

## 4AS MARKETING APPROACH BY FMCG'S TO TAP INDIAN RURAL MARKET – A REVIEW

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**Abstract :** Rural India accounts for more than 700 Million consumers or 70% of the Indian population and accounts for 40% of the total FMCG (Fast Moving Consumer Goods) market. Companies face unique challenges when operating in the rural regions of emerging markets where many of these customers live. The major players like HUL, P&G, Marico, Coca-Cola, ITC, Godrej, etc., devised successful marketing mix strategies of 4As – Affordable, Awareness, Acceptable and Availability- to tap this untapped market. This paper examines the marketing strategies developed by the FMCG industry to drive the potential rural market in India by 4As approach.

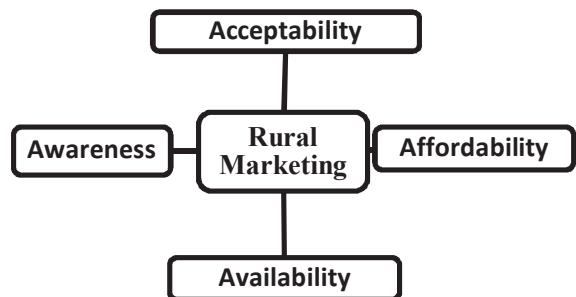
**Key Words:** Rural Market, FMCG, 4As, Rural Consumer

### INTRODUCTION

In recent years, rural markets have acquired significance in developing countries like China and India, as the overall growth of the economy has translated into substantial increase in the purchasing power of the rural communities. Almost 68 per cent of Indian population lives in rural India in around 6,30,000 villages. It accounts for 56 per cent of India's total income, 64 per cent of expenditure and 33 per cent of savings (DAC, 2012). The rural consumer is evolving from the poverty-stricken, illiterate stereotype, with a fear of change and reluctance to spend (Kashyap, 2012). The Consumer Market especially FMCG sector in rural and semi-urban India is estimated to cross \$20 billion by 2018 and \$100 billion by 2025. Growth in the FMCG sector in rural India increased 3.5 times from 2000 to 2010, as compared to 3.2 times in urban India (AC Nielsen survey, 2011). The Indian FMCG market is expected to cross \$80 billion by 2026 in towns with population of up to 10 lakh (DAC, 2012). Due to this potential future opportunity, rural marketing has become the latest mantra of most corporate. Companies like Hindustan Lever, Colgate Palmolive, Britannia and even Multinational Companies (MNCs) like Pepsi, Coca Cola, L.G., Philips, Cavin Kare are all eyeing rural markets to capture the large Indian market (NCAER, 2010). All big leaders in the industry like HUL, Marico, Colgate-Palmolive or Britannia, are showing deep interest in rural India by fabricating rural marketing mix that comprise of 4 A's viz., Acceptability, Affordability, Accessibility and Awareness to lead this potential market. This paper tries to examine the various issues related to marketing of FMCGs in rural areas perceived through the 4 As framework.

Pradeep Kashyap(2012) observes that the 4Ps of marketing – price, product, place and promotion – have been the standard by which marketing strategy has been developed in the past for urban markets; but the distinctiveness of rural consumers means that something different was required. The 4As of marketing- affordability, availability, awareness and acceptability- have evolved as a more customer-oriented solution to designing an appropriate marketing strategy for rural markets.

**Figure 1: Rural marketing – 4 A's Structure**



Source : Kotler et al(2009)

Raizada (2010) also recommended three important strategic areas as a key for rural marketing success, as C –R – M (Communication, Retail, Microfinance). The rural market needs a separate marketing mix strategy apart from the standard 4Ps. The author also identified the factors that are extremely vital for the rural marketing, such as 4C-R-M: 4Cs ( Cash, Community, Change, Cost), 4Rs( Reach, Realistic, Response, Relationship), 4Ms (Mart , Micro-small enterprises, Multipurpose products, Modifications) .The researcher explained the 4C-R-M framework as follows:

**Table 1: 4C- R – M of Rural Marketing Mix**

4C's	4R's	4M's
Cash	Reach	Mart
Community	Realistic	Micro-small enterprises
Change	Response	Multipurpose products
Cost	Relationship	Modifications

Source: Raizada (2010)

Dhumal *et al* (2009) explicated that the strength of rural marketing lies in the 4A approach, though rural markets have the weaknesses like low per capita income, literacy etc., . The companies can overcome these weaknesses when they take interest in rural market by 4As approach to capture the untapped market.

