

Go-Rural decision: successful strategies for the Indian rural market

Jehangir Bharucha
H R College, Mumbai, India

Key Words

Rural Markets, Marketing Strategy, Untapped Potential.

Abstract

Companies having a presence in India are making strong efforts to tap the vast potential of the Indian rural market. The paper explores how Hindustan Unilever (HUL) has been successful to have an impact in the rural segment of the Indian market through effective marketing and advertising strategies. It has tapped the bottom of the pyramid market in rural India very effectively by creating capacity to consume. Much of the subject matter of this paper has been gained through personal observations of the author who is into academics since the last twenty years, and on the basis of personal contacts with the top management in HUL.

Introduction

As India emerges as a major superpower, more and more growth opportunities come up. A large number of foreign firms wish to do business in India. India is a country with great diversity. It is vast and varied. There are 28 states in India and it is like doing business in 28 different countries. Also, Indians are very sensitive to their history and culture. Businessmen must adapt to local customs. It all depends upon which region and which market the firm wishes to enter. What is likely to succeed in one part may not succeed in the other part. If the venture clicks, the business can reach great heights or it can go into great losses. There are strong cultural norms in India which need to be respected. If these norms are violated, it could prevent great deals from getting struck.

HUL: Eighty years of presence in India

Hindustan Unilever Limited (HUL) is India's largest Fast Moving Consumer Goods Company having an experience of eighty years in India. It has almost thirty-five brands spanning diverse categories like detergents, soaps, tea, coffee ice-cream soups toothpastes and many more. HUL owns some of India's best brands like Dove, Surf, Bru, Pureit, Lakme, Ponds, Vaseline, Rin, Wheel, Knorr and many more. HUL is a subsidiary of Unilever which has a presence in over a hundred countries all over the world. (Hindustan Unilever, 2013-14).

Go-rural decision of HUL

HUL has transferred the marketing battlefield from the cities to the rural areas. There are six hundred thousand villages in rural India. This paper considers the National Sample Survey Organization (NSSO) definition of rural India, which is an area with a population density of less than 400 per sq. km., 75 percent of the male working population engaged in agriculture and not having a Municipal Corporation or Board. (NSSO, 2001). Based on data from the National Sample Survey Organization, the rural Indian BoP market is defined as households in the bottom four expenditure quintiles that spend less than Rs. 3,453 Indian rupees (US\$75) on goods and services per month. This definition represents a market of 114 million households, or 76

percent of the total rural population. (NSSO, 2001). HUL has been targeting the largest and poorest sections of India. "The future lies in the hands of those who see the poor as their customers" wrote C. K. Prahalad.

HUL realised that the urban markets in India are fast getting saturated. Also there is fierce competition in the urban areas with too many brands and this necessitates heavy advertising. In the rural areas costs are lower, rent is less and there is lots of untapped space. Rural spending is now less dependant on farm incomes. Many people work in cities and remit money to their parents and families in the villages. There have been some lifestyle changes as the youth go to the urban areas and come back with fresh ideas the government has been raising the minimum support prices and procurement prices each season and this has been a great pull factor on incomes in the rural areas.

Commercial banks have opened up a large number of branches in the rural areas and the rural folk now have easy access to institutional finance and no longer depend upon moneylenders. Disposable incomes are now higher due to no tax on agricultural incomes in India. As election gimmicks, the government has been waiving off small amounts as loans and this has also contributed to rural spending. The government has been diverting more and more public expenditure on the rural areas and all this has led to more and more prosperity in the rural areas 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. (The Economic Times, 2012) As per the figures published in the 2011 population census of India 68.4% of the Indian population lives in rural areas and 12% of the world's population lives in Indian villages. Today rural India is on the path to development. The Indian villages are growing larger and larger by the day and are now being classified as small towns. A recent study by Credit Suisse says rural India is not solely about agriculture anymore and has made a transition from thatched -roof houses and muddy roads to factories and cell phones.

Thus HUL has transferred the marketing battlefield from the cities to the rural areas. While individual demand may not be much in the rural areas, it is the aggregate demand that has been targeted,

Innovative selling methods and advertising

HUL has constantly been talking of India and explicitly and constantly reiterating that it is Indian. While in the urban areas HUL started its distribution channel with large scale multi stores they soon realised that success in rural India requires a different recipe. They have to reach out to the heart of the people. Rural folks feel that products in a big mall would be expensive and beyond their reach.

