



Masters of Rural Markets Series

From Touchpoints to Trustpoints: Winning over India's Aspiring Rural Consumers

A large red chevron graphic pointing to the right, containing the text "High performance. Delivered." in white.

High performance. Delivered.

Strategy | Digital | Technology | Operations

The buying preferences of India's rural consumers are changing fast. They are more aspirational, striving to be able to purchase branded, high-quality products. They are more networked, using mobile devices to connect with family, friends and they are more discerning, no longer willing to accept inferior products simply because they cost less than others. Our latest research challenges many traditional assumptions about what rural consumers want and why. However, few companies have grasped these changes. To meet the needs of changing consumers, companies will need to embrace these new consumer realities and create advanced experiences that build trust and loyalty with rural consumers that are far more diverse and sophisticated than many appear to understand.

In this report, the product of extensive research involving consumers, business leaders, economic analysis and company case studies, we help executives get inside rural villages and better understand the changing consumers who live there. The third in our Masters of Rural Markets series offers new thinking and strategies for companies that want to take advantage of the rapidly growing opportunity in rural India.





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Foreword



From my conversations with business executives in India, I have learned that they are more confident than ever about India's rural market opportunity. And rightly so. It is indeed enormous, yet an untapped business opportunity, as we at Accenture have mapped out over the years in a series of reports on rural markets.

In a bid to capture a share of India's rural consumers' wallets, most businesses have placed their bets on building their geographic footprint. Physical reach is important, but it will not be enough in itself to ensure sustainable growth in India's rural markets in the long term. Companies will also have to extend their "mental reach" to rural consumers. The reason is that these consumers are changing fast—in terms of their attitudes, priorities and behaviors. And those changes are transforming how they make purchase decisions.

This report sheds light on some of these changes. Perhaps first and foremost, there is no longer one "rural consumer" — a generic entity who supposedly can be served profitably with one-size-fits-all go-to-market strategies.

To gain a profitable foothold in India's rapidly shifting rural markets, companies will need to understand precisely how these consumers are changing, how they differ (from each other as well as from their urban counterparts), and how they behave and make decisions at every step of the purchase journey. Companies will then need to use these new insights to configure more effective go-to-market strategies.

In this report—the third in our Masters of Rural Markets series—we describe how India's rural consumers are changing on three key dimensions—changing in ways that defy longstanding stereotypes and outdated assumptions. Specifically, they have grown more aspirational, networked and discerning. Though still value conscious, they examine far more than price in deciding whether a product or service will deliver the forms of value that matter most to them. Thanks to greater access to information on the consumption and lifestyle options available to them, they are expecting and demanding more from companies—not only in terms of product quality but also in terms of customer service and shopping experiences. These new realities have significant implications for companies' brand and marketing strategies. Thus, in addition to describing how rural Indian consumers are changing, we present a segmentation framework suggested by our research data and analysis.

I hope you find this report useful to win the hearts, minds and wallets of millions of rural consumers who are waiting to be served—in new ways, and with new offerings. These consumers have already begun deciding which brands they will give their loyalty to. Those choices will likely solidify soon, and will endure for years to come. So, why not act now to win and keep their business?

Sanjay Dawar
Managing Director and India
Lead – Accenture Strategy



Executive Summary

The buying preferences of India's increasingly valuable rural consumers have changed rapidly over the past few years. Our research shows, however, few companies have grasped these changes. To secure a profitable foothold in India's rural markets, they will have to focus more on understanding the minds of their customers—what they really want and why—in order to win their long-term trust.

The buying preferences of India's increasingly valuable rural consumers are changing fast. Rural consumers' income levels are rising, enabling more of them to buy products and services that improve the quality of their lives. These economic trends, along with socio-economic changes and recent advances in technology, have also triggered changes in how rural consumers make purchase decisions and what they buy—and from whom. Consumers in India's hinterlands now view value through a broader lens as well—seeing it as more than just about price. And they expect more from companies than their predecessors expected.

To better understand rural consumers' evolving needs and wants as well as assess the extent to which companies are keeping pace with these changes, Accenture launched an extensive research study. Specifically, we set out to identify how these consumers' attitudes, behaviors, priorities and expectations are changing and what leading companies are doing to succeed in these markets. The study included 10 focus-group discussions with rural consumers in 10 Indian states, a quantitative survey of 2,800 rural respondents in 8 states, interactions with executives from more than 70 of channel partners and in-depth interviews with more than 40 business leaders.

Rural consumers are changing in three fundamental ways

Our findings suggest that India's rural consumers are changing on three critical fronts. Specifically, they are more:

- **Aspirational.** Research indicates that the Indian rural consumers are driven by a deep desire to provide their children a better future through education and healthcare. About 50 percent of the survey respondents claimed that they plan to spend more on education of their children and healthcare of their family in the coming year. Many rural consumers are also more savvy about brands, and are trading up to get higher-quality product features that boost their social image and are experimenting with new product and service categories. Nearly 71 percent of survey respondents claimed to have purchased branded products and 59 percent said they see them as trustworthy and reliable.
- **Networked.** They are better connected in both the physical and digital sense. And many rural consumers proactively seek information through multiple sources. 83 percent of our survey respondents claimed that they go to nearby cities to make their bigger purchases. Women and children now play a more empowered role in purchase decisions.
- **Discerning.** They are street-smart about common retailer ploys and schemes, view value through a broader lens and share more information with an increasing number of peers. Tellingly, only 7 percent of respondents said that advertisements have influence on their final purchase decisions.

Rural consumers can be classified into four segments

We drew on our research data to define four key rural consumer segments:

- **Traditionalists** are the conservative rural consumers that rely on conventional channels to make their purchase decisions. Necessity drives most of their purchase decisions and they typically purchase the cheapest offerings available, even if that means compromising on features and aesthetics.
- **Steady Climbers** aspire for a more comfortable lifestyle. They want to enhance their social standing among their peers, and strive to do so by buying branded products and offerings.
- **Young Enthusiasts**, rural consumers aged 18-28, make extensive use of digital technology and buy branded products to enhance their social image. They powerfully influence the decisions of other consumers segments.
- **Village Elites** are the progressive rural consumers, boasting high education and awareness levels. They desire the best in product quality, features and aesthetics.

Letting go of long-held assumptions

Our study debunks several longstanding assumptions about rural consumers that have prevented companies from understanding who these consumers really are and establishing long-lasting brand relationships with them – on fronts such as what they value, who influences them, when they make purchases, what they expect of after-sale service, which purchase channels they use most often and what they think of different types of advertising and marketing campaigns.

To gain wallet share in India's rural market, executives need to grasp the nuances of the purchase journey that rural Indian consumers take. They can then better meet the new imperatives facing their company at each milestone in the journey. We call such milestones "trustpoints" instead of "touchpoints," because they constitute critical moments where companies can build trust with the customer—or destroy it. At each of the following stages of rural consumers' purchase journey, companies must meet specific imperatives if they hope to win and grab a bigger wallet share of these customers:

- **Need recognition.** Deepen the understanding of rural consumers and shape the market by identifying and targeting the right consumers. Ensure the brand communication is simple, customized and entertaining to capture the attention of rural consumers.
- **Awareness.** Customize the marketing mix by product and geography. Leverage non-traditional media and explore mobile marketing to maximize impact.
- **Consideration.** Defining an irresistible value proposition that looks beyond pricing as a long-term source of differentiation. Demonstrating the results and benefits that a product delivers especially for product categories that are relatively new to rural consumers.

- **Validation.** Identify and engage the most relevant influencers for the consumer segments you have targeted, to strengthen trust and win loyalty. Establish a dialogue with those influencers to inspire trust, loyalty and positive word of mouth.
- **Purchase.** Offer expert advice and differentiated service and enhance the offline and online shopping experience for attracting rural consumers who are eager to trade up in terms of their purchases and shopping experiences.
- **Experience.** Differentiating themselves through service, by offering exceptional after-sales service, such as repair and maintenance. Delivering on the brand promise to avoid frustrating rural customers, as frustration pushes them to consider switching to other brands.
- **Advocacy.** Nurture advocates by promptly addressing problems to preempt negative word of mouth. Listen to customers across all touch points to further avoid negative word of mouth and to find out what makes them happy.

In summary, most businesses have tried to capture the rural market opportunity by building their geographic footprint—hoping that reaching rural consumers this way would guarantee a share of their wallet. Yes, physical reach matters, but it will not be sufficient in itself to ensure sustainable growth in the future. Companies will also need to make concerted efforts to connect "mentally" with the rural consumers to really understand how rural consumers are then using those insights to create more advanced experiences that build trust and loyalty with these consumers, at every step in the purchase journey.

1. The Many Faces of India's Rural Consumer

Rural India is changing—fast. The past decade has brought prosperity to the nation's hinterlands, and with it, optimism.

Given the roughly 850 million people living in 650,000 villages throughout India, most companies recognize that they cannot afford to overlook these consumers. Many companies have focused their efforts on expanding their geographic reach over the past few years. However, they often overlook a critical reality: the socioeconomic milieu in which rural consumers make purchase decisions is changing on multiple fronts. Not only are their incomes rising, these consumers also have unprecedented access to mobile phones, the Internet and cable TV—so they are more digitally connected than ever. And thanks to improvements in road networks, they are also physically connected to one another and a wider array of shopping outlets in nearby cities.

Accenture undertook an extensive research effort to understand how rural Indian consumers' behaviors and attitudes have evolved in recent years and what influences their buying behavior most strongly. The study included focus-group discussions in 10 Indian states as well as a quantitative survey that went to more than 2,800 consumers in 320 villages and 32 census towns in 8 states. We also conducted in-depth interviews with more than 40 executives from companies in an array of sectors who specialize in sales, marketing and rural consumer insights as well as 72 channel partners.

Our research findings reveal a transformation in how rural consumers make their purchase decisions and what they are buying. (See Figure 1.) Most notably, they are moving away from purely economic concepts of value (equating value with the lowest possible price) toward a broader notion of value that includes the utility, aesthetics and features of a product or service combined with price. The expectations of today's rural Indian consumers also differ markedly from those of previous generations and will likely continue changing.

As part of Accenture's study, we identified nine behavioral characteristics emerging among India's rural consumers. We then organized these characteristics into three broad dimensions: "Aspirational," "Networked" and "Discerning." (See Figure 2.) In the sections that follow, we take a closer look at the distinctive behavior changes in each of these dimensions.

Figure 1: How rural consumers conceptualize shopping

Rural consumers associate a diverse set of concepts related to shopping

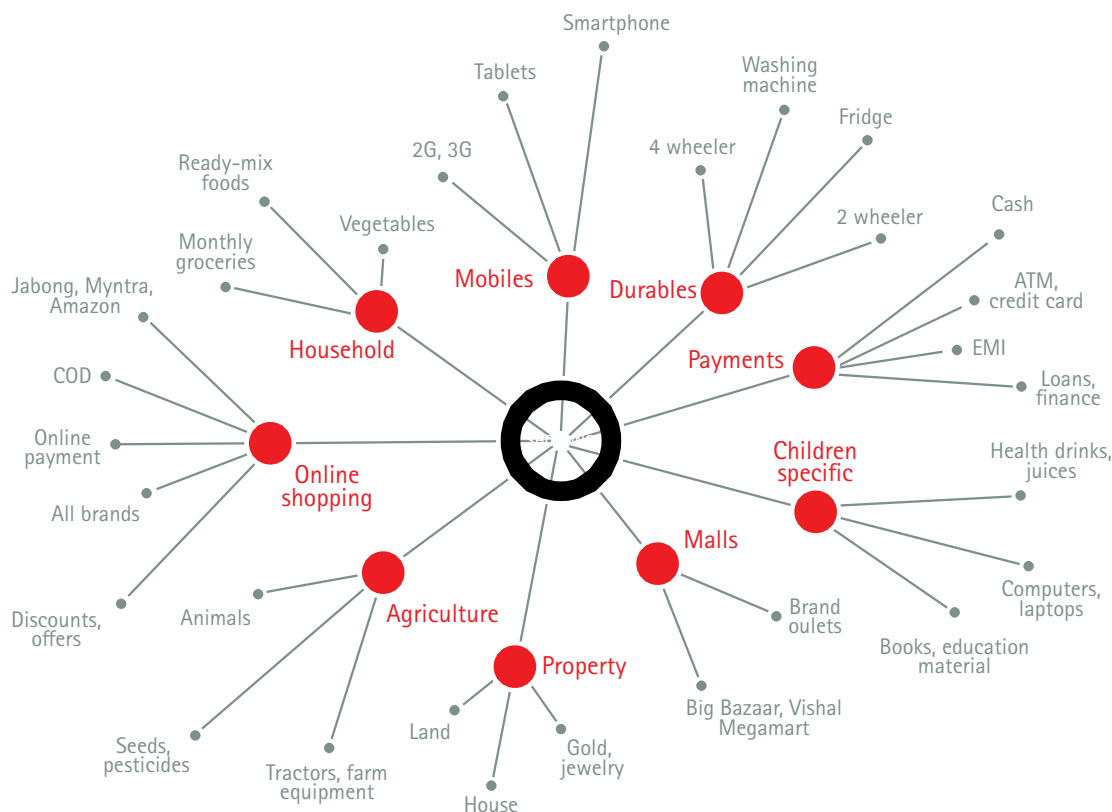


Figure 2: Three dimensions of behavior change

Today's rural Indian consumers have higher aspirations, are more strongly networked physically and digitally, and are discerning

Aspirational	Brand Savvy	Willing to invest in branded products to ensure quality
	Trading up	Want more features, better design to boost social image
	Exploring	Adopting new categories, using alternative channels
Networked	Connected	Increased online and offline interaction with urban counterparts
	Proactive	Seek information through multiple sources
	Empowered	Active role of women in decision making
Discerning	Street-Smart	More aware, not prone to fraudulent schemes
	Value seeking	Evaluate total value of investment, not just price
	Social	Information sharing with strong peer effect



Aspirational

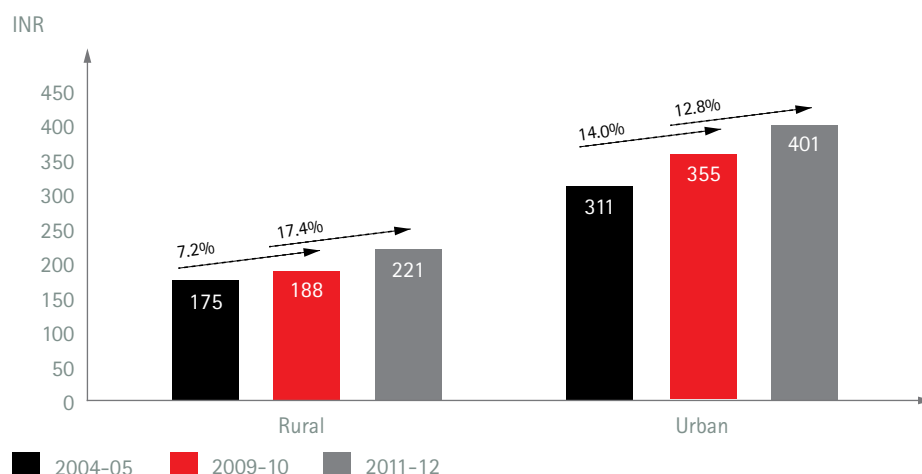
As income levels have grown, the number of rural consumers with enough money to satisfy their most basic needs — food, water, shelter — has also risen. Monthly per capita spending among rural consumers jumped 17 percent between FY2010 and FY2012, higher than the 12 percent increase among urban consumers. (See Figure 3a.) A rise in disposable income has also triggered changes in what rural consumers buy.

Spending on non-food items rose from 40 percent of total spend in FY2005 to more than 50 percent in FY2012. (See Figure 3b.) One of the biggest drivers of growing rural demand over the past few years has been the rise in rural wages. Rural wages have recorded a sharp increase of 17.3 percent during the period FY2009–FY2013ⁱ. Some of the factors that have caused the spike in wages include government policies such as MGNREGA (rural employment scheme), a rise in minimum support price of food items, better realizations for food commodities in the international markets and increased participation of rural labor in construction industryⁱⁱ.

