Masters of Rural Markets: Profitably Selling to India's Rural Consumers
The size of the prize in India’s rural hinterlands is growing bigger than many businesses initially thought. More companies are expanding their base in India’s rural markets than at any other time in history—and for good reason.

For one thing, the business environment is improving, thanks to better infrastructure and the growing number of consumers who are earning more and snapping up products and services that support their aspirations. The confluence of these forces is changing the rules of the game.

As the rural market opportunity becomes more attractive, companies are experimenting with different go-to-market models—with varied degrees of success. Despite improvements in India’s rural business environment, many companies are still struggling to generate sustained, profitable growth in these markets. A key challenge is how to establish effective sales and distribution networks in rural areas. Companies that master this challenge will likely set the growth benchmarks for their industries for years to come.

Clearly, just “being there” is no longer enough to succeed with India’s rural consumers. More than ever, companies now need transformational strategies to master these markets. As always, such strategies will hinge on deep customer and market insight. But the unprecedented speed of change in rural markets also demands unprecedented agility. As competition intensifies, companies will have to devise compelling value propositions that not only meet rural consumers’ needs but also drive robust revenue growth and profits.

While many companies remain unsure about the possibility of achieving scale and profits in these markets, a few leading companies, whom we call Rural Masters, are showing the way forward. Rural Masters are taking a more focused approach to compete in these markets. They have been successful in overcoming the challenges by building mutually beneficial relationships with rural communities and channel partners and making additional moves that go beyond traditional selling approaches.

For the rivals that Rural Masters have left behind, it’s even more critical to reignite growth now. These companies will need to adapt to a new kind of market environment, recruit and foster high-performing sales teams and find new ways to engage with channel partners.

Whether a company is planning to enter India’s rural markets or trying to expand its existing business there, success will require a well thought out approach, a long-term vision and innovative tactics for maximizing revenues and minimizing costs. Companies will also need to target the right consumer segments and adopt novel approaches to reach them, acquire them and retain them. Exceptional leadership support—vision and a commitment to making the necessary investments to grow the rural business—will also prove critical.

Collaboration will play a central role as well. To expand their reach while optimizing resources, companies will have to pursue non-traditional partnerships, even with competitors, and work with local organizations as channel partners to capture scale opportunities early on.

Swift action will also be important. Early entrants that can secure a differentiated position for themselves stand to gain a significant advantage over competitors that wait. After all, competitive pressures will only intensify in the years to come. By embracing fresh ways to reach, acquire and retain India’s rural consumers, companies can tap into these markets in ways that protect their margins and grow their revenue—thereby accelerating their pursuit of high performance.

This is the time for businesses to make bold moves in India—and to widen the distance between themselves and their competitors. Rural Masters’ experiences, described in this report, offer valuable lessons for those companies that are ready to take the leap.

Sanjay Dawar
Managing Director,
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Overview

India’s rural markets offer tremendous opportunity for businesses. Executives rated high cost-to-serve as the biggest challenge that they face in selling and distributing in rural markets. Increase in monthly per capita expenditure in rural markets during 2009 and 2012, surpassing urban consumption growth by two percentage points. Executives believe that profits can be higher in rural markets as compared to urban markets. There is a strong linkage between rural mastery and business success. Rural Urban executives believe that collaborative channels will become a dominant force in the future. However, very few organizations are actually pursuing the strategy. In fact, only 4 percent say their organizations are collaborating with non-competing companies to penetrate rural markets.

Reach

Companies will need to master three steps to achieve profitable and sustainable growth in rural markets—reaching, acquiring and retaining customers.

- **Step 1: Reach**
  - A robust approach to the last mile
  - Focus on market expansion
  - Create sustainable channel relationships

- **Step 2: Acquire**
  - Create trust and relevance through an ecosystem of stakeholders
  - Define unique value proposition for rural customers
  - Engage the right set of influencers

- **Step 3: Retain**
  - Devise low-cost models for after-sales support
  - Anchor customer relationships on trust
  - Invest in community development

Enablers

- Adapt organizational structure and secure leadership buy-in
- Create a winning talent management strategy
- Use technology to create advantage

Acquire enableRs

- Create trust and relevance through an ecosystem of stakeholders
- Define unique value proposition for rural customers
- Engage the right set of influencers
- Devise low-cost models for after-sales support
- Anchor customer relationships on trust
- Invest in community development

Retain

- There is a strong linkage between RURAL MASTERY and BUSINESS SUCCESS

Executivebelieve that collaborative channels will become a dominant force in the future. However, very few organizations are actually pursuing the strategy. In fact, only 4 percent say their organizations are collaborating with non-competing companies to penetrate rural markets.

Rural Innovation Index

- **High**
  - Rural Voyagers: Low market share and profitability; Proficient innovation in multiple areas (eg. products, business model etc)
  - New Entrants: Low market share and profitability; Limited rural-focused innovations

- **Low**
  - Rural Masters: High market share and profitability; Proficient innovation in multiple areas (eg. products, business model etc)
  - Rural Performers: High market share and profitability; Limited rural-focused innovations

Rural Performance Index

- **High**
  - Rural Voyagers: Low market share and profitability; Proficient innovation in multiple areas (eg. products, business model etc)
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46% executives believe that profits can be higher in rural markets as compared to urban markets.
Executive Summary

For many businesses, India's rural markets hold the key to future growth. Companies that recognize this enormous opportunity are stepping up efforts to gain a strong foothold in these markets. Yet the high costs required to serve rural consumers make it difficult for companies to establish a profitable presence at scale.

Still, executives shouldn’t be deterred by these challenges. Accenture research reveals that making real profits in India’s rural markets is possible, even in the short term. The key? Companies must build and maintain efficient sales and distribution networks tailored to rural India’s unique characteristics.

This report explains how companies can rapidly generate profits and achieve scale by reaching, acquiring and retaining rural consumers in India.

In today's volatile business environment, India’s rural markets represent an opportunity no company can afford to ignore. Since 2000, per-capita Gross Domestic Product (GDP) has grown faster in India’s rural areas than in its urban centers: 6.2 percent CAGR versus 4.7 percent. Rural incomes are growing, and consumers are buying discretionary goods and lifestyle products, including mobile phones, television sets and two wheelers. Between 2009 and 2012, spending in rural India reached US$69 billion, significantly higher than the US$55 billion spent by urban populations.

Companies are experimenting with various go-to-market models to garner their share of this growth. But the results have been mixed. To understand why—and what to do about it—Accenture conducted an extensive research study to discover how companies are responding to India’s rural market opportunities and what selling and distribution-related challenges they are encountering. The study included in-depth interviews with more than 40 business leaders, 20 industry experts and academicians and a quantitative survey of 70 businesses operating in rural Indian markets. Our research revealed that an efficient sales and distribution model is the most critical factor for successful rural expansion in India: nearly 60 percent of our survey respondents ranked it as the top imperative.

Our research findings suggest that the challenges experienced by companies can be classified into three major categories—reaching, acquiring and retaining India’s rural customers. Accenture research and client experience indicate that how companies respond to these challenges differentiates them in the rural marketplace.

We also analyzed companies’ rural market performance, using criteria including the contribution of rural markets to the enterprise’s top and bottom lines and the level of innovation characterizing a company’s sales and distribution model. Drawing on these evaluations, we classified companies into four categories:

- **Rural Masters** are profitable companies that have secured a significant rural market share by focusing on execution excellence, implementing novel strategies to serve rural consumers and drawing on a deep understanding of consumers’ cultures and needs.
- **Rural Performers** are profitable entities that have established a strong rural footprint by using conventional approaches or by emulating Rural Masters. They often lack an innovative streak.
- **Rural Voyagers** have adopted disruptive approaches to serve India’s rural markets. For example, they create unique products and services, customize pricing or packaging, or develop new channels to reach “the last mile.” However, they have yet to make profits.
- **New Entrants** are companies that have recently made forays in rural markets. Conservative in nature, many of these enterprises have limited operations and have not generated the profit needed to create economies of scale.

Mastering Rural Customer Reach

When it comes to reaching India’s rural customers, the biggest obstacles are inadequate distribution networks, partners with limited capabilities, long payment cycles and weak marketing channels. Not surprisingly, respondents to our survey cited “high cost to serve the rural markets” as their number-one challenge: 50 percent listed it as one of the top three challenges they face. When asked what drives the higher costs, more than 60 percent reported higher logistics costs in rural areas. More than 40 percent of companies considered “recruiting and selecting channel partners” an additional critical challenge they face in reaching rural customers.
Rural Masters apply the following practices to overcome these hurdles:

- **Take a robust approach to reach “the last mile”**: Rural Masters use a multi-pronged approach to reach rural consumers, one that allows deeper penetration and helps overcome the difficulty of finding channel partners with the appropriate capabilities and distribution channels. Companies have used only one channel model, such as hub and spoke, others have adopted hybrid models to compete and grow. Extending conventional urban models to rural areas is still the most widely used option. Some Rural Masters that entered rural markets early have adopted the village entrepreneur (“feet-on-the-street”) model to overcome distribution-related challenges. Others have added layers to their distribution approach to bridge the gap between traditional urban partners and dispersed rural customers. Still others are leveraging e-commerce and alternate channel partners to gain fast, effective access to rural consumers.

- **Focus on market expansion**: Rural Masters apply a laser-like focus to their expansion efforts. For example, they use detailed market scanning and segmentation to understand segment-specific nuances and prioritize the best opportunities. Some use technologies such as GIS mapping to build a comprehensive, multidimensional picture of target segments. These companies seek to break even and generate profits as soon as possible while, at the same time, articulating the potential value of each target segment. Adopting a variable cost model at the outset gives them the flexibility to change course easily if their current approach does not yield desired results.

- **Create sustainable channel relationships**: As rural markets grow, more players enter the fray, which drives up the demand for capable channel partners. However, few potential partners have the needed scale and capabilities. Moreover, as demand grows, so does the risk of partner attrition. Rural Masters realize that upgrading channel-partner skills is central to successful implementation of their sales strategies. The most successful companies in rural India create sustainable channel partner relationships and ensure that their partners remain motivated. They also find non-transactional touch points to anchor channel relationships, such as building familial bonds with their partners to strengthen trust.

### Mastering Rural Customer Acquisition

Rural consumers have diverse, specialized needs and preferences. To acquire these customers, businesses must understand the cultural, economic and demographic dimensions that define them. Organizations often make the mistake of treating rural consumers as a homogeneous market and offer them the same value proposition they offer to urban markets. These value propositions usually focus on a product’s functional benefits and pay little attention to how the product meets the unique needs and wants of specific rural consumer segments. Given the strong social fabric in rural areas and the pivotal role that fabric plays in influencing purchase decisions, companies must integrate into it. Only then can they successfully promote their products and establish credibility. Rural Masters take specific steps to achieve these aims:

- **Create trust and relevance through an ecosystem of stakeholders**: Rural Masters engage with a wide set of stakeholders to prove that their business is a force for widely shared good. Since each stakeholder in the ecosystem influences and drives customer behavior, a holistic approach creates a virtuous circle. Companies that take this approach are perceived as builders of symbiotic relationships that focus on consumers’ daily needs rather than simply on corporate profits. This ecosystem approach also increases the awareness of companies and enables them to tap latent demand. In addition, it positions companies to touch customers at many more and earlier points in the buying process, often at a lower cost.