HUL has tapped the bottom of the pyramid market in rural India very effectively by creating capacity to consume. Higher income consumers would buy a big bottle of shampoo to avoid several trips to the shop but for the poor who live hand to mouth and who subsist on daily wages, this assumption would not hold true and they buy only what they need for that day. HUL has thus revolutionised the rural markets in India with their single serve sachets, which costs Rs 2-Rs 4 (equivalent to 2pence to 4 pence) in India. The author feels that HUL has successfully understood the rural market in India with proper market research. They tried to reach out to the heart of the people. HUL rightly falsified and shattered many false beliefs about rural marketing in India.

It is widely believed in literature that rural consumers due to low purchasing power buy loose products and accept whatever is given to them. Companies also believed that if they have

solid base in rural areas, no other brand can destroy them. The belief of “one family one brand” is also rampant and it is assumed that rural households are homogeneous in their consumption. HUL has shattered the myth that solid sales means the brand is secure. Today rural households have many options as television and other media have penetrated into the rural areas.

HUL has built a strong rural presence without much advertising support. In effect, there are fewer brand choices in rural India. HUL has made effective use of prevailing infrastructure in the rural areas.

It has also used unconventional channels of marketing like hats and shandies which are weekly markets in the villages, where it gets a captive audience. It has followed a policy of consciously setting up small stalls close to public distribution shops where majority of the villagers visit for their daily needs. HUL has given distributorships to the paan beedi outlets (very small kiosks selling beedis a cheap type of cigarettes and the Indian favourite paan which are found in every nook and corner of rural India). In addition to these outlets, men gather daily and chat at the local vegetable and grocery store and buy products like chocolates soaps, shampoos and similar products spontaneously.

India has 50000 “melas” (fairs) every year where villagers gather in one place for shopping. HUL has taken full advantage of these “melas”. It has used “melas” to reiterate its products, expose them to a far wider audience and make people aware and familiar with HUL packaging. The author also feels that these “melas” are just right for selling FMCGs. However for durable goods and goods having relatively high prices, such a mode could not be used as people come to these melas for having fun and a good time and would not have the time or the mood to take any kind of heavy information.

It has used vans and road shows to popularise its products. Its road show “Khushiyo ki Doli” (which means bundles of happiness and is some kind of a puppet show) has become very popular. All this has cleverly been done in the local languages and dialects. (In India each region speaks different dialects). Very often the same van is used for advertising and Marketing.

The company has used wall hoardings, tin plates on trees and stickers on water pumps as highly cost-effective yet very noticeable avenues of advertising. On the other hand, some of its advertising campaigns which are used for urban India have also been used in rural India. Cricketers enjoy immense popularity in India and HUL has used them effectively for common advertising campaigns in rural and urban India.

Using woman power effectively

Personal selling through residents of the village has also been promoted. In rural India women are the home makers: they are the ones who influence the buying pattern of rural households. The soap the detergent etc. would be chosen by them. HUL identified some women in the village and trained them to be effective saleswomen for their brands. They have pioneered the concept of “Shakti amma”. Shakti means strength and amma means elder woman. Earlier these women were sent door-to-door to sell HUL products. But this became a bit of a social stigma in rural India. Later on, these women were stationed near river outlets where all the rural women gather in the evenings to wash their dirty linen. This strategy proved most successful and has become a case study for business schools.

Research Findings

HUL has seen the rural population not only as value -demanding consumers but as creative entrepreneurs. HUL is a clear case study of rural marketing at its best. It has engaged

the rural population at every stage and has always kept rural folk at the centre of its marketing and distribution strategies. Thus, this cultural adaptation done by HUL has stood it in good stead. HUL has developed personal relations with employees and treated them like their own family. HUL has understood this attitude of Indians and not taken it for granted. It has adopted its business policies to Indian requirements only. It has connected to India socially and emotionally. Thus, an attempt to foster relationships has won commitment to HUL. By nurturing these relationships it has created enduring loyalty for itself. This has obviously not developed overnight.

Looking at the further opportunities the rural markets would offer, the future appears bright for HUL where the rural Indian market is concerned.

Conclusion and the way ahead

No doubt so far HUL is the biggest FMCG company in India and has been adopting all the right strategies. In recent times, more and more companies want a share in the growing rural pie. HUL would no doubt have to continue to re-orient its strategies for more sustainable penetration into the rural markets. The author feels that HUL could expand its efforts in finding fresh channel partners. While it has followed the right approach in not treating the rural population as homogeneous, as this paper has observed, it must further understand that this rural ethos is changing even more rapidly in India of late. So the speed of the new approach is essential. The author feels HUL would surely reach new heights of performance in the rural Indian market.

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