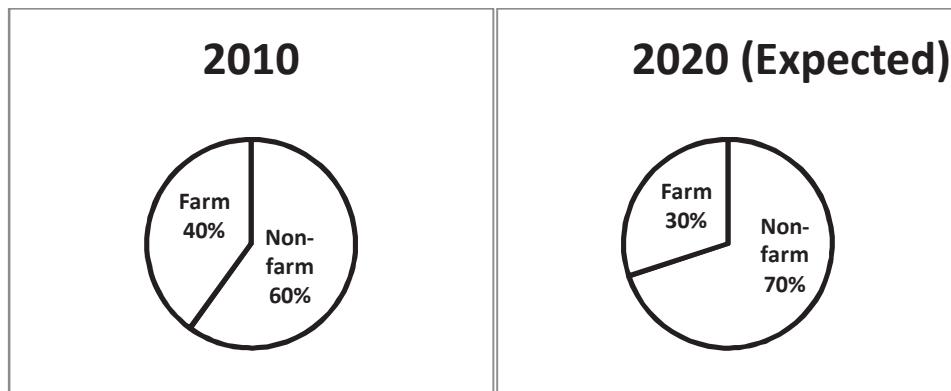
This paper attempts to examine the various innovative and successful marketing approach incorporated by the top FMCG leaders to tap the potential market. This review paper is based on secondary data. Before examining the 4As of marketing strategies implemented by front-runners to capture the rural market, the paper brings out few myths about rural market and rural consumer in India.

#### Rural Myths

Almost 68% of Indian population lives in rural India in around 6,30,000 villages and it contributes a big chunk to

India's GDP by the way of agriculture, self-employment, services, construction etc. The contribution of the rural economy accounts for 56% of India's total income, 64% of expenditure and 33% of savings. Due to the host of favorable cyclical factors, growth in nominal rural GDP has increased from 12 per cent per annum, in the last few years, the highest for any three year period in several decades (Kashyap , 2012).

Traditionally, rural India was an agrarian economy. However, this is no longer true. The non-farm sector accounts for higher incomes in rural India than the farm sector (Kashyap P,2012). As a result of economic transformation, the rural non-farm sector is estimated to contribute 70 per cent of the rural income by 2020. Higher wages and more employment opportunities in the non-farm sector are likely to drive this growth in the next decade.

**Figure 2: Change in Income Trend from Farm to Non-farm**

Source : Kashyap, Rural Marketing, 2012

According to Dixit (2011) rural India is on the threshold of momentous change. With a population of 790 million 50% of India's income contribution comes from it. Nearly 100 million people have evolved out of poverty in the last 10 years. Rural India will be a market worth USD 500-600 billion by 2020, according to McKinsey report. Rural consumption levels are also anticipated to equal current urban levels by 2017. The economy is effervescent, rural incomes are rising; the habits, preferences and attitudes of

rural people are changing rapidly.

The literacy rate in rural India has also gone up from 53 per cent in 2000 to 63 per cent in 2010 among individuals of age 12 years and above. The rural - urban literacy gap which was 21.2 per cent points in 2001, has come down to 16.1 per cent points in 2011 ( GOI, 2011), with this increase in the rural literacy levels and the exposure to media, rural consumers are also becoming conscious about their buying decisions like their urban counterparts. The

educated youth are employed in nearby towns in banks, government offices, schools, and in the private sector. They earn the urban salaries, as they continue to live in self-owned homes in the village, they have the highest purchasing power.

India is a young country with half of its population under 25 years. This offers a huge demographic dividend because this young population has their whole working life ahead of them, and they will continue to be consumers for all these years. With 70 per cent of its young population living under-served rural areas, India offers a huge rural dividend for companies which plan to increase the consumption of their products in the Indian market.

Due to the change in cultural and socio-economic norms, families are now gradually moving towards the nuclear model in rural areas. A new concept that of "individualized joint families", is emerging. With the increase in "individualized joint" and nuclear families, the range and number of branded products entering the family is likely to increase (Kashyap, 2012).

As per the Census of India, in rural area, the per cent of kuccha(33%) and semi-pucca (36%) houses in the year 1991 came down in the year 2010 .The per cent of pucca houses were increased from 31 per cent in 1991 to 62 per cent in 2010. This indicates that owners of such houses possess sufficient disposable income.