- **Define a unique value proposition for rural customers**: Successful companies continuously renew their commitment to—and strengthen their capabilities for—knowing rural customers and delivering experiences tailored to their needs, values and preferences. To gain market share, such businesses position their brands to target specific consumer segments. Rural Masters invest heavily in the development of capabilities such as customer analytics to gain insights into rural consumers and their latent needs.

- **Engage the right set of influencers**: Since most brands have a relatively short history in rural India, word of mouth plays a much stronger role in acquiring rural customers than it does in urban markets. Rural Masters engage individuals with high standing in rural communities as “influencers” to reinforce key strategic messages. To connect with the right influencers, businesses identify and rank key stakeholders according to how influential and supportive they can be. By identifying and engaging the right influencers, companies shape rural customers’ perceptions of their business and offerings and build up a repository of local market knowledge. Smart use of influencers becomes a powerful means for boosting brand image and customer satisfaction while reducing customer acquisition costs.

- **Anchor customer relationships in trust**: Rural Masters build trust with local communities. Although approaches to trust-building vary across companies and industries, building trusting relationships is part of effective organizations’ ethos. Some companies use customer feedback to demonstrate their focus on consumers’ needs, which can help them win customers’ trust.

- **Invest in community development**: Rural Masters align their long-term interests with development of local communities to gain their trust and loyalty. This alignment builds synergistic relationships based on shared goals and aspirations. The most effective organizations build a strong business ecosystem by integrating local populations into their value chains as partners with a vested interest in the company’s survival. Often overlooked, this approach can ensure sustainability of the business.

The unique challenges and circumstances defining India’s rural markets will continue to evolve. Thus, in the coming years, companies will adopt yet additional approaches to reaching, acquiring and retaining India’s rural consumers. They will need innovative models to harness this opportunity in ways that protect their margins while growing revenue in the face of constant change. Speed will be important, as will savvy formulation and execution of strategic plans.
The New Rural Market Reality

Can India’s rural consumers be a source of top- and bottom-line growth for your organization? If your company is still grappling with this question and unsure about rural markets, think again. Your business may be missing its next big opportunity. In this research study, Accenture found that rural markets account for a significant portion of revenues and profits for many companies.

Accenture conducted a research study to discover how businesses across sectors are responding to rural market growth opportunities and overcoming the sales and distribution-related challenges. The study included in-depth interviews with more than 40 business leaders and 20 industry experts and academicians, as well as a quantitative survey of 70 businesses operating in rural markets. These markets account for more than 20 percent of the total revenues for more than 65 percent of the companies we surveyed (see Figure 1). Our research revealed that an efficient sales and distribution model is the most critical factor for successful rural expansion: nearly 60 percent of the survey respondents ranked it as the top imperative (see Figure 2). Our research clearly demonstrates that companies that bring the rural consumer to the center of their sales and distribution strategy and align it with rural market realities will be well positioned for growth in the long term.

Figure 1. Rural markets’ contribution to total revenues
Rural markets account for more than 20 percent of the total revenues for more than 65 percent of the companies we surveyed.

Currently what percentage of the total revenue comes from the rural markets?

Source: Accenture survey

Figure 2. Selling and distribution efficiency is key to success in rural markets
The majority of our survey respondents rated selling and distribution efficiency as the top imperative for profitable and sustainable growth in rural markets.

In your opinion, what are the top three imperatives for profitable and sustainable growth in rural markets?

Source: Accenture survey
India’s Rural Markets: More Promising Than Ever

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 (see Figure 3). About 55 percent of manufacturing GDP is rural; nearly 75 percent of new factories built in the last decade were in rural areas, and rural factories account for 70 percent of all new manufacturing jobs. Industrial development in rural India has increased household purchasing power and income stability. Rural India accounts for about 50 percent of India’s GDP and nearly 70 percent of India’s population. This enormous opportunity has been clear for a decade or more. However, only in recent years have these markets lived up to their promise.

Per capita rural GDP has also experienced strong improvement over the past few years. Since 2000, it has grown faster than per capita urban GDP: 6.2 percent compound annual growth rate (CAGR) versus 4.7 percent. Between 2009 and 2012, rural consumption per person grew at 19 percent per annum, two percentage points higher than its urban counterpart (see Figure 4). In incremental terms, spending in rural India during these two years was US$69 billion, significantly higher than the US$55 billion spent by urban populations. As incomes rise, rural consumption shifts from necessities to discretionary goods and lifestyle products, including mobile phones, television sets and two-wheelers. Nearly 42 percent of rural households owned a television in 2009-2010, up from 26 percent five years earlier. Similarly, 14 percent of rural households had a two-wheeler in 2009-2010, twice the penetration during 2004-2005. About one in every two rural households has a mobile phone today, even in India’s poorest states such as Bihar and Orissa. Rural consumers have been trading up, and their consumption basket is beginning to mirror that of the urban consumer. Premium products are replacing entry-level versions, and commodities are giving way to branded products. Nielsen estimates that the fast-moving consumer goods market in rural India will hit US$100 billion by 2025, up from US$12 billion currently. Moreover, the government’s efforts to improve the efficiency of welfare programs with cash transfers will further boost rural consumption; it plans to deposit US$570 billion in the accounts of 100 million poor families by 2014.

Figure 3. The rural GDP mix is changing

Composition of GDP in Rural Markets

Source: Government of India

Figure 4. Rural consumption growth is outpacing urban consumption

The percentage increase in monthly per capita expenditure in rural markets surpassed its urban counterparts during 2009 and 2012, indicating increased consumption in rural markets. The fast-moving consumer goods market in rural India will hit US$100 billion by 2025, up from US$12 billion currently. Moreover, the government’s efforts to improve the efficiency of welfare programs with cash transfers will further boost rural consumption; it plans to deposit US$570 billion in the accounts of 100 million poor families by 2014.

Source: NSSO
While companies have realized that rural markets offer significant growth opportunity, a large proportion have remained unsure of the profitability. However, our interactions with company executives revealed that many have not only started earning profits but have also done so relatively quickly. In fact, there is growing optimism about the profitability of these markets, with almost 50 percent of our respondents believing that margins in rural markets could be higher than urban markets. About two thirds of our respondents stated that they plan to rapidly accelerate their rural market expansion (see Figure 5).

The economic, demographic and cultural drivers that are shaping India’s rural market call for innovative strategies and capabilities. Companies are experimenting with different sales and distribution models (see Figure 6) to position themselves for the long term. But the results have been mixed, and companies face numerous barriers to efficient sales and distribution. Although many companies are still unsure about how to scale their rural operations, they remain optimistic about the opportunity. To translate that optimism into success, companies will need to join forces with various stakeholders across the rural value chain to create an environment that fosters business expansion.

**Figure 5. Growing confidence in rural markets’ potential**

About two thirds of our respondents plan to rapidly accelerate their rural market expansion. Which statement best describes your company’s rural markets strategy?

- We plan to rapidly accelerate our rural market expansion
- We plan to continue our rural expansion at its current rate
- We plan to slow down/reduce the rate of our rural expansion

**Source:** Accenture survey

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**Figure 6. Emerging sales and distribution models**

Diverse sales and distribution models are enabling companies to tap into India’s rural markets, though each model has its own advantages and disadvantages.
Barriers to Profit and Scale

The growth opportunities in India’s rural markets are significant. To capitalize on them, however, businesses must overcome significant sales and distribution barriers. There are vast differences between rural and urban markets, including infrastructure, business and social structure, market size and consumer behavior—too many just a few. Judging from our interactions with C-suite executives, the challenges experienced by companies can be classified into three major categories—reaching, acquiring and retaining rural customers.

Reaching Rural Customers

Rural markets are geographically dispersed and lack adequate physical and social infrastructure. As a result, the distribution of goods and services to and from villages is extremely difficult and costly. Not surprisingly, respondents to our survey cited “high cost-to-serve the rural markets” as the number-one challenge: more than 50 percent listed it as one of the top three challenges they face (see Figure 7). When asked about the relative investment required to sell in rural versus urban markets, 52 percent reported that the required monies for rural markets was higher. What drives the higher investment? More than 60 percent reported higher logistics costs.12

Given the deficits in rural market infrastructure and lack of established supply chain networks, identifying and acquiring the right channel partners is critical. More than 40 percent of the companies in our survey consider “recruiting and selecting channel partners” a critical challenge (see Figure 7).

Companies seek partners that can understand their objectives and connect with target customers in rural markets. However, businesses often work with channel partners that have limited capabilities, skill sets and infrastructure. Partners’ lack of operational scale often puts their effectiveness in question. Operating in rural markets demands innovative channel management solutions beyond traditional or urban approaches.

To identify the best partners, companies should closely scrutinize the strategic fit and alignment of their shortlist. To overcome the challenge of scale, for example, many businesses have tried developing collaborative distribution models, only to find them unsustainable. As executives we interviewed pointed out, channel partners often pull out once they become well established, a development that increases the likelihood of channel conflicts.

Acquiring Rural Customers

Today’s rural consumers are better connected and more aware of products and services than many businesses realize. To acquire these consumers, businesses need to develop compelling value propositions.

As rural consumers become more demanding, companies must meet those demands with skilled sales people. These professionals should understand rural customers’ needs and know how to appeal to their aspirations and motivations. However, finding qualified sales staff is a major hurdle in rural markets—38 percent of survey respondents identified sales force competency as a key challenge (see Figure 7).

The sales skills required for rural markets differ markedly from those needed in urban areas. Interpersonal skills and the ability to operate in complex, closely knit communities, where purchase decisions are based heavily on personal bonds and mutual trust, are hallmarks of successful sales people. Since urban sales people are usually unwilling to move into rural areas, companies are forced to hire this unique talent locally. Local talent, however, often lacks the sales orientation and attitude needed to succeed. In addition, the attrition rate in rural markets is huge. Large attrition rates drive up recruitment and training costs while draining overall sales force productivity.

Rural customers can also be skeptical about businesses and their products. Given the strong social fabric in rural areas and the pivotal role it plays in influencing purchase decisions, companies must find new ways to promote their products and establish credibility.

Companies must also contend with the seasonality of rural market demand and consumer dependence on credit. Most rural incomes depend on agricultural cycles, and demand for goods and services fluctuates accordingly. Seasonality also fosters dependency on credit, as incomes fluctuate along with seasonal cropping patterns. Retailers, in turn, seek credit from businesses, placing additional demands on established financial models and working capital cycles.

Retaining Rural Customers

With increasing rural competition and high costs-to-serve, customer retention is emerging as a major challenge. High customer acquisition costs make it imperative for companies to increase customer retention in order to scale operations profitably.

To boost retention, companies must provide satisfying experiences across the customer lifecycle and generate positive word of mouth. However, providing reliable and consistent after-sales service and optimizing the costs of a high-quality experience remain major obstacles. The wide geographic dispersion of a small number of customers drives high sales-service costs, and many businesses cannot provide a dedicated after-sales service network.

