Bite Reality- Breaking 7 Myths about the most wanted 700 million

Ankit Vohra

"1% of rural India is more than a million households."
- from the Census of India

"In 20 years the rural Indian market will be larger than the total consumer markets in countries such as South Korea or Canada today, and almost four times the size of today's urban Indian market. The estimated size of the rural market will be USD577 billion."

- McKinsey & Company, "The bird of Gold: The Rise of Indian Consumer Market" McKinsey Global Institute, May 2007

These publicly available statistics are often the starting points of most marketing thought in the direction of rural marketing, more so in cases where the task at hand is growth or expansion of markets. The sheer size of the potential market is not the only temptation- the feeling that these millions are waiting to be woe-ed by us marketers is the glazed cherry sitting pretty atop the icing.

But while the lure to reach out to newer prospects residing in newer geographies has lead to many a marketing manager and his agency alike taking the proverbial deep dive in the field of 'Rural Marketing', there seems little success to be heard of (apart from the muscular efforts of HLL Project Shakti- Unilever's Indian arm's entrepreneurial project involving women self help groups, ITC's e-chaupal- BAT's Indian representative getting into vertical integration by re-aligning the agricultural value chain, etc) in the long term - as marketing should aim for - in creating and sustaining a rural customer profitably. At the heart of most rural marketing failures is a casual approach to understanding the rural consumer. Academicians often have a statement to make in this regard-

"Rural marketing is marketing to a rural 'mindset'; not a rural market."

Unfortunately, there exists only the 'practice' of rural marketing and very few instances of understanding the rural 'mindset'. Assumptions, generalizations and stereotypes replace insights and the extra effort needed to 'think rural'.

Interestingly, this misinterpretation of the 'rural' concept is not new or unique to marketing. One of India's biggest vehicles of culture- the hindi film industry- has been doing this for years! From the all-encompassing nationalistic movies of the 50's to the model villages in the 90's, overflowing with hospitality, welcoming NRIs with open hearts, kitchens and mustard fields! Literature has probably been the only saving grace when it comes to presenting rural India honestly. Specifically, Indian language authors have walked the tightrope in creating reader friendly stories that depict the issues and struggles of the majority of rural Indian families. An Indian's understanding of rural India is driven by these two forces of popular culture – they mould the views and perspectives of 30% people who stand a much greater chance to either make decisions on behalf of the rest 70% or claim to represent the entire nation! A small pocket within these 30% is the marketing community.

But is this problem recent? Not really. In fact the reason why the ill effects of not knowing the rural consumer well enough have become glaring is because of the newfound lure in the rural market. It is only when the overall number of rural marketing plans has gone up and grown in size that the ones failing have stood out. Rural marketing programmes today are required not only by FMCG or durables industry but from the newer industries like telecom, financial services etc. Also, the urban-rural divide has grown in geometric proportions in the last decade. More and more urban Indians riding on the back of technology and 'info-comm' seem to be going farther from their country cousins.

A starting point to making our understanding more 'real' is by breaking a few myths around rural consumers. A few commonplace assumptions that (mis)guide rural marketing thought. This piece of writing is an attempt to quash those and understand the implications of the realities they shroud. Some of them are behavioural and affect strategy; some of them have a role to play in planning while others impact implementation of programmes. All of them, though, have profound implications on marketing as we know it.

Myth#1: Rural India is all about agriculture.

Reality: Rural India is way beyond agriculture

Firstly, agriculture's contribution to India's GDP has steadily come down to just 17.5%. Further, almost half of rural Indian economy is non agriculture

based and a third of the households- around 50 million- are engaged in non agricultural activities- people working in manufacturing, or as traders, shopkeepers; providing services like electricity generation, construction, mining and quarrying trade, transportation and haulage services handloom and handicraft-making, oil processing, paddy-husking, fishing, coir rope-making, village services; professionals like tailors carpenters, jewelers, blacksmiths, teachers, bankers, etc. Remember, it is an eco-system!
Most agricultural families supplement their farm income with non-farm activities. About 40% of rural households are landless. Considering the rest 60%, half of them are marginal farmers (owning less than 2 hectares of land). Large farmers, owning more than 10 acres of land only form a tiny 4% of the rural population. Yet, despite accounting for less than 5% of rural households, these large farmers and village landlords colour our mental image of the consumer.

Implications: Communication planning needs to take into account the presence of different groups. Targeting might need to be revisited. Newer categories might seem relevant now. Agriculture will perhaps remain rural India's backdrop and tonality of communication would continue to take that into account. But marketing should no longer assume this market as potential for just tractors, fertilizers and seeds.

Myth#2: Rural income is mainly agricultural income and thus not certain.

Reality: There is a fair share of non agricultural activities contributing to rural income. Even agricultural income is far more stable now.

Rural occupation is not such a finite demographic. It changes throughout the year. Also, let us examine where rural income comes from. In 1980, two-thirds of rural income was farm income while one-third was non-farm income. By 2012, NCAER estimates that the situation will be exactly the reverse. In 2007, by NCAER estimates, the split was about 40:60 - 41% being the farm income!
According to CMIE data, in FY03, despite the monsoons being erratic, India Inc managed to grow at 5.8 per cent with agricultural GDP and IIP (index of industrial production) also growing at a robust pace.