To improve the quality of life in rural areas, allocations for rural development and agriculture have been increased substantially over consecutive Five-Year Plans. The increase in budget allocation has been six-fold, both for agricultural and rural development sectors between the Eighth and Eleventh plans. The poor state of rural infrastructure in terms of poor road connectivity, inadequate power supply, poor market infrastructure, lack of quality drinking water, and poor access to sanitation facilities have often discouraged corporations to venture into rural markets. However, pro-rural long-term policies

and programmes (for example, Bharat Nirman, MNREGA, NRHM) in the last few years have brought sustainable infrastructural and social development of rural India, bringing rural markets to the centre-stage of the corporate world.

When a company decides to sell its products and services in a emerging rural market, one of the most important decisions it will make is the design of its distribution network. According to D.K. Bose, Vice President, O&M, the rural markets remain untapped because of three Ds—"Distance, Diversity and Dispersion". In words of MART CEO, Pradeep Kashyap—"Reaching your product to remote locations spread over 6,00,000 villages and that too with poor infrastructure-roads, telecommunication etc. and lower levels of literacy are a few hinges that come in the way of marketers to reach the rural market."

It's quite clear that the main challenge that one face while dealing with rural marketing is the basic understanding of the rural consumer, who is very different from his urban counterpart. Distribution remains a large problem, marketer's face today when it comes to 'going rural'. More than eighty per cent of rural markets in India still do not have access to any sort of organized marketing and distribution. So, there is sea of opportunities for retailers to serve shoppers in rural and semi-urban India. (Rajan, 2011). With a population that is three times the urban population; marketers can look forward to a bonanza from rural markets in the coming decade. The future of rural market is bright, but to exploit its potential, marketers need to have innovative strategies to reach them.

#### 4As Marketing Mix strategy in Rural Market

The failure of traditional practices of marketing with rural folk of our country, have directed many multinational companies to alter the traditional 4P's of marketing to suit the rural areas, therefore rural marketing also includes 4A's as the marketing mix strategy in rural market.

Table 2: Rural Marketing Mix

4 A's	4P's	4 C's
ACCEPTABILITY	PRODUCT	CUSTOMER SOLUTION
AFFORDABILITY	PRICE	CUSTOMER COST
AVAILABILITY	PLACE	CONVENIENCE
AWARENESS	PROMOTION	COMMUNICATION

Designing the product to meet the needs of rural consumer makes the people to accept the manufacturer's product and leads a path to customer solution. As the per

capita income of rural household is less than urban counter parts, marketers need to take cautious measures in pricing the product in rural market. The other typical

challenge possessed by the manufacturer's is making their product available to 6,30,000 villages in India. Leaders in FMCG's industry have innovated new way of reaching the villages with least distribution cost. As the literacy level of rural people is less, promotional activities used in urban area will not work in the rural market, therefore, the marketer's need to devise new promotional activities to create awareness about their product to the rural people. The paper further discusses efficacy of these marketing mix strategy on untapped rural markets.

### **Understanding Rural Needs and Creating New Product - Acceptability**

Product decision is the first and central decision in the marketing mix strategy and should be evaluated on the basis of the acceptability parameter to develop the right strategy for rural markets. Acceptability is one of the challenges a rural marketer has to face while developing products and services for rural areas. The challenges of FMCGs are to identify the tastes and preference of rural consumers and then offer products that suit them. The major players in the FMCG category in rural markets like HUL, Dabur, Marico, Colgate-Palmolive, Nirma, CavinKare and Godrej, implemented new strategy on the first "P" of marketing mix to make their product acceptable by the rural consumer.

Chick and Velvette shampoo revolutionized the marketplace with pillow packets or sachets and helped to develop the rural market not only for shampoos but also for other packaged goods category. The companies are beginning to realize the difference between urban and rural wants. The rural consumer is savvier and demands real value for money. To offer this, marketers are re-engineering products. GlaxoSmithKline's Asha, which is 40% cheaper than the regular variant of Horlicks, is the first product from the UK-based MNC designed for rural consumers. For Coca Cola refrigeration has been a big issue in power deficient India. Most Indian consumers want a "cold drink" not a "soft drink" In electricity-deficient areas, it provided shops with coolers that operate with brine solution so its products can stay chilled up to 12 hours without electricity. In other places, it has trade agreements with local ice makers. Britannia, being the country's largest baker, wants people in villages and small towns to eat its cookies. Britannia Industries came out with Britannia Cookies priced at Rs 5 for a pack of 10. This was the first time that a baker has attempted cookies in rural market. Britannia had a firm eye on this uncontested territory with a proposition of nutrition and smaller pack size. Most companies that have introduced products in rural market are struggling to increase their penetration into this market. This is forcing companies to re-engineer

their products or introduce low-price packs (sachets, 200-ml 'chota' Pepsi).