Today, companies are leveraging data analytics to forecast product demand to assess the attractiveness of a given market. However, rural markets have limited data on consumer demographics, behaviors, preferences and perceptions, and these limitations thwart rational sales planning. Moreover, poor connectivity prevents companies from easily acquiring real-time and reliable sales data. That makes it difficult for them to monitor and measure key performance indicators including the number customers lost or gained.
About the Research

This report marks a milestone in the understanding of how to do business in rural India. In 2010, Accenture published Masters of Rural Markets: The Hallmarks of High Performance in India. That report probed rural market opportunities as new revenue streams for businesses. This research study delves deeply into sales and distribution and provides a framework for serving India’s rural markets profitably and sustainably.

The research methodology draws on five major research components:

Accenture interviewed 40 C-level executives across 9 industries in India—automotive, banking and insurance, cement, chemicals, consumer durables, fast-moving consumer goods (FMCG), industrial equipment, pharmaceuticals and telecommunication (see Figure 8). The businesses surveyed had annual revenues above US$200 million. The in-depth interviews explored the go-to-market strategies these companies used to penetrate rural markets and the sales and distribution challenges they faced.

In addition, to further explore selling and distribution models, we conducted a quantitative survey of 70 companies across the same sectors. Each company had an established rural presence. The businesses surveyed had annual revenues above US$100 million. All respondents held positions of influence over their companies’ sales and distribution vertical in India. We also interviewed more than 20 industry experts and academicians with significant experience in the field of rural markets.

To get a first-hand sense of the executional challenges faced by companies, we also conducted rural site visits. These visits provided a practical view of rural operations to complete the picture of selling in rural markets.

Finally, we also conducted extensive secondary research into the rural sales and distribution strategies and channels of more than 100 companies.

Lessons from the Masters

Accenture’s research and experience with clients have demonstrated that success in India’s rural markets hinges on the performance of companies on two key measures:

• Rural Performance Index—the degree to which rural markets are strategically important to a company’s growth agenda, defined by the contribution of rural markets to the enterprise’s top and bottom lines. For any rural business initiative to qualify as being successful, it must pass the litmus test of being incremental, profitable, material, sustainable as well as scalable.

• Rural Innovation Index—the level of innovation in a company’s product, packaging, pricing, channels and operating models.

Figure 9. The rural performance matrix

Depending on the degree to which rural markets are strategically important to a company’s growth agenda and the level of innovation characterizing the business, companies can be viewed as Rural Masters, Rural Performers, Rural Voyagers or New Entrants.

Source: Accenture research and analysis
Rural Masters

Rural masters are profitable companies that have a significant rural market share. They excel at execution, and they apply rigor to governance and control to make sure their strategies translate into required actions. They have developed novel strategies to serve rural consumers and draw on an intimate understanding of consumers’ cultures and needs to enter rural markets. They have well-conceived expansion strategies that support them with significant capital and resources. The individual components of their operating model are simple, it is the discovery and collective synchronization of different elements that differentiates Rural Masters from their peers.

Rural Performers

Rural Performers are profitable entities that have established a strong rural footprint by using conventional approaches or by emulating the success of Rural Masters. Rural Performers, however, often lack an innovative streak. They tend to focus on existing product portfolios and try to mitigate risk through aggressive product marketing to strengthen their position. These companies have been successful in the past. But in the future, they may struggle in a changing and more competitive landscape.

Rural Voyagers

Rural Voyagers have adopted disruptive approaches to serve India’s rural markets. For example, they create unique products and services, customize pricing or packaging, or develop new channels to reach the last mile. However, they have yet to make profits. Though Rural Voyagers often understand rural consumers better than their competitors do, they usually take a more cautious approach toward expansion. Furthermore, they learn from their initial forays (such as pilots conducted in a few states) to determine their next investment strategies and tactics. A large number of companies fall into this quadrant, and they still face many challenges. In some cases, Rural Voyagers can seek government help to subsidize their products on a large scale. However, they must also invest in channel partners and engage with community influencers to achieve acceptance among rural consumers and succeed.

New Entrants

New Entrants are companies that have recently forayed in rural markets. These companies have adopted a “wait and see” attitude. Conservative in nature, many of these companies have limited operations and have not generated the profit needed to create economies of scale. Though these companies can learn from the experience of Rural Masters, they face high barriers to entry. These companies will need to make extra efforts to create a differentiated position for themselves in the rural marketplace.

To succeed in rural markets, companies must master the art of reaching, acquiring and retaining rural customers. Rural Masters excel at all three elements by building a deep understanding of rural consumers and translating these insights into new approaches across their sales, distribution, marketing and customer service functions. In the sections that follow, we look at how these companies have achieved the needed mastery. Our framework offers insights into how companies can achieve mastery across the full rural customer lifecycle (see Figure 10).
Mastering Rural Customer Reach

According to our research, the biggest challenges facing companies are inadequate distribution networks, partners with limited capabilities, long payment cycles and weak marketing channels. Nearly 60 percent of respondents said their companies needed to improve channel strategy and coverage. Fifty-three percent struggle with sales force management and channel performance. 

Some 40 percent face issues with technology enablement of sales and distribution processes (see Figure 11).

In the face of these obstacles, how do companies successfully reach rural customer segments? They take a robust approach to the “last mile,” focus on market expansion and create sustainable channel relationships (see Figure 12).

A robust approach to the last mile

Our research suggests that Rural Masters use a multipronged approach to reach fragmented markets. A multiple channel strategy allows deeper penetration and helps companies overcome the difficulty of finding channel partners with the appropriate capabilities and reach.

ITC, for example, uses four distribution approaches to reach the last mile—traditional distributor vans to serve customers directly; sub-distributors in defined geographies to provide intensive distribution focus; direct reach through two- and three-wheelers to seed activities in villages with high market potential. Finally, ITC leverages its well-known parallel sales and marketing platform known as e-Choupal and Choupal Sagars for consumer activation activities.

Some Rural Masters that entered rural markets early have adopted the village entrepreneur or the feet-on-street model. This approach has enabled them to overcome some distribution-related infrastructure challenges. Some Consumer goods companies use female rural entrepreneurs as their distributors; pharmaceutical and automotive companies are increasingly combining micro-distribution with sales and promotion support to reach small, fragmented markets.

Leading companies have also added layers to their distribution approach to bridge the gap between traditional, urban partners and dispersed rural customers. The additional layer is often driven by channel partners or in some cases by the company’s differentiated margin structure. For instance, Hero Motors added authorized representative dealers (ARDs) to its existing hub-and-spoke network. With these smaller dealerships, locals can buy bikes and have them serviced. ARDs are appointed by the dealers. The new layer helped increase Hero’s reach to 20 percent of India’s six lakhs villages with more than 5,000 touch points.

Similarly, Maruti has recruited more than 7,000 locals to sell its cars in India’s rural areas. Called resident dealer sales executives (RDSEs), they are the backbone of the rural drive. Well versed in local cultural nuances and dialects, these executives have good networking skills and can find sales opportunities. Similar to census workers, they also have financial profiles of every villager, including land ownership. Such exhaustive information helps them target potential customers across the country.

Companies are also adopting channels that are mostly used in urban markets. E-commerce is a prime example. According to the eBay India Census, one out of every 10 purchases, and one out of every 20 sales, are from rural India, with almost 1,270 rural hubs transacting online.\(^1\) In the future, the online channel can become a game changer for companies trying to access rural markets. It can provide a cost-effective means to extend a company’s reach exponentially by overcoming geographic barriers.

In addition, companies are leveraging alternate channel partners to provide fast and effective access. Alternate channel partners bring established local-level relationships, and often have the reach and ability to succeed in rural markets. Tata Global Beverage’s rural initiative, Gaon Chalo, is a case in point.

Figure 11. Channel strategy and coverage are top priorities

More than half of our survey respondents consider channel strategy and coverage their top priority over the next two to three years to address sales and distribution challenges.

What are the top three priorities for your company over the next 2–3 years to address sales and distribution-related issues?

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<th>Priority</th>
<th>Percentage</th>
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<td>Channel strategy and coverage</td>
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<td>Managing salesforce and channel performance</td>
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<td>Technology enablement of sales and distribution processes</td>
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<td>Channel conflict management</td>
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</table>

Source: Accenture survey

Figure 12. Reaching rural customers

Rural Masters, Rural Performers and Rural Voyagers use distinct approaches to reach rural markets.
Launched in June 2006, Gaon Chalo aims to market tea in rural areas while also improving the livelihoods of rural citizens. It is a self-employment scheme for women in villages. Under this scheme, more than 70,000 sales personnel go door-to-door, selling their products. Gaon Chalo was initially prototyped in a few districts of Uttar Pradesh and was then piloted in several other districts in the state. It has since been extended to eight more states. The model’s advantages include limited fluctuations in sales due to direct access to rural retailers, a cost-effective brand building platform and flexibility to address the complexities of rural markets.14

Our survey also revealed that companies have not been able to successfully leverage the channel networks of other competing or non-competing players. As much as 75 percent of respondents believe that collaborative channels will become a dominant force in the future (see Figure 14).

Focus on market expansion

Since most companies are still in the early stages of rural market development, they are experimenting with different channel options. While some have used only one channel, such as hub and spokes, others have adopted hybrid models to compete and grow. Extending conventional urban models to rural areas is still the most widely used option (see Figure 13).

To achieve success in rural markets, companies need to prioritize the clusters of villages they plan to target. Since a few big clusters centered in four or five big states may have the same market potential as a large number of villages dispersed across the country, prioritizing can help drive expansion efforts as cost effectively as possible. To prioritize, companies should conduct a detailed market scanning and segmentation effort to understand important

Figure 13. Conventional distribution models are still the most prevalent

More than half of our survey respondents use a conventional distribution model (Distributor-Stockist-Retailer) or a variation of that model to penetrate India’s rural markets.

Which of the following best describes your current distribution model for rural markets?

<table>
<thead>
<tr>
<th>Model or variation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional distribution model or its variation</td>
<td>51%</td>
</tr>
<tr>
<td>Authorized representative of Dealers (ARD)</td>
<td>21%</td>
</tr>
<tr>
<td>Hub and organized multi brand spokes</td>
<td>19%</td>
</tr>
<tr>
<td>Distribution channel till point of aggregation</td>
<td>10%</td>
</tr>
<tr>
<td>Eco system approach</td>
<td>9%</td>
</tr>
<tr>
<td>Village Entrepreneur</td>
<td>6%</td>
</tr>
<tr>
<td>Organized Wholesale</td>
<td>4%</td>
</tr>
<tr>
<td>Collaboration with non-competing companies</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: Accenture Survey

Figure 14. Collaborative channels will dominate

About three fourths of our survey respondents agree that collaborative channels will dominate in the future as a way for companies to reach rural markets.

Do you think that collaborative channels to reach rural markets will become a dominant method in the future?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>75%</td>
</tr>
<tr>
<td>No</td>
<td>22%</td>
</tr>
<tr>
<td>Not Specified</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Accenture Survey

24 Masters of Rural Markets: Profitably Selling to India’s Rural Consumers
segment-specific nuances and spot the best opportunities. Focusing on clusters will also help companies to optimize supply chains, distribution channels, sales force deployment and marketing/communication strategies.

In focusing their efforts, companies need to walk away from high-level “helicopter” plans and adopt a more granular approach. The goal should be to break even and generate profits as soon as possible while, at the same time, building a strong business case that articulates the potential value of each target segment.

