touch the sensitive mind and emotion of the rural people. Radio, audio-visuals, non-conventional interactive media forms like folk dances, puppet shows, haats etc which are familiar to rural people can be used for effective campaign. For examples, Maruti has been arranging road shows with film screenings inside a TATA truck fitted with a Samsung LCD TV. The film strikes the villagers emotion as it tells a story of an average villager who buys a Wagon R after being persuaded by a friend who also bought the same. But no substitute for word of mouth marketing promotion for customer loyalty. Mahindra, to sell its Super Turbo 595 DI tractor, organized interactive discussions between the company and its target customers like farmers and opinion leaders. It also gave free test rides and sell initially to them. Then, after using the tractor for reasonable time, the initial buyers expressed their positive word of mouth about the tractor to their friends, relatives, neighbors. This innovative promotion increased the sale of the tractor in Maharashtra, Haryana and Punjab.

**APPLICATION OF THE REVERSE INNOVATIVE DESIGN**

It is time to implement the design to lunch the rural product in a rural test market after designing the above strategies. After collecting the correct feedbacks from the various departments, salesman, and the tested rural customers, the marketer should refine better. If the strategies give the expected result in the test rural market, the product can be distributed to other markets in full swing in such a way to capture the maximum rural market share.

- **CHECK THE POSSIBILITY OF PLACING THE SAME PRODUCT IN URBAN:** The Company should not be satisfied with rural success. If possible, the company should attempt to position or replicate the same rural successful product in urban also with commitment by overcoming troubles in the way.

**TARGETING SUSTAINABLE GROWTH**

- Continuous Reverse Innovation is the key to sustain.

**GIVE AND TAKE APPROACH**

- Not only applying reverse innovation in rural marketing, the corporates should create a
sense of interconnectivity with the rural customers through give and take approach. A give and take two approach should replace the current one-way exploitation. The salesman should be selected from the educated unemployed villagers, by giving training and the villagers should be educated to save them from spurious goods and service. The corporates should also operate imperatively with economic, social and environmental responsibility to sustain in rural market.

SCOPE FOR FUTURE RESEARCH

Not much study has been carried out to study reverse innovation in rural marketing. The marketers, scholars and researchers should contribute their knowledge in this concept.

CONCLUSION

The rural India no doubt is the futuristic targeting market for companies but at the same time the companies must be aware of the innovative strategies to capture this virgin market. The most crucial question is what that type of innovative strategy is needed and the answer goes like this-reverse innovation in rural marketing is the sustainability mantra to success. Sustainability is going to play a major role in all sectors including the FMCG sector. In order to differentiate, the products should add value in terms of environmental and social benefits to the customer. The industry should adopt triple bottom-line approach which encompasses ecological (Environmental), social (Equity) and financial (Economic) standards of performance, as exclaimed by Pikender Pal Singh, Regional Director, CII NR. [24]

REFERENCES


[14]. www.ruralmarketing.in/ Retrieved on 13/10/2016 at 10:54 p.m.