Given the growing interest of companies in the rural market, developing new products suitable for the rural market has been imperative. Since rural markets are becoming the next big thing, many companies have also started addressing them with new approach towards product development, that is, "reverse innovation" or "frugal engineering". The central tenet behind every frugal engineering decision is maximizing value to the customer while minimizing non-essential costs. It is an over-arching philosophy that enables a true "clean sheet" approach to product development in emerging markets. (Kashyap,2012)

### **Promoting the Products to Rural Consumers - Awareness**

Since rural consumers typically lack the product awareness of their urban counterparts, consumer education and generation of interest are mandatory first steps for market creation. Non-conventional and interactive media such as puppet shows, and live demonstrations in haats and rural fairs have proven effective.

### **The 'Haat' of Rural Economy:**

*Haats* are temporary markets which are held periodically (mostly once in a week) at a place where a large number of villagers gather. Thus, many companies have utilized *haats* as a place for live demonstration of the benefits associated with their products.

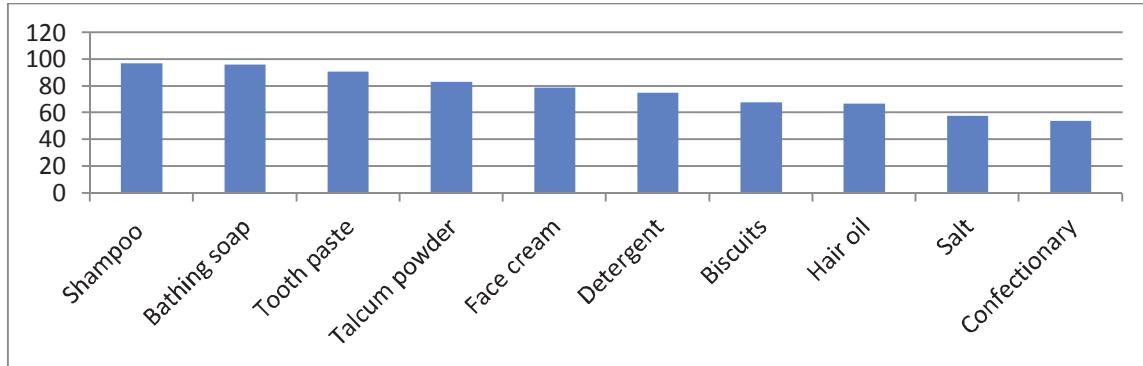
*Haats* are the nerve centre of the economic social and cultural life of villages. Producers and farmers depend on *haats* not only for the disposal of their produce, but also for purchase of their daily needs. Around 43,000 *haats* are held in India. These rural supermarkets exceed the number of WalMart stores worldwide and register a mind boggling sale in excess of Rs 50,000 crore annually. By putting up a stall in the *haat*, a company could expose its products and communicate brand messages to the 5,000 or more people who visit the *haat* every week..

- Kashyap(2011), Financial Express

HUL, at the *Maha Kumbh*, Allahabad, 2013, where all big marketers are vying to sell their products and boost their brands, HUL promoted Lifebuoy soap through rotis in an innovative way. The country's largest consumer products firm, along with creative agency Ogilvy, has partnered more than 100 *dhabas* and hotels at the mela site to serve

rotis that are stamped with "*Lifebuoy se haath dhoye kya?*" (Have you washed your hand with Lifebuoy?) .

**Figure 3: Brand Awareness for Specific FMCG products sold at haat's (Percentage)**



Source: 'FE Special: Haats of India'

The rural consumer's brand awareness for the products like shampoo, bathing soap and tooth paste sold at *haats* is high comparatively with the other FMCG products.