For example, when Maruti initiated its rural foray in 2007, it identified many small clusters for potential car sales, including turmeric farmers in Tiruchengode in Tamil Nadu and apple growers in Himachal Pradesh. Today, these clusters generate consistent sales. According to company data, many of these customer groups account for monthly sales of 35-50 vehicles, which double during the harvest season.

Adopting a targeted approach also helps companies exploit scale and network effects to achieve faster and more profitable growth. For instance, Vodafone got off the beaten track by deciding not to follow the conventional route of a linear expansion along highways. Instead, the company focused on villagers’ “communities of interest”—the milieus they frequent to satisfy their social and economic needs. Vodafone covered locations after location by first identifying the different communities of interest and then using technologies such as GIS mapping and population data to go deeper into the hinterlands.  

Use of technologies such as GIS mapping can provide complete, multidimensional pictures of target segments. They complement demographic, value and behavioral variables with buyer attitudes and needs. This integrated view will be especially useful for Rural Voyagers and New Entrants. These companies should identify the most attractive segments and design value propositions and experiences to attract customers in them.

Concentrating resources on certain clusters also helps companies quickly change course at minimal cost if they don’t get the hoped-for results. In rural markets, this is critical, given the information deficit and the rapid evolution of customers. Our study found that Rural Masters adopt an iterative, “test-and-learn” approach toward rural market expansion. They test different combinations of channel, message, frequency, pricing and assortment. Dabur, for example, used GIS tools to analyze market penetration and identify gaps. It then integrated economic indexes with GIS map data to prioritize its coverage plan. Each month, the distribution network received a fresh cluster of new targets and route planning software optimized work across geographies (see –Dabur case study).

Another key success factor is to avoid making fixed investments in the early stages, and prefer a variable cost model. This allows companies the flexibility to change course easily in case any approach does not yield desired results.

Creating sustainable channel relationships

As competition stiffens in rural markets and the number of players vying for a share of the pie increases, the right set-up of channel relationships becomes even more important. With the high demand for capable channel partners—and the dearth of those with requisite scale and capabilities—companies face a high risk of partner attrition. Savvy engagement with channel partners can help retain them and keep them motivated.

All this requires significant investments of time, financial resources and management bandwidth. Above all, companies must demonstrate a commitment to building mutually beneficial relationships with channel partners. For example, Coca Cola’s training arm, Coca Cola University, launched the Parivartan program, which trains women retailers in rural markets. Women are taught to manage shops, stock, customers, financials and merchandising. The program lasts 10 days, and participants receive a certificate from the company and insurance of US$1,882 for accidental death or premature disability.  

Coca Cola also invests in cooling infrastructure for rural retailers. It has deployed low-cost solar-powered coolers that have driven a five-fold increase in sales for those retailers.  

While Rural Masters develop innovative products and services, channel partners are often incapable of handling advanced selling and promotion approaches. Rural Masters realize that upgrading channel-partner skills is often central to successful implementation of their sales strategies. In fact, in our survey, 59 percent of executives say they invest in building channel effectiveness.
For instance, Mahindra tractors, the world’s largest tractor company, launched its Samriddhi initiative in 2007 to transform channel partners from mere tractor dealers to real partners for farmers. The company changed dealership into “Samriddhi Centers”. With an initial investment of around US$7,500 from the dealers, Mahindra upgraded dealership infrastructure to provide a host of services and information to farmers. Samriddhi Centers sell and maintain tractors and equipment. They also provide farmers with information on weather, crops, pests, agricultural market locations and prices. In addition, they provide soil and irrigation water testing facilities, and run farm productivity demonstrations.

These offerings attract farmers to the dealerships and increase the chances that they will become loyal customers. Through 155 Samriddhi Centers, Mahindra has helped more than 150,000 farmers and aims to increase that number to 10 million by 2020.¹⁸

Leading companies may also train channel partners to deliver the intended customer experience. Such training is critical for Rural Voyagers and New Entrants, which often use alternate channel partners. Godrej, for example, is using the India Post network to sell its rural innovation “Chottukool” in the states of Maharashtra, Tamil Nadu and Gujarat. The company realized that while post office employees were efficient in order processing and collection, they needed better sales skills. The company trained their “feet-on-street” sales people and sent them to rural post offices to train employees in how to sell Chottukool. To date, they have trained more than 7,500 post office employees in three states.

While most companies focus on issues directly related to their business, some have gone beyond business issues to build loyalty and lasting bonds. A leading pharmaceutical company, for instance, provides its stockists with advice on tax planning and working capital management. The company also supplies information on education and career options for the stockists’ children. For sustained success and smooth execution of channel strategy, companies need to focus on more than distributors and retailers. They should engage the channel on every level. To illustrate, managers at a leading pharmaceutical company made an effort to talk with stockist boys who were treated as untouchables in the supply chain but who play an important role in the company’s operations. The stockists appreciated the attention and demonstration of appreciation and respect, and the resulting boost to morale added 10 percent to the sales numbers.

Businesses have also developed techniques to find non-transactional touch points to anchor channel relationships. In our survey, 47 percent of respondents present recognition awards from senior management (see Figure 15). For rural dwellers, initiatives that put them in a good light and improve their social standing increase their motivation.

Some Rural Masters build familial bonds with their partners to strengthen trust. For example, Amul developed a two-day orientation program, called Amul Yatra, through which channel partners are invited to the company’s headquarters at Anand, Gujarat. Partners gain exposure to Amul’s network of cooperative institutions and visit the company’s various plants. They deepen their understanding of Amul’s business model. And they see that by partnering with Amul, they can meet their own business objectives while also contributing to farmers’ well-being. The program instills confidence in partners by demonstrating the company’s strengths while establishing a personal bond.

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Figure 15. Top management’s recognition of channel partners helps

Around half of our survey respondents consider rewarding and recognizing their channel partners the most effective way to engage them.

Which of the following are most effective in engaging channel partners?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rewarding the channel partners with recognition awards</td>
<td>47%</td>
</tr>
<tr>
<td>Monetary rewards and incentives</td>
<td>43%</td>
</tr>
<tr>
<td>Running specific programmes to improve the channel performance and productivity</td>
<td>40%</td>
</tr>
<tr>
<td>Helping your channel teams to attract and retain customers</td>
<td>31%</td>
</tr>
<tr>
<td>Setting ground rules and disciplines</td>
<td>29%</td>
</tr>
<tr>
<td>Identifying the business priorities of the independent distributor and managing their expectations</td>
<td>22%</td>
</tr>
<tr>
<td>Encouraging the channel partners by rewarding them at the local panchayat/community meetings</td>
<td>19%</td>
</tr>
<tr>
<td>Providing financial support to upgrade channel partners</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: Accenture survey
Dabur: Deploying Technology To Extend Reach

Dabur is the world’s largest Ayurveda and natural healthcare company. With annual revenues in excess of US$1 billion and market capitalization of US$4 billion, it is India’s fourth largest fast-moving consumer goods enterprise. Dabur’s offerings are very popular in rural markets. Products such as Chyawanprash, Amla Hair Oil and Hajmola Digestives were developed based on insights the company gleaned about rural consumers.

Sales in rural regions are particularly important to Dabur. In fact, about 47 percent of its sales in terms of consumption come from rural markets with populations smaller than 50,000. Although the company ranks third among rural players, only 31 percent of its rural sales come through direct distributor networks. Dabur needed to increase its direct reach to boost rural market revenue and build distribution for higher margin categories including fruit juice, oral care and home care.

To expand its reach, Dabur launched Project Double in 2010. The project’s goals were to double rural market revenue and increase penetration of non-passive distributed categories. The initiative targeted villages with more than 3,000 inhabitants, a market no other FMCG company was reaching directly. To begin, Dabur focused on high-potential districts of 10 focus states, including Uttar Pradesh and Maharashtra, which contributed 72 percent of rural FMCG potential.

Barriers to Scale

Inadequate distribution structure: Dabur’s organization and distribution structure for urban markets was inadequate for rural distribution. The company was structured into three broad verticals—home and personal care, healthcare and food—with a dedicated sales team for each in urban markets. For rural distribution, the structure would dilute economies of scale, since multiple salespeople from the company would be approaching the same rural outlet. Reaching the local level through local operators rather than service providers from outside was another challenge. Rural trade ecosystems were so locally specific that a local distributor was necessary, even though their use in large numbers would be costly.

Pressure to generate incremental revenues: India’s rural landscape is dispersed, and economic potential differs significantly across that landscape. Southern Maharashtra is quite prosperous, for example. From historical sales, however, Dabur knew that some districts in that state would never deliver the expected return on investment. A one-size-fits-all approach for a state would never work. The company had to be selective about areas within each state. Dabur also had to generate incremental revenue through rural outlets, where it was already a strong player. The company had to increase village-level consumption to boost outlet sales beyond what current efforts were achieving without Project Double. Dabur also had to recruit employees willing to work and travel in remote areas.

Limited demand for high-margin categories: Another hurdle the company faced was the need to successfully market high-margin categories to justify the additional cost of a direct rural sales channel.

Strategies for Success

Prioritizing markets through GIS technologies: Project Double was divided into two phases. Phase 1 was launched in UP and Maharashtra to validate the sustainability of the idea. In Phase 2, Dabur focused on the remaining eight states it had targeted and used lessons from Phase 1 to guide efforts. The initiative began by prioritizing 287 districts. Using a GIS tool, the team could select districts based on characteristics such as presence of a bank, per-capita income and population. Each month, the distribution network received a fresh cluster of new targets, and route-planning software optimized work across geographies.

Modifying distribution structure to improve reach: To structure its distribution and avoid multiple company contacts at a single outlet, Dabur decided to use one umbrella for all its categories and developed a two-layer distribution structure.

Super-stockists operated from a key town in a district and a feeder sub-stockiest covered smaller areas. Super-stockists received inventory directly from Dabur and did not carry out any local distribution. Local distribution was done by sub-stockists who reached villages with populations up to 3,000. To avoid parallel distribution, super-stockists were allowed to supply sub-stockists only through the use of transaction software. In larger towns, stockists served retail outlets. A rural district manager oversaw the system, managing all three categories and stock.

Recruiting local sales representatives and offering unique career paths: To facilitate direct contact with the markets at the front end and generate incremental sales, Dabur recruited a large number of rural sales representatives (RSRs) on third-party payrolls. These executives cover villages in a 60-mile radius from their headquarters location and are responsible for taking orders and ensuring fulfillment by stockists. Dabur created separate career paths for RSRs to keep them motivated and provided them with guidance and training.

Using technology to great advantage: To monitor its huge work forces, Dabur uses mobile app technology. RSRs are supplied with an inexpensive tablet that tracks activity on a daily basis. The variable pay structure is dependent on RSRs’ giving updates. The tablets also provide information on van routes, work schedules and order status. The apps also offer access to sales history and inventory at the sub-stockist level.

Inculcating demand: To generate sales for categories with less penetration, Dabur needed to increase village demand. After conducting customer insight research, the company discovered that rural customers wanted quality-value messages that stress functionality. The messages needed to address benefits, solve issues and, most important, involve people. Symbols, colors and logos were the most common form of brand identification. Dabur piloted rural customer connection programs across haats and melas to provide consumers with the opportunity to experience Dabur products first hand. The company also turned to opinion leaders, such as healthcare workers, to generate awareness and increase the penetration in categories such as Chyawanprash and baby oil. In addition, Dabur offered mobile health camps that provided medical examinations and advice.

