ABSTRACT

Rural India is the one of the fastest growing big market in the world. Today rural India accounts more than 50% of the India’s GDP. Rural India is growing about 14% for FMCG’s comparing with 8% from urban India. Also among 59% of consumer durables sold in rural India, due to there is more income guaranteed in rural India more than urban India, therefore it has become most important segment for the marketers.

Main reasons for the companies are easily going to rural India because, already 80% of our villages are connected by roads means more than 90% rural population is connected by road and more the 95% of rural wealth is accessible. Not only roads but also literacy rate is increasing very fast already 70% of rural India has become literate, due to literacy more opportunities for better jobs and therefore higher incomes.

The middle class families are growing and expanding rapidly the poor in 1985, almost 96%, this is projected to be coming down to 38% by 2020 and that really shows a very big market is awaiting in Rural India.

What can go wrong? This is critical in Rural India, there are two gods, one is Government, if the government changes the new government doesn’t have a rural agenda then it will cause major setback for market, second one is the rain god, both are important and both grace is need., if not Rural India will run into problem.

INTRODUCTION

Whenever we talk about the India growth story, we somehow saw to talking only about urban India. Many of us may not be aware that today rural India accounts more than 50% of India’s GDP. It’s half a trillion – dollar economy already and of course, 70% of the population lives in rural India, and so that is the most important part of India. It accounts for already 60% of FMCGs and if we take the last two years, the real growth is coming from rural India. Rural India grew at about 14% urban India grew at about 8% from FMCG’s. Similar is the story for durables. The durable industry grew at 29%; rural, whereas urban grew only at about 14 or 15%
The fact is that already the base is bigger in rural India because 60% of the FMCGs and almost 58-59% of durables are sold in rural India. If it is growing at such rapid pace, it clearly shows that the next big growth is already coming from rural India. If your talk to ‘Hero Honda’ they will tell you that almost 40% of their sales of two-wheeler come from these. The fact is that there is more income generated in rural India now than urban India, therefore it has become the most important segment of the Indian Market.

Because the per capita income in rural is about 80% lower than that in urban, they are forced to spend more of their income that is why rural people in India spend about 65% of their overall income whereas in the urban areas, the savings rate is much higher. In the rural India, the savings is about 33% whereas urban rate is over 40%. By the year 2020, if we were to see first 10 years ahead, rural India alone will become a bigger economy or as big an economy as Canada or South Korea today we must forget that Canada is considered a developed country, and is also a part of the North American Treaty.

Various studies including the study by Mc Kinsey, the World Bank as also the planning commission have shown that even by 2020, 65% of India’s population will continue to live in villages, even though lot of migration happening to the big cities, India will continue to live in villages, therefore, that is the market of future.

MARKETERS ARE COMPELLING TO GO RURAL

Today every farmer small, marginal, medium, big has a “Kissan Card”, which is issued by NABARD through the lead banks. This is not a plastic card, but like the old pass book that we used to have from our banks, but the fact is that every farmer now has a line of credit and that could be anywhere. Around 50 thousand to 100 thousand rupees of which he can spend 20% for buying non-agri inputs. If we add that 20% of 50 thousand which is about 10 thousand rupees multiply that by 87 million, one could easily buy a good hand set for well within 10 thousand or a color television set for 10 thousand rupees.

If you look at the infrastructure, already 80% of our villages are connected by roads, what this means is that more than 90% of rural population is connected by road and more than 95% of rural wealth is accessible. Therefore today there is no real issue on reaching the rural consumer. 20 or 30 years back the complaint always used to be that not even 50% of our villages were connected by road. Therefore, there was no easy access, but today we can access 95% of the rural wealth.

According to the Government of India almost 100% of village have being electrified, but if even 60% of households have been electrified, there account for more than 75% of total rural wealth in rural India. Therefore, again in terms of access to wealth in rural India, we have got most of it, which can picked up. These are the rural rich people. Obviously, the remaining people have very little purchasing power, so on an aggregated level they may be having certain amount of wealth, which is the remaining 25% and but on an individual basis that is too small for them to be in the market.
Literacy, the world over has led to better incomes as the level of literacy rises in developing countries, they have more opportunities for getting better kind of jobs and therefore, higher incomes. This is already happening now, as 70% of rural India has become literate. If we take the 10-year period between the 1991 and 2001 census, the literacy level went up three times more in rural India than in urban India. The growth was 30% whereas in urban areas it was only 10%. Thus, things an beginning to happen in rural India.