**Tata Shaktee Haat Hungama** Campaign in 2005 & 2006, the specific brand theme was christened: "Saradi garmi ya barsaat Tata Shaktee hardam saath", focused not only on awareness, but also convinced the consumer and arouse desire for/interest in the brand, finally motivating the consumer to take the next step of visiting the nearby dealer's place for specific enquiries and conversion to sales. There was 40% increase in footfalls at the Tata Shaktee hatt stall , an average footfall of 600 visitors per haat stall, a total of 3.5 million potential customers contacted over five years and a 37% upswing in sales.

Rural market is, the action for marketers, and haats are the best gamble for companies to reach out to this burgeoning consumer segment. These hubs emerge as the nerve centre of distribution and points of communication. Colgate- Palmolive distributed free tubes of its herbal toothpaste in the Kumbh Mela festival, where millions of people assemble for over a one month span. Hindustan Lever, ran a brand awareness exercise called "Operation Harvest" that used the audiovisual media and delivery vans to provide "mobile entertainment" in the form of songs and film sequences, interspersed with the company's ads. The company targeted 30,000 "high potential" villages with at least 2,000 people in each village with good road connections. The vans traveled to six villages a day, distributing free product samples. The goal was to promote product trials and identify key distribution and retail points based on audience interest. It was a successful project of HUL in creating brand awareness among rural people. Different strategies are handled by different players to promote their brand

penetration in rural markets.

Wall Paintings are also quite effective in catching attention of rural consumers. The concept of colorful wall paintings highlighting the brand has been successfully utilized by Pepsi and Coca-cola to promote its soft drinks through strong visual appeal. The percentage of media reach in rural market is comparatively less with urban market.

#### Different Media Reach and Habits:

The limited reach of mass media in rural media and its regional and state variations pose limitations on a universal approach to communication for rural consumers.

**Table 3: Media Penetration in Rural Areas**

Medium	Penetration (in per cent)
Television	47
Cable and Satellite	31
Radio	18
Press	13
Cinema	6
Internet	1

Source :Pradeep Kashyap, Rural Marketing 2012

The above table gives a clear indication that reaching the rural people through Television media can be an effective product promotion tool. Overall in India, television has the maximum reach in Goa is 83 per cent and the least in Bihar ie 11per cent ; the press reaches 62 per cent of rural people in Kerala, as the level of literacy rate in Kerala is high, but press reaches only 4 per cent in Madhya Pradesh; the radio penetration is 40 per cent in Tamil

Nadu, whereas it is a minimal percent of 3 per cent in Andhra Pradesh but cinema has the highest reach at 20 per cent (Kashyap 2012).

In rural markets the media used are diverse; hence it is better to look at the reach and effectiveness of media in rural markets in comparison with the reach of media in urban markets. Due to low literacy level, a buying decision in rural areas not only takes a longer time, but also involves outside influence. Word of mouth is an important message carrier in rural areas and 'opinion leaders' do play a significant role in influencing the prospective rural consumers.

#### Affordable Pricing in Rural India – Affordability

One of the key issues that may prevent rural consumers in emerging markets from making a purchase is, lack of substantial and consistent household income. By better understanding the size and patterns of earnings in rural emerging markets, companies can design both products and purchasing schemes that help unlock the enormous purchasing potential of populations in rural emerging markets. Low price points in India continue to be magical in providing affordability and accessibility across a wide variety of foods. Small packs help to attract new users into a category. The most famous example of success in this area is the single-serve sachets of FMCG products such as shampoo and laundry detergent that are available even in the deepest rural areas in India. While a traditional bottle of shampoo may be too expensive for a rural customer to afford, they can often afford the Rupee 1 price of a single-serve amount of the same shampoo. HUL was a leader in the sachet revolution and now single-serve sachets of shampoo make up 70 per cent of HUL's shampoo sales in India. The price point of INR 5 has become a magic word

for marketers across products. The "*paanch matlab coca-cola*" advertising campaign have become a pricing mechanism for rural market. FMCG's came out with effective strategy of LUP(Low Unit Packs) - "small pack – lower price". The products like Maggi noodles, Horlicks, Boost, cream treat biscuits by Britannia etc., are made available at INR 5. The five- rupee price point has enabled companies to provide value to consumers, and make brands affordable and accessible. Low price points in India continue to be magical in providing affordability and accessibility across a wide varieties of food. Small packs help to attract new users into a category.