Impact

Within a year and a half, Project Double has reached 24,000 of the targeted 33,000 villages with populations of more than 3,000 in the top 10 states. In a mature state such as Maharashtra, the program has garnered 100 percent coverage in villages with more than 3,000 residents and has made inroads into villages with less than 3,000 in high-potential districts. In the current year, the rural business for Maharashtra is growing at a rate more than 50 percent higher than urban markets and has been outperforming urban markets for three consecutive years. Expanding coverage in villages with 3,000-plus residents has driven fast-paced growth. Rural growth indexed to urban growth was 135 versus 100. Planned sales revenue has more than doubled, and gross margins have improved through a significantly better product mix.
Tata Motors: Rapid Scale Up Of Rural Commercial Vehicle Business Through A Predominantly Variable Cost Model

In 2010, Tata Motors Limited (TML), India’s largest automobile company, identified the need to target rural markets aggressively, to accelerate sales growth, as well as maintain its leadership position in the commercial vehicles segment. With over 70% of India’s population residing in rural markets, they are clearly the ‘battleground’ of future for TML as well as most other marketing companies in India.

The timing was right. Investments by Government of India, in creating rural infrastructure and employment, leading to rise in rural incomes and consumption, made rural markets an attractive opportunity for TML. To effectively tap this emerging segment, TML launched Project Neev (literally means ‘foundation’ in Sanskrit), with an eye on gaining a first-mover advantage in these markets.

**Barriers to Scale**

**Meaningful Access to Rural Markets:** While TML Small Commercial Vehicle (SCV) portfolio was seen as an ideal fit for rural markets with their attractive price points and employment generation potential, the company’s dealer network, which was pre-dominantly urban and semi-urban in nature (located typically in towns/habitations with population of 100,000+), was seen as a key bottleneck for growth in these rural markets.

Limited understanding of rural customer: Lack of direct access also meant there were limited structured attempts to understand, define and educate target customer segments in rural geographies, on either the value proposition or business potential of investing in an SCV. From a customer point of view, lack of dealer proximity and absence of ‘trusted’ advisors meant, they could never really explore the option of evaluating an SCV as a means of livelihood/business opportunity.

Cost of access: Given wide dispersion of rural populace and the high cost of accessing these geographies, dealer coverage was historically limited to towns/habitations where the dealer had presence and at best about 50 kms around them.

Financing concerns: NBFCs and Banks too had been wary of financing commercial vehicles in these geographies, on account of poor availability of relevant documentation, high cost of reach and ‘collections’ related challenges.

**Strategies for Success**

All the above factors, which historically made rural markets an unprofitable segment to tap, necessitated development of an innovative approach for TML’s rural go-to-market strategy, rather than just modifying the existing urban model. The key objective being, to penetrate rural markets fast and at the same time make the venture viable by keeping costs low for TML as well as its dealers. The solution focused on the following areas:

Improved understanding of the rural customer: TML conducted face-to-face interviews with over 2,000 existing rural SCV users to gain a better understanding of their needs, preferences and buying behavior. Armed with insights from these conversations, the project team identified three key target customer segments:

- Underemployed and unemployed young-aged between age group 21 and 30, who saw running an SCV as a viable means of self-employment
- Large agricultural families, who could invest in an SCV, as a second source of income for the family
- Shopkeepers, small businesses and schools that could use these vehicles for captive and third-party transport of goods, students or people within a 10–50 kilometer radius.

Access to remote locations: Dealer reach into rural habitations, was extended through two indirect channels. A ‘Feet-on-Street’ network was built through local level engagement with government & non-government bodies involved in rural development. This helped provide access to rural talent pool, they were christened ‘Tata Gram Mitras’ (TGMs) and acted as ‘trusted’ advisors to rural customers. They were provided extensive training, to work with TML as an extension of the dealer sales team, on a commission basis to generate leads from third-party transport of goods and talukas. This channel was complemented with an outlet network of corporate partners with established rural reach. This served as the second major channel feeding the TML direct dealer network and were manned by ‘Tata Kisan Mitras’ (TKMs).

Building these two forms of indirect channels, to complement the direct dealer channel helped establish a representative TML at sub-district (tehsil/taluka) level in an accelerated timeframe.

Rural demand activation: The manpower in the indirect channels was trained to deliver a customized sales pitch for each target customer segment. Demand activation typically focused on using the ‘self-employment’ plank, and positioning TML’s SCV portfolio as an alternate means of livelihood for rural youth.

Cost of rural reach: Compensation for above indirect channels were structured to ensure fixed costs for TML & dealers were limited to a minimum and a larger part of the cost of the channel was funded through vehicle sales driven incentives. This in turn, ensured rural sales generated incremental profitability right from inception and were not seen as just long term investments.

Rural vehicle finance: To ensure availability of vehicle finance at the rural level, the project team established relationships with district-level banks, NBFCs, national lenders and government agencies. From the in-house finance arm introduced new schemes which accelerated the finance approval process.

Rural organization and technology: To effectively mentor, train and manage the above rural network and its requirements, TML dealerships appointed a District Rural Manager (DRM) for each district. TML invested in appointing a Rural Business Coordinator (RBC) and Territory Sales Manager to manage the rural network components. Sales and CRM technology systems too were aligned within TML to capture and support the rural sales processes.

Over time, with development of demand at local level and confidence of business viability, dealer branches are being opened to sustain the entire model for the long term.

**Impact**

Speed to rural market: The results have been significant and fast. Building and leveraging a network of rural youth and existing network of rural corporates provided quick access to rural markets. Currently deployed in six states, the rural business has seen addition of over 20 percent to TML’s SCV vehicle volumes. This is now being rolled out nationally and has an incremental annual potential of over 70,000 vehicles and US$500 million in revenue.

Furthruing social agenda: while the primary purpose of the program was to look at rural markets as a profitable business proposition, leveraging rural youth as sales agents and creation of rural entrepreneurship opportunities through vehicle ownership as well as cascading impact on the rural economy through demand for service, mechanics, fuel have helped further the social agenda as well.

Project Neev has contributed immensely to furthering the long term strategy of TML. While the most significant benefit has been the creation of a first mover advantage for its Commercial Vehicles in rural benefits, other benefits include more competitive channel partners with an extended network and access to a large talent pool for future employment within TML and its dealers.
Mastering Rural Customer Acquisition

The traditional view of a "rural" consumer segment is changing. Today's rural consumers are more diverse, with specialized needs and preferences. Businesses seeking to attract them must know the cultural, economic and demographic dimensions that define these buyers. Given market data, constraints and the seasonality of demand, understanding and satisfying these changing expectations requires greater focus, precision and consistency. Truly knowing and responding to rural customers' needs is the hallmark of a Rural Master. To excel on this front, companies need to create trust and relevance through an ecosystem of stakeholders, define a unique value proposition for rural customers and engage the right set of influencers (see Figure 16).

Create trust and relevance through an ecosystem of stakeholders

India's rural consumers are increasingly aware of products and services, and they expect businesses to demonstrate how businesses are creating value for them. If businesses fall short, rural consumers will view the social bargain as compromised. In this respect, rural markets are vastly different from urban ones, and they demand different marketing and promotion strategies.

To achieve success in rural markets, companies should engage a wide set of stakeholders to prove that their business is not a force for widely shared good. Companies must be perceived as builders of symbiotic relationships that focus on consumers' daily needs rather than simply on the corporate profits.

At the most basic level, organizations should create an integrated network of stakeholders across the entire value chain. Since each stakeholder in the "ecosystem" influences and drives customer behavior in the desired direction, this holistic approach generally creates a virtuous circle. A successful ecosystem will assimilate influencers and decision makers across the decision-making process and create significant social value.

Novartis' Arogya Parivar initiative is a prime example. Health educators, usually local women, are recruited and trained to raise awareness of diseases and preventive health measures. Health supervisors serve as the initiative's sales force, ensuring that medicines are available in the most remote locations. These health educators refer ill people to doctors and work with local nongovernmental organizations (NGOs) and other stakeholders to raise awareness of health issues. The program has been exceptionally successful: it has helped improve healthcare for 42 million people living in 31,000 villages in 11 states (see - Novartis case study).

Some Rural Masters are taking unconventional approaches to creating stakeholder value. They forge broad-based relationships and position themselves as partners and well-wishers. For example, Novartis is partnering with one of the largest medical equipment manufacturer and a big public sector bank to bring health care infrastructure closer to Indian Villages through the rural doctors. Novartis helps the partners to identify potential customers by leveraging Novartis' relationships with these doctors. Doctors can then purchase these machines with financing from the Bank. While the partnering company gains from Novartis' reach and reputation with doctors, Novartis benefits through a new level of customer engagement and establishing itself as a true partner that opens new doors for these doctors.

One of the key strengths of the holistic, ecosystem approach is its ability to increase awareness and tap latent demand. Ecosystem marketing is more than marketing and sales. It constitutes an engagement channel that provides faster, deeper and richer opportunities to build a dialogue with prospects and customers. It can also touch customers at many more and earlier points in the buying process, often at a lower cost. This approach is important for Rural Voyagers, which must often create markets for their product versus simply selling them. Building trust with stakeholders becomes a strategic priority, driven by specific, measurable activities and objectives.

Define unique value proposition for rural customers

Many companies make the mistake of treating rural consumers as a single homogeneous mass. They fail to understand the diversity within these regions—which are fragmented in terms of size, buyer needs, values and spending power.

Companies also tend to offer the same value proposition to rural consumers that they offer to urban consumers. The value proposition usually centers on the product's functional benefits and pays little attention to how the product meets rural consumers' unique needs and wants.

As competition intensifies in rural markets, companies will find it increasingly difficult to win customers using such "push" strategies. To gain market share, businesses will need to tailor their value propositions and position their brands to target specific consumer segments and create deeper connections with them.

Our research found that companies realize the importance of local market intelligence. They are making serious investments in the development of capabilities such as customer analytics to gain insights into rural consumers and their latent needs. These capabilities include segmenting rural consumers, tracking price elasticity and identifying new higher margin markets, including geographies and product and service categories.
These capabilities will help companies cross- and upsell products and services to rural customers by building the right product and service portfolio. Businesses are coming to understand that succeeding in rural markets is a continuous process that requires more than simply making a product available for sale.

Godrej Chotukool is an excellent example. The company has tried to address the basic daily cooling needs of the rural consumers at an affordable cost, inspired by the concept of disruptive innovation. Chotukool uses advanced solid state technology to cool instead of traditional compressors. It operates on 230V AC / 12 V DC and has a small footprint and storage volume of 43L/30L in two variants. The unconventional top opening ensures cold air settles down in the cabinet to minimize heat loss and power consumption and light weight fully plastic body makes it highly mobile. The company realizes that it needs personalized demonstrations to communicate and deliver its distinct value proposition. The company plans to reach out to the potential consumers through a community network that also improves the livelihood of the participating members of the community as they canvass and demonstrate the product.

Some Rural Masters have found other ingenious solutions to the challenge of affordability and consumer inability to pay large amounts upfront. Specifically, they are converting products into community services. Consider HPCL’s Rasoi Ghar (Kitchen).

