

# A STUDY ON PROMOTIONAL STRATEGIES BY COMPANIES IN RURAL MARKETS OF INDIA

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## **Abstract:**

In recent years Indian rural market has acquired attraction and attention of Companies as 70% of Indian population reside in 6, 50,000 villages and largely growth of Indian economy has led to significant increase in the purchasing power of the rural communities. Among all the revolutions for the farmers the green revolution has led to change in the consumption pattern of the rural areas to purchase the large quantities of industrial and manufactured products. The rural markets are offering opportunities in the form of large untapped market, increase in literacy level, increase in disposable income and large scope for penetration. To gain from these opportunities, a special marketing strategy has emerged called Rural Marketing. There are many hurdles in tapping the rural markets. So the Rural Marketing has concentrated on promotion in rural markets that requires the special measures due to social and backward conditions. The most influencing part of promotion strategy is to play a challenging role in rural promotion by personal selling, the word of mouth, opinion leaders, Mass Media etc. This study reveals about various reasons to enter rural markets and promotional strategies used in the rural market by companies.

**Index Terms:** Promotion Strategies, Rural Market, Economy, Consumers

## **Introduction**

In India 70% of the population lives in villages which contribute towards the economic development of the nation through the agriculture production, poultry, dairying etc. By exporting the agricultural products India generates capital and earnings through the agricultural sector and non-agricultural sector. Considering the economic development in rural areas the companies started to enter rural market as the rural sector gives a unique opportunity to expand their market as the urban markets started showing clear signs of saturation. The purchasing and consumption pattern of rural people are different from that of urban people. The rural market of India showed a steady development from the 1960's and during 1990's, the growth of purchasing power of rural India has increased through economic development, and there were clear indications by 21st century is going increase more. Communications revolution is influencing rural India for steadily growth over the past few years. Around 66 per cent of our population is intensely exposed to the TV, Mobiles, electronic media power etc. Union of sound, sight and movement makes the most powerful sales medium to influence the rural consumers.

Many MNCs like Dabur India, Hindustan Unilever, Coca-Cola, Pepsi, LG Electronics, Britannia, Philips, Colgate, Hero, Bajaj, Emami, ITC, Mahindra & Mahindra and Maruti Suzuki etc concentrated on Indian rural markets to expand through use various promotional strategies. As Promotion is the spark plug of marketing mix and marketing strategy. It is believed that in a competitive market without promotion nothing can be sold.

The task for the companies is promotion of the brands due to many challenges in the rural markets. The rural consumers are mainly aspiring or striving to purchase branded high quality products. The rural buyers once they are persuaded to buy a particular product, they develop a strong feeling for it, and become brand loyalists.

## **Promotion**

Promotion is a process in marketing communication to inform, persuade, remind and influence consumers in favor of product or service. Promotion communicates marketing information to consumers, users and resellers. Promotion persuades and convinces the buyer and influences his/her behavior to take the desired action. Promotion has two basic purposes persuasive communication and tool of competition that is responsible for awakening and stimulating demand, capture demand from rivals and maintain demand for your products even against intense competition.

*Promotion has been defined as "the co-ordinated self-initiated efforts to establish channels of information and persuasion to facilitate or foster the sale of goods or services, or the acceptance of ideas or points of view," It is a form of nonprice competition.*

The promotion mix includes four ingredients advertising, publicity, personal selling and all forms of sales promotion which try to influence consumer's attitudes, beliefs, ways of living or life style, values and preferences towards a company and its products.

#### **Reasons for companies to enter Rural markets in India**

India consist of about 6, 50,000 villages, inhabited by 850 million consumers making up for about 70 per cent of total population who are contributing around half of the country's Gross Domestic Product. Consumption patterns in these rural areas are gradually increasing. So in order to increase the market share more than two-thirds i.e. 67% of companies are present and still more companies are planning rapidly to accelerate their expansion plans in rural markets.

