DEVELOPMENT OF A DISCRETE RURAL VERTICAL - A VALUABLE STRATEGY FOR CRAFTING RURAL MARKET DRIVEN ORGANISATION DESIGN

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ABSTRACT

The enormous size of Indian rural market (83.3 crore rural customers approx. 12% of world population), its surging awareness and literacy level bestow a tremendous opportunity upon Indian and international players. But extensive research is required to uncover its potential as it typifies sundry cultures, customs, subcultures and languages (22 official languages) each with compound dialects. Further rural distribution (7.8 million retail outlets spread across 600000 villages) continues to be a great challenge for rural marketing crackerjacks and shape the chore of rural marketing even more intricate. Also, designing of rural products and promotion strategies need an unusual methodology, whose style is extremely different from their urban counterparts’ strategy. As such, rural marketing entails long term investment, dedicated marketing efforts and rural-specific strategies. Crafting an explicitly rural market-driven organization design through configuration of a separate rural vertical is being increasingly considered as an important strategy by corporate giants like LG, HUL, Hero Moto Corp, Honda, etc. to realize its potential. This paper is an endeavor to appreciate the importance of building a separate rural business vertical, in order to make a successful rural market presence and bestow bucolic folks with superior customer value.

Key words: Rural marketing, Organization design, rural vertical

1. PRELUDE
According to Accenture Report, since 2000, per capita gross domestic product has grown faster in rural areas at a compound annual growth rate of 6.2% compared with 4.7% in urban centers. In addition the rural income is mounting and rural consumers are buying discretionary goods and lifestyle products, such as mobile phones, television sets and two wheelers. Rural statistics show that one in three own a mobile phone, one in three households has a T.V. and 14 million homes out of total 20 million have a DTH connection and between 2009 and 2012, spending in rural India reached $69 billion, which is notably higher by $55 billion spent by urban population. India consists of 638000 villages, 17% of which account for 50% of the rural population and 60% of rural wealth. There are 200 million rural mobile subscribers, more than the total number of subscribers in Brazil. FMCGs are growing at the rate of 18% vs. 12% growth in urban India, 7 million Kisan Credit Cards issued, which exceeds total number of cards issued in urban India. In case of durables rural India is growing at a rate of 8% compared to 25% growth in urban areas. There are 42000 supermarkets in rural India called ‘Haats’ which outnumber the total number of retail chain stores in USA (32000) (Chakravarty, 2015). The rural segment in India is quickly catching up with FMCG sector in rural and semi urban India is estimated to cross US$ 20 billion by 2018 and US$ 100 billion by 2025.

The rural FMCG market expanded at a rate of 13.2% to US$ 100 billion during 2009-15 (Source: AC Nielson, TechSci Research, Dabur Reports). The proportion of rural households with motorcycles or scooters has more than doubled in the 7 years prior to 2011-2012 from 7.7% to 18.4%. Televisions were possessed by 50% of rural households in 2011-12 compared to 26% in 2004-5. Motor cars had a share of 9% in rural India and the share of motorized two wheelers was about 12-14%, mobile phone handsets made up 4.4% of expenditure, gold ornaments in durables expenditure was estimated to nearly 24% rural India as compared to 20% in urban India according to NSS report No.558: Household Consumption of various goods and services in India. Rural costs of living are atleast a third less than that of urban India, thus, it has a higher PPP multiple than urban India. Further, rural economy augmentation in costs is far slower than it is in urban India. Rural costs, apart from being low, are also more adaptable which means rural anchorage roots are cost competitiveness and it may cost atleast a third less, if made in rural India, taking up the rural PPP multiple. (Windlass, 2009) Hence, in order to ensure their survival devising various effective rural marketing strategies has become indispensable for companies.

However, it is not easy to penetrate rural market as rural folks are brand sticky. Unless a company is willing to invest in research and a separate vertical to concentrate on rural markets, it should not even think of going rural. (Rajan R. V., 2013)

Recent years have witnessed a period of unprecedented organization change which promises to continue in the near future, realigning the organization structures to establish closer contact with rural customers, improving customer service in remote regions of our country, reducing unnecessary layers of management, decreasing the time span between decisions and results and improving organizational effectiveness through the use of multi-functional teams to design and produce new products for rural customers, development of new roles and structures and creation of flexible networks of organizations to compete in emerging rural business environments. Hence, there is a dire need to establish a separate rural vertical in the organizations.
transforming the traditional organization designs, which could comprehend the needs of target bucolic customers and serve them accordingly.