If you see the tele-density in rural in between 2000-2005 five customers per village but today there would be no village, which has less than 500 connections, all these happened in a period of five years. Tele-density has gone up from 0.7% to 24% which almost a 3000 percent rise in the last five years. Therefore, the rural market is now reaching inflection point, because everything is falling in one place. The infrastructure like schools, roads, electricity and of course, mobile telephone is falling in place. What we don’t realize is the impact of mobile phones on trade. For example in the good old days we had the retailer in the village who had to keep at least two weeks stock. Because of the time needed to send a postcard to the mofussil town distributor and because of poor road connectivity and because of the time taken for the goods to arrive, the retailer had to stock that much. Today he can just pick up the phone and the next day because the roads are better– he can be serviced by the company’s distributing. Therefore, he has unlocked almost two weeks of his inventory. Today, if we walk into a village shop we will find many more brands.

In India we have more than six hundred thousand villages, but for more companies there is no activity in the very tiny villages. For population less than 500 or 1000 households, there is hardly any purchasing power; there is not even shop there. Therefore, the real action for marketing is 2000 plus villages, which count for only 17 percent but they account for more than 50% of rural population and more importantly 60% of rural wealth. That is where most companies are now focusing; therefore even access to rural markets becomes much easier, because one doesn’t have to service all 600 thousand villages. One can be focusing largely on the top 17 percent.

**ACT-DIFFERENTLY**

If you look at the employment or occupation patterns, we see private sector in urban areas, but we don’t realize is the biggest private sector is in the rural areas. All farmers are private enterprises and that is about 53% therefore, that is a big market. The number of salaried class is very low. Economic slowdown has hardly any impact.

In rural India, people construct homes only for their own use. Nobody speculates on constructing a house in rural India and they buying it and waiting for the prices to appreciate, which is what people like us do in urban India. Therefore, there was no impact of the economy slowdown. On the other hand, people didn’t invest in the stock market. Many of us suffered wealth erosion in the urban areas, but in rural India there was not wealth erosion because people had not invested in property.
The third part is that the share of the salaried class was very little. It was only 11% in rural India versus about 33% in urban India. Therefore, there were lay offs in urban India but there was hardly any lay off in rural India because of the fact that even that 11% was largely in the government. There were school teachers, post masters and those kinds of people who were really not laid off and therefore, rural India continued to grow robustly even in the 2008. It was actually the demand that was generated in rural India that helped this country grow at about 6.5% whereas in urban India things had started slowing down at quite an extent.

The middle class families are growing and expanding rapidly, whereas the poor, in 1985, almost 96% almost all people in rural India lived on less than of Rs.30/- This is projected to be coming down to 38% by 2020 and that really shows that rural India is moving very rapidly from poverty to prosperity.

The share of wallet is generally different -- on food rural people spend almost 46% because the rural incomes are much less, almost half of the urban incomes, whereas urban people spend only 33% on food. Thus the spending is different which is much less in rural India on education it is much less, but it is projected that by 2020 spending on food will comedown 33% in rural India too. Thus another 13% of the income will be released for spending on health, education and other areas. Therefore, a lot of money would get released for buying durables and stuff like that.

The rural poor buy from the pop stores located in the villages themselves and the haats, these are the weekly markets which sprung up week after week. There are about 40 odd thousand of them. They are more than all the wall marts and all the large format stores put together in the US.

RISING ASPIRATIONS

Look at rural rich, which is the upper middle class, they already have urban aspirations. Therefore, in terms of their behavior and psychographics, they are now becoming very similar to the urban consumers. Whereas the poor are the ones who are still different and the reason is, many of them are wage-labors close to 30 percent are employed as wage-laborers’, who earn only 50, 70 or 100 rupees a day and end up buying small packs on the way back from their work. They will stop at the weekly market at pick up the sachets. Therefore, it is important to have these low unit packs.