A good monsoon means more money in the hands of the rural consumer. This will help the company continue its growth momentum going forward. The rural Segment is catching up due to major investments and developments as well as government initiatives in rural markets. Some of the reasons are:

- Large and scattered population in villages.
- Increased purchasing capacity of rural communities.
- Market growth in rural market is growing steadily over the years for traditional products, branded products, consumer durables over the years.
- Development of infrastructure facilities such as construction of roads. The Ministry of Rural Development has targeted to lay a length of 48,812 kilometers of roads in rural areas and attained 67.53 per cent i.e. 32,963 kms as on January 27, 2017.
- Transportation, communication network, rural electrification and public service projects in rural India increased the scope of rural marketing.
- Rural consumer value customs and traditions. They do not prefer changes immediately. The rural population is changing in its demand pattern for branded products.
- Surveys conducted by various companies reveal that the Fast Moving Consumer Goods sector in rural and semi-urban is estimated to cross US\$ 100 billion by 2025 in India. Rural FMCG market is anticipated to expand at a CAGR of 17.41 per cent to US\$ 100 billion during 2009–25.
- The improved agricultural growth, the price drop in personal products, after the recent excise duty reductions, in also expected to drive consumption and boost demand. Better agricultural yields will increase farmers spending power.

#### **Successes attained by companies doing business in rural markets:**

- Dabur generates over 40-45 per cent of its domestic revenue from rural sales.
- HUL rural revenue accounts for 45 per cent of its overall sales from rural areas.
- In a report by Deutsche Bank in 2013, the report says that companies with above-normal exposure to rural areas are doing much better than those with an equal split of urban and rural or with less than average rural presence.
- Emami has one of the highest exposures to the rural markets. Around 60% of its sales and 50% of its profit is from the rural areas.
- Hero's stock has gained 24% in the two-wheeler industry. Hero is the strongest brand in the rural India and has 5,000 distribution points while the stock of Bajaj Auto which has a relatively lesser rural exposure, has gained only 10% in 2013
- Maruti has nearly one-third of its sales from the rural. It has a strong brand and network in the rural areas.
- M&M's performance in June 2013, in its tractor, or farm equipment segment, volumes grew 25%. The farm equipment segment represents 40% of the top line.
- M&M Financial Services focuses on the rural and semi-rural areas with a majority of its 675 branches. The rural focus has helped the company's loan book to grow at a CAGR of 39%. So, an M&M Financial, with 80% of income from rural areas, is outperforming Bajaj Finance and Shriram Transport.
- Rural contribution to sales for ITC is growing at a faster pace than other consumer companies such as HUL and Nestle. The company makes 35-40% of its sales from the rural market.

#### **Promotional programmes in Rural markets**

Rural marketing in India can be classified for the following two categories consumer durables which consist of both durable and non-durable goods and the markets for agricultural products which consist of fertilizers, pesticides, seeds, and so on.

Promotional activities like personal salesmanship, outdoor advertising, publicity, displays, exhibitions, showrooms, transit advertising, demonstrations, free samples, coupons, premiums, contests, Newspapers etc stimulate consumer purchasing and dealer effectiveness in rural markets. The promotional programmes that are effective in rural markets are

- Transit advertising consists of advertising located within buses, subways, railways and outside display which appear on the fronts, sides, and backs of buses even on other public transport and terminals with high readership that can reach almost all the public.
- Radio has a very wide appeal which is suitable for illiterate people. Spoken word has greater impact than written word. With the entry of FM radio programme ranging from all-talk to Indian and Western Music, certain target markets can be easily approached.
- Audio-visual technique has maximum impact on audiences. Sound and sight both are employed for communicating message. Product can be demonstrated with explanation. To that extent it is just like personal salesmanship.

- Opportunity exists for product demonstration and the extension of selling points with audio presentation through the van campaigns in rural areas that are mostly adopted by many companies for advertising. It is really a wonderful means of mass communication for creating market in rural areas.
- Point-of-Purchase really represents sales promotion devices. Point-of-purchase material may include advertising on the package, merchandise tags, package stuffers, window banners, shelf-talkers, information folders, booklets and other displaying materials etc.
- Advertising Specialties include a wide variety of items, such as calendars, matches, pens, pencils, books, knives, key rings, diaries, bags, cigarette lighters, blotters, paper weights, electronic clocks, purses, rain hats and so on.

#### **Rural Marketing Promotion Strategies**

Promotion Strategy lays down the principles through which company anticipate in securing advantage over competitors, exhibit attractiveness to buyers, and lead to full exploitation of company resources. Rural India being an untapped market, the successful strategy lies on the implementation of the 4 A's: Availability, Affordability and Acceptability, Awareness. There are three specific purposes of promotion to communicate, to convince, and to compete.