But the companies today are not able fully reap the potential of rural markets in the country’s hinterland, the reason being marketers do not give rural markets their deserved attention, with most of the efforts usually relegated to regional offices with their limited budgets, while rural marketing requires a comprehensive plan, a sound business strategy, patience to reap the profits out of investment, conducting intensive research and totally sincere top management involvement. Rural marketing has been practiced by companies like HUL, ITC, LG, and Hero Honda etc. as their long term policy which has helped them establish themselves as a leader in their respective domains. (Rajan R. V., 2013)

Commitment from top management is perhaps the first and most important step in rural marketing while the next step is to ensure the consistency of team involved in any rural project until its completion. And if the top management chooses to build a separate, accountable, consistent, specialized and dedicated team as its rural vertical, it is bound to make a mark for itself in its endeavor to manage its rural marketing activities profitably over the long run. (Rajan R. V., 2013)

Tata group has companies like Rallis, Tata chemicals, Tata Steel, Tata Motors, and Tata Teleservices having strong presence in rural markets in the form of a huge network of supply chain and channel partners, besides companies like Tata Capital and Titan making inroads into rural markets. All these companies had their own strategies, directed by their respective boards and implemented by their respective management teams. Tata sons, holding company for Tata group is building a centralized rural business platform that could be leveraged for the entire group’s benefit, instead of each company looking at it separately, through greater sharing of best practices, investment in joint development of capabilities and future technologies, pushing the culture of collaboration in the group. It has created a separate business vertical for rural finance as its key growth strategy in the company. (Kumar, 2014)

Reliance Broadcast Network rural business vertical BIG RURAL bagged three awards for excellence in the area of Rural Marketing and Communication at the RMAI Flame Awards on 17th January, 2014 in Gurgaon, for its path breaking campaigns including ‘Gillete Guard Big Disha’ which, ‘Ambuja Big Panja League’ and ‘Close Up Antakshari’. BIG DISHA has been initiating path breaking campaigns across Indian hinterland like Big Junior Star, Mele ka Big Staretc. Which not only engaged the rural masses in a novel way but also provided excellent integration opportunities and value for money for the advertisers associated with this campaign (Gandhi, 2014).

Hero Honda (joint venture between Hero Group and Honda Motor Company of Japan which started in 1984 and ended in 2010) derived 60% of its sales from rural areas, created a special ‘rural vertical’ to push growth with a view to spearhead there expansion in the rural market. The main tasks assigned to the vertical were mapping demographic landscape to formulate region specific modules to tap customers at local level. Distinct strategies were evolved to leverage regional festivals such as pongal and onam in the south, Gudi Padwa in Maharashtra, Durga Puja in eastern India, Dhanteras and Diwali in the north. The team reached out to ‘opinion leaders’, village haats and mandis. The company tied up with new partners including local cooperative banks and financing units to have a robust financial model. It was the largest
manufacturer of two wheeler in India. In 2010 when Honda moved out of the joint venture, Hero Group bought the shares of Honda.

Hero MotoCorp Ltd., formerly Hero Honda, the largest two wheeler manufacturer in India, has a deep rural market distribution setup with around 5500 to 6000 touch points.

Honda Motorcycle and Scooters (HMSI) is planning for a ‘rural vertical’ in the organization in order to increase its touch points from present 2850 to 4000 by the end of 2015 fiscal, as a new strategy through which they hope to embark on a new direction to flank market leaders Hero MotoCorp. (Economic Times) This rural vertical will not only cater the rural network and try to improve it but also to rural communication and formation of rural market specific R&D by passing on the feedback from buyers to company’s R&D. Rural markets at present accounts for 33-40% over overall sales and with this added concentration on rural vertical it expected to increase to 45%. 15 personnel will be appointed to oversee strategy, communication and implementation of this rural vertical, which the company expects to be the key driver of growth in the months ahead (Report- HMSI pushes for more touch points in rural India, sets up rural vertical, 2014).

Bajaj Auto is the world’s third largest manufacturer of motorcycles and the second largest in India.