But it is really the rural youth and women who are now driving demand. Why is that happening? This is because literacy levels are going up. How is that transpiring into demand from the youth? The youth now have to go to nearby town to attend college because there are no colleges in the village; so they get exposed to brand bill boards, hoardings and communication messages. Because of the micro-finance movement, which has become huge, then are now also so million women who are now members of micro-finance. They are the ones who are coming into towns, for their federation meetings and have money on their hands. Therefore, these are the two who are really now driving demand.

Occasions for purchase, especially for durables, are a little different in rural India, people buy durables either immediately after harvest because that is when they have money or during the wedding season, which also very often coincides with the harvest.
Now modern rural India will have super markets like “Choupal” and “Mitra” of Coromandal international.

**GEOGRAPHY AND DEMOGRAPHICS INTERTWINED**

Geography is obviously mixed with demographics, because it is demographics which actually start differentiating the kind of product development and the kind of logistics and distribution strategies one needs to put into place. Let us take the example of Tamilnadu, because of the superb development of road infrastructure in Tamilnadu, over the last 10 to 15 years, the number of villages and the number of people living in rural India is actually coming down dramatically. A lot of villages are vanishing because urban sprawls are engulfing them but a lot villages are vanishing; some villages are vanishing because urban sprawls are engulfing then but a lot of villages are vanishing because people are actually moving out from the villages into smaller urban towns which are now very well connected, which have schools and all the infrastructure; which people want irrespective of where they come from.

The rural poor buy from the neighborhood shops, the little bit weather who can afford to travel, buy from the weekly ‘haats’ and the richer come to smaller towns or larger towns in fact and actually buy from the kind of shops urban rich buy from the kind of shops urban rich buy from.

But with rural India actually growing in terms of its economic wealth, with per capita incomes in rural India rising, these are greater number of middle class people, there are greater number of rich people and consequently, the percentage of consumption that shows from towns and cities as opposed to ‘haats’ and villages is actually coming down in rural India. As a consequences, the importance of our traditional rural marketing process, the village ‘haats’ is some part of the country is actually declining and in fact in parts of Tamilnadu and Kerala non-existent.

**BRAND LOYALTY – DIFFERENT DIMENSION**

A big difference between urban and rural India, though one is not too sure whether it is too much of a difference, in the whole issue of ‘brand loyalty’. It may quote, all of us live with anxiety and stress. At least in one area, one of the finest methods of outsourcing anxiety is buying well know brands. Because the anxiety of whether the brand choice or the product choice is correct is now outsourced to somebody else, the loyalty factor therefore, rises as brand increase.

Brand loyalty in rural India is for higher than ‘brand loyalty’ in urban India. Therefore, whilst it is therefore more difficult to actually make an entry into rural India in terms of new brands, conversely it is easier to remain in rural India, once you actually enter rural India in terms of your brand and loyalty and issues.

**PITFALLS**

What can go wrong? This is critical. The first possibility is if the government changes and if the new government doesn’t have a rural agenda. An important fact that must be mentioned here is that the total rural economy is half trillion dollars, which is about Rs.250 thousand cores, last year along Rs.44 thousand cores were given under the National Employment Guarantee Scheme.
plus Rs.70 thousand core waiver for tractor loans. Both put together total Rs.110 thousand core that means 40% extra money was pumped into the rural economy just in one year. Rs.250 thousand core base Rs.110 core come in through these two waivers.

In rural India, these are two gods. The first god is the government when the government gives out doles, things happen and the second god is the rain god. If both are benevolent, rural India will grow. If either of them is not, we will run into problems. We have had around nine good seasons in the ten years. This means that farmers are growing more food. Equally importantly, the government has been giving a much higher minimum support price for primary grain. Because of this, there is a net benefit to the farmers, as over the last 10 years, the increase in MSP has been 100% where as the inflation is much less.

Therefore, the farmer has got a double whammy, he has got more production economy because there has been better monsoon and he is also getting a better price. So that is one of the reasons why demand is happening in rural India.

REFERENCES

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