Rasoi Ghar is a community kitchen shared by several village households, essentially a modern version of the traditional sanjha chulla. Centrally located in the village, the kitchen is set up in a pucca house, allowing several villagers at a time to cook their daily meals comfortably, safely and quickly. Each Rasoi Ghar is equipped with an adequate water supply, cooking slab, basic utensils and a minimum of two stoves connected to replaceable liquified petroleum gas (LPG) cylinders. The costs of setting up each Rasoi Ghar are covered by HPCL. Users are charged an average of Rs 4 (0.075 cents) per hour to meet the refill costs of a cylinder—far less expensive than maintaining an LPG connection in one’s home.

Companies have also used innovative packaging to reduce price points and encourage consumers to experiment. The sachet revolution is well known. Even now, companies use this strategy to penetrate rural markets. Pharmaceutical companies, for example, offer smaller packs of nutritional products to suit rural consumers.

In addition to product innovation, companies need to tailor promotion and marketing initiatives to win over rural consumers. Experiential marketing is one solution. It can help improve the customer acquisition rate by allaying customers’ skepticism and allowing them to test and experience the product before purchasing it. Thanks to Ashok Leyland’s Mileage Muqabla program, prospective truck buyers can test the product while participating in a contest. A route is identified, and management can send their drivers or participate themselves. Contestants are given a fixed amount of fuel to drive a certain distance. The contestant who gets the maximum mileage wins a prize.

Some companies are using activation programs to reach out to and educate a large number of potential customers (see figure 17). A leading Indian FMCG company has been using this strategy to good effect to promote hair oil. Managers talk with village women about the benefits of their oil versus other products available in the market. The company then runs a contest where villagers select one woman as the village queen. The contest is supported by other activities that spread the word quickly around the village.

Companies must continuously renew their commitment to— and strengthen their capabilities for—knowing customers, and delivering an experience tailored to their needs, values and preferences. This is particularly important for Rural Performers to protect their competitive position in the long run. Without a sharp focus on innovation, Rural Performers risk becoming stagnant and losing market share.
Engage the right set of influencers

Given that most brands have a relatively short history in rural India, word of mouth plays a much stronger role in brand building there than it does in urban markets. Engaging people with high standing in rural communities can reinforce key strategic messages consistently and emphatically. In general, credible third parties speaking for the company can help win market share without requiring additional marketing spend.

Given their importance in rural markets, influencers are the center of attention today for a host of companies that are competing for their services and loyalty (see Figure 18). Even the largest of companies in India struggle to enter rural markets entirely on their own. To engage important influencers, a number of companies have tapped into rural social networks such as NGO Anganwadi health workers. These workers often act as trusted advisors for rural customers and are well familiar with their needs and behaviors. They can play a critical role in acquiring rural customers by making referrals between them. A network of positive relationships with such credible social organizations can create trust-based relationships in local communities.

To connect with the right influencers, businesses must identify and rank key stakeholders according to how influential and supportive they can be.

Accenture research shows that Rural Masters are pushing the boundaries beyond traditional influencers (sarpanch, doctors, teachers) and engaging additional stakeholders across their value chain to shape customer opinions and attitudes. What constitutes the best influencers varies across industries and depends on the maturity of an organization’s rural business model. For instance, Ashok Leyland engages truck drivers and heeds their opinions on vehicle design. The outreach makes drivers feel important and empowered. Ashok Leyland also runs a program called ‘Ban Jao Maalik’ (“Become an owner”). The goal is to help drivers finance and buy a new vehicle rather than driving one for someone else. In addition, the company trains mechanics on new products, provides toolkits and certifies participants.

Tata Motors’ passenger car business is another example. In addition to a strong feet-on-street outreach model, the company has introduced a new referral program five months back called “Motor Dada” which engages people who have nothing to do with buying or selling vehicles, such as freelance health professionals, teachers and even mechanics, as village influencers. The company provides them with a detailed product manual and a “Motor Dada” shingle that they can hang outside their homes. Motor Dadas are assigned to a dealer to recommend new and used vehicle purchases. Tata Motors plans to recruit 1,500 Motor Dadas by March 2013.

By identifying and engaging the right influencers, companies can shape rural customers’ perceptions of their business and offerings and build up a repository of local market knowledge. Smart use of influencers can become a powerful means for boosting brand image and customer satisfaction while reducing customer acquisition costs.

Figure 17. Marketing and communication initiatives

Printing marketing materials and product labels in local languages, along with participating in rural haats and melas, count among the most common initiatives for promoting offerings in rural markets. Print and TV ads are almost as popular.

What initiatives has your company taken towards marketing and communication for promoting your products or services in rural markets?

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printing marketing material and product labels in local languages</td>
<td>59%</td>
</tr>
<tr>
<td>Participation in rural haats and melas</td>
<td>57%</td>
</tr>
<tr>
<td>Use of print media as a means of advertising</td>
<td>51%</td>
</tr>
<tr>
<td>Use of TV as a means of advertising</td>
<td>49%</td>
</tr>
<tr>
<td>Mobile vans with public announcement systems</td>
<td>50%</td>
</tr>
<tr>
<td>Advertising by painting the walls in the villages</td>
<td>47%</td>
</tr>
<tr>
<td>Experiential marketing involving product demo</td>
<td>43%</td>
</tr>
<tr>
<td>Creating or seeding demand for the product/service by education and awareness programs</td>
<td>35%</td>
</tr>
<tr>
<td>Use of radio as a means of advertising</td>
<td>31%</td>
</tr>
<tr>
<td>Having local brand ambassadors who go about promoting the brand in and around the village</td>
<td>28%</td>
</tr>
<tr>
<td>Sponsoring events in the villages such as cricket matches, beauty contests etc.</td>
<td>18%</td>
</tr>
</tbody>
</table>

Source: Accenture survey

Figure 18. Influencers build trust and product awareness

About three fourths of our respondents use influencers to build trust and create awareness of their products or services among rural consumers in India.

Do you use influencers to build trust and create awareness of your product?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>73%</td>
</tr>
<tr>
<td>No</td>
<td>24%</td>
</tr>
<tr>
<td>Not Specified</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Accenture survey
Novartis: Building A Stakeholder Ecosystem

Novartis is a world leader in pharmaceuticals, with nearly 115,000 employees in more than 140 countries. Novartis India Limited employs some 4,500 associates and leads the country in a number of therapeutic areas, including pain management, organ transplants, immunology, cardiovascular disease and oncology.

Novartis research discovered an information gap in rural regions. Villagers often didn’t understand what diseases they may have or what options were available to treat them. Because of the high cost of visiting a physician, villagers often delayed treatment until diseases reached an advanced stage.

To close the gap and improve healthcare service for the underserved poor, Novartis launched Arogya Parivar (Hindi meaning healthy family) in 2006. The company then created social units, with ensuring the availability of treatments.

Arogya Parivar offers a complete healthcare solution and is anchored in the “4As” framework:

- **Adaptability**: customizing product portfolios and marketing to leverage local influencers
- **Accessibility**: increasing distribution through local sub-distributors and physician health camps
- **Affordability**: providing customized small packets of medicines with lower price points and innovative medical equipment solutions
- **Awareness**: increasing disease awareness and educating physicians on Novartis treatments

Managing the expectations of so many was not easy.

New treatments with constrained R&D: To avoid significant R&D costs, Novartis had to develop affordable treatments without turning to its R&D labs. Since supply in rural regions was through indirect wholesale channels, there was no guarantee that treatments would be available, even if Novartis successfully stimulated demand.

Strategies for Success

Creating a cohesive ecosystem: Novartis established networks of small hospitals, physicians, chemists, diagnostic centers and patients. Each cell consists of health educators and supervisors. Health educators are trained to raise awareness of diseases and preventative health. Supervisors are the initiative’s sales force and work with pharmacies, doctors, hospitals and NGOs to conduct “health camps” where villagers can receive treatment and preventative care. The company is now pushing the boundaries of this ecosystem by developing unconventional partnerships.

Lack of an interlinked healthcare ecosystem: The existing system of doctors, educators, clinics, hospitals, medical equipment companies and medical shops was unconnected and inconsistent in rural regions. The absence of basic healthcare facilities in some villages presented even more hurdles. And Novartis had to partner with many ecosystem stakeholders and build long-term relationships.

Limited healthcare awareness: Since Novartis’ approach was unique, it could not turn to proven models to implement Arogya Parivar initiative. In addition, rural areas had no health records to help the company identify the health issues of greatest importance. Moreover, awareness of healthcare was low in rural areas, making it difficult to reach out and educate rural populations.

The social arm was charged to support the program’s success.

The program reached an advanced stage.

Moreover, awareness of diseases and preventative health issues of greatest importance.

The effectiveness of the health camps. Because Novartis focuses on women’s and children’s health, it recruited female health educators with whom the villagers could feel comfortable.

Developing unconventional partnerships: To increase penetration of the latest medical technologies into rural areas, Novartis partnered with major medical equipment companies, including GE, to launch innovations such as low-cost electrocardiogram (ECG) machines. Novartis also set up loan facilities for physician education and equipment as well as medical supplies for pharmacists.

Customizing the product portfolio: The company developed a portfolio of customized products that villagers could afford. Novartis offers small medicine packs with low price points and packaging information printed in local languages. It also revamped some of its products to meet rural market needs. Generating awareness was central to the success of the program.

Arogya Parivar sales have jumped by 25 percent since its launch in 2007, and the program broke even in the first 30 months. Novartis now provides access to medicine to more than 42 million people in 33,000 villages within India. The initiative includes 250 cells in 10 states and has 530 educators and supervisors. It also serves almost 39,000 doctors and just over 29,000 pharmacies. The product portfolio covers 11 therapeutic areas with a portfolio of 80 stock-keeping units (SKUs) that include over-the-counter treatments and vaccines.

The social benefits have also been significant. Arogya Parivar is the largest private-sector healthcare initiative in India. In 2012 alone, more than 2.7 million people in 33,000 villages benefited from health education and health camps. The initiative also facilitates knowledge exchange among some 60,000 rural doctors and pharmacies. Encouraged by the program’s success in India, Novartis is now expanding it to other emerging markets including Kenya, Indonesia and Vietnam.

Generating health awareness: Generating awareness was central to the success of the program.

To achieve it, health educators conducted some 130,000 meetings in 33,000 villages every year. These meetings provided product information and therapeutic approaches. Villagers attended on a regular basis.

Measuring the impact: To help cohere the ecosystem, Novartis introduced referral cards to villages at health education meetings, and the villagers gave the cards to doctors during visits. The commercial team collected the cards—which established a patient–doctor link—and used them to track the effectiveness of the health camps. Because Novartis focuses on women’s and children’s health, it recruited female health educators with whom the patients could feel comfortable. The initiative also facilitates knowledge exchange among some 60,000 rural doctors and pharmacies. Encouraged by the program’s success in India, Novartis is now expanding it to other emerging markets including Kenya, Indonesia and Vietnam.