Dabur India’s 50% of its domestic sales comes from rural markets, hence it has appointed a dedicated sales team specially for its rural markets to manage its efforts. It has also doubled the number of its touch points from 14000 to 36000 approximately.

Electronics has made a deep impact in Indian rural markets by creating a separate vertical with a dedicated rural-focused management team and a separate distribution network. The rural teams were given separate targets and promotional budgets, which has fuelled its progress over the last two decades to become the market leader in the white goods segment.

Emami Limited has been focusing on developing a separate channel for rural areas, to increase its penetration in the rural market, retain its consumers, directly approach them, overcome its distribution challenges and build its sales organization in the Indian rural hinterland.

In Percept out Of Home, Rural Vertical is focusing on development of strong teams in an endeavor to realize its vision and strategic thinking to grow into one of the most highly competent and respected rural communications solutions agencies. (Rohit Samarth joins Percept OOH as Business Head, Rural Vertical, 2011). Brittania is bringing its cookies to rural markets through a rural retail literacy drive for which it has appointed Percept’s rural vertical to reach 22000 retail outlets including Kirana stores, bakeries and tea stalls in rural India. (Chatterjee, 2014)

2. MEANING AND DEFINITION OF RURAL BUSINESS VERTICAL

A ‘Vertical’ in business means a separate dedicated line of business focusing on a particular segment or product line. A rural business vertical means a separate dedicated line of business concentrating on rural marketing in all bucolic segments, specially focusing on rural oriented products and promotion methodologies. It entails formation of a discrete hierarchy of business taking care of:
• Rural business strategy
• Product pitching/placement in rural marketing
• Trade in rural areas,
• Pro-rural R&D
• Inclusive marketing in rural areas
• Assist in manufacturing rural oriented products
• Trade in rural areas., and
• Rural advertising and other unconventional means of promotion techniques.

3. CONSIDERATIONS IN BUILDING RURAL MARKETING VERTICAL

Smarter companies are now launching rural verticals with targets only for those markets (Pradeep Kashap in conversation with Business World's Poonam Kumar: Developing new Marketing strategies in rural areas! 'Our vision is to improve life in rural areas', 2010) The design of rural marketing vertical is influenced by market and environment factors, the characteristics and capabilities of the organization and the rural marketing strategy followed by the firm, to match the design to the strategic goals and direction of the company, determining the extent to alter the vertical structure of the company and partnering with independent organizations to perform rural marketing activities, so as to integrate value-creating activities around rural customers.

3.1. Rural customer-engaged vertical

It may be one of the most formidable challenges facing rural marketing executives. There are various approaches to achieve the same including: (1) the need to build ‘rural customer focus’ throughout the rural vertical may include creating a ‘customer value guide’ that conveys the essence of what represents value to the rural customers, for the benefit of decision makers in the organization and conducting ‘rural customer engagement’ workshops with all employees to focus thinking on rural customer value, (2) relocation and design of facilities to encourage communication and exchange of communication, (3) social orientation facilitating non-work interaction between company executives and rural customers and (4) personnel movement using joint training to facilitate rural managers greater understanding of rural environment and their understanding with other functions.

3.2. Strategy and organization design

The rural vertical should correspond to organization’s strategic marketing plan. As rural strategies change and evolve in a company it is imperative to examine organizational issues in the implementation of rural marketing strategy, which are stimulated by many factors to rethink how they organize rural marketing, such as, to counter performance shortfalls through better integration, to bring sales and marketing closer together, to focus on rural brands and products, underlining the corresponding need to manage organizational change effectively.

3.4. Based on specialization

Specialization at micro level of rural marketing activities may lead to greater efficiency in performing the tasks assigned which in turn lead to technical and conceptual depth. For example- product or application specialization will enable rural
sales force to provide consultative type assistance to customers. However, more highly specialized the marketing function becomes, the more likely coordination and communication will be hampered.

3.5. Communication
Due to lower literacy and less exposure among rural people, touch and feel, seeing is believing and one-on one communication works well. The most important below the line communication platforms in rural markets include haats, melas, mandis, and other such places of public gathering. Hence the message rolled out to them should be simple and direct. Language and distance barriers complicate relationships. Businesses need to stop pushing their products and start cultivating relationships with rural customers. A very important aspect of building relationships with target rural customers is language proficiency, which needs to be mastered by the concerned executives operating in the relevant rural segment to make an effective rural presence.

