

Asset-sharing model to service rural consumer

Coopetition will allow industry to overcome small throughput in rural outlets and capture a market that mirrors urban aspirations



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As rural India starts to become more and more like urban India, providing distribution of products and services across the hinterland is a big opportunity. However, more and more rural retailers want urban model of servicing, not compromised servicing, just because they are in rural areas

WE WERE going to a rural market deep inside Orissa, 150 km from Bhubaneswar. Rural trips are preceded by elaborate rituals: stocking bottled water, topping up car's fuel tank, packing lunch, and setting out early in the morning for a long and hard day.

We drove down a fantastic four-lane highway, bypassing many small towns, and in 2.5 hours, reached a small town. From here, we turned off the highway to go to Barasaat, our destination, a tiny village with only 400-odd households. It was 15 km from the highway, connected by a narrow but metalled road. We reached our destination in another 30 minutes, clearly a couple of hours ahead of plan.

You cannot escape the poverty in this small village, but it is not as debilitating as one would have imagined. And there are signs of progress everywhere, especially in the shops we visited. Expensive skin creams in small packs, floral perfumes with fancy names, baby products and even hair colours. The retailer is surprised when I ask him if he sells any of these in the village. Why would I stock them if they don't sell, he says. Not a smart question I guess.

Mobile phones are all-pervasive: our salesman uses it to not only check on stock availability with the distributor and book orders, but also to warn his wife that he's unlikely to return home on time. His caller tune is *Waka waka*. I am surprised at his comfort with mobile technology; I just about restrain myself from asking him to fix my phone that keeps switching networks while we are there.

We need to expand our network in rural areas and need more people from these parts to work for us. So how much should we pay them, I ask... and the response immediately is: at least ₹120 per day. The reason for such a specific response: that's the amount you get through NREGA, therefore, anything less than that just does not cut ice. There goes another myth of lowly-paid people in rural areas.

A few days later, I am sitting with my board colleagues and discussing future plans. And the conversation turns to the great rural opportunity waiting for us to tap. Where does urban area end and rural area begin? Travelling from Bhubaneswar to Barasaat, you would find it difficult to say. In fact, the lines between urban and rural areas, from a marketing and distribution point of view, are blurring rapidly.

There are many reasons for this, but connectivity is the key. Roads built in the last decade have had a significant impact in blurring these lines. Cellphones have also connected rural to urban parts. Media on mobile is changing pop culture: my nine-year-old son in Mumbai and the 21-year-old salesman in rural Orissa have the same ringtone. Probably both of them saw Shakira do the *Waka* in a popular TV advertisement and downloaded it on their phones.

A silent revolution has taken place. Rural literacy has gone up nationally, but as in many other things, averages hide more than they reveal. If you leave out four states where the progress has been slow, in rest of the country, literacy in rural areas has increased dramatically in the last five years. Even more interestingly, female literacy has outpaced overall literacy in these states. This is probably the single-largest drive towards educating people ever in the history of humankind.

Even more interesting story is that in a recent, large-scale survey carried out in rural India, the single-biggest concern for people was children's education, followed by healthcare and housing. Food, employment, etc. came much lower. Not only are we seeing a rapid rise in education levels, but this trend will accelerate. And as we all know that education is probably the greatest leveller and connector.

All of these have just brought rural India closer to urban India. It would be inaccurate to say that there are no differences between urban and rural markets. But the divide is not so sharp any more: lines have blurred and the differences will come down further, faster than we think.

This has significant implications for the sales and marketing profession. And my answer to the eternal question of how to market in rural areas is slightly provocative: we don't need to develop rural marketing models. We need to find a way of providing urban brands, products and servicing models to rural India. Consumers in rural India have the same needs and aspirations as their urban counterparts. The big chal-

The challenge for suppliers is the small size of each village with low throughput per outlet. Combined with higher cost of distribution since each village is some distance away from the location of distributors, makes high-quality distribution unviable. In most cases, it severely constrains the ability of most companies to reach stores in rural areas, and even when they do, it is with compromised servicing models. And yet, as the environment changes, there are new opportunities that are becoming possible.

New technologies are enabling lower-cost distribution models. It's now possible to geo-tag every village and use logistics models to develop most optimum routes. This can be done sitting in Mumbai with better information than is available to a distributor 15 km away from the village. However, the challenge for the sales professionals is to find the equivalent of the sachet that could transform this landscape.

There are a number of organisations, consumer goods, telecom, financial services, etc. all trying to reach the same customer, but the very small throughput per outlet will remain a barrier, restricting the via-



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challenge and opportunity is to provide access to these products and services in rural areas.

Access can take many forms. Sachets are a great example of providing access. They deliver the same product and the same benefit without compromise and yet are accessible to every Indian. Service provided by telecom operators is the same, whether used by the poorest or the richest. And incredible access to this service is via prepaid cards for as low as ₹4.

As rural India starts to become more and more like urban India, providing distribution of products and services across the hinterland is a big opportunity. However, the distribution challenge in the country is immense: more than six million retail outlets spread across 6,38,000 villages. More than 85% of these villages have a population of less than 2,000.

The challenge seems insurmountable. Most organisations have leveraged traditional wholesale model to get their products across to these stores. However, more and more rural retailers want a full assortment of products, not a limited range: regular frequency of service and convenience of door delivery, credit to fund their cash-flow needs, all the promotions, fair prices, merchandising and activation support for their shoppers. In many ways, they want urban model of servicing, not compromised servicing, just because they are in rural areas.

ability of high-quality servicing in rural areas. Individually, it will take us a long time to penetrate the deepest, smallest rural markets at prohibitive costs.

However, if some organisations join hands, the throughput in every individual outlet would be adequate to get to a viable size. The average size of a store in rural India is a third the size of an urban store. Analysing across a few category leaders would ensure throughput from every rural store equals urban ones. This could be the gateway to rural India.

So what is the challenge in constructing such a partnership? The biggest challenge will be mindset, the dominant logic that we must all own our front-end sales system. In many industries, assets that were proprietary are now being shared. ATMs became ubiquitous when banks started sharing this asset. The mobile infrastructure reached scale when the mobile towers were shared. Today, this seems a no-brainer but it wasn't like this a few years ago.

Access to rural India through partnerships is a real possibility and a huge opportunity. The need of the hour is for the industry to partner, share assets, overcome traditional mindsets and take the high road to growth for the consumers and industry.

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