Figure 3a&b: Consumer expenditure in Rural India

Monthly per capita spending among rural consumers jumped 17 percent between FY2010 and FY2012

Monthly Per Capita Consumer Expenditure (at constant prices 1993-94)



Composition of Consumer Expenditure

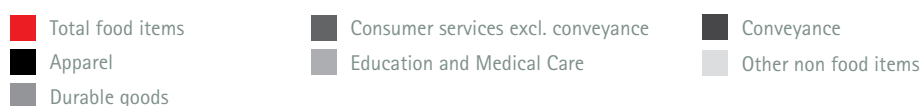
2004-05



2009-10



2011-12



Source: National Sample Survey Organization

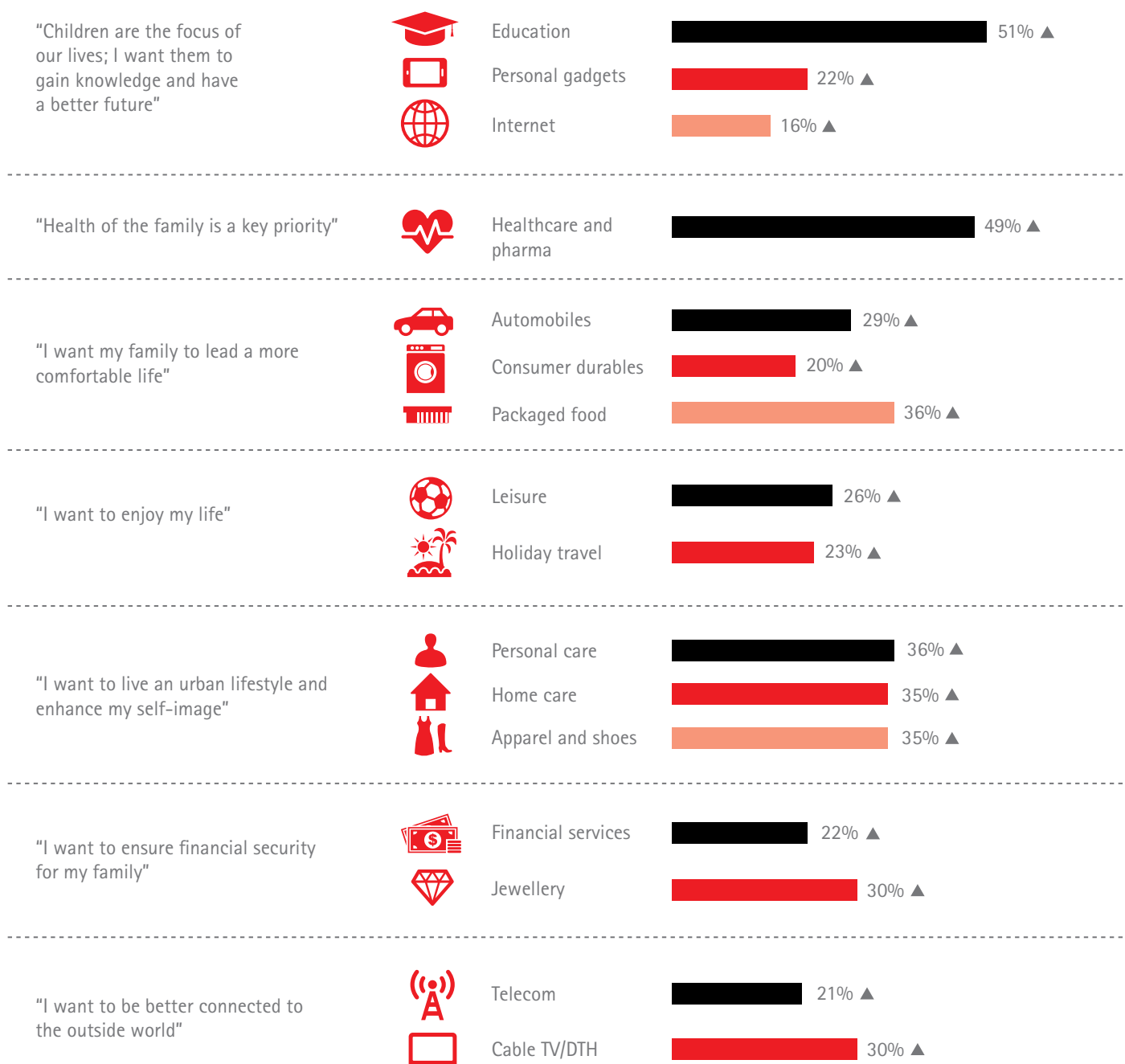
As incomes are rising, our research findings indicate the aspirations of the rural consumers are driven by a deep desire to provide their children with a better future through education and healthcare. They are strongly family-oriented and want to ensure that their children do not have to undergo the same hardships that they have experienced in their lives. About 50 percent of the survey respondents claimed that they plan to spend more on education of their children and healthcare of their family in the coming year. (See Figure 4).

A growing number of rural consumers today are also seeking convenience – looking for convenient products which allow them to live life more comfortably. The recent Indian Census data shows that as many as 35 percent of rural households have both husband and wife earning money for their families, as compare to 25 percent double income households in urban India. This can help explain why rural consumers are actively looking for solutions that can help save time and make their life more convenient so that they can focus their time and energy on improving their child's future.

Thanks to growing mobile penetration and access to various forms of media, rural consumers also understand—and aspire to—the urban lifestyle. For them, progression toward this dream is represented by a shopping "basket" containing products from categories they have not purchased from in the past. The defining characteristics of this behavioral dimension are brand savviness, an interest in trading up and a willingness to explore.

Figure 4: Rural consumers' rising aspirations

A large number of rural consumers plan to increase their spend on education, healthcare and gadgets that will help them lead a more comfortable and urbane lifestyle in the coming year



Brand savvy

With soaring aspirations for a better lifestyle, rural consumers are also increasingly brand savvy. Our research reveals that rural consumers acting on their aspirations put much faith in brands, more for practical than emotional reasons. In fact, 71 percent of our survey respondents claimed to have purchased branded products and, 59 percent of consumers said they bought brands because they stands for quality and trustworthiness. (See Figure 5.)

Image consciousness also drives Aspirational behavior. Many rural consumers take immense pride in owning popular brands and believe that such ownership enhances their social standing. But they also believe that a brand is popular because of its quality and its distinctiveness.

Figure 5: Reasons for buying branded products

Rural consumers purchase brands because they see them as trustworthy and reliable



"I prefer buying LG or Samsung washing machine, because if we are spending so much, then we better buy brands rather than buying some local ones which can get damaged soon."

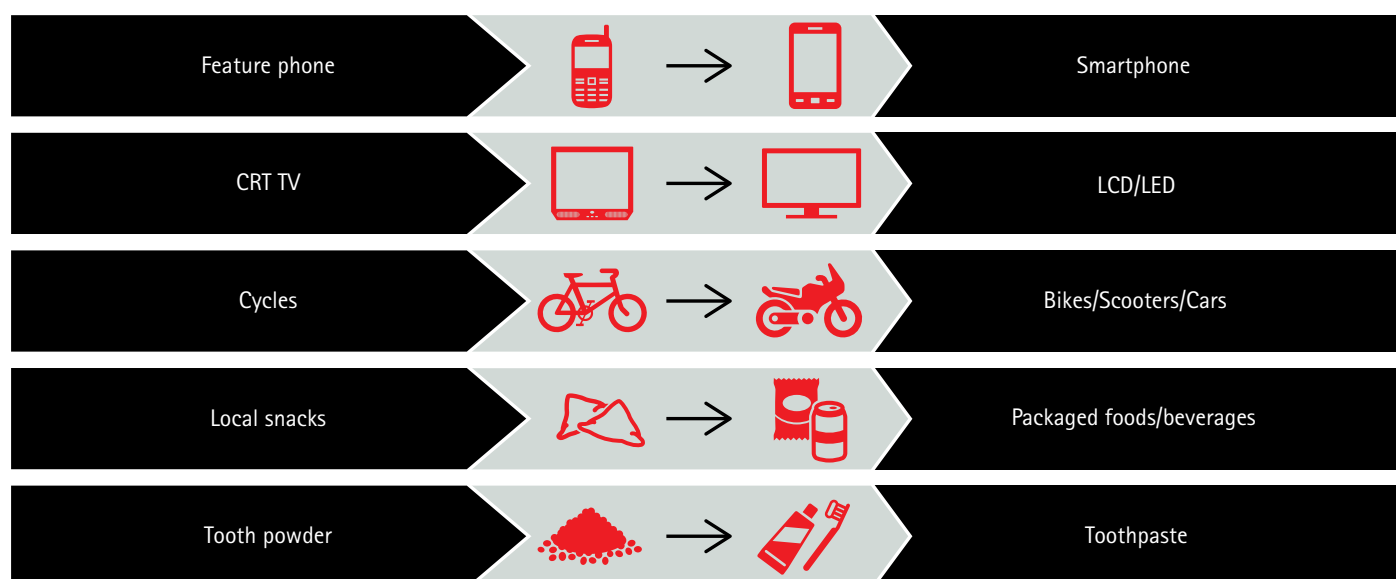
– 24, Male, Maharashtra

Trading up

In aspiring to a better life, many rural consumers are also trading up in most product categories. Nearly 42 percent of our survey respondents indicated product upgrading as a reason for spending more in a category. These consumers are defying conventional wisdom which says that rural consumers care most about getting the lowest possible price and will settle for sub-standard offerings to get the best deal. Our study findings suggest that they do not want to be seen as people who cannot afford good-quality, branded products. They no longer want to put up with stripped-down, cheap versions of products. Instead, they also desire aesthetically appealing offerings with better features that make life more comfortable and that elevate their social standing. (See Figure 6.)

Figure 6: Trading up

In many product categories—from the simplest to the most sophisticated—rural consumers aspiring to better lives are finding ways to trade up



"We earlier used Kesh Nikhar Soap; now we are using shampoo. We earlier used normal hair oil; now we use Shanti Amla hair oil. We used to use Colgate powder; now we use toothpaste. This is how our shopping habits have changed."

– 28, Female, Gujarat

Explorers

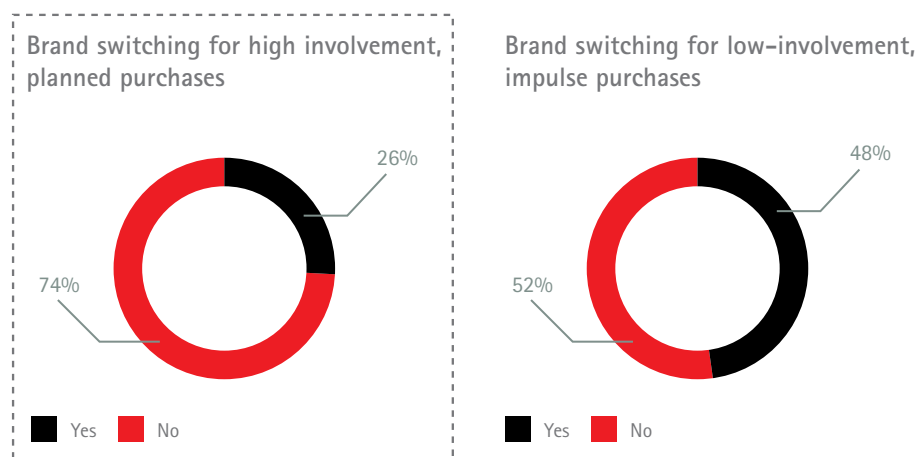
Rural consumers with rising aspirations are also more open to experimenting, as evidenced by their willingness to go beyond their comfort zone and buy from new product categories. Products from new categories range from white goods and computers to packaged foods and health and beauty aids. Our survey indicates 15-20 percent of rural households have purchased automobiles, consumer durables and personal gadgets in the last year. Among such households, 20-30 percent plan to buy more consumer durables next year. The motivations driving this exploration with new kinds of offerings are diverse. Our research findings indicate that there is a class of products that are in demand by rural consumers to satisfy the urge to establish their social status in their villages and meet their desire to live an urban lifestyle. These

include mobile phones, TVs, refrigerators and the like. With the rise in double income families, there is a class of working rural women are actively looking for solutions that can assist them in saving time and effort required for daily household chores like cooking, washing clothes etc.

With multiple brands flooding into the market, exploring new kinds of offerings has become easier than ever. Rural consumers may feel loyal to certain products and brands, but that does not stop them from experimenting with new ones. Our survey reveals that rural consumers switch brands more often in the case of low-involvement, impulse purchases. For high-involvement purchases, switching is less common as it involves high level of planning. (See Figure 7.)

Figure 7: Brand switching in high-involvement versus low-involvement purchases

Companies have an opportunity to convert repeat buyers into advocates



"I had a basic phone earlier, but I wanted an Android smartphone. All my friends have Android smartphones these days. So, I bought a new phone for myself."

– 25, Male, Punjab

Networked

Rural consumers operate as members of tightly knit communities, with word of mouth playing a powerful role in their decisions and behaviors. Even today, some amount of sanction from the community is essential for rural consumers as they determine which brands interest them most.

With greater access to mobile Internet, rural consumers are even more tightly connected to one another offline as well as better connected to information sources online. Being more strongly connected has also helped them to become more empowered to take part in purchase decisions and more proactive in their search for information.

Connected

Technological developments, particularly deeper penetration of mobile telephony and direct-to-home (DTH) television into India's hinterlands, have further enhanced their connectivity. They are also constantly in touch (by phone or face-to-face visits) with friends and relatives living in urban areas, and they consume the same media—music, TV, movies—as urban consumers. The total number of telecom subscribers (mobile plus landline) in rural India crossed 378 million in July 2014ⁱⁱⁱ. And of the 205 million Internet users in India in 2013, 68 million lived in rural areas. Even more impressive, one-fourth of the 100 million people in India who access the Internet using mobile devices live in rural areas^{iv}. This base of digital consumers is only expected to grow further in times to come.

Proactive

Networked rural consumers are being increasingly proactive in the purchasing process, including shopping around and comparing prices and product attributes by gathering information from multiple channels, including digital.

Visits to nearby towns and cities are fueling this proactive stance by exposing rural consumers to more products and brands. About 50 percent of our survey respondents said that they visit nearby towns and district headquarters to make small-ticket purchases. Across categories, these consumers have taken a more meticulous approach to the purchase process, arriving at their choices thoroughly informed about what their options are and what offering will be right for their needs. They do not hesitate to venture farther out to buy what they want from a branded and reliable showroom in the nearest town or city.

"Google gives us great results for everything. We can get any kind of information. Google is God for us!"

– 25, Male, Maharashtra

Empowered

With ever-greater access to multiple sources and increasing volumes of information, rural consumers in India are far more empowered than they were in the past, and they have many tools at their fingertips for using that power. They use the Internet to actively seek information about products and services. They can, for example, easily compare prices from a variety of sellers as well as check pricing on the Internet to ensure that they are not being overcharged by their nearest local shopkeeper.

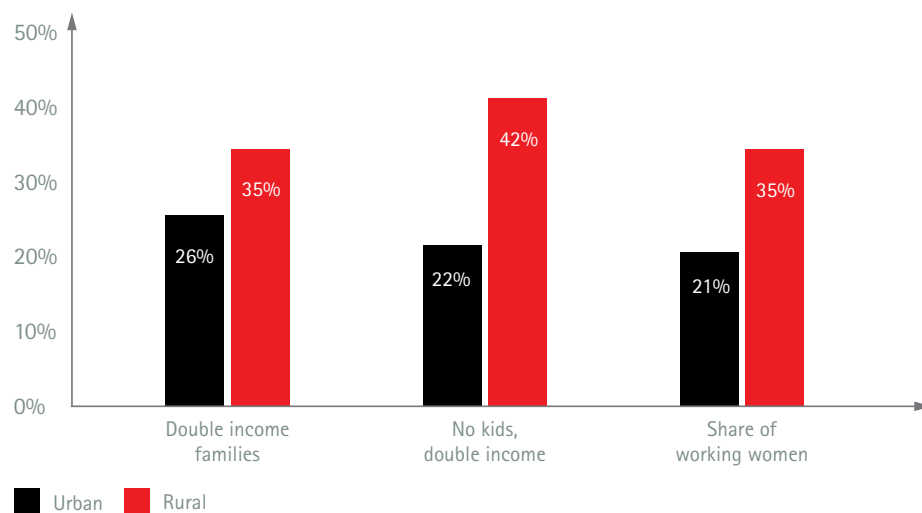
Meanwhile, improved physical and digital networks have supported the success of social and governmental initiatives aimed at empowering Indian women, such as microfinance models and women's self-help groups. Such initiatives have fostered female entrepreneurship, giving rise to a class of working rural women who have achieved financial independence. In fact, there are

more working women in India's rural areas than in its urban centers. (See Figure 8.) This development in part explains rising sales of the white goods and appliances that save time and effort for working women.

Moreover, many rural men have begun taking into account the opinions and preferences of the women in their household while making planned-purchase decisions, especially for consumer durables. This trend is more prevalent in progressive states. Rural women are also considered the key decision makers for personal care products, household groceries and other products often bought on impulse. About 20 percent of our female survey respondents reported shopping alone for planned purchases, whereas 36 percent shop alone for impulse purchases.

Figure 8: Working women in rural India

There are more working women in India's rural areas than in its urban centers



Source: Census of India, 2011

"If I want something today, my husband may not be able to come with me to buy it. He will only be able to go with me tomorrow or after two days. So it is better if I go and buy my own stuff rather than waiting for him."

- 28, Female, West Bengal

Discerning

Gone are the days when rural consumers could be duped into buying questionable products by the "dukan chacha," their local retailer, through fraudulent schemes, overpricing or hard selling. Consumers will no longer fall for these tactics. They no longer blindly accept a product only because it is low priced. At the same time, they will not buy something exorbitantly priced unless they are convinced of its utility and longevity. In their discernment, such consumers have evolved into vigilant shoppers who are street-smart about their options and about retailer ploys, seek value in forms beyond just price and are decidedly social, sharing more information about their purchase experiences and concerns with more peers.

Street-smart

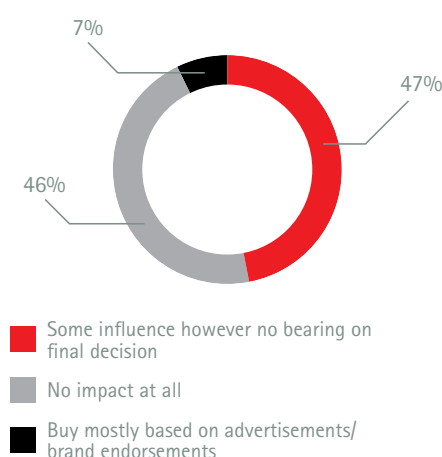
With multiple sources of information at their fingertips, today's rural consumers are street-smart: They know how things work, and they remain one step ahead of the shopkeeper in their purchase decisions. They cannot be so easily swayed by advertisements, celebrity endorsements or false promises. Tellingly, 46 percent of our survey respondents said that advertisements have no influence and 47 percent said that it has limited influence but no bearing on their final purchase decisions. (See Figure 9.)