3.6. Organizational change
Today’s rural marketing giants have fewer levels than traditional organizations organized around core business processes. These flat organizations have fewer managers who are rural information based. Information storage, processing and decision-support technology move information up, down and across the organization and its boundaries to partner with other related organizations. E.g. the virtual teams linked by intranet at P&G. To operate effectively in rural areas management is under pressure to reduce their operating costs so eliminating organization levels which primarily work as information relays rather than decision makers is imperative.

3.7. Integration challenges
The development of new organization forms, with rural specializations, internal relationships and processes, underlines the effective integration around the drivers of rural customer value. Organizational effectiveness depends on developing strong linkages between rural marketing executives and other functional units like finance and accounting, operations, sales, R&D, customer service and human resource management. Rural customer relationship management system should span departments and systems to integrate knowledge about the target rural customer.

3.8. Partnering with other organizations
Since characteristics of rural areas differ significantly from one region to another a centrally located marketing function cannot understand the characteristics of target customers in detail due to lack of experience in diverse rural business environments. Instead region specific marketing executives would be more effective, hence organizational design should accommodate to their use for developing organizational effectiveness.

3.9. Balance between structure and flexibility
The vertical needs to be structured so as to fix responsibility for results, while an over structured or complex vertical could lead to loss of flexibility. It should be adaptable to changing conditions.

3.10. Executive abilities
Rural marketing do not necessarily requires highly qualified individuals but the people who are familiar to and sensitive to the rural conditions and psyche of rural customers. Hence, management abilities entail experience in the rural areas plus ability to lead into new areas and to work in new areas that do not always depend on
formal authority but a market driven approach of nurturing and retaining rural focused
talent.

4. PROPOSED DESIGNS OF RURAL MARKETING VERTICAL

New organization form of rural verticals can have a profound effect on rural
marketing activities of a company. Following are two proposed designs of rural
marketing vertical:

4.1. Rural marketing coalition vertical

A rural marketing coalition vertical based on the model of marketing coalition
company is a horizontally aligned organization in the control centre for organizing a
network of rural specialists in various functions, at whose core a functionally
specialized marketing capability is appointed to coordinate the network of
independent functional specialists, performing functions such as product technology,
engineering and manufacturing. This marketing coalition design is a network
organization design, where networks are groups of independent organizations that are
linked together to achieve a common objective. It comprises of a network coordinator
and several network members who typically are rural-functional specialists. It is
extremely useful in reforming traditional organizations and while forming new
ventures. The rationale for this type of network organization is leveraging the skills
and resources of participating functions. (Cravens & Piercy, 2009)

4.2. Venture rural marketing vertical

It engages venture teams to retort to high-priority opportunities sooner than
conventional organizational advances allow. The venture marketing verticals espouse
the strategic principal of venture capitalism, aggressively seeking new opportunities,
allocating resources to the best but cutting their losses as they go. It has a number of
defining characteristics such as:

- Fluidity to keep tempo with changes in rural market, it persistently reconfigures, with
  slight formal structures or fixed relationship in opportunity teams.
- People are allocated roles not job so as to manage the talent within the organization
  and applying it to requisite opportunities.
- Prompt decision making is made from the top.
- Opportunity recognition is everyone’s job.
- Resources are focused on the premier payback opportunity and losers are quickly
  pruned.

The Rural Venture Marketing organization is a pliable approach to acknowledging
new-fangled rural opportunities and concentrating resources on the finest.

5. CONCLUSION

An imperative aspect of fabricating a rural marketing strategy is appointing a separate
Rural Vertical, because rural needs are extremely diverse from their urban
counterparts and analogous set of strategy and tactics cannot be applied to both. An
effective Rural Vertical should consist of rural marketing specialists who are sensitive
to rural customers’ demand, produce innovative products for them, test their
prototypes, penetrate rural markets profitably by community co-creation and bottom-
up research, concentrate on scheming the rural oriented organization configuration,
synchronizing the horizontal interaction between rural marketing and other
departments, escalating the speed of response to rural demand, analyzing the rural environmental convolution and estimating the rural forces of change, aligning the strategies and competence of the organizations with the peculiarities of rural market, by successfully communicating with their target rural audiences.

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