The Rural promotion strategy deals with the following decisions like the blend of promotional activities like advertising, publicity, personal selling and sales promotion and the amount allocated for the various forms of promotion particularly in rural areas for advertising like campaign vans, press, radio, television, and especially sponsoring prizes in sports & games conducted at villages and also organizing the village fairs, drama shows, and group meetings etc

The companies have designed separate sets of products for rural consumers to suit their demands. The marketing mix elements are to be adjusted according to the requirements of the rural consumer's tastes and preferences.

Many companies have re-engineered products, pricing and packaging, to tailor features, value appropriate for rural markets. For e.g. Godrej has introduced chotukool refrigerator, Nokia has developed Life tools, a mobile application that provides access to agricultural, educational and entertainment content. Nestle came with maggi ka chota pack, Cadbury came with one rupee chocolate. Some players have developed new communication and distribution channels within the rural agents like HUL's Project Shakti about 40,000 Shakti Ammas were equipped with a basic Smartphone. These smart phones had specifically designed software enabled them to take and bill orders, manage inventory and receive updates on promotional schemes run by the company; Tata Tea's 'Gaon Chalo' and some have created completely new products. On the other hand ITC has totally brought new perspective to rural India's branding history by launching e-chaupal. In fact the sales of agricultural inputs have done even better. DCM Shriram Consolidated-promoted Hariyali Kisaan Bazaar and runs around 180 stores.

Dabur India embraced the idea of getting rural folk to sample products and experience the benefits for themselves. The company made the most of fairs and melas around the harvest seasons when purchasing power is high. It also conducted school health camps to boost its toothpaste and chyawanprash portfolio and beauty pageants, to showcase its ayurvedic beauty products. Over two years, Dabur's rural strategies saw it doubling the villages under its coverage to 30,091.

CavinKare Pvt. Ltd. has created two separate brands - Chinni for smaller pack sizes and Priya for larger packs - And instead of using the conventional distribution route, they have created a 'sachet' sales force that sells only sachet packs to small retailers, including cigarette and pan shops.

Emami Ltd. tied up with the Post and Telegraph Department to place its products across 5,000 post offices. Wipro Consumer Care and Lighting (WCCL) have been using the Andhra Pradesh Government's e-seva project, which aims at enhancing the common man's interface with the Government. Coupled with traditional distribution methods, this approach allows WCCL to reach consumers who otherwise may not come to a retail point.

Large retail players like Reliance, Spencer's and Subhiksha procure farm commodities in bulk directly from the fields and this has cut out the middle man's commission, which farmers used to pay. Moreover, farm earnings do not attract income tax.

#### **Some other Strategies are being followed by companies in Indian Rural Market**

- The salesman in rural markets should be selected from the educated unemployed villagers, trained well and appointed as salesmen. The town-to-villages shuttling salesmen are to be replaced by stationary salesman in villages.
- Companies should also adequately concentrate on educating the villagers to save them from spurious goods and services.
- Rural markets are laggards in picking up new services. This will help the companies to phase their marketing efforts.
- Companies with new technology are properly capable to communicating its products and services to their customer. There is a trade-off between quality a customer perceives and a company wants to communicate. Thus, this positioning of technology is very crucial. As a rural Indian customer always wanted value for money for services given by the companies.
- Companies are now talking about Be Indian. It is a normal tendency of an Indian to try to associate him/her with the product. If he/she can visualize himself/herself with the product, he /she become loyal to it.

#### **Conclusions**

In India the rural consumers are particularly determined to purchase branded, high quality products. Consequently, businesses in India are confident about growth of the country's rural consumer markets, which is expected to be faster than urban consumer markets due to saturation levels at urban markets. The rural consumers seek information via multitude sources to be better informed while making purchase decisions of the products it may be consumer durables/non durables or agricultural/allied products. Importantly, the wider reach of salespersons, campaign vans, trade shows, media and

telecommunication services has provided information to India's rural consumers and the companies' concentrated more promotional efforts that influenced the purchase decisions. Rural consumers are now evolving towards a broader concept of value provided by products and services which involves aspects of price combined with utility, aesthetics and features, and not just the low prices offered by the companies.

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