Impact

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Fino Paytech: Engaging Directly With Consumers

A year ago, Karuna Muqaddam was a village homemaker in a one-wage-earner family. She and her husband had a sparse social life. Today, she earns between Rs 2,000 (US$37) to Rs 3,000 (US$56) per month as a FINO bandhu. In this role, she serves as a banking correspondent or agent who takes over banks’ front end for a fee and does the due diligence in lending money and opening accounts for customers for a leading nationalized bank. She serves more than 300 account holders, mostly women who work for daily wages and can’t afford the shared auto rickshaw fare of Rs.30 (US$0.5) and two-hour trip to the nearest branch bank. She values providing banking services to villagers who previously had no access to them. Karuna recently started a self-help group for her women customers, helping them learn skills that will improve their lives. The financial and social impact she is having is the result of FINO’s bandhus.

FINO (Financial Inclusion Network and Operations) was founded in 2006 to deliver banking and financial products to India’s rural population. Although FINO initially started as a pure technology company with a mission to serve microfinance institutions, the company has broadened its services to include banks, insurance companies and electronic transfers for government welfare programs and social security pensions. Its offerings include savings, insurance, remittance and credit. Services are delivered through a technology architecture that uses biometric smart cards, hand-held devices and micro-deposit machines that enable field operations and safe integration of front-end processes with banks’ core banking systems.

In 2006, the RBI permitted banks to appoint not-for-profit entities, retired school teachers, bankers, nongovernmental organizations and post offices to act as banks’ business correspondents. That year, FINO transformed itself from a pure technology company to a technology and services company by leveraging its technology platform to take banking and financial services to India’s under-served areas.

Barriers to Scale

Lack of focus: Banks saw the implementing of rural initiatives as an issue of regulatory compliance rather than a way to drive growth.

Difficulty Finding the right talent: Identifying, hiring and training the right resources as bandhus was challenging, because educated rural youth found better opportunities in semi-urban and urban areas.

Lack of appropriate products: Lack of appropriate products for rural customers made it hard for conventional banks to target this market.

Low customer financial literacy: Customers had difficulty making informed choices owing to lack of financial education. Potential customers were rarely exposed to formal financial products, and many did not understand how these products could improve their standard of living.

Strategies for Success

Directly engaging customers: FINO established teams of financial product experts responsible for designing, developing and bringing retail products to market with partner banks. Currently, FINO’s revenue comes from banking partners and is derived from individual transactions or as a percentage of the amounts disbursed through bandhus. This year, FINO estimates that some 60 percent of revenue will come from recurring income streams such as rentals and transaction charges. FINO is focusing on remittances as its main product offering, and the organization is targeting several major migratory corridors. Once coverage for remittances in these areas is complete, FINO will bring new products to the same target segments.

Building financial literacy: FINO has established a 65-member channel skills development team responsible for agent training. There is also a separate team responsible for driving customer financial literacy. In addition, the organization has conducted financial literacy programs in many states in partnership with the World Bank, International Finance Corporation, Microfinance Opportunities and United Nations Development Program. FINO also offers zone-level, mobile-based knowledge management systems and mobile training so agents and employees can keep abreast of knowledge and refresh their skills.

Finding the right bandhu: Ensuring that customers continue to transact with FINO requires trust.

To build it, the organization began hiring local people as bandhus (business correspondents). Because women are viewed as more trustworthy than men, they account for over 30 percent of the force. Bandhus stay in constant professional and personal touch with customers. To ensure the right mix of skills, FINO and bank officers interview each candidate to evaluate their technical skills, financial literacy, social standing and trainability.

FINO requires trust. Continuity and low performers in the field.

Coordinating a dispersed operation: The smartcard biometric system ensures that daily visits are centrally reported at all levels, including agents, block and district coordinators. Samvaad, an SMS and Internet-based dashboard, monitors performance and identifies both high and low performers in the field.

Impact

FINO is the market leader among banking correspondents and has successfully brought banking services to rural India. The organization employs more than 38,000 agents and has more than 56 million customers. The company has operations in 25 states and works with more than 30 of the country’s largest financial institutions. Its business model is profitable, and the organization is poised for greater scale and growth in the future.
Mastering Rural Customer Retention

Although companies typically focus on customer reach and acquisition in rural markets, as businesses gain reach and penetration, customer retention takes center stage. Customer retention strategies in rural markets are markedly different from those used in urban markets. In urban settings, companies try to reduce or avoid churn. In rural markets, sustaining product usage through good after-sales service is the main concern, because of the high costs involved in setting up the infrastructure.

Our research suggests that Rural Masters are making focused and sustained efforts to retain customers and build brand loyalty, with a focus on after-sales service, anchoring customer relationships on trust and invest in community development (see Figure 19).

Devising low-cost models for after-sales support

In our study, the majority of Rural Masters turn to their sales infrastructure to provide after-sales support or, in the case of serviceable goods, build low-cost after-sales networks.

After-sales support in rural markets serves several objectives. It provides companies with customer feedback on products and the sales process. It also generates market intelligence on competitors and channel partner performance. In addition, after-sales support strengthens a company’s rural bonds and commitments, which drives increased customer loyalty across all stages of the product lifecycle.

Because of low upfront investment, using the sales infrastructure of dealers for after-sales support is the most prevalent approach in rural markets (see Figure 20). However, the sales infrastructure is already strained by the challenges of creating demand in these markets. Companies may find it difficult to implement after-sales support across the sales force and channel partners without making significant additional investment.

Through this initiative, a leading cellular company is using mobile vans that were previously used for demand activation programs are now being leveraged to provide customer service. The van is typically equipped with a photocopy machine, a camera and a representative to help villagers with documentation verification. For example, if a SIM card is not working or gets locked, customers can go to these mobile vans to have the problem resolved.

More companies are building a dedicated low-cost after-sales support infrastructure. To do so, they use local resources who provide “no frills service” or leverage technology to avoid the costs of reaching customer to provide that service. Technology-enabled service models are also becoming popular in rural markets.

Hero MotorCorp’s “Service Har Jagah” rural service initiative is another example of an after-sales model using localized resources. Through this program, Hero provides service to its customers in their own villages through specially designed Hero motorcycles, fitted with customized toolboxes. Hero already covers more than 100,000 villages with this program.

Anchor customer relationships on trust

Building trust with local communities is a key driver of success in rural markets. Rural Masters cultivate that bond carefully by inspiring belief in their companies and offerings and consciously creating and delivering experiences that meet rural customers’ needs and preferences.

Organizations can build trust with rural populations in a number of ways. For example, they can ensure product and service quality, living up to the promise of reliability and frugal innovation. They can also use brand-focused communication to create brand relevance and loyalty in rural customers’ minds. Although approaches to building trust vary across companies and industries, trusting relationships with customers should be part of an organization’s DNA and ethos.

Businesses will need to prioritize fulfilling customer needs over achieving sales—underscoring the need for category promotion

Figure 19. Retaining rural customers
Rural Masters, Rural Performers and Rural Voyagers use distinctive approaches to retain rural customers. For about 37 percent of our survey respondents, product divisions directly manage rural operations.

Which of the following statements best describes the way in which your company manages its rural operations?

- For about 37 percent of our survey respondents, product divisions directly manage rural operations.
- Rural Masters, Rural Performers and Rural Voyagers use distinctive approaches to retain rural customers.
- Focus on after-sales/customer service
- Sharp focus on developing after-sales network at competitive costs
- Limited focus on developing after-sales network
- Effort to develop their own after-sales strategies
- Brand building and loyalty programs
- Sharp focus on brand building
- Lack of a focused approach to brand building
- Innovative loyalty programs
- Investment in community development
- Sustained investments with a long-term perspective
- Limited investments
- Limited investments owing to small scale of operations

Source: Accenture research and analysis

Figure 20. Retaining rural customers through a focus on after-sales service

About half of our survey respondents consider providing after-sales service through dealers in rural locations as the preferred way to improve such service in rural markets.

Please indicate the actions which your company is taking to improve after-sales service in the rural markets.

- Performing rural aftersales through the dealer distributor at the rural locations
- Performing rural aftersales through the rural sales force
- Performing rural aftersales through a separate and dedicated team from the company
- Request is directed to the central office or the head office which ensures service through the channel partner/sales force
- Outsourced rural aftersales to an external vendor

Source: Accenture survey
versus product selling. In the banking sector, for example, companies could establish trust by explaining to consumers the need for savings and financial planning. In the pharmaceutical industry, organizations could help consumers understand what illnesses they suffer from and how their poor health can affect their ability to earn a living for their families. Some companies also use customer feedback to inspire loyalty by demonstrating their customer focus.

Communication missteps can erode trust that a company has built with rural consumers. Rebuilding lost trust can be a mammoth task, because negative word of mouth is very strong. Losing a customer could lead to the loss of an entire community. Gaining customers’ confidence and faith, on the other hand, can strengthen brand “stickiness” and provide opportunities to cross-sell other products and services.

**Invest in community development**

Companies that have proved most successful in rural markets have helped improve rural consumers’ standard of living—by creating jobs, building social infrastructure or providing business opportunities. To foster these kinds of improvements, companies need to align their long-term interests with the community’s development to gain its trust and commitment. This alignment builds synergistic relationships based on shared goals and aspirations.

Organizations can build a strong business ecosystem by integrating local populations into their value chains as partners with a vested interest in the company’s survival. Often overlooked, this approach can ensure sustainability of the business. Our research discovered that a few companies are making significant investments in this approach. A case in point is Hindustan Unilver’s (HUL) Project Shakti, a unique initiative that has created income-generating opportunities for 45,000 rural impoverished women (popularly known as “Shakti Ammas”). The initiative has helped the company increase rural distribution. Today, more than 40 percent of its products are consumed by rural consumers—an impressive example of “doing well by doing good.” More recently, HUL has collaborated with the State Bank of India to bring financial inclusion to rural India. Their Shakti Ammas act as banking agents and provide basic financial services in villages without bank branches.21
Idea Cellular: Leveraging Local Sales Channels

Idea Cellular is India’s third-largest mobile provider and ranks in the top 10 country operators in the world. The company faced intense competition in urban markets, where more than ten players were fighting for customers and market share of six players was substantial. Penetration or telephony in most urban cities is more than 100 percent. In some highly competitive markets, it exceeds 150 percent. Urban market customer acquisition costs were climbing, because of mounting channel costs and higher churn driven by a growing choice of providers and low switching costs.

Rural markets, on the other hand, had only 40 percent penetration and less competition than in urban markets. In order to encourage telecommunication companies to expand network coverage into remote rural areas, the government established an Universal Services Obligation fund scheme dedicated to building towers and other infrastructure in such areas. The scheme envisaged giving incentives in the form of subsidy to Telcos to set up and use this infrastructure and reach under-penetrated rural markets. Idea bid and won this tender across 27 rural clusters of the country without asking for any subsidy. Idea had always been keen to focus its attention to rural India and the opportunity for growth that it provided.

Barriers to Scale

Daunting operating costs: The monthly cost to operate a rural site is nearly 15 percent higher than in urban areas. The higher costs result from insufficient supplies of power and water and the need to develop alternatives e.g. running the site on diesel.

Low margins dissuading channel partners: Traditionally, rural channel partners worked with FMCG, automotive and durable goods companies with margins as high as 15-20 percent (10-12 percent for the retailer and 5-8 percent for the distributor). Entrepreneurs initially resisted the low-margined, albeit high volume telecommunications business.

Low rural partner investment capability: Rural channel partners have weaker financial capabilities than do partners in urban areas. Rural partners are often unable to maintain large inventories of SIM cards and paper vouchers.

