

RURAL MARKETING IN INDIA: A CASE STUDY ON MARUTI SUZUKI INDIA LTD.

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ABSTRACT

The real India lives in the village. So rural marketing is the new buzzword as it has become the new marketing mantra for the survival and growth of the companies forcing them to go rural. In recent years, rural markets have acquired significance, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities. On account of green revolution, the rural areas are consuming a large quantity of industrial and urban manufactured products. In this context, a special marketing strategy, namely, rural marketing has emerged. Rural Marketing is growing at a far greater speed than its urban counterpart. Multinationals have realized the potentials of rural India and are ready to tap these potentials. Maruti Suzuki India Ltd., India's leading car manufacturer, was the first to identify the potentials of India's rural market and has made their successful strides to this market with a well chalked out plan which has quite well worked out in their favors. The company says its 2013 figures comprise 31 per cent of sales coming from such areas. Tapping the rural segment in different places across India has helped the manufacturer to connect with their consumers and increase their overall sales. This 'micro marketing' strategy initiated by deploying dealer networks in rural market comprising of around 7,800 sales executives has helped the carmaker to sell 58,000 cars in first fiscal of 2014. This paper titled '**Rural Marketing in India: A Case Study on Maruti Suzuki India Ltd.**'s an attempt to find out the various initiatives taken by Maruti Suzuki India (Ltd.) to unleash prospects of India's rural markets.

Keywords: Rural Marketing, Maruti Suzuki, Case Study, Innovation, Micro Marketing

1. INTRODUCTION

The concept of Rural Marketing in India Economy has always played an influential role in the lives of people. In India, leaving out a few metropolitan cities, all the districts and industrial

townships are connected with rural markets. The rural market in India is not a separate entity in itself and it is highly influenced by the sociological and behavioral factors operating in the country.

The rural World stands out to be the huge opportunity for growing automobile sector. India is the World's second-fastest growing car market after China, passenger vehicle ownership here is among the lowest in the world, at 12 vehicles for every 1,000 people. While nearly a third of people living in metros own personal transport, the penetration in rural areas is half, at 15 per cent. This has led industry observers to believe a major proportion of growth would come from these areas. The current sales pattern of cars in Indian rural market shows a sharp increase in the number of sales for four wheeler this year when compared to previous year's steady growth. This pattern of consistent growth results are only shown by few automobile four wheeler giants like Maruti and Hyundai. Despite such growth, Indian rural markets for automobile sector lag behind drastically when compared to the urban world. Statistical data shows that only 3 or 4 of every 1000 in rural areas of India own a car against 12 of every 1000 in urban areas. But urban market shows stabilizing figures and had reached at a certain saturated level which gives automotive sector a huge boost to develop and establish their rural marketing strategies easily. The rural market has been hit by various factors like unseasonal rain, delayed monsoon; poor crop realizations etc affects the agrarian output and are main sources responsible for weak rural demand. But still the emerging rural market for automobile sector has a great demand factor left in it when compared to saturated urban market. It can be a great opportunity for those companies whose products combat with the modest budget .But this has not turned out to be into reality. For the country's two top car makers, the rural markets hold the key to continued growth momentum. Maruti and Hyundai have seen a considerable increase in rural growth rate despite low urban growth rate. Rural sales of Maruti grew by 16 per cent during the year and accounted for 32 per cent of its sales, up from less than 30 per cent a year ago. Hyundai and Maruti have started a drive by increasing the number of rural showroom outlets and service centers expansion.

2. OBJECTIVES OF STUDY

- To overview the concept of rural marketing in India.
- To focus on historical growth of Maruti Suzuki India Limited.
- To analyze the concept of rural marketing in automobile sector with special reference to MSNL.

3. REVIEW OF LITERATURE

- **Lokhande & Rana (2013)** discussed about the various Brand positioning, Advertising, Distribution strategies adopted by Maruti Suzuki to capture the market. They also highlighted the unique promotional strategies executed by the brand which included Teacher Plus Scheme, 2599 scheme, Change your life campaign etc.
- P.Krishnaveni in her article focuses on historical developments, financial analysis and various brands of Maruti Suzuki. The article highlighted the performance of Maruti Suzuki with respect to Production, Manufacturing and Exports of company. The article also describes the various innovations of the company for e.g introduction of Electronic power steering, introduction of superior quality of 16*4 hypertech engines.
- R.C.Bhargava, Seetha in their book, *The Maruti Story*, focuses on the journey & developments of Maruti Suzuki India Limited. Mr.Bhargava in his book pointed that Maruti Udyog established new standards of quality, productivity, industrial relations and customer care in the Indian automobile industry and the manufacturing sector at large. He also mentioned that Maruti Suzuki not only dominate the Indian car market within a short period of time but also showed that India could manufacture and export a sophisticated product to all demanding markets of western Europe. He also emphasized that Maruti Suzuki is rapidly building research & design capabilities so that in a few years small cars can be designed and engineered in India.
He also mentioned that Maruti have adopted the marketing and sales policies based on the Japanese experience but modified to suit Indian conditions.
- Maruti Suzuki India Limited in their Sustainability Report 2009-10, focuses on its Give, Get & Grow mantra. This report speaks about Economic, Environmental & Social performance of Maruti Suzuki India limited. Mr.R.C.Bhargava-Chairman, Maruti Suzuki India Limited, in this report stated that, the sustained growth achieved by Maruti Suzuki over its 26 year journey is the result of stakeholder centric policies adopted from their formative years, which have also kept in view the interests of society and the company's ability to respond to the changing market requirements. Mr.Bhargava also opined that recognizing the importance & necessity of clean and cost effective fuel options, Maruti

Suzuki embarked on a journey to develop alternate fuel vehicles and out of the alternative fuel options, CNG seems to be the most suitable option for India.

4. RURAL MARKETING

In today's competitive business world every business organization is interested to tap every untapped market and if we glance on the untapped market the share of rural market is much more than the urban market. This is the reason that every enterprise is penetrating on rural market due to large consumer base and factors like increase in the purchasing power parity, better communication link, improved infrastructure and positive change in socio economic condition of the rural population. It is more important for every organization to understand the relevance of rural marketing in addition of strategies which are suitable for rural market. This paper discusses about the successful marketing strategies used by a leading automobile company, Maruti-Suzuki India LTD, to explore and penetrate the rural market. Due to drastic change in the importance of rural market, the rural market which was totally unorganized, unstructured and uninterested for producers and service providers has become their target market to grow and expand. It has become one of the most important marketing strategies for various Indian and multinational companies. About 68% of India's population lives in rural areas. Rural population has grown by 12% in last decade. Rural market has distinguished characteristics, accounts for 40% of Indian economy. Rural India has huge, heterogeneous and growing consumer market, which contributes more than 50% to India's total consumer market size.

Rural India has witnessed significant development in last decade, with commitment of financial resources and launch of a range of programmes by government towards physical and social infrastructure development. The report elaborates the status of rural India's infrastructure, social development, living conditions, economy and industry. The Rural India Report enables rural-urban comparisons, study trend of rural statistics over time and gives long term projection essential for market planning. Also, there are detailed state level tables in annexure on each subject covered in the report. Finally, the Report helps in breaking the myths and common perceptions on rural India, with robust facts and figures.

Each and every company today wants to penetrate rural market due to its untapped large consumer base and factors like increase in PPP (Purchasing Power Parity), better road conditions, improved

infrastructure and positive change in socio – economic conditions of the rural people. Proper understanding and use of rural marketing mix strategies is very essential to penetrate the rural market. Marketing strategies are the key to and company's growth and success. Rural market is different. It needed special focus and completely different strategies. Indian rural market has seen a drastic change in the last 10 years. A decade ago rural market was unorganized, unstructured and not even companies were seriously interested to explore the opportunities in rural market. Now situation has changed and companies are concentrating and seeing rural market as an interim part of business. Now tapping the rural market is one of the most important marketing strategies for various Indian and multinational companies. Every company has used unique and completely different marketing strategies to tap rural market.

5. PAST AND PRESENT SENARIO OF RURAL MARKETING

Before 1960s rural marketing was known as marketing of rural and agro products to rural markets and urban markets. Agro product lie cotton, food grains and sugarcane were the primary products marketed in the past. Scope of farm equipment such as tractors, pumps sets, thrashers and pesticides, seeds and fertilizers was very limited. Rural market was totally organized so there were no specific marketing strategies were prepared by the marketers. Rural marketing was synonymous with agricultural marketing. After green revolution scope of rural marketing get widen due to turning of poverty stricken villages turned into cash rich centers. The demand for agri-input product such as fertilizer, pesticides, better variety seeds, tractors, tillers, harvesters, water pumps and sprikers rises due to the positive result of green revolution. Now scope of agricultural marketing extends form 'agricultural marketing' to 'marketing of agricultural inputs'. Companies like Mahindra & Mahindra, IFFCO, Eicher, Sriram fertilizers and Escorts were emerged due to this drastic change.

Today, rural marketing is marketing of consumer product, durable products, automobile products, telecommunication and financial services along with agricultural inputs in rural areas. Rural marketing is in its developmental phase and future market for the survival of mot of the companies. The reason behind this change is there:

- Socio - economic changes (lifestyle, habits and tastes, economic status)
- Literacy level (25% before independence – more than 65% in 2001)*

- Infrastructure facilities (roads, electricity, media)
- Increase in income
- Increase in expectations
- Urban market is saturated
- Huge potential of rural market is now visible

Now rural marketing represents the emergent distinct activity of attracting and servicing rural markets, fulfill the needs and wants to persons, households and occupations of rural people.

Urban areas to rural customers. However, agricultural marketing involves delivering agriculture products manufactured in rural areas to urban customers. For example, electronic gadgets are manufactured in urban areas and also delivered to rural areas. On the other hand, crops are manufactured in rural areas and delivered to urban areas.

In rural areas, the products are distributed through wholesalers, retailers, and unconventional distribution channels. For example, Hindustan Unilever used an unconventional channel, such as Shakti to widen the scope of distribution in rural areas. Marketers need different strategies to enter the rural market. The strategies include the following considerations:

Client and Location Specific Promotion: Refers to the strategy designed to suit a particular location and clients

Joint or Cooperative Promotion: Implies that strategy involves participation between marketers and rural clients

Bundling of Inputs: Includes the sale of various related items to rural customers or clients by the marketers. It also includes after sale and credit arrangement service.

Management of Demand: Includes continuous market research of needs and problems of buyers for continuous improvement and innovation to sustain in the market.

Unique Selling Proposition (UPS): Presents a unique feature of product to attract rural customers to buy the product.

Extension Services: Refer to provide additional services, such as providing training to rural customers to use the products

Partnership for Sustainability: Refer to utilize the relationship for long and continuous business with rural customers.

6. SCOPE OF RURAL MARKETING IN INDIA

Over the last few decades, the Indian rural market has become prominent due to growth in the purchasing power, of rural population. The rural areas consume a large quantity of products manufactured in urban areas; therefore, the rural market is getting more importance than urban market. Nowadays, the marketers are looking for expansion in the untapped rural market. The majority of Indian population lives in rural areas; therefore, there is a vast scope for marketing in rural India. An organization follows rural marketing for the following reasons:

- **Rural Population:** Consists of more than 720 million people and forms a huge market for organizations.
- **Rural Economy:** Contributes significantly in the country's GDP. Rural India has a large number of households who are aware about the branded products and willing to buy them.
- **Relation between Rural and Urban Economy:** Refers to economic connectivity between rural and urban areas.

7. AUTOMOBILE SECTOR IN RURAL MARKETING

Car sales in rural India have been on the increase in the last three years since the government announced various schemes such as farm loan waiver etc, for the rural population. Maruti Suzuki's share of rural sales has increased from 3.5 per cent to 17 per cent in the last three years. Mahindra & Mahindra (M&M) is now selling more Scorpios in rural and semi-urban markets. Scorpio sales have increased from 35 per cent to 50 per cent in the last two years. Toyota Kirloskar Motor (TKM), in which Japan's Toyota Motor Corp holds an 89 per cent controlling stake, is planning at selling 40 per cent of its cars in rural markets in India. According to Hiroshi Nakagawa, Managing Director, TKM, "We are aggressively expanding our dealership footprint in India and quite a significant portion of this will be in country's heartland. By end of 2010, we plan to have 150 dealers across the country." Yamaha is also planning a major initiative in rural India by launching more models in the affordable price range in 2010. "We are very strong in Tier 1 and Tier II cities. Now onwards, our focus will be rural India (Tier III towns). We will launch more models in the affordable price range to dominate the rural market," according to Pankaj Dubey, National Business Head, India Yamaha Motor. At present, around 15 per cent of its sales come from the rural market and Dubey sees this demand increasing substantially in 2010. Tata Motors

is also making efforts to sell its pick-up truck Ace in rural markets. It has already opened 600 small outlets for the Ace in rural and semi-urban markets. It has also tied up with 117 public sector, gramin (rural) and co-operative banks to help small entrepreneurs buy the vehicle.

ESTIMATED ANNUAL

8. PROFILE OF MARUTI-SUZUKI LIMITED

Maruti Suzuki India Limited is a subsidiary of Suzuki Motor Corporation, Japan & India's leading passenger car manufacturer, accounting for nearly 45 percent of the total industry sales. Maruti Suzuki offers 16 brands with near about 150 variants. Maruti offers various brands which include Maruti 800, Alto 800, Alto K10, Estilo, Wagon-R, Omni, Eeco, A-Star, Ritz, Gypsy, Swift, Swift Dzire, SX4, Ertiga, Kizashi and Grand Vitara. The company is engaged in the business of Purchase, Manufacturing, and Sales of vehicles & spare parts. Maruti Suzuki is also engaged in other activities like Pre owned car sales, Car financing & Fleet management. Maruti Suzuki got various awards and accolades in its profile. It has ranked no.1 in JD Power Asia Pacific Customer Satisfaction Index (CSI) survey 2009 for ten times in a row. Maruti Suzuki got CNBC TV18 award 2011 for manufacturer of the year. Maruti Suzuki is the only Indian company who has crossed the 10 million sales mark since its inception. The company has two manufacturing facilities in Manesar and Gurgaon, Haryana, India. The Gurgaon manufacturing plant has a manufacturing capacity of nine lakh units annually. According to Mr.R.C.Bhargava-Chairman, Maruti Suzuki India Limited, Maruti Suzuki India Limited finalized Rs.1700 crore investment for doubling the diesel engine capacity at Gurgaon Manufacturing Facility to 6,00,000 units by 2014. The Gurgaon plant also having K Series engine plant. Since inception of this plant, till date over 10 lakh K Series engine have been rolled out. Maruti Suzuki's Manesar manufacturing facilities have two fully integrated plants having capacity of 5.5 lakh units annually. Maruti Suzuki is also ahead in Social activities. As a responsible corporate citizen Maruti Suzuki introduced world class driving training facilities to India by launching Institute of Driving & Traffic Research. These include a specially formulated multilingual theory curriculum, scientifically laid-out driving tracks and advanced driving simulators that replicate Indian driving conditions.