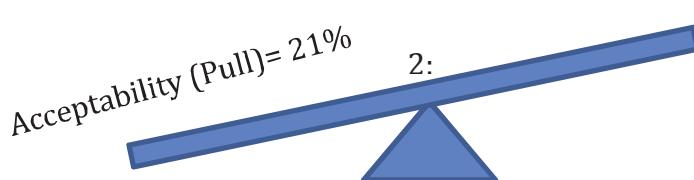
Purchasing power in rural India is rising steadily, resulting in the growth of the rural market. They expect great quality at affordable prices. The encounter for marketers is to make good quality aspirational products available to them at affordable prices, keeping in mind that rural consumers are value buyers.

#### Innovative Distribution Solutions to the Rural Market - Availability

The physical distribution of products continues to pose an immense challenge to marketers because reaching 7.8 million retail outlets spread across 6,30,000 villages and feeding a retail network of village distribution is a real nightmare. Reaching rural consumers economically across 6, 30,000 villages is the single biggest challenge in rural marketing. (Kashyap , 2012)

According to the study done by Nielsen Company, acceptability among consumers has grown twice as much as availability in India.

Figure : 4 Acceptability Versus Availability in Rural Market



Availability (Push):  
Portfolio expansion = 8%  
Reach = 4%

Source : Rural Marketing, Preadeep Kashyap,

Prahalad offers further insight beyond the borders of India when he writes more generally that "access to distribution in rural markets continues to be a problem." To address the availability challenge, some major players like HUL, ITC, Colgate, Coca-Cola etc., have ventured into rural

markets with innovative distribution approaches, which have yielded reasonable success.

The hub-and-spoke distribution model was initiated by Coca Cola to reach the small retailers in rural market.

Coca Cola also came up with "parivartan" programme (meaning "Change" in English) by which shop owners (traditional retailers) are given training on displaying and stocking products well. The goal of the innovative training programme is to provide traditional Indian retailers with the skills, tools and techniques required to succeed in a constantly changing retail scenario.

Syndicate distribution is a system in which two or more companies come together to form a syndicated trading organization, to jointly distribute a collective group of products or services by sharing distribution costs. Procter & Gamble has agreements with Godrej and Marico Industries, and also with Nirma, to distribute Camy Soaps. Motorola and Nokia have partnered with ITC e-Choupal which gave them wider reach in rural market.

Companies have also found distribution success, by partnering with local non-profit organizations like women's Self Help Groups and farmer federations. To enable its own long-term commercial success, the entering company (the rider) needs to ensure that the established organization (the carrier) it is piggybacking on, has a long-term commercial or social interest in partnering with the rider.

FMCGs are not only planning for secure adequate distribution, but also finding ways to increase the ability of rural inhabitants to afford the products. In 2002 HUL embarked on an ambitious undertaking called Project Shakti, a win-win model for individual enterprising women and the company. Under the model, women residing in rural areas take up dealership for the company's brands and go door to door selling company's brands. HUL distribution in rural areas targeted rural villages with populations under 2,000. Project Shakti involved not only working with existing self-help groups but also partnering with NGO's to provide micro-financing. A total of 45,000 Sakthiammas and 35,000 of Sakthimaans were appointed so far in 1,50,000 villages (HUL web site). They operate like a "Rural Direct to Home" distributor (access, awareness, changing attitudes, selling) and covered 15 states of more than three million rural homes in India

Marketers have largely taken the agri-input and agri-output routes, through initiatives like ITC's Choupal Saagar, DSCL Hariyali Kisan Bazar, Godrej Aadhar and Tata Kisan Sansar to serve end consumers in rural markets. Contract farming has been steadily expanding in India. Wheat farmers are using contract farming through an association among Hindustan Unilever, Rallis and ICICI Bank. ITC became the first organized player in rural retail space by launching the country's first rural mall, "Choupal Sagar", and offering a diverse product range,

from FMCGs to electronic appliances to automobiles, attempting to provide farmers with a one-stop destination for all of their needs.

Distribution infrastructure has always been the bugbear for Indian companies targeting the rural market. Distribution channels very often built from scratch and their efficacy makes all the difference to a company's success.

## CONCLUSION

Although the challenges for companies entering into rural emerging markets are great, the opportunities are even greater. With 70 per cent of its young population living in the under-served rural areas, India offers a huge rural dividend for companies who plan to increase the consumption of their products in the Indian market. The real challenge is to develop business models that address accessibility, affordability and availability in an appropriate manner. Therefore, the marketer's should understand the social, economical, psychological background and value system of rural folks. However, winners in the rural segment will be companies that bring a "business mind, social heart" approach.

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