Infrastructure gaps: Until a few years ago, rural India had low network coverage. Towers and operators were few and far between. Most providers had to build their own towers. Idea also deployed its own towers in rural India in anticipation of driving growth.

A war for talent: Idea would hire and train sales representatives only to see them move to competitors for small incentives. As a result, talent costs were high.

Non availability of outlets in villages with low population: There continues to be many villages in the country where there are no retail outlets, particularly in states with a high rural population. Bias such as Madhya Pradesh and Chattisgarh. Servicing rural customers in such villages poses a huge challenge.

Strategies for Success

Planning with precision: To plan its network for the rural market, Idea made use of data analytics, including usage profile of subscribers and operational metrics such as electricity availability and road access. Whenever possible, Idea also entered into tier-sharing agreements to further reduce operating costs.

Creating awareness, driving demand: Idea invested heavily in market activation and demand generation. The company created awareness through sustained participation in village melas and haats. Idea also deployed rural vans that served both branding and customer acquisition needs. Vans were outfitted with photography equipment, copiers and other tools needed to process purchases.

Using technology to establish efficient operations: Idea developed in-house applications to track and manage its dispersed sales force. An in-house distribution management system enabled geographically distant distributors to place orders via mobile devices or the web. Financial transactions with distributors were automated through National electronic fund transfer (NEFT) and Real time gross settlement (RTGS) systems. E-toupe SIMs at retail outlets helped track retail activity and manage operations.

Using “son of soil” talent: Named “soi1,2,” Idea recruited enthusiastic village youth from the towns where they had installed towers and trained them in sales processes and systems. The intent was to replicate Idea’s direct distribution model across all the rural villages that are covered by the company’s network. They hired only those villagers who aspired to make a difference in their villages.

The rural sale force was hired as territory sales executives (TSE) under the zonal structure. Each is recruited from a base tower and charged with covering a few villages. Under this model, TSEs enjoy better earnings and brand association than they would as local distributors. The setup also offers a different career profile to villagers who aspired to make a difference in their villages.

The rural sale force was also attached to a rural distributor (IGP) and was covered by the company’s retail outlets. Using “son of soil” talent, the idea was to create a powerful connection with the masses by highlighting rural social issues with messages that created a powerful connection with potential customers.

Recruitment of Idea Grameen Pratinidhis: Idea also recruited Grameen Pratinidhis (IGPs) to extend their reach and serve the remote rural areas/villages where there is no outlet. They play the role of mobile dealers. IGP is identified as someone who needs supplementary income and is already traveling to that village or a nearby village. The IGP is attached to a rural distributor based out of a rural town where Idea has put up its tower.

Building product innovation and a powerful brand: Idea understood the limited purchasing power of rural, low-income consumers. To meet their needs, the company introduced Rs 10 (US$0.20) and even Rs 5 (US$0.10) recharge coupons. As a result, retailers initially needed to invest smaller amounts and could gradually increase investment and coupon amounts as their confidence rose. Idea’s marketing campaigns appealed to the masses by highlighting rural social issues with messages that created a powerful connection with potential customers.

Smart market intelligence: Idea sent teams to villages to glean insights about social dynamics and identify hubs of community activity such as weekly bazaars and hospital services. To optimize network reach and tower location, Idea targeted a few select large villages and small neighboring communities instead of going after villages above a certain population.

Impact

Idea has the highest share of rural subscribers (as a percentage of the total) among Indian telecom players. Two out of every three new Idea subscribers come from rural or semi-urban areas. The company has created more than 4,000 jobs and helped double the income of its rural employees. Distributor salesmen that earn Rs 4,000 per month (US$80) now earn Rs 10,000 (US$200). Grocery shops that offer recharge coupons have enjoyed substantial boosts to their business overall through increased customer traffic. By looking beyond the government mandate to create inclusive telephony growth, Idea has taken a clear lead in establishing a first-mover advantage.
Three Enablers to Successful Rural Strategies

To reach, acquire and retain rural customers, companies need to invest in the right set of enablers at the outset. Drawing from our survey and interviews, we have identified three enablers that are central to rural strategy success: adapt organizational structures and secure leadership buy-in, create a winning talent management strategy and use technology to create advantage.

Adapt organizational structures and secure leadership buy-in

Companies that have separate central or regional rural divisions are more likely to achieve success in rural markets. The structure ensures a sharp focus on rural business and visible leadership commitment in terms of resources: more than 50 percent of the companies we interviewed have separate rural divisions (see Figure 21).

Top leadership commitment must be supported by middle management and the ground force. This commitment is achieved through strong visibility of rural business initiatives internally and externally. Successful techniques include internal newsletters covering rural market achievements, unique rewards and discussions of a company’s rural initiatives at conferences and in the media.

Although a dedicated rural organization with top leadership commitment is essential, it is not enough to guarantee success. With multiple sales and distribution channels coexisting in the same market, companies must define the role of various stakeholders (including channel partners) to foster collaboration and avoid conflicts of interest. Businesses need to define the “who” and “how” of governance. For example, who will monitor entities involved in taking products to rural markets, and how will those checkpoints be enforced? Companies must also periodically review these roles.

Create a winning talent management strategy

Our research also found that Rural Masters focus on end-to-end talent management to drive high performance in rural markets. Three cornerstones are essential for optimizing front-office productivity:

- Leverage local talent and invest in skill development.
- Align sales force behavior by appealing to employee’s sense of contribution, and provide training and career development paths.
- Engage the sales force with information and constant leadership presence (see Figure 22).

These cornerstones should be supported with key performance indicators (KPIs) and metrics related to operational efficiency and effectiveness.

Use technology to create advantage

Effective use of technology in planning, monitoring and controlling rural operations differentiates high performers from the average. Technology improves efficiency, optimizes costs and can increase customer loyalty.

MIS dashboards can also boost efficiency of rural operations by providing sophisticated real-time monitoring and reporting. One of the largest FMCG companies in India gives its sales force tablets to expedite information flow and increase sales visibility. The company is using mobile phones for daily SMS status updates, which help planning and drive improved efficiency. One Rural Master has automated back-end processes and uses data entry and information management to ensure sales visibility through the point of sale (POS) systems where transaction information is automatically captured and maintained.

Figure 21. Organizational structures for managing rural operations
More than 50 percent of our survey respondents have separate rural divisions to manage their rural operations. Which of the following statements best describes the way in which your company manages its rural operations?

- Product divisions from headquarters directly manage the rural operations
- Separate rural division within headquarters has been established to oversee rural operations
- Separate autonomous division within each region manage rural operations
- Bulk of the operations done by third party, lean corporate leadership providing oversight
- Not Specified

Source: Accenture survey

Figure 22. Attractive rewards can improve sales force productivity
About half of the companies we surveyed consider attractive rewards for achieving targets as the best way to improve the rural sales force productivity.

Please indicate the actions which your company is taking to improve the rural sales force productivity.

- Attractive rewards for achieving targets
- Using technology to stay connected and for information sharing
- Use of data analytics for sales force sizing
- Sustained investment in skill development
- Enhance product awareness through above the line (ATL) and/or below the line (BTL) campaigns
- Constant communication with senior leadership
- Rural compensation with higher variable compensation component

Source: Accenture survey
Technology can also give companies visibility into channel partner activity. Some Rural Masters, for example, have integrated seamlessly with channel partners to support better demand forecasting and sales pipeline management (see Figure 23).

In addition, technology can help increase customer loyalty. By recording and analyzing customer purchase data, companies can forecast expected behavior. Such forecasts can guide key business decisions including rural market product portfolios, sales pipelines and identification of target segments to serve. Some Rural Masters also track incremental profits, which helps them define profitable customer strategies. A leading auto company, for example, has integrated its systems end-to-end to track product-level incremental profits.

The process uses multiple systems to report key data points such as call center customer data, productivity numbers from customer relationship management packages, gross margins and operating costs from the company’s enterprise resource planning system. The ability to track incremental profits at the product level has helped the company optimize its business strategy.

Figure 23. Technologies are empowering rural sales forces
The companies we surveyed are using a wide range of technologies to empower their rural sales forces. Laptops, internet connection and SMS-based reporting top the list.

Can you please indicate which areas of technology has your company used and which are the areas that the company is planning to invest in?

<table>
<thead>
<tr>
<th>Area</th>
<th>Plans to invest in</th>
<th>Being used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empowering the sales force with laptops and internet connection</td>
<td>63%</td>
<td>34%</td>
</tr>
<tr>
<td>Use of technologies like SMS based reporting</td>
<td></td>
<td>28%</td>
</tr>
<tr>
<td>Integration of the company and the channel partners on IT systems like ERP and CRM</td>
<td>41%</td>
<td>29%</td>
</tr>
<tr>
<td>Empowering the sales force with hand held devices to collect and place orders</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>Rural analytics (Understanding of customer segment and buying behavior based on statistical analysis)</td>
<td>26%</td>
<td>18%</td>
</tr>
<tr>
<td>Use of technologies like mobile money</td>
<td>25%</td>
<td>22%</td>
</tr>
<tr>
<td>Setting up of internet kiosks which can help business grow</td>
<td></td>
<td>18%</td>
</tr>
</tbody>
</table>

Source: Accenture survey

An Ongoing Journey

Rural markets in India hold great promise for businesses aspiring for long-term growth. There is ample evidence to indicate that there exists strong linkage between rural mastery and business success. Companies seeking to enter or expand their footprint in rural markets must ask themselves how they will build a sustainable competitive advantage in the long run to avoid being outmaneuvered by competitors.

Over the next few years, various new approaches will emerge. Companies will have to look for new models to harness this opportunity in ways that protect their margins while growing revenue. Speed will be important, but so will be planning—and then executing on the plan with regular recalibration.

Deploying the right sales and distribution model can assist companies in driving profitable growth in a relatively short span of time. Rural Masters may find ways to scale operations without hurting their bottom line. For a Rural Performer, the challenge may be to create differentiated offerings and brand loyalty to retain customers and sustain their business models. Rural Voyagers may build their own ecosystems and brand awareness to acquire new customers. New Entrants will travel their own paths to penetrate rural markets.

Beyond individual structures or models, companies will also have to build trusting relationships with local communities. Building trust can support a company’s aspiration to innovate and grow. By focusing on the specific needs, behaviors and preferences of the rural consumers, and by applying a systematic approach to market expansion, companies can accelerate their rural expansion journey. Success will require ongoing effort. But it is certainly not impossible.

Focus and discipline will be critical. Companies need to target the right consumer segments and then apply a structured approach to understanding rural consumers and determining how to do business with them. Unstinted support within the organization will also be critical to the success of any rural initiative. Most Rural Masters have a passionate sponsor with the senior management team who is committed to the business and strives for its development.

Companies should also be ready to experiment with different models, and move quickly by testing and learning. As rural market dynamics evolve at a more rapid pace, the existing go-to-market approaches are likely to become obsolete very soon and future success will be determined by the companies’ ability to continually reinvent themselves and align to the emerging realities. Rural Masters will likely be the companies who keep an eye on the future—achieve breadth of rural coverage and deeper penetration to realize the true potential of these markets—and achieve new pinnacle of high performance.
The National Sample Survey Organization (NSSO) defines rural markets as those areas with fewer than 5,000 residents, a population density less than 400 people per square kilometer and at least 75 percent of the male working population employed as agriculturists.

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