Implications: With more stable incomes around the year, consumer demand from rural markets is bound to become strong and consistent. This enables marketers to prepare rural plans with longer focus needed to develop rural markets for newer categories.

Myth#3: Rural consumers lack purchasing power.

Reality: While the rural consumer is generally seen as less affluent than his urban cousin, things are changing fast.

According to NSSO report no. 527, there was little difference between rural and urban households in the share of the budget allocated to fuel and light (10% for rural, 9% for urban) and clothing, including bedding and footwear (7% for rural, 6% for urban)
While in 1998-99 over 83% of rural households fell in the lower and lower middle classes, the number has fallen to 70% in 2006-07; the comparative fall for urban India is from 53% to 27% [NCAER data]. And if experts are to be believed, the number is set to fall at a rapid rate over the next 20 years.
In 1990, for every $100 earned by a person residing in a rural area, a person in an urban area earned approx. $182.Today, this gap has been reduced to $56.

Implications: Rural shopping basket will have products that till now were thought of as urban. Purchases shall grow out of the leash of demand and will also be affected by desire.

Myth#4: Decision maker in rural household is the male of the family.

Reality: The power distance between the chief wage earner – male and the housewife- female, is rapidly decreasing in rural households.

It is assumed that Rural India is still symbolic of some erstwhile male dominated Indian society and females don't have a say. Though the primary decision maker in the rural family is thought to be the male, he is seldom in the household actually. Mass migration of men seeking employment in urban areas has become such a phenomenon that most immediate purchase decision, especially in categories that do not require savings to be spent are taken by females only. Add to that the fact that there are 60% more literate females in rural India than in Urban

Implications: Remember how acknowledgement of pester power changed communications? We should now be prepared to convince rational mothers and wives who are, if anything, extra cautious while spending the household's money, even while indulging in purchases for personal use.

Myth#5: Rural consumers fear technology

Reality: Adoption of technology in rural areas is faster than we imagine

Growth in rural teledensity has outpaced urban consistently in this decade. From Mar 07 to Sept 08, rural teledensity increased by 120% while growth in urban teledensity grew by 53% only (TRAI data). For the quarter ending Sept 08, net additions to wireless connections in rural areas were more than twice than in urban areas (19.93 million vs. 8.51 million). Growth for this period in rural was 28% compared to 4% in urban.
Also, growth of PC penetration at home in 2008 in rural areas is 24% compared to 7% in urban areas (IRS 2008 R1 and R2)

Implications: Technology needs to be customized basis renewed understanding of rural India's interaction with it. Value added mobile services like sms might not be as relevant as a voice enabled weather information service.

Myth#6: Rural spells potential for products, especially mass consumption categories like consumer durables, non-durables or 2 wheelers.

Reality: Rural is the next frontier for service industry – from financial services like insurance, banking and credit as well as for telecom and retail.

According to a report, 'Insurance in Next 2 Years', by ASSOCHAM, in May 2008, the insurance sector size was estimated at US$ 12.8 billion, and it is likely to see a never before growth of 200 per cent, reaching US$ 51.2 billion by 2009–10. Rural India is an opportunity worth US$ 23 billion for the insurance companies provided right product mix. Out of 78 per cent households having awareness about life insurance in rural India, only 24 per cent were policy owners. India's untapped rural market holds tremendous growth opportunities for life insurance companies with business worth US$ 231.67 million for insurance firms. According to international consultancy firm Celent, the rural life insurance market will grow to a potential of US$ 1.9 billion by 2015 from the current US$ 487 million.

Implications: Traditional formats for services and their delivery would need to change. Insurance companies may no longer be able to demand regular premia but instead offer flexibility and easier terms. Distribution would need to rely on existing infrastructure that can be shared- post offices, banks, etc. to minimize overheads in the process of expansion.

Myth#7: Growth in rural is slow. Investments give late results

Reality: Rural growth is much faster than we think.

Firstly, which market does not need a certain gestation period for growth and development? A FICCI survey has indicated that the consumer durables will see 12 per cent growth in 2008. The rural market is growing faster than the urban markets, although rural penetration is low.
The rural Indian market, which accounts for nearly 70 per cent of the total number of households, saw a 25 per cent annual growth while the urban consumer durables market grew at 7 to 10 per cent.
According to Hansa Research, a market research firm that has published a *Guide to Indian Markets 2006*, the penetration of consumer durables has risen sharply in India's villages between 2000 and 2005. In color TVs, sales are up 200%; in motorcycles, 77%.

Implications: High growth in a market which develops late often witnesses faster upgrade. Marketers shall need to be quick to up-sell and cross-sell in popular categories like mobile phones, automobiles etc.

Seventy percent of India's population, 56% of income, 64% of expenditure and 33% of savings come from rural India. It is time we did better than just 'assume' what these people desire, detest, appreciate and expect.

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Apart from the cited data sources, the author has utilized various publicly available data sources like the Indian Readership Survey (IRS 2008), the NCAER (National Council for Applied Economic Research), NSSO (National Sample Survey Organization), CSO (Central Statistical Organization); and generously borrows, with permission, from various published works in related fields, like that of Rama Bijapurkar.