Rural consumers also no longer rely only on shopkeepers and retailers as their sole source of information on products they are considering. Indeed, many have realized that shopkeepers often try to sell them only those brands or product upgrades that will get the store owner a commission, rather than suggesting products that are right for the customer.

Figure 9: Impact of ads and endorsements on rural consumers' purchase decisions

Advertisements have less influence on rural consumers' buying decisions than companies might like to believe

Impact of ads and celebrity endorsements on purchase decisions



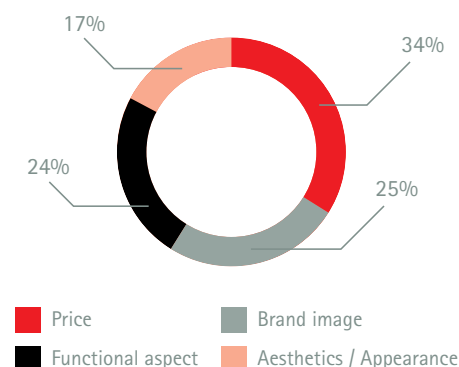
Value seeking

Rural consumers are more value conscious than price conscious today. In addition to considering price, they weigh other attributes, such as whether a product meets a unique need and will be durable. They may consider fine-tuning their budget to free up funds for a product that they really want and that they believe has all the forms of value that matter to them. But in such cases, they want to feel confident that the purchase will be worth the extra money. Our survey findings suggest that while price continues to play a large role in purchase choices (34 percent), brand image, functionality and aesthetics also matter (66 percent). (See Figure 10.)

Figure 10: Considerations weighed during purchase decisions

In addition to price, brand image, functionality and aesthetics matter to rural consumers considering a purchase

Weight-age attributed to various considerations while shopping



Social

Rural consumers also interact and socialize with one another more than their city counterparts do. Our research shows that those considering a purchase talk with others who have used the product or service, to gain their impressions and suggestions. Word-of-mouth recommendations from friends and family remain the biggest source of information in both planned and impulse purchases—bigger than television advertisements and company marketing campaigns. Our research further suggests that rural consumers, even if they cannot do much about their bad experiences with products or companies, do not shy away from spreading the word. In our survey, 63 percent of respondents said that they tell others around them when they have a bad purchase experience. (See Figure 11.)

Figure 11: The power of negative word of mouth

Rural consumers tell others about bad purchase experiences

Reaction to bad experience with an organization's marketing/sales practice



"I had been planning to buy a bike for a long time, and when the crops yielded good income, I thought of buying it. I consulted a few friends and researched a few brands of bikes available in the market and made a detailed analysis of the strengths and weaknesses of each. The most important factor to be considered while buying a bike is the strength of the bike. I had consulted a few friends about the bike they were using. Once I finalized which bike I wanted to buy, I went to the showroom and got the price details."

– 24, Male, Madhya Pradesh



2. Four Rural Consumer Segments





To succeed in rural India, companies must do more than understand what these consumers want and how they make purchase decisions.

They must also resist the longstanding tendency to view rural consumers as a homogeneous group. Our research indicates that increased awareness of possibilities along with rising individual aspirations are creating distinct consumer segments in India's hinterlands. Drawing on granular analysis of responses to our survey, we have defined four broad rural Indian consumer segments. (See Figure 12.)

While these four segments can help companies develop more tailored marketing strategies, consumers within each segment are not identical in their preferences, behaviors and needs. Thus companies will need to further customize their offerings and strategies to appeal to those sub-segments.

Figure 12: The four rural consumer segments

Rural consumers can be categorized into four broad segments

	Traditionalists	Steady Climbers	Young Enthusiasts	Village Elites
				
	Price sensitive, necessity driven (41% of survey sample)	Comfort driven, aspiring class (27% of the survey sample)	Image enhancing, brand-conscious (2% of the survey sample)	Quality seekers (30% of the survey sample)
Buyer values	"I buy the cheapest products" "I buy things because I need them"	"Increased Affordability" "I want to keep up with the prevalent lifestyle" "Friends spend on this"	"I buy products bought by city people" "I buy image-enhancing products" "I want to differentiate myself"	"I want top quality" "I buy higher-priced versions of brands" "I buy products to serve my own unique needs"
Education	Semi-literate	Semi-literate	Spread across education levels	Well educated
Buying pattern	Necessity driven	Increasing needs with rising incomes	Branded products (as they reflect social status)	Buy higher priced variants
Brand switching	Brand conscious but not always brand loyal	Willing to experiment new categories	More brand loyal	More brand loyal
Use of digital	Very low	Low	High	Medium

Traditionalists

Traditionalists are the conservative rural consumers that rely on conventional channels to make their purchase decisions. Necessity drives most of their purchase decisions and they typically select the cheapest offerings available, even if that means compromising on features and aesthetics. Many have harsh lives; thus, they approach buying decisions very cautiously. As an expression of their caution, many still feel more comfortable buying from local, well-known shopkeepers than from formal retail stores. Some may understand that branded products may be higher quality, but any affinity they have for such offerings is constrained by their ability to pay.

They often look to friends and family to source information and validate their choices. Traditionalists have minimal education and limited exposure to digital channels. They constituted 41% of the survey sample.

Traditionalist Profile

Name: Bhanushali
Age: 31
Gender: Female
Location: Gujarat

Bhanushali's kids used to watch TV at a neighbor's place, and she wasn't pleased with the situation. The neighbors would often treat her kids badly and would ask them to leave. Also, she felt that her family was cut off from the outside world without having a TV at home. After much contemplation, she and her husband decided to buy a TV. They sought advice from neighbors and friends and started saving for it. They finally bought a Videocon TV once they had saved enough money. The entire amount was paid in cash.

Steady Climbers

Steady Climbers want a more comfortable lifestyle. They want to enhance their social standing among their peers, and strive to do so by buying branded products and offerings from categories such as consumer durables, mobile phones and four-wheelers. Like Traditionalists, many are semi-literate and have limited exposure to the Internet. As with members of the rising middle class in urban centers, their newly increased spending power has them experimenting with new product categories and brands.

Most of them are members of closely knit families who value and respect the opinions of spouses, children and elders living in the household. Indeed, these consumers invest in their children's education to ensure the family's continued survival and upward mobility. Steady Climbers constituted 27% of the survey sample.

Steady Climber Profile

Name: Shambhu Kelkar
Age: 33
Gender: Male
Location: Maharashtra

Shambhu increasingly wanted to buy a four-wheeler. He frequently rode around on his two-wheeler and saw many fellow villagers driving around in their cars, so he felt that one day he should also own a car. But four-wheelers were expensive for him. He finally decided to buy a pre-owned four-wheeler.

Young Enthusiasts

Young Enthusiasts, rural consumers aged 18–28, make extensive use of mobile devices to access the Internet, and they buy branded products to enhance their social standing. Their key motivations behind their spending choices are the desire to live like their urban counterparts while also communicating their unique identity. For them, a brand's image speaks volumes about their social standing among their peers.

As they are more digital savvy, they powerfully influence one another as well as consumers in other segments who look to Young Enthusiasts' opinions about and experiences with products to make purchase decisions. Even though Young Enthusiasts constitute a relatively small consumer segment (only 2% of the survey sample), they are increasingly shaping decisions of people in other segments.

Young Enthusiast Profile

Name: Shiv Joshi
Age: 28
Gender: Male
Location: Maharashtra

Shiv had a basic mobile phone, and it worked fine. He had used it for almost two and a half years, and his friends told him to upgrade to a better one. He did not feel the need to buy a new mobile, as he used the Internet on his laptop. But he wanted to buy a new phone with better features so he could show it off to his friends. He used his laptop to search on the Internet for product specifications and features, and compared different brands and models. However, he wasn't convinced that he could get accurate pricing information on the Internet. He changed his mind when a friend told him about online shopping and introduced him to Flipkart.com. Shiv became convinced that he found a competitive price, and his friend's experience with the website gave him enough confidence to order his Sony Experia phone. He was extremely pleased with the doorstep delivery and the option to pay with cash on delivery of the product.

Village Elites

Village Elites are the progressive rural consumers, boasting high education and awareness levels. This group is highly aware of the best brands on the market and believe in buying the best even if that means paying a little more. Aesthetics matter to people in this segment, and they experiment liberally with brands and new categories. They also make substantial use of the Internet, but less so than Young Enthusiasts. They give product quality, features and aesthetics the most weight when considering potential purchases. Though they demonstrate loyalty to brands, it is still nascent. This offers immense opportunities for companies to lure them away from their current preferences with the right marketing strategies and a deep understanding of this segment. Village Elites constituted 30% of the survey sample.

Village Elite Profile

Name: Varalakshmi

Age: 26

Gender: Female

Location: Karnataka

Varalakshmi wanted to buy a washing machine because her relatives visited often, creating enormous loads of laundry that needed washing. Her mother already had a semi-automatic machine. Varalakshmi saw the machine as not very useful, because the clothes still need to be dried after being taken out of the machine. This meant double work. Appearance of the product also mattered to her: She was excited by machines that had designs and patterns drawn on them. Finally, she bought a Samsung fully automatic machine that also had the aesthetics she wanted.

Figure 13: Relative assessment of behavior change of four consumer segments

Village Elites and Young Enthusiasts rank high on the three dimensions of behavior change



3. Rethinking Assumptions about India's Rural Consumers

In our conversations with business leaders, one message came out loud and clear: while they consider India's rural markets important, many continue to focus their efforts primarily on setting up the distribution infrastructure needed to expand in rural markets.

About 59 percent of companies surveyed by Accenture in a recent study cited distribution efficiency as the key to success in rural markets, and 60 percent said their key priority was to improve channel strategy and coverage^v.

Distribution excellence is indeed critical for success in rural markets. However, it will not be enough in itself to ensure sustainable and scalable growth in the long term, given how quickly rural consumers are changing there. To win in this market, companies will need to develop more sophisticated consumer insights and let go of long-held assumptions about rural consumers.

Our study findings debunked several longstanding assumptions about these consumers—such as what they value and when and how they buy (to name just a few). The stereotypes reflected in these assumptions continue to distort many companies' view of rural consumers, preventing businesses from understanding how their needs and wants are changing. Without such an understanding, companies will have difficulty establishing long-lasting brand relationships with consumers. Below, we examine these assumptions and contrast them with the counterintuitive findings from our study.



What do rural consumers value?

Assumption

Rural consumers care only about price and seek stripped-down, low-cost versions of products.

Reality

Respondents attribute 66 percent weightage to brand image, functionality and aesthetics when making purchase decisions, while price carries a weight of 34 percent.

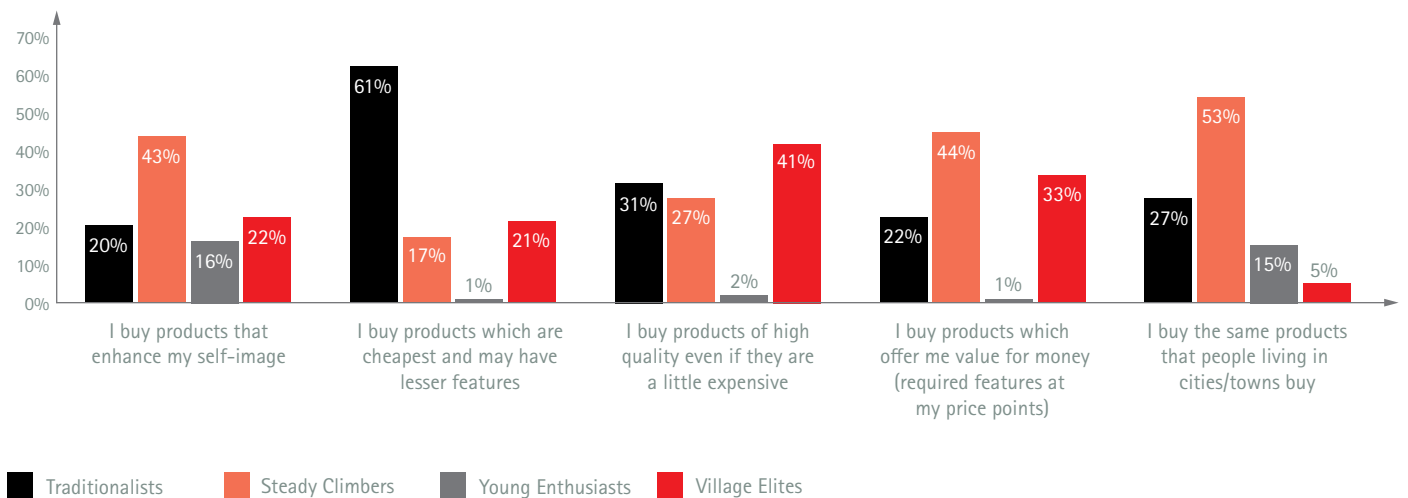
Rural consumers' values differ significantly across segments. (See Figure 14.) For instance, Village Elites and Steady Climbers care about product quality, features and aesthetics, in addition to price. Young Enthusiasts look for products that will enhance their social image. For Traditionalists, price still continues to be the key driving force, even if buying the least expensive option means compromising on features and aesthetics.

Companies can do well by keeping such differences in mind when designing products and tailoring brand messaging.

Figure 14: Key motivations underlying planned purchase decisions

Rural Indian consumers' values differ significantly across segments

Key determinants for planned purchases



When do rural consumers make big purchases?

Assumption

Rural consumers make most of their purchases after the harvest season and during festivals and other special occasions.

Reality

55 percent of survey respondents said they make purchases when the need arises rather than waiting for special occasions.

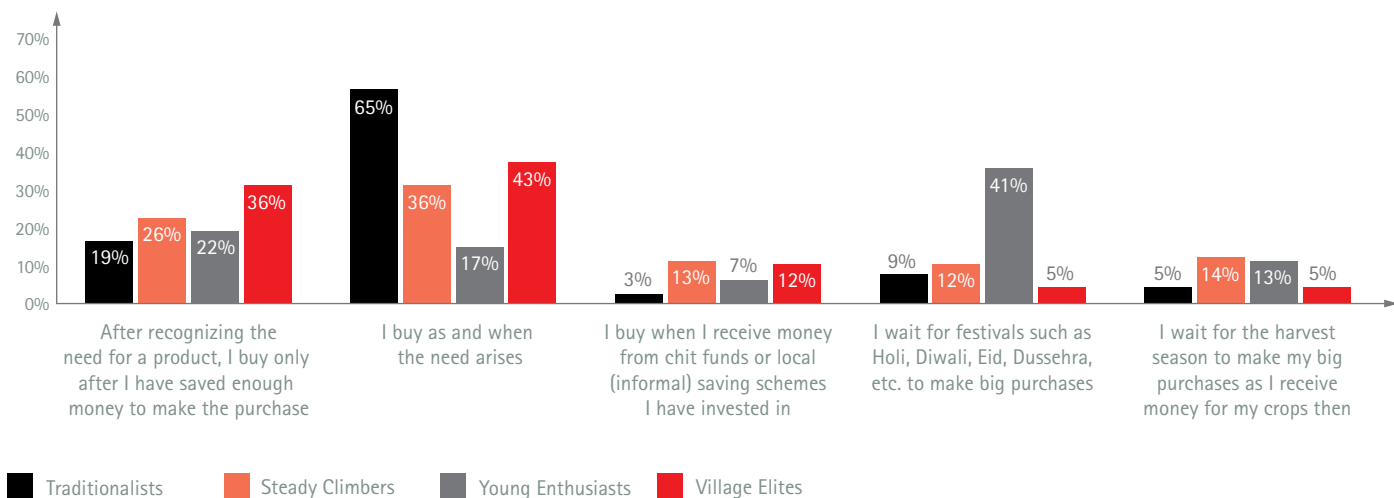
With greater access to information, stable incomes and growing awareness, rural consumers' time-of-purchase patterns are increasingly mirroring those of their urban counterparts. In our study, this was particularly true of Traditionalists, Village Elites and Steady Climbers. Meanwhile, only the Young Enthusiasts—who made up the smallest segment in our study—claim that timing of festivals and other special occasions strongly influence when they buy. (See Figure 15.)

Companies should keep these subtle nuances in mind while designing and timing their marketing campaigns to maximize the impact and reach.

Figure 15: Factors influencing timing of purchases

Most consumer segments make purchases as the need arises or after they have saved enough money to buy the product or service they want

Buying pattern for high value, planned purchases



"If a festival is approaching, say in the next 1-2 weeks, I will wait and buy during the occasion, as companies offer good schemes. Otherwise I just go ahead and make the purchase at the time when I need the product."

- 33, Male, Bihar

What sales channels do rural consumers use?

Assumption

Rural consumers make most purchases within or in the immediate vicinity of their villages, usually buying from the local retailer.

Reality

83 percent of survey respondents claimed that they go to nearby cities to make their bigger purchases.

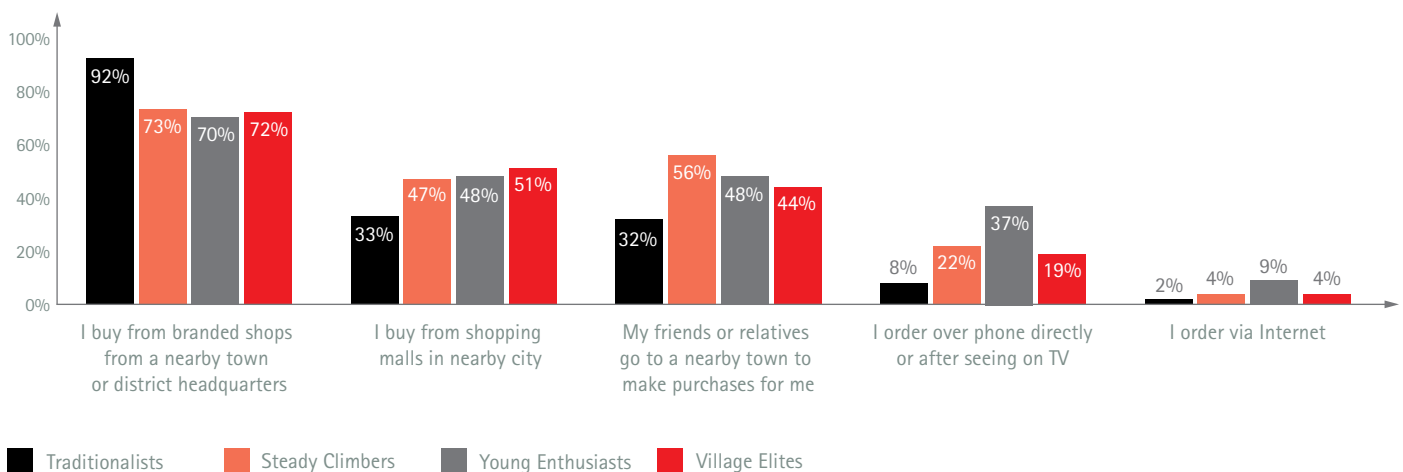
Our findings suggest a growing dissatisfaction among rural consumers with the product assortment available in their villages. The findings also point to these consumers' rising aspirations for an "urban-like" shopping experience that village establishments fail to provide. An increasing number of consumers, particularly from the Village Elites, Young Enthusiasts and Steady Climbers segments, reported visiting shopping malls in nearby cities or towns to make purchases, often accompanied by their immediate family members. (See Figure 16.) A small yet growing segment of rural consumers (25-34 year olds) is also browsing the Internet for information on products, brands and prices. Most of these individuals fall into the Young Enthusiasts and Village Elite segments.

However, few companies strive to enhance the shopping experience—on the assumption that these consumers do not expect such forms of value. Most enterprises also still depend on traditional channels such as retailer networks, which might not be exciting enough for rural consumers in India today.

Figure 16: Where rural consumers buy

Most rural consumers in India travel to nearby cities to make planned purchases

Places for making planned purchases



"Earlier, during festivals such as Diwali, there used to be a huge peak in sales. That has mellowed down in the urban areas. However, in rural markets, it still continues to be there. Whether it is festivals like Diwali when they get their bonus or during harvest season, the seasonal impact has not changed."

– An executive of leading consumer durables company

Who influences rural consumers?

Assumption

Traditional influencers—community leaders, village heads, retailers, school teachers—still have the biggest impact on rural Indian's purchase decisions.

Reality

Only 1 percent and 6 percent of survey respondents said that the key influencer for their last big-ticket purchase was the village head or the local shopkeeper, respectively.

Our research suggests that traditional influencers are losing some of their power, while newer sets of influencers have gained relevance for rural Indian consumers. In many households in rural India, women and children now have considerable influence on purchase decisions for some product and service categories. Other new influencers include professional experts (doctors, beauticians, architects) and progressive farmers.

Further, who exerts the most influence on purchase decisions varies across consumer segments. While Traditionalists rely on traditional influencers, Steady Climbers and Village Elites rely more on their spouses, their children and professional experts. Young Enthusiasts are taking the next step, seeking help from online sources to validate information in addition to gathering input from friends or family members.

To capture the opportunities offered by India's rural markets, companies will need to understand how influence is changing across consumer segments, and modify their marketing strategies accordingly.

"My cousin's sister used Fem bleach and said it's good, so I also bought it and if we like the product then we suggest it to others. My sister-in-law was using Dabur Red and said it cures your toothache and its taste is good, so we also started using it."

– 29, Female, Gujarat

How much importance do rural consumers place in TV ads and celebrity endorsements?

Assumption

Rural consumers' purchase behavior is strongly determined by TV advertisements, particularly those featuring celebrities.

Reality

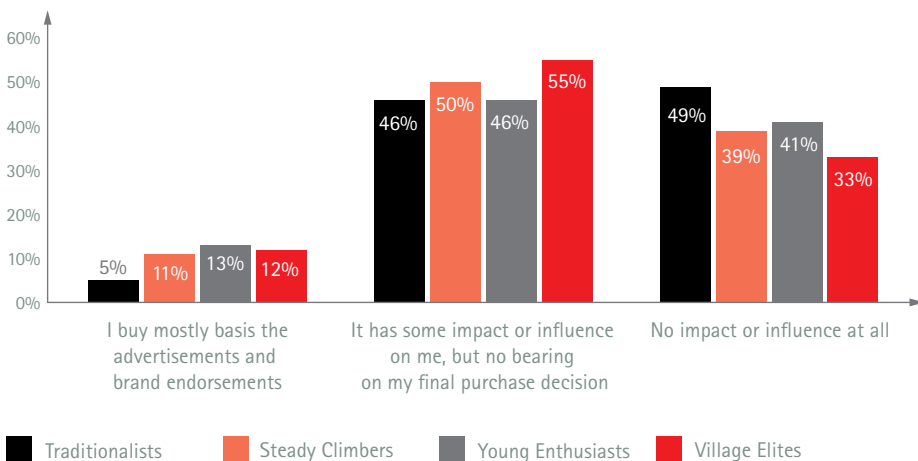
Only 7 percent of survey respondents claimed advertisements and celebrity endorsements have a role to play in their final purchase decisions.

Our survey reveals that, for rural consumers, TV advertisements are, at best, a source of information and entertainment and helps place the product in the consumer's consideration set but it has a limited impact on their final purchase decisions. 46 percent of our survey respondents claimed advertisements and celebrity endorsements have no influence at all and 47 percent said it has limited influence but no bearing on their final purchase decisions. Few respondents (not even Traditionalists) reported looking to advertisements and celebrity endorsements to make big-ticket purchase choices. (See Figure 17.)

Figure 17: Impact of ads and endorsements on rural consumers' purchase decisions

TV ads and celebrity endorsements have limited influence on rural consumers' purchase decisions

Impact of advertisements on purchase decisions



"If we are eating chyawanprash that is not because of Amitabh Bachchan (a leading superstar in India who endorses this product). It is because it is good for health. We will eat it even if Amitabh is not there. But maybe for a new product, if a celebrity is endorsing it, then it will catch our attention. We will think that it must be good, that is why that person is there in the ad, and will try the product."

– 34, Male, Bihar





4. Building Trust across Rural Consumer's Purchase Journey

To gain wallet share in India's rural market, companies need to grasp the nuances of the purchase journey that rural consumers take. The rural consumers invest significant time and effort to decide what to buy, where to buy and from whom to buy. Parting with hard-earned money to buy a better quality of life requires the consumer to entrust faith in the brand, product and the shop from where they make the purchase. Companies that can establish trust in the minds of these customers by making them "aware" of who they are and what they stand for and making themselves "available" closer to the consumers with products that offer the right value proposition supported by good after-sale service will go a long way in winning the "trust" of this emerging class of customers.

Key questions during the rural consumer's purchase journey

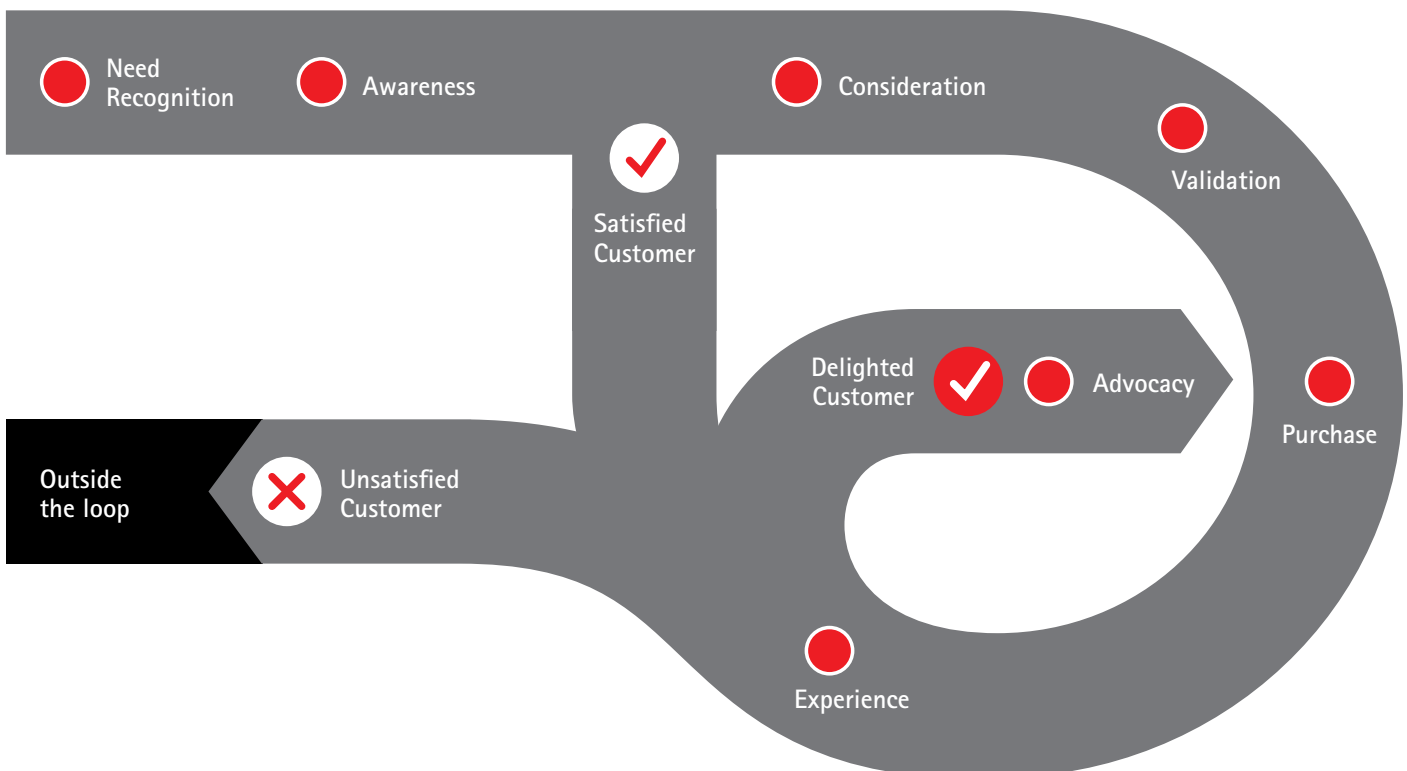
In India's complex and rapidly changing rural markets, a company risks losing customers during the purchase journey unless it can satisfy their needs and desires at each milestone of that journey. (See Figure 18.) We call such milestones "trust points" instead of "touch points," because these constitute critical moments where companies can build trust with the customer—or destroy it.

To build trust throughout the purchase journey, companies need to ask questions like the following:

1. What sources did consumers use to get information about products and services?
2. What caused them to consider our brand?
3. At what stage did our brand enter their awareness set? Their consideration set? And how did our brand perform when consumers evaluated it against other options?
4. What criteria do consumers use to evaluate our brand, and how do they validate their assessment?
5. Who influences consumers most powerfully during the journey, and at which stages? Do these influencers work for or against our brand?
6. Which factors sway consumers at the moment of purchase, and where do they buy our product or service?
7. How satisfied are our customers with their purchase and their post-purchase experience?

Figure 18: Rural consumers' purchase journey

The journey starts with need recognition—and can end with advocacy if companies build trust at every stage



Nuances of the rural consumer's purchase journey

The rural purchase journey is a bit longer than the urban one. Why? Rural Indian consumers deliberate long and hard over their purchase decisions and spend more time than urban consumers do on two stages in particular: need recognition, where something triggers awareness of a need that can be filled by a purchase; and validation, where consumers seek opinions and experiences from trusted others to select an alternative in their consideration set. Given how powerful word of mouth is among rural consumers in India, influencers and brand advocates play a bigger role in shaping purchase decisions of rural consumers.

On the other hand, extensive use of the Internet to gather information and online channels to buy has accelerated the purchase journey of urban consumers. They may even skip the validation step due to longer history of familiarity with the brand. Rural consumers who have little or no Internet access may use time-tested established but more time-consuming processes to travel through the purchase journey. Also, given they are less familiar with brands, rural consumers take much longer than urban consumers to decide that they trust a brand. But once they do, they will not likely desert the brand anytime soon. For high-involvement categories, they typically spend a few months gathering information, seeking advice from various sources to learn as much as possible about product features and brand differences. This is especially true in consumer durables and automotive purchases and in categories critical for people's livelihoods. Also, rural consumers take much longer than urban consumers to decide that they trust a brand.

Rural consumers also differ from their urban counterparts in terms of what they expect from companies and how much they trust them. While urban consumers have higher expectations, people in the countryside still want companies to treat them in ways that urban consumers may consider non-negotiable, such as treating them with respect and providing them detailed information about products and services. Finally, the rural consumers also spend a longer time in the store, seeking information and assurance from the retailers to make their final decisions.

Imperatives at each stage of the journey

At each stage of the rural consumer's purchase journey, companies must meet specific imperatives if they hope to not only win customers but also keep them coming back.

1. Need recognition

Though rural consumers' social milieu is changing, they will not embark on the purchase journey until they are convinced of the need for a product or service. Rural consumers may often be aware of the offering's existence but may not see its relevance, particularly if it is associated with urban lifestyles. For consumers who are unsure, companies can help resolve the uncertainty by educating them on the utility or the associated benefits, thus seeding the demand.

Develop a deep understanding of rural consumers

To develop and communicate a compelling value proposition for the rural consumers, companies will need to deepen their understanding of what rural consumers want and value. The understanding of rural consumer segments by marketers has traditionally been limited, due to lack of market research and representative data from credible sources. The rural consumers are often the least understood consumer segment, which often makes it difficult for companies to cater to their unique needs. This step is probably the most critical as all other levers of an effective marketing strategy are reliant on an in-depth understanding of consumer behaviors and attitudes.

How can companies bridge this gap? Achieving this level of understanding requires an investment in data collection and analysis, on-the-ground observations and carefully developed insights into different consumer segments and their needs. Companies must get creative in gathering customer insights, such as investing into diverse market research capabilities, tapping into local networks and partnering with agencies that possess usable customer data. Together, such an approach can help companies gain the market insights the need to craft differentiated, relevant offers for the rural consumers.

It is also critical to understand the nuances characterizing different consumer segments to get a better perspective of what motivates them to adopt a new category or a product or spend more on a particular category. (Figure 19.)

Shape the market by identifying and targeting the right consumers

The growing aspirations of rural consumers are generating enormous opportunities for a wide range of product categories that were unthinkable till a few years back. However, these are often latent needs and market does not necessarily exist for these products. Companies need to make conscious efforts to create market for these products by educating the customers about the relevance of the product for them. Also, the focus of companies needs to be market expansion and not gain market share at this stage. The first step towards market development is to identify and profile the right consumers who may have the means to buy products and services that are being offered. Since the rural population size and geography is large, companies need to focus their marketing efforts and resources by prioritizing the target consumer segments based on their product portfolio.

For instance, if the product belongs to a premium category, then the companies should target the Village Elites as they have the means to buy them and the fact that their behavior mirrors that of urban consumers would make these categories appealing to them. The most effective programs will induce consumers to try the product or service. Hindustan Unilever's (HUL) Perfect Village campaign is a case in point. (See the HUL case study.)

A number of leading companies are using data-driven, scientific ways to prioritize their marketing spend in rural markets. Traditionally, visualization of data was limited to spreadsheets and graphs. The problem was that more qualitative sociocultural data did not lend itself to analysis in such formats. But recently, some leading companies like Dabur have begun using new kinds of data-visualization tools, such as mapping solutions that let them see, for instance, how the per capita sales differs across different socio-economic regions within a state. Such solutions help companies gain a more useful picture of how their brand is performing in terms of its per capita consumption in different regions and how competitors' offerings are affecting that performance. Armed with these insights, companies can design more effective marketing campaigns and make smarter decisions about how to deploy their resources.

Case Study: Hindustan Unilever's Perfect Village campaign

Hindustan Unilever Limited (HUL) is a leading player in the Indian fast-moving consumer goods (FMCG) market, with a strong rural distribution network. India's rural market presents a huge opportunity for Indian FMCG industry, with a 70 percent share of the nation's population but only ~40% percent share in the FMCG market. For most of the FMCG categories, Rural growths have been outpacing Urban growths in the last few years.

However, operating in India's hinterlands presents unique complexities. For example, in the countryside, the top 17 percent of villages (totaling ~110,000) in terms of personal income contribute 60 percent of the rural market's wealth, while the bottom 34 percent of villages (about 220,000) collectively contribute only 10 percent of the market's wealth. HUL executives knew that adopting a one-size-fits-all go-to-market approach would be unwise. Thus HUL designed a strategy to expand sales, extend its distribution network and strengthen awareness of its brands. Developing a focused market development plan and using mobile as a marketing platform played key roles in this effort.

Focused market development

The strategy is embodied in HUL's Perfect Village campaign targeting the top 8,000+ villages in India's countryside in terms of economic potential. The campaign aims to develop markets for categories which are still nascent in terms of consumer penetration in those villages, such as hand wash, hair conditioner, face wash, body lotion and fabric softeners.

HUL strategy in Perfect Villages is to accelerate the category adoption journey to a pace resembling that of the company's urban markets. The hallmark of the campaign is a one-day promoter led intensive mass consumer contact program focused on experiential marketing coupled with engaging with Key Opinion formers. For example, the promoters demonstrate an engaging and interactive skit to the school children in the village schools (in the presence of school teachers) communicating the importance of hand washing and night-time brushing of

teeth. HUL promoters demonstrate of the benefits of hair conditioners, fabric softeners, etc to groups of women gatherings in some homes or community centers. Local retailers and beauty parlour owners are educated about the benefits of these new product categories so that they can further educate the consumers whom they interact with. This campaign is conducted twice a year, before and after the monsoons, at each targeted village. It has enabled HUL to initiate contact with millions of new potential consumers, school children, thousands of local store owners and beauty-parlor owners. Sales in these emerging categories in the Perfect Villages have been almost twice the sales of these categories in other villages not covered by this program.

Using mobile as a marketing platform

In many rural Indian villages, penetration of mobile telephony has outstripped that of other mass media such as television, radio and DTH. This is particularly true in Uttar Pradesh and Bihar. With these facts in mind, HUL set out to use mobile as a marketing medium, by launching Kankhajura Tesan (KKT). KKT is a mobile service that provides free entertaining content, such as jokes and movie songs, to subscribers in Bihar. The service is activated when a customer gives a missed call to a toll free number. He or she receives an automated call from HUL delivering entertaining content interspersed with advertisements for HUL products. Boasting a subscriber base of nearly 10 million, KKT has the largest listener base among radio stations in Bihar. The average time spent listening to the entertaining content per user per month is nearly 9 minutes.

Through these and other unique initiatives such as Project Shakti, a rural distribution initiative that creates livelihood opportunities for thousands of underprivileged rural women, HUL has extended its marketing, sales and distribution reach resulting in impressive revenue growth in India's rural markets.

Keep communication simple, customized and entertaining

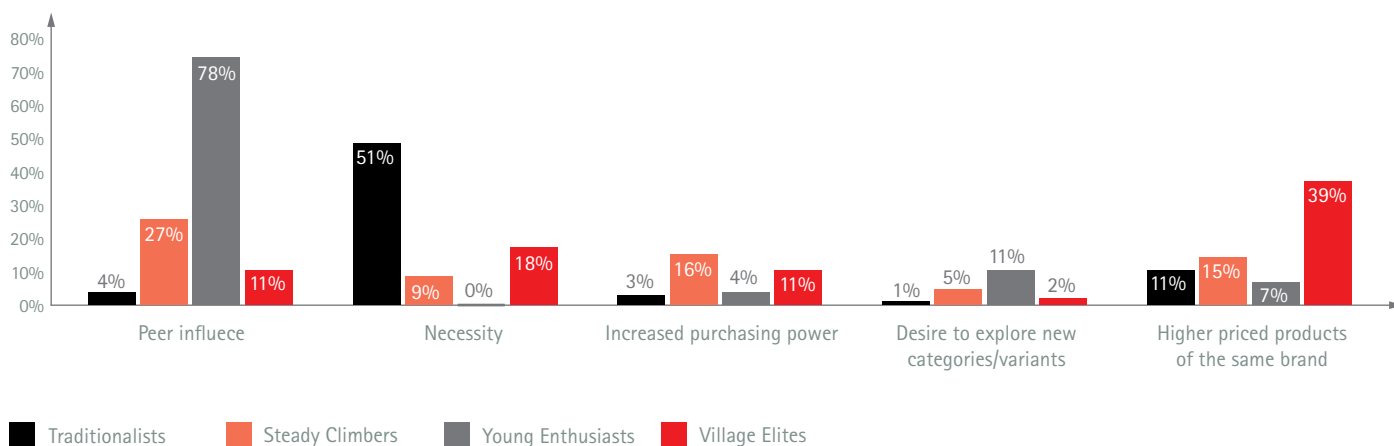
Innovative, simple and entertaining marketing campaigns stand the best chance of capturing the attention and resonating with the rural consumers. It is critical to keep in mind while creating the brand communication that a large part of the rural consumers are still not as sophisticated as their urban counterparts, so it is important to keep the communication simple and straightforward. It often helps to devise the communication in local language to easily connect with the consumers. Rural consumers have fewer entertainment choices, so any campaigns that provide them with free entertainment augurs well with them.

Pharmaceutical major Novartis is a case in point. Through its Arogya Parivar (Healthy Family) program, Novartis appointed health educators to systematically cover villages to create awareness of various health issues. The message focuses on prevention, identification of symptoms and solutions. To help people remember the content and be able to repeat it to others, program educators use storytelling through compelling characters such as seven-year-old Minu and her friend, a butterfly that turns into a wise, beautiful fairy. Educators are trained to play the characters. The storytelling is followed by several rounds of follow-up questions to help people clarify the key points. Arogya Parivar reached 2.5 million people in 2012 and 4.3 million in 2013, when it was partially implemented. It reached 6.2 million people in 2014 with full implementation.

Figure 19. Multitude of reasons underlying increased spend on new categories

Peer influence driving decisions for young enthusiasts, higher priced branded products influencing village elites while necessity remains key for traditionalists

Reasons for increased spend on a new category or product variant



"You have to demonstrate the proof while saying this hair conditioner will work. A lady is not going to spend 5 bucks just because you go to her in a fancy vehicle. You need to repeat the message, and we do that once before the monsoon, once after the monsoon, and we plan to continue doing it for a few years until it takes off."

– Executive of a leading FMCG company

Case study: Maruti's Video on Wheels campaign

Maruti Suzuki is India's leading automobile company for the past three decades. Over the past five years, the company has not only maintained its dominant position but it continues to gain market share. In the first 6 months of the current year 2014-15, it reported a 45% market share amongst passenger vehicles. Over these years, Maruti Suzuki has brought smiles to over 14 million customers.

While it may appear big number but the company recognizes that the Indian opportunity is much larger. With car penetration levels at around 16-17 vehicles per 1000 population, the potential to sell more cars is phenomenal.

Maruti has set out taking small steps to capitalize on this opportunity, knowing it will face challenges. After all, few rural consumers have upgraded from two-wheelers to four-wheelers; most still question whether they need them. Need creation poses a major challenge for automobile manufacturers. And since rural India is a largely untapped huge market, carmakers must target the consumer segments most likely to buy into this category, rather than trying to market their vehicles to all rural consumers (which would be an overly expensive proposition).

With these challenges in mind, Maruti Suzuki has adopted a multi-dimensional approach for targeting the right consumer segments and fostering need recognition.

Creating a need

Reaching out to focus segments in the local language and adopting catchy, easily and replicable models were the foundations on which the Rural Film was launched. The videos were made in local language and were of a short 10 minutes duration. The promotion of the Film was done through various mediums considering limitations of the Mass Media. Eg: DVDs were handed over to the Resident Dealer Sales Executives, locals recruited by Maruti to sell its cars in India's rural area, who would then take the film to educate rural consumers on the needs that four-wheelers could satisfy.

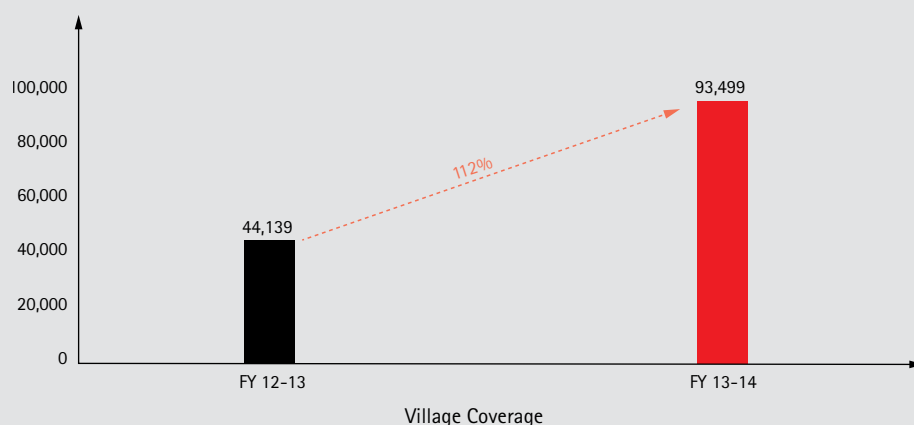
Maruti Suzuki launched its Video on Wheels campaign which was shown to locals in air-conditioned vans and driven around to different villages. The realistic videos use everyday examples in the life of the urban dweller to show the clear advantages that a four-wheeler brings along. Urban locale aided by local language made the video initiative a catchy and strong connect with the potential customers for Maruti Suzuki Cars. In a subtle manner the film communicates about the Maruti Suzuki vehicles and its extensive service network and convenient payment options.

Segmenting customers

Maruti has constantly fine-tuned its rural strategy. In 2007-2008, it started at the Gram Panchayat level, reaching out to 25,00,000 council members trying to sell four-wheelers. The following year, it shifted focus at the tehsel (group of villages) level by channelizing sales efforts here. Prosperous Farmers, Rural School teachers are among the many potential consumer segments identified by the company. There are more than 350 Niche Segments identified by the company. Turmeric Farmers in Erode, Rig Owners in Tiruchengodu, Tea Planters in West Bengal, Cotton Farmers in Gujarat, Apple Growers in Himachal Pradesh and Kashmir are examples of some of the Niche Segments identified by the company.

This segmentation framework helps Maruti's Rural marketing team tailor their efforts and channel their marketing investments toward the most promising prospective consumers. The company aims to reach more than 100,000 villages in 2014-2015.

Figure 20. Villages Covered by Maruti



2. Awareness

Once rural consumers have recognized a need that a product or service could fulfill, they look around for popular brands that meet their needs and are trustworthy. At this stage, it becomes critical for brands to enter the initial consideration set of the rural consumer as they tend to stick with those brands till a later stage in the purchase journey.

Customize marketing mix by product and geography

To achieve success in rural markets, companies should determine the right marketing mix, depending on the product portfolio as well as the geographic and customer specificities. The product category involved should influence companies' choice of media for fostering awareness of their offerings. For instance, marketing of new products or categories that are relatively underpenetrated in rural markets and require customer education is best done through below-the-line (BTL) activities such as demonstrating the product in the village haat or mela (which optimizes reach by creating more face-to-face interactions with consumers).

Some companies have found innovative ways to get maximum return from haats and melas. For instance, FMCG major ITC organizes Choupal Haats across Uttar Pradesh, Rajasthan, Madhya Pradesh and Maharashtra. Choupal Haats are marketing services events that facilitate engagement between rural consumers and brands in agricultural inputs, financial services, consumer goods, health care and other sectors. In 2013 alone, ITC conducted nearly 6,000 such events, enabling first-hand interaction with more than 5 million consumers. The FMCG giant customizes the design of each stall in a Choupal Haat to maximize participants' experience. For instance, visitors can get their hair washed for free at the shampoo stall; test-drive two- or four-wheelers at an automobile stall; participate in an entertaining game or an engaging quiz related to brands or categories; or get answers to their questions about any of the participating companies and products.

The success of this initiative hinges on careful planning of several pre-haat and post-haat activities. Before the haat, for example, ITC's team profiles the village and ensures that different segments of consumers walk into different stalls as targeted by the participating companies. Post-haat, in certain categories, ITC follows up with leads and strives to convert them into sales. ITC uses its e-Choupal network, spread across more than 40,000 villages in these four states, to conduct pre-haat, haat, and post-haat activities effectively.

With existing categories, traditional above-the-line (ATL) activities such as TV advertisements and wall paintings may be the right choice to create mass awareness. However, companies should factor in the geographical nuances even for ATL activities as rural consumers in many states tend to watch local TV channels and read local newspapers. Customizing the marketing content in local languages thus becomes critical. Some companies are also using innovative means such as public announcement systems at crowded places such as bus stations and food malls on the highways to get their message out to the consumers.

Look beyond traditional media; explore mobile marketing

While tailoring messages and offerings to specific consumer segments is critical to success in rural India, it is also critical to choose the right medium to reach the maximum number of rural consumers. Traditional media, namely television and radio, continues to have limited reach in rural India, particularly because of infrastructural challenges and limited access to electricity. A large number of rural consumers are, in fact, leapfrogging traditional media to embrace mobile devices. Nearly one in every two rural households have now owns a mobile phone, while one in three rural households owns a television set^{vi}.

Mobile has also made entertainment distinctive and personal for the rural consumers, which was earlier more of a community-based exercise. Rural consumers now have access to almost the same type of entertainment that the urban consumers have. The point of difference would perhaps be the scale of which they receive it.

Rural consumers also use mobile largely as a source of entertainment. Half of the 12 million downloads from Airtel's new video store launched in May 2014 (a video costs Rs.1) have been reported from rural areas^{vii}.

Companies can benefit by exploring mobile as a marketing platform to connect with rural consumers; for example, by offering them free entertainment content or information on crops or job opportunities in return for their mobile number, which is required for mobile marketing. HUL's Kan Khajura Tesan initiative (see the case study) demonstrates the power of this medium.

Some leading companies have found other innovative solutions to create awareness. Axis Bank is a case in point. The company's rural marketing team has designed comic strips about banking services for the rural consumer that are distributed across villages to boost awareness of its brand among potential new customers. The team has augmented the comics with skits conducted in local languages in public places across villages.

3. Consideration

During this stage, rural consumers examine the options in their awareness set and narrow down to offerings that best meet the identified need. Those become their consideration set. They weigh a number of different attributes for the items in their consideration set, such as perceived value and price. For companies, the goal at this stage is to ensure that their product survives the transition from the consumer's awareness set to the consideration set.

Tailor value proposition to create resonance

Companies can grab the attention of rural consumers by tailoring the value proposition to meet their unique needs and requirements. Defining the right value proposition is not as simple as stripping out costs or features to make a cheaper product. Given rural consumers' evolving needs and aspirations, companies must look beyond pricing as a long-term source of differentiation and clarify the product's functional and emotional benefits, including value, quality and the opportunity for consumers to elevate their social standing. In our survey, 54 percent of respondents said they want branded products and products with improved features. For instance, in categories such as consumer durables and home appliances, where consumers typically trade up for convenience, companies should clearly communicate how the product will make consumers' daily life more comfortable and will help save time. For instance, contrary to popular belief, the best-selling model of solar lamp for Greenlight Planet in rural markets is not the basic variant. Instead, it is the high-end variant that costs about INR1800, and offers an additional feature of charging a mobile phone.

Another way to keep a brand front-and-center in consumers' minds during the consideration stage is to tailor the value proposition to consumers' livelihoods. This is particularly important for Traditionalists and Steady Climbers. Indian FMCG major Dabur did this to persuade consumers in Bihar and Uttar Pradesh who had been using datun (neem twig), mud or ash to clean their teeth to use tooth powder instead. To market its tooth-powder brand Dabur Lal Dant Manjan, the company profiled day-wage earners and saw that many of them used neem twigs to clean their teeth.

Dabur's rural marketing team designed a campaign to educate these consumers about the importance of proper oral care, highlighting that farm workers could miss out on a day's labor if they got a bad toothache from poor oral hygiene. And if they lost a day's wages, their children might have to go hungry that evening. The idea resonated among this group, and sales of the product surged.

Companies must also tailor their brand communication to different stages of brand penetration. For instance, Dabur knew that introducing Dabur Amla hair oil to rural markets would be challenging because use of amla (gooseberry) oil instead of traditional mustard oil made the product relatively expensive. Company representatives set out to create awareness of the product in Bihar and UP, by traveling into villages and contacting consumers in about 11,000 households. People were skeptical, wanting to know why they should switch from a INR20 product to a INR100 one.

However, when the reps made a second and third round of visits to the same villagers, they found that their first round of direct engagement had a positive effect: many of the consumers were intrigued by the concept. Amla oil had entered their awareness set.

Now the challenge for the reps was to communicate how Dabur Amla hair oil was better than other branded hair oils already on the market, so the product would enter consumers' consideration set.

In particular, to reach lower-income segments such as Traditionalists and Steady Climbers, companies must pitch their value proposition toward the notion of getting value for the money spent. To reach Young Enthusiasts or Village Elites, the best value propositions emphasize functional benefits of a product or service, such as high-speed Internet on a smartphone or a fully automatic washing-and-drying machine that eliminates the need to dry clothes manually.

Appeal to diversity

The most effective value propositions also need to appeal to the diverse set of consumers that live in India's hinterlands. A defining feature of India is its diversity in terms of languages, culture, regions, religion and castes. To be sure, these differences are sharper among rural consumers than their urban counterparts. This makes it an uphill task for companies to appeal to all consumer segments with a single value proposition. At the same time, it may not be easy to have a unique strategy to serve each segment. Thinking like each customer segment is the first challenge, and delivering a positive customer experience is even harder. Therefore, appealing to diverse set of rural consumers requires rethinking the way business is done. And this, in turn, requires a holistic approach that encompasses everything from analytics and insights to strategy and customer experience, from operating model design and execution to governance. Understanding consumer dynamics, assessing internal capabilities and leveraging insights to deliver responsive service and make operational improvements are all essential to appealing to a diverse set of consumers and enhancing their experience.

Karbonn, a leading mobile handset manufacturer, is a case in point. The company differentiated itself by offering menus and applications in local languages as a part of its value proposition. The company has been offering local language support since its inception in 2009, and today its handset models offer consumers the freedom to choose from up to 20 local Indian languages. People with mobile phones equipped with language software can see menus and other content displayed in their local language and send text messages in the local language of their choice.

Karbonn now wants to offer applications and services in local languages to strengthen smartphone technology as more rural consumers begin acquiring smartphones. And given the unreliability of access to electricity in rural India, the company also plans to offer mobile handsets bundled with solar lanterns that could double as charging stations. Karbonn was also among the first companies to understand rural consumers' demand for passive data, and to offer handsets with more memory and built-in multimedia to cater to this need.

Demonstrate results to inspire consumer trust

Nothing provides more evidence of a unique, compelling value proposition to rural consumers than a demonstration of the results and benefits that a product delivers. For them "seeing is believing" and there is nothing more convincing than experiencing the product and witnessing the results themselves. This is particularly important for high-involvement product categories or that are relevant to their livelihoods, such as agricultural inputs and farm equipment. Most consumers are very cautious in making decisions about these categories, and showing them tangible results can help reassure them that they are making a good choice. Successful companies often invest in experiential marketing to enable consumers to not only "touch and feel" the product but also to experience the associated benefits firsthand to be able to make an informed purchase decision.

A case in point is Bayer CropSciences. Bayer CropScience launched an experiential marketing initiative called "Labhsutra" in 2013. The initiative aims to help farmers achieve better profitability and return on investment by adopting Bayer's "Seed to Harvest" packages. In 2013, the Company conducted 3,469 field demonstrations for farmers in Bayer Labhsutra plots across India for 5 key crops (Paddy, Cotton, Vegetables, Pulses and Fruits). These demonstrations resulted in a yield increase, which brought in 12-15% incremental profits compared to farmer's practice. In the Labhsutra program, the participating farmer's land is divided into two halves. Bayer's Seed & Crop Protection products are used on one half of the land, while on the other half; the farmer follows his own practice. On the Harvest day, the output from the two halves is compared. Farmers have seen convincing results from Bayer Labhsutra, in the form of an increase in quantity and quality of food grain produce and increased farm profitability. The Labhsutra initiative also educates farmers on tackling common pest and diseases that impact crop productivity. Further, Bayer CropScience provides farmers additional information and advisory on safe use of pesticides, seeds and weather forecasting (some crops). In addition, Bayer CropScience has set up 237 "Bayer Solutions" stores, which offer not just products but expert advice to farmers.

4. Validation

As rural consumers become more discerning, they are using more filters to validate and evaluate products and services that have made it into their consideration set. For many rural consumers, each purchase entails a significant investment, so they want to carefully weigh all the parameters before making a final decision. Validation is a critical stage in the purchase journey, because consumers seek input from trusted family members and friends as well as other influencers.

Engage with the right influencers

To pass the validation “test,” companies must generate positive word of mouth—by engaging the right influencers, in the right ways. This effort starts with identifying the most relevant influencers for the company's offering and the targeted consumer segments and then establishing a dialogue with those influencers to inspire trust and loyalty.

As discussed earlier in this report, the nature of influence is also changing in rural India (see Figure 21). Traditional influencers, such as Village Head, are losing importance to newer ones such as family members and educated youth. In our survey, 90 percent of respondents said they consider their friends and family members key influencers for high-involvement purchases, confirming the significance of the influencer's role. (See Figure 22.)

There is also growing significance of sector-specific experts (eg. mechanics for automobiles, electricians for consumer durables, etc) who are consulted often by rural consumers and their opinions are valued because of their vast knowledge and practical experience.

It therefore becomes critical for organizations to identify the right influencers and design innovative engagement programs to capture the loyalty of the influencers by making them feel an integral part of their business.

Figure 21. Changing influencers in rural India

The individuals who have the most impact on rural consumers' purchase choices today are not the same as yesterday

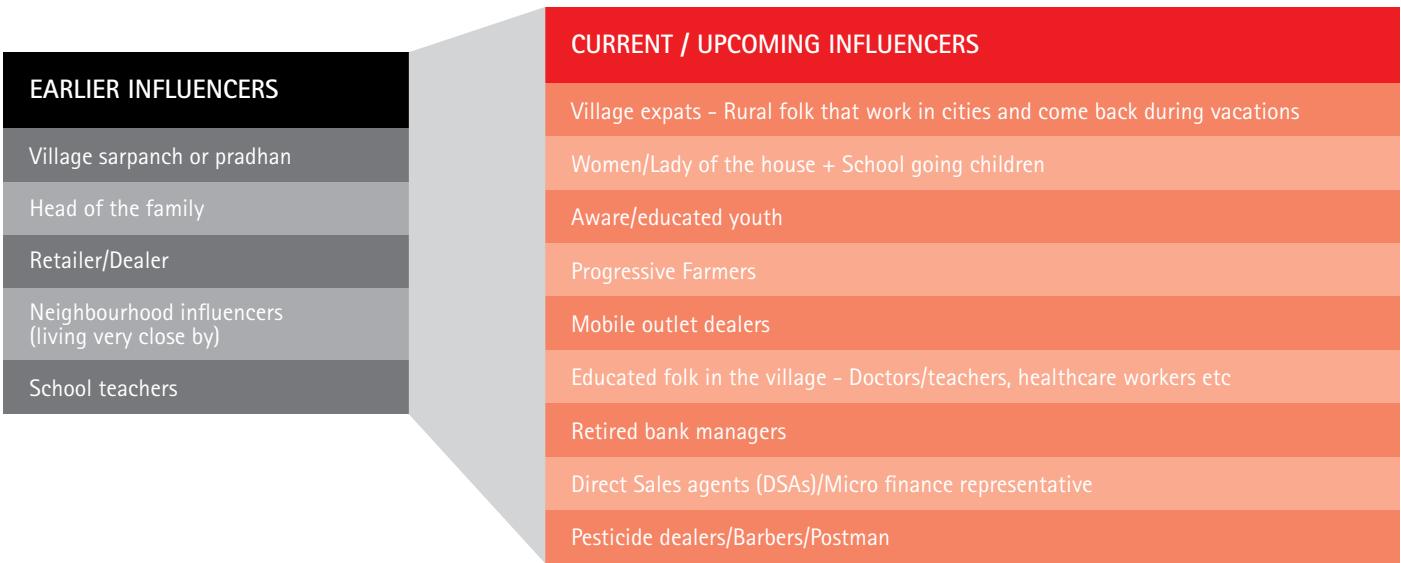


Figure 22: Key influencers for planned purchases

Friends and family members powerfully influence rural consumers' purchase decisions

Influencers for planned purchase decisions



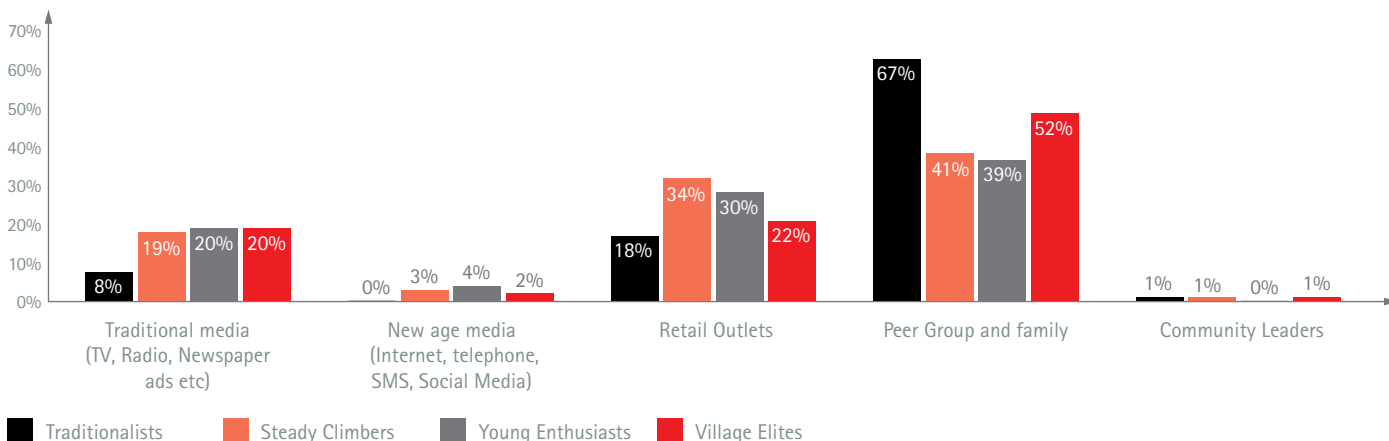
Greenlight planet is a case in point. The company has sold close to 3 million solar lamps across India, Africa and Central America. Thousands of village entrepreneurs who sell Sun King™ lights in their local communities have been key to this success. Trained and certified by Greenlight Planet as Sun King™ Business Associates (Saathis), they improve consumers' lives while boosting their own household income in villages with limited employment opportunities. Saathis are a diverse group and include school teachers, village elders, full-time mothers, and college students, among others who often play the role of influencers to others in the villages. From 2009 to 2014, they increased their income by 30 percent, earning over INR 80 million collectively.

Companies should also be mindful that within these newer sets of influencers, there is a degree of variation across consumer segments. (See Figure 23.) For instance, while all the four segments are more likely to be influenced most by their family and friends, Village Elite also pay heed to what professional experts have to say. Young Enthusiasts might not be completely swayed by any of the newer influencers and might look to information found on the Internet validate and evaluate product or service claims.

Figure 23: Key influencers for planned purchases

Family and friends emerge as the dominant influencers across segments, while traditional influencers such as community leaders are not as important anymore

Influencers for planned purchase decisions



"We have influencers like painters, carpenters, masons, electricians, auto mechanics and plumbers whom we talk to. There is a lot of work that we do to educate them about our products."

– Executive of a leading Chemicals manufacturer

Rallis India Limited: Building long-lasting customer relationships by enhancing farm prosperity

Rallis India Limited is one of the oldest agribusiness companies in India, having served Indian farmers for more than 160 years. Customer-centricity lies at the heart of Rallis' business model, and the company has been a pioneer in launching farmer contact and education programs. Rallis recognizes that the consumer demands are changing at a fast pace with increasing awareness, technology penetration and literacy levels. They continually look for improved products and are willing to spend more for better service. Rallis has thus re-positioned itself as a holistic farm solution providing company from a core crop protection company.

Rallis believes in listening consistently to farmers. To that end, in 2007-2008 it launched an initiative called Rallis Kisan Kutumbh (RKK), which aims to strengthen Rallis's relationships with farmers and provide them with information and services needed to improve their productivity. Progressive farmers enroll in RKK and, through the program, receive advisory support aimed at helping them enhance crop yield. RKK focuses on providing these farmers with knowledge that they can share with one another to boost farm productivity in their community. In 2012-2013, the number of farmers enrolled in the program crossed the 1 million mark.

As a part of the RKK program, Rallis has undertaken a customer lifecycle approach to build trust with the farmer through its unique 4S campaign. The 4S designation refers to the campaign's goals of contacting farmers (Sampark), building relationships with them (Sambandh), providing advice (Samrudhi) and ensuring farmer-customer satisfaction (Santushti). Members of a dedicated team contact RKK farmers at regular intervals to gain insights that can then help foster customer-centricity within Rallis. Rallis typically conducts more than 60 4S campaigns in different regions within India per year.

RKK comprises a variety of activities that enable Rallis to directly and indirectly listen to farmers. The table below shows a few examples.

Activity	Description
Crop seminars	In conjunction with University of Agriculture and Department of Agriculture in India, Rallis conducts more than 1,000 crop seminars every year during the harvest season across India. The goal is to facilitate two-way interactions between company representatives and RKK farmer members and to provide an avenue for the University of Agriculture to showcase the latest farming practices in particular crops. RKK farmers attend and influence other farmers in their community to attend.
Demonstrations	Rallis organizes demonstrations at RKK farmers' fields, enabling farmers to see for themselves the results of applying Rallis's advice on the crops. In rural India, many people maintain that "seeing is believing," so these demonstrations are particularly powerful in building trust. Rallis conducts more than 7,000 demonstrations and 900 field days annually on RKK farmers' fields.
Farmer exchange (Prerna)	Farmers specializing in particular crops can travel to another state in India where farmers grow the same crops. There, they exchange information and share best practices for enhancing crop yield.
Advisory services	Through its advisory centers, Rallis gives free advice to RKK farmers. Currently operating out of three locations – Burdwan in West Bengal, and Warangal and Guntur in Andhra Pradesh – these services are accessed by more than 2,000 farmers per month on average.
Regular contact throughout the crop cycle	Rallis representatives visit RKK farmers throughout the crop cycle to advise them on crop condition and the products or inputs needed to get the best results. The farmers in turn share these insights with neighboring farmers. Small and large meetings held throughout the season further enable farmers to exchange knowledge. In a given year, more than 100,000 such meetings are conducted.
Samrudh Krishi	As a part of Samrudh Krishi (SK), Rallis reaches out to farmers with holistic agro-advisory through multiple touch-points. The physical connect with farmers is provided by knowledgeable crop-advisors who visit each farmer's plot and provide him with customized recommendations. This is supplemented by electronic connect – daily SMSs (text and/or voice) which provides village specific weather information and advisory. SK is currently working with more than 1800 grape growers in India. The farmers have reported reduction in input costs, improved yields and better quality of produce which has resulted in better prices.
Grow More Pulses	The objective of the programme is to introduce best practices, improve yields and buy back the produce with the dual purpose of empowering the farmers and augment pulse production in India. This initiative is currently being carried out with Government of Maharashtra, Madhya Pradesh, Karnataka and Tamil Nadu, covering more than 3.5 lakh farmers. The initiative has improved the yields by 10 to 60% and also helps farmers to get a price premium for the quality produce.

The gamut of initiatives and activities under the RKK umbrella has resulted in a strong and loyal customer base for Rallis. Today, the company enjoys impressive brand recall. According to AC Nielsen's 2012-2013 brand awareness survey, Rallis has two brands in the No. 1 position, and seven of the top 10 brands in India are in Rallis's portfolio.

Moreover, the CSS and Brand Equity Survey for 2012-2013 showed an overall satisfaction level of 83 out of 100 among farmers with Rallis. Equally notable, among RKK farmers, Rallis enjoys a 50-60 percent share of wallet for key crops such as cotton, rice and legumes.

Transform retailers into informed advisors: As rural consumers become more discerning, they look out for detailed information about the products from reliable sources whom they can trust. It often becomes a challenge to find such reliable sources of information in villages, which often forces them to travel to nearby cities. Since it may not always be possible and optimal for companies to have direct presence in villages, the village retailers can help fill that void quite effectively. They can play an increasingly important role not only as a sales channel but also as a source of information for the rural consumers.

This makes it critical for companies to equip the retailers with the necessary information and training them to effectively serve rural consumers and help them make informed choices. For high-involvement purchases, informed advice from retailer can help foster trust as they can provide assurance to the consumer, which is often very critical for big-ticket purchases. They can influence the consumer's purchase decisions by talking persuasively about the positive aspects of a particular brand and by explaining why that brand is better than other options available in the marketplace. For low-involvement categories, such as FMCG products, channel partners can help persuade prospective customers to try the product and possibly even repeat it.

5. Purchase

Companies need to place special emphasis on what happens once the rural consumer enters the store to make the purchase. The in-store phase of the purchase journey tends to be longer and more important for rural consumers than the urban ones. Companies can ensure a positive purchase experience by offering expert advice and superior service during the purchase as well as communicating honestly with consumers.

Enhance the in-store experience

Rural consumers enjoy shopping — it's a huge leisure activity for them. Shopping is very much a time for family outings, when whole families go shopping together. Making a big purchase is often a special occasion for them, for which they save money for a long time, and then like to share that special moment with their near ones.

Many consumers we interviewed as a part of the research mentioned they enjoy shopping in malls in nearby cities during weekends, and is seen as a great time for spending time with the family. It is important for companies to take notice of these early signals that today's rural consumer wants a more superior shopping experience, the kind that their urban counterparts have access to. In the future, store format—location, size and layout—will be critical for attracting rural consumers who are eager to trade up in terms of their purchases and shopping experiences.

It may not always be feasible for companies to have a large number of branded stores in rural areas but opening just a few flagship stores may go a long way to inspire trust and build brand recognition. Companies will also need to think of ways to improve the customer experience at the physical stores. Specifically, store personnel will need to be trained to review and absorb product knowledge and customers' needs so they can provide higher levels of service. It's also important to train staff to act as eyes and ears on customer feedback. The companies also need to have the necessary tools and capabilities to usefully analyze and respond to such feedback.

Some companies are sensing this emerging trend and have taken necessary steps. Bayer CropScience is a case in point. The company has set up 237 "Bayer Solutions" stores, which offer not just products but expert advice to farmers. Opening multi-brand outlets could be another effective approach to create awareness and meet the evolving needs of the aspiring rural consumers for branded products. This can help enhance reach and provide economies of scale to companies involved.

Pidilite is a case in point. The company is working on a pilot in Maharashtra with a rural marketing agency. The agency is collaborating with a number of companies to open stalls called "Brand Bazaar" that only sell branded products at Haats (weekly markets) in rural India. The objective of the pilot is to educate the customers about branded products, offer an improved buyer experience with better merchandising to make brands more acceptable at Haats. This initiative is also likely to strengthen the collaboration between companies to extend their reach in rural markets, and bringing down the costs of their awareness efforts.

Support online channel through offline intervention

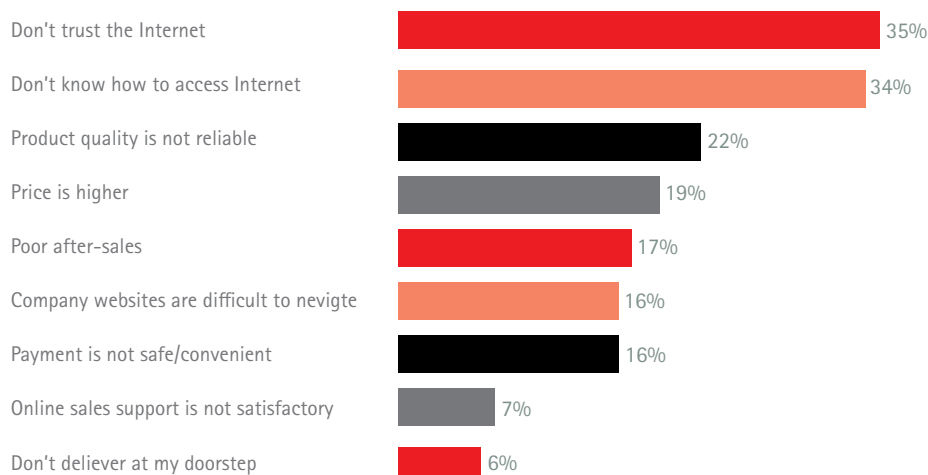
Rural consumers' awareness about online purchasing is on a rise and few have also experimented with buying over the Internet. In particular, young rural consumers now browse the Internet in search of product information, for validating prices, to watch videos and more. But, those buying online are limited, though awareness is increasing. About 20% of our survey respondents, who have never purchased online, claimed they are well aware of this purchase channel. That said many lack confidence in buying over the Internet, are unsure about available modes of payment, doubt the quality of products, and regret that most companies are not offering doorstep delivery to villages.

Our research also looks into reasons for the limited uptake of online purchasing. The top two reasons (see Figure 24.) emerged as lack of trust on the Internet and inability to access it. Rural consumers still value physical touchpoints much more than their urban counterparts and thus, companies will have to overcome this challenge by educating the consumers about digital channels and instilling confidence in them to use it by offering safety of transaction, multiple payment options, doorstep delivery and more.

Figure 24: Reasons for not making online purchases, among those who are aware of this option

Lack of trust and limited knowledge of Internet inhibit rural consumers from making online purchases

Reasons for not making online purchase



"I ordered a CD from Amazon.com, 1-2 months back. Their TV ad guaranteed 1- day delivery, but I got a call 8-9 days later; they couldn't locate the village. I was very disappointed."

- 28, Male, Punjab

Interestingly, almost one in two among these respondents expressed willingness to purchase online in the near future (see Figure 25a&b). 38% of our survey respondents agreed that explanation on how to use this purchase channel would be the key for motivating them to use it. Another 28% expressed that they would get motivated if they learnt about this channel from family members and friends. Thus, e-commerce players are faced with an enormous opportunity.

To get rural consumers to explore online channels, companies will first need to establish trust for the digital medium within the community through offline activities such as community events, demonstrations and awareness campaigns to educate them on how to use this channel effectively and safely. The ones that will be able to handhold the rural consumer when making online purchases would emerge as winners.

Figure 25a&b: Rural consumers' use of online channels and motivations for buying online

Many rural consumers are willing to use online channels and would like help learning how to use the channels



Offer improved financial access and payment flexibility

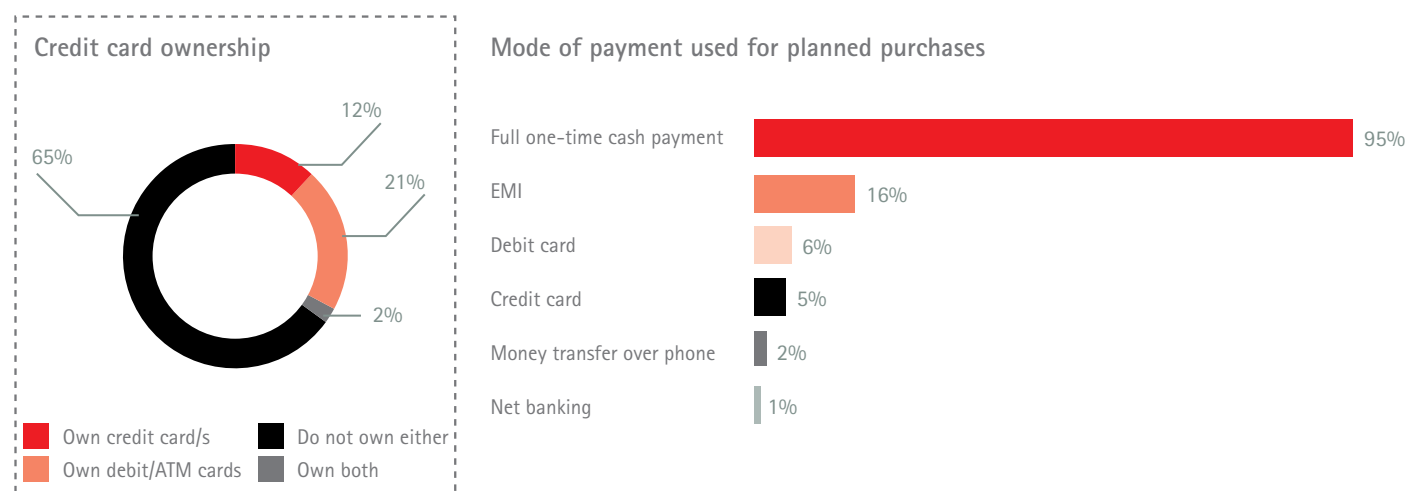
Our research reveals that while the buying preferences of rural consumers have evolved, they continue to prefer traditional payment options. Only 14% of our survey respondents claimed to have a credit card. Though 23% respondents possessed a debit card, it was mainly used for withdrawing cash than for purchase transactions. Notably 95 percent of our survey respondents claimed to make full upfront payment in cash for big-ticket purchases (Figure 26a&b). This low uptake of financial instruments could be attributed to a variety of reasons: lack of knowledge, comfort and trust in using plastic money; and poor availability of electronic payment options.

This creates immense opportunities for organizations to educate the customers about financial products and the various payment options available and then catering to the demand through availability of finance. The legal formalities like documentation requirements also need to be customized for the rural consumers.

For instance, a leading automobile manufacturer has tied up with several banks to offer affordable and easy payment flexibility to customers. When a consumer visits the dealership, he can directly check with the dealer, or with the bank's representative present there, about the available financing options. The dealer representative is well-equipped to answer any consumer query and helps him decide the most appropriate financing option. This has resulted in an increasing number of consumers availing payment flexibility and the automobile manufacturer winning their trust.

Figure 26a&b: Modes of payment

Though an encouraging number of rural consumers own plastic money, they still prefer paying in cash, particularly when making planned purchases



6. Experience

Once the consumer makes a purchase, the journey is not over. Historically, companies have expended little effort to maintain relationships with rural customers after they have made a purchase and have begun using or have used the product or service.

With intensifying competition, no company can afford to neglect this stage of the purchase journey. Today, the quality of the post-purchase experience determines the likelihood of repeat purchases, as rural consumers are constantly evaluating the product's performance and the company's attitude towards them post purchase. If consumers have a positive post-purchase experience, they will be more likely to remain loyal to the brand. The consumer's perceptions at this stage plant the seeds for what happens next for the brand.

Differentiate through service

Rural consumers may not be as demanding as their urban counterparts when it comes to service, but their expectations are certainly rising. Our research indicates that many rural consumers still shy away from logging a formal complaint with a company if they have a negative post-purchase experience as they feel helpless and unsure of whom to complain. Only 54 percent of survey respondents said they register a formal complaint if they encounter a problem with the product to the dealer or retailer from whom they had purchased the product. Also, they are generally more accommodating, in the form of allowing longer lead time to companies for resolution. However, it is important to note that they may be foregoing but certainly not forgiving – they make it a point to share those negative experiences with family and friends around them resulting in strong negative word of mouth. (See Figure 27a & b.) Our survey respondents rated their overall satisfaction with after-sales experiences at 4.3 on a scale of 1 to 7. Clearly, there is room for companies to improve.

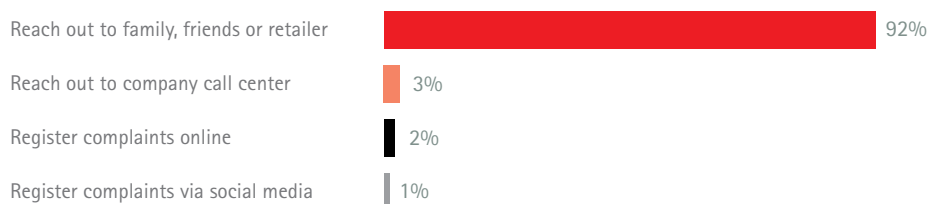
Thus, as rural consumers are hesitant in approaching companies, it becomes increasingly more important for companies to proactively reach out to the consumers to seek post purchase feedback and resolve complaints swiftly and effectively to avoid negative word of mouth. Few companies take such proactive measures with their rural customers. To correct this, they could offer toll-free numbers for customers, an automated call-back system for missed calls and dedicated customer service personnel who can speak the local language—to name just a few ideas.

A leading public sector bank in India has excelled on this front. The bank knows that different sets of rural consumers will have different requirements and issues in using the bank's services. So the bank has segmented its call-center operations to cater to diverse groups including agricultural and corporate customers. One result has been a decrease in time required to resolve customer queries.

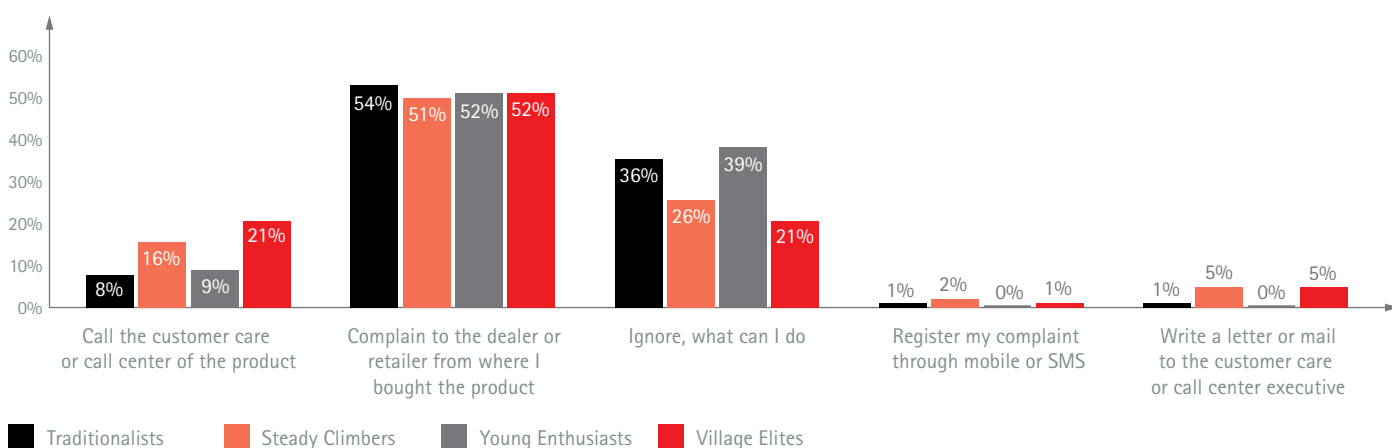
Figure 27a&b: First touch point for post-purchase issues

When customers experience issues after making a purchase, most tell family, friends or their local retailer about it first

First touch point for post-purchase issues



Action taken upon encountering a problem with product purchased



Meanwhile, a leading consumer durables company has set up more than 750 service centers across the country to cater to rural consumers. Company engineers are assigned dedicated routes, which they travel to see if customers need any products repaired. The arrangement has enabled the company to considerably reduce turn-around-time for repairs.

Finally, tractor manufacturer Escorts has added a twist to its existing service network. The tractor market is fragmented, with each manufacturer having a strong presence in village clusters. Individual manufacturers thus find it difficult to service their far-flung customers around the countryside. To solve this problem, Escorts decided to offer multi-brand repair and servicing at centers located within a 25 km radius around areas that have tractor penetration above a certain threshold. Escorts currently operates 175 such centers and plans to expand the network, which will quickly give it pan-India coverage. This initiative has helped Escorts increase its catchment area and demonstrate its commitment to customer service.

Deliver on the brand promise to inspire customer loyalty

Our survey reveals sub-optimal product performance and inability to deliver on the brand promise frustrates rural customers and pushes them to consider switching to other brands. (See Figure 28.) Therefore, it becomes critical for companies to live up to their brand promise every single day to inspire trust and brand loyalty.

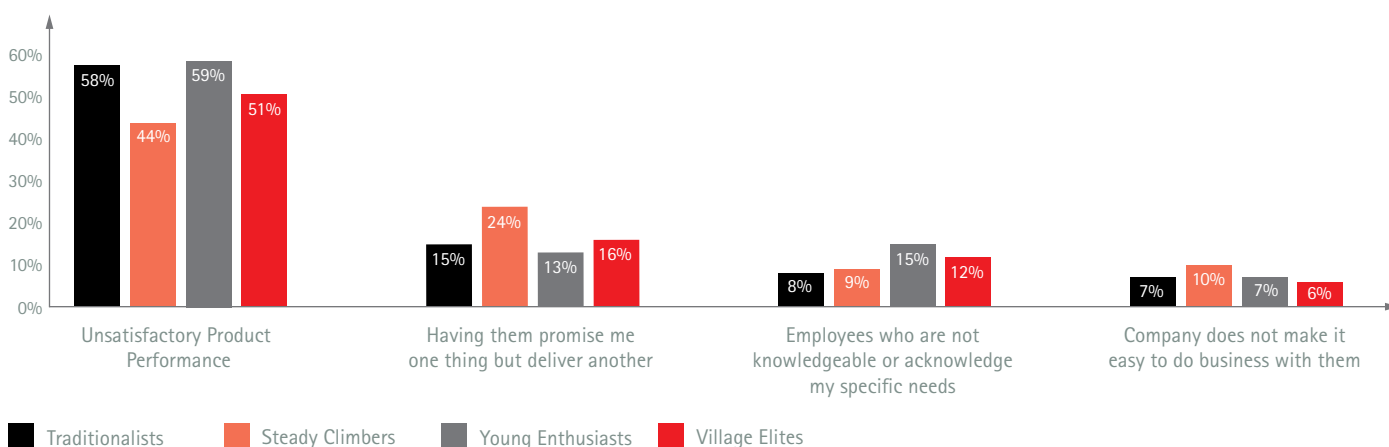
"The last mile is where the dealer makes a lot of difference. If the dealer gives the assurance to that consumer that if he faces any problem with the product post purchase, he will take care of it. This commitment means a lot to the rural consumer."

– Executive of a leading consumer durables company

Figure 28: Key marketing and sales frustrations for rural consumers

Poor product performance and companies promising one thing but delivering other emerged as the key sales and marketing frustrations for all the four segments

Marketing and sales frustration



"Earlier the customer was willing to wait; today he doesn't want to wait even for a single day. Just as product expectations have gone up, so have expectations in terms of servicing. In fact, in cities one can still convince the customer, [but the] rural customer does not get convinced. He says 'I have bought this product for a lot of money. If it is not working, I don't want it. You take it back.'"

– Executive of a leading Consumer Electronics company

7. Advocacy—or Exit

The quality of the post-purchase experiences determines whether a customer gives his or her loyalty to the brand and advocates for it—or switches to another brand.

After a consumer experiences a product, the journey can take a number of different directions, depending on how the consumer feels about the whole purchase experience:

- Customers who are **satisfied** but not delighted by the experience will likely include the product or service in their consideration sets the next time they buy. However, the offering will have to compete against other available options, so the company risks losing the customer during the validation/evaluation stage.
- **Unsatisfied customers** will move out of the loop and probably not consider that brand again. Rural consumers also proactively share their negative experiences with their family and friends.
- **Delighted** customers will likely become repeat buyers and skip the pre-purchase stages entirely with subsequent purchases—reducing the company's risk of losing them during any of those stages. These loyal customers can also become informed advisors who can persuade other consumers to become customers by explaining why the product is better than alternative offerings. For high-involvement purchases, informed advice from delighted customers can foster trust in the product and company among potential new customers who are at earlier stages in the buying process. For low-involvement categories, such as FMCG products, informed advisors can help persuade prospective customers to try the product and possibly purchase it.

Seek customer feedback proactively

Listening to customers across all touch points can help companies avoid negative word of mouth. (See Figure 29.) It is very difficult to delight customers unless you know what makes them happy. To find out, companies need superior listening capabilities.

A leading consumer goods company has built such capabilities. The company conducts a program to train brand managers to conduct consumer research. These managers complete their research and feed their analysis and conclusions into a backend information technology system. Anyone in the company can access the information and search by category. Every quarter, each brand manager needs to conduct 24 such projects. The result has been the creation of more than a thousand data points over and above other consumer-research studies that the company does.

Nurture brand advocates

Customer-to-consumer advocacy of a brand greatly increases the likelihood that the brand will make it into other consumers' consideration sets. Advocates tend to share their experiences in the forms of both advocacy and criticism with others in their social networks. And as we noted earlier, rural consumers, particularly Traditionalists and Steady Climbers, are influenced most by the opinions of family members and friends. Companies must therefore encourage advocacy and preempt negative word of mouth by promptly addressing problems.

How can companies nurture brand advocates at the local level and ensure that their customers remain satisfied and ready to spread positive word of mouth about their brand? Identification and constant engagement with existing users and loyalty reward programs are helpful steps.

Figure 29: LEAD rural consumers to win brand loyalty



LISTEN

- Passionately listen to rural consumers and discern voices that have never been heard.
- Identify patterns in consumers' behavior that could help you group rural consumers into different segments.
- Select the segment(s) you want to target and design offerings and experiences that would appeal to each targeted segment.
- Use predictive analytics to anticipate rural consumers' needs and behavior.



EMBED

- Use rural consumer insights to redesign core elements of the business model, such as pricing, brand messaging and targeting, and selection of marketing channels.
- Ensure consistency of messages across channels.
- Deliver brand messages at trust points when and where they will have the greatest influence.
- Get the right messages to the right consumers at the right time.



ALIGN

- Re-organize operations to meet consumer demands.
- Build bridges across departments (product development, manufacturing, marketing, sales, finance, corporate strategy) to ensure that all departments draw on the same consumers insights to make strategic decisions.
- Invest marketing spend in activities that will matter most in terms of strengthening customer loyalty and generating desired returns.



DELIGHT

- Always deliver on the brand promise to win the long-term trust of rural consumers.
- Shift from a sales-led to service-led mindset to provide the experiences consumers want.
- Aim to delight every rural customer—not just satisfy them.

Nurture brand advocates

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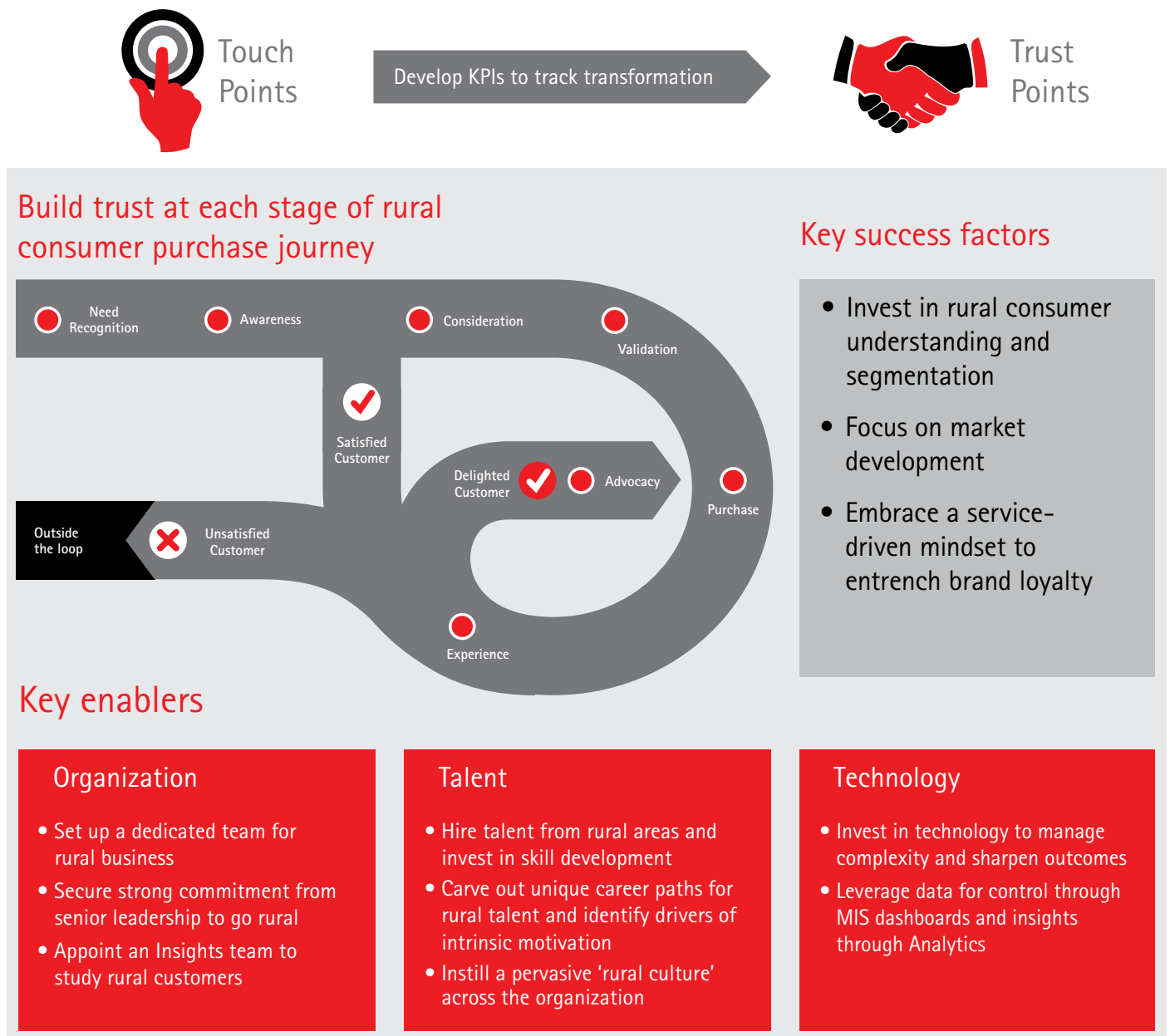
How can companies nurture brand advocates at the local level and ensure that their customers remain satisfied and ready to spread positive word of mouth about their brand? Identification and constant engagement with existing users and loyalty reward programs are helpful steps.

Build an enabling environment

The journey from trustpoints to touchpoints is incomplete without the right foundational and customer-facing functions and capabilities required to execute the business priorities. Ensuring adoption of a rural customer-centric focus across the organization requires building a strong organization, team and culture (See Figure 30). Companies need to put in place agile capabilities to gain and act on rural customer insights and inculcate the right mindset to identify opportunities emerging from the changing rural consumer behavior. Companies need to think innovatively how to leverage data, technology, processes and people to achieve this goal. Technology can play an instrumental role in managing rural operations, processes and decision-making. The result will be greater precision in executing the transition from touchpoints to trustpoints. Our research suggests individual elements of operating model of successful companies are simple, yet customized. It is their discovery and collective synchronization that differentiates them from their peers.

Organizational commitment and patience is necessary for success of rural initiatives. Dedicated senior leadership involvement demonstrates the importance of the rural initiative across the organization. For the rural initiative to thrive, there has to be a key sponsor who is committed and stays on the course during initial challenges and learning experiences.

Figure 30: Enabling the Rural Journey



The Way Forward

Many companies are waking up to the enormous opportunities offered by India's rural consumers.

However, this promising market is also one of the least understood. Until recently, doing business in rural markets was challenging because of insufficient physical and social infrastructure, unstable demand, limited market research and lack of formal supply chains.

All that is changing. India's rural markets are better connected and more accessible, affordability is increasing and consumers are buying products and services that were so far considered aspirational. As the rural market opportunity grows ever more attractive, companies will need to devise creative ways to gather market insights to craft compelling value propositions that profitably meet rural consumers' needs and aspirations.

So how exactly can companies transition from touchpoints to trustpoints? While the right solution varies by industry and geography, we identify some common elements that are critical to ensure sustained success in rural markets:

- **Passionately listen to the voices of rural consumers.** Developing a deep understanding and gaining insights into the changing needs and aspirations of the rural consumers, will be critical to develop and customize offerings and experiences that addresses the unique needs of customers, and gain their long-term loyalty.
- **Adopt "fail smart, learn fast" approach.** Conduct quick, low-cost pilots with measurable KPIs to gain valuable insights into what works in rural. For each initiative, clearly articulate as to what success looks like. Keep cost model variable till proof of concept is established.
- **Tailor unique value proposition.** Products need to have a differentiated value proposition that caters to the unique needs of rural consumers.
- **Leverage mobility platform to create brand awareness.** To overcome the geographical challenge, companies must invest in digital and mobile platforms as they offer excellent opportunities to create awareness, and promote their products and services. With an increasingly connected rural population and the cost advantage it offers as compared to traditional media in rural areas, mobile marketing is set to become the future of rural marketing.
- **Develop a strong network of effective influencers and advocates.** Leverage positive word of mouth as it can be the biggest influencer to enter into the consideration set of rural consumers. Do not ignore complaints and bad experiences; impact of negative word of mouth can often be more damaging than many appear to understand.
- **Differentiate through service.** Service mindset will be the key differentiator to win the hearts of rural consumers – make them feel valued and important. Clear understanding of changing customer behavior.
- **Explore non-traditional partnerships to extend sales and service network.** Collaborations with non-competing companies can be an effective solution to overcome the infrastructural and scale related challenges of operating in rural markets can help amplify the sales and service network.

Focus and commitment will be critical to succeed in rural markets. Companies will need to target the right consumer segments and while the four segments introduced earlier – Traditionalists, Upwardly Mobiles, Young Enthusiasts and Village Elites – can be useful, companies may need to customize them relative to their situation. Value propositions should be tailored to match the needs of the targeted segments. Companies that swiftly act now to realign their sales and marketing strategies could gain a significant competitive advantage over those who wait until the market matures further.



Appendix

1. About our research

Our research for this third report in the series comprised three individual studies across key stakeholder groups: rural consumers, business leaders and channel partners. Each study was designed to answer the following questions:

- How has rural consumers' behavior evolved in the past few years, and how have changes in their attitudes, motivations and behaviors affected their purchase decisions?
- How aware are business leaders of these changes? If they are very aware, how are they responding?
- Which companies are best capturing the opportunities presented by changes in Indian consumers' behavior, and what can other companies learn from them?

For the **rural consumer study**, Accenture conducted focus-group discussions with consumers in 10 Indian states: Andhra Pradesh, Bihar, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Uttar Pradesh and West Bengal. Participants were diverse in terms of age, gender, occupation and income. Facilitators guided the discussions to better understand how these consumers make purchase decisions and what influences such decisions. The discussions were complemented by a quantitative survey sent to more than 2,800 consumers in 320 villages and 32 census towns in 8 states, using a stratified sampling technique.

For the **business leaders study**, Accenture interviewed more than 40 CXOs, including heads of marketing, sales, and strategy and customer insights. Interviewees came from organizations across seven sectors: Agribusiness, Automotive, Banking/Financial Services/ Insurance (BFSI), Consumer Durables, Engineering/Industrial/Chemicals, Fast-Moving Consumer Goods (FMCG) and Telecom/DTH. The businesses surveyed had annual revenues above US\$200 million. The in-depth interviews explored the customer insights and marketing strategies that these companies are using to serve India's rural consumers.

For the channel partner study, we interviewed 72 channel partners across traditional and emerging categories. Traditional categories included retailers, wholesalers, dealers and sales representatives, while emerging categories included alternate sales channels, self-help groups, sarpanch (village headman / chief) and nongovernmental organizations (NGOs).

Accenture also used advanced analytics techniques, such as factor analysis and correspondence analysis, to arrive at conclusive results and to identify unique customer segments from the survey data.

2. Sampling Methodology

The methodology used for identification of target districts for the consumer survey is outlined below:

- For each state, districts were divided into four quartiles based on the market potential value (MPV) for villages and census towns (CT)
- Target districts were chosen from the top two quartiles, which were identified as highly prosperous

For selection of sub-districts and CTs, following weights were assigned:

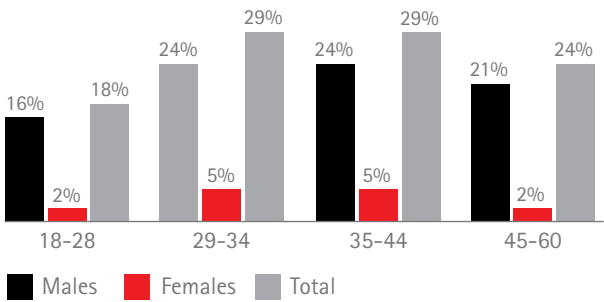
Parameter	Weight
Internet Connection	10%
Telephone (Landline + mobile phone)	15%
Ownership of 2 wheelers	5%
Ownership of 4 wheelers	15%
Computer/Laptop	10%
Cooking gas	15%
Drinking Water	15%
Type of House	15%

For selection of villages, following weights were assigned. Villages were then divided into five equal intervals and one village was shortlisted from each interval.

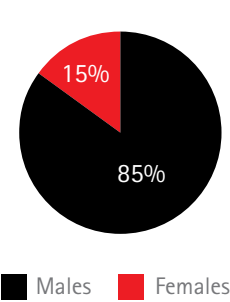
Parameter	Weight
Persons Literate	25%
Persons Cultivators Main	25%
Persons Agricultural Labourers Main	5%
Persons Household & Industry workers Main	10%
Persons Other workers Main	10%
Persons Cultivators Marginal	12%
Persons Agricultural Labourers Marginal	3%
Persons Household & Industry workers Marginal	5%
Persons Other workers Marginal	5%

3. Survey Demographics

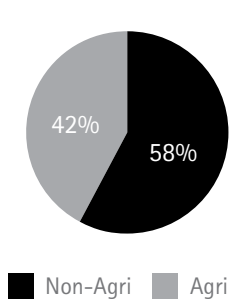
Age profile (Years)



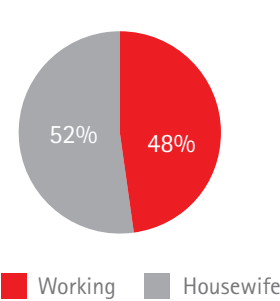
Gender distribution



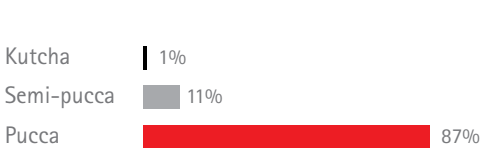
Occupation Male



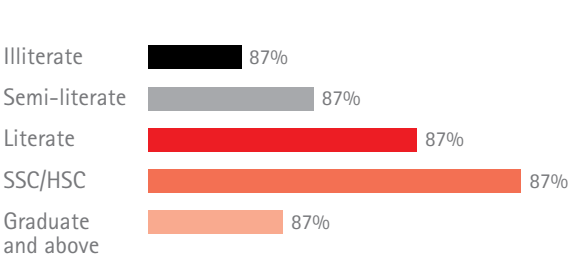
Occupation Female



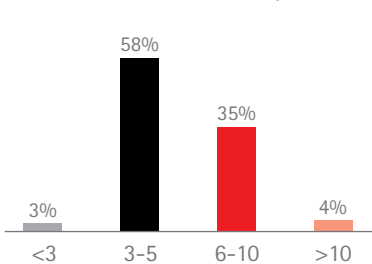
Type of house



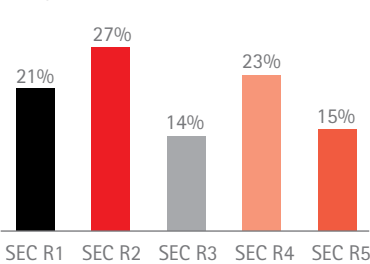
Education



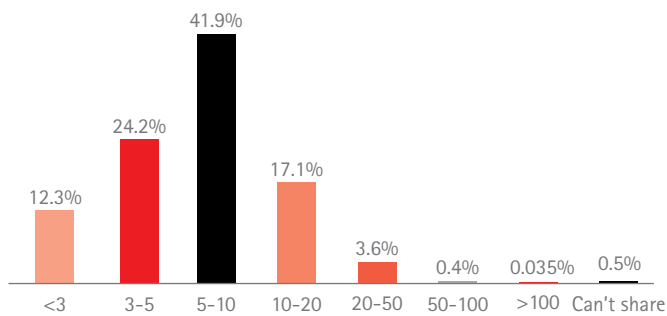
Number of members in family



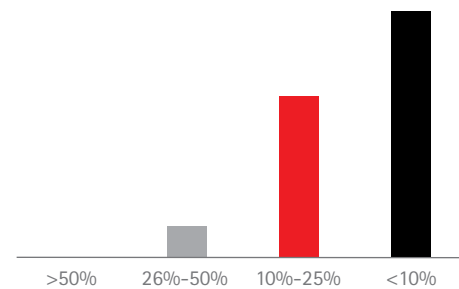
SEC profile



House monthly income (INR '000s)



Household monthly saving (%)



4. Accenture's rural journey

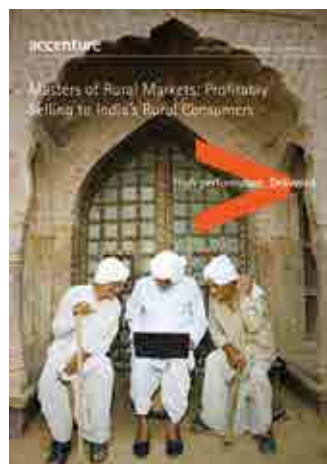
This report is the third in a series drawing on our continuing research into the potential of India's rural markets:



Our first report, **"Masters of Rural Markets: The Hallmarks of High Performance in India,"** probed rural market opportunities as new revenue streams for businesses. The research established that companies recognize rural markets as the next big growth frontier and are gearing up to capitalize on this opportunity.

Link to the report:

http://www.accenture.com/in-en/Documents/PDF/Accenture_Masters_of_Rural_Markets.pdf



The second report, **"Masters of Rural Markets: Profitably Selling to India's Rural Consumers,"** identified sales and distribution as the pressing business challenges to doing business in India's rural markets. It offered recommendations for profitably reaching, acquiring and retaining rural customers. Developing a granular understanding of rural consumer emerged as a key success factor. However, our research revealed that most companies have limited understanding of how rural consumers' behavior is changing.

Link to the report:

<http://www.accenture.com/sitecollectiondocuments/pdf/accenture-masters-of-rural-markets-selling-profitably-to-rural-consumers.pdf>



In an article titled, **"Unlocking the Wealth in Rural Markets"** in the June 2014 issue of Harvard Business Review, we share observations from our extensive surveys and interviews with Indian business leaders in multiple industries to understand how the most successful companies are finding and serving India's hard-to-reach customers. The article reveals several strategies for increasing revenues and profits in rural markets.

Link to the article:

<https://hbr.org/2014/06/unlocking-the-wealth-in-rural-markets>



In this third report, **"From Touchpoints to Trustpoints: Winning over India's Aspiring Rural Consumers,"** we focus on the changing psychology of India's rural consumers and seek to unearth the values and expectations driving their consumption decisions. This report offers unique insights and identifies business imperatives companies must meet to succeed with India's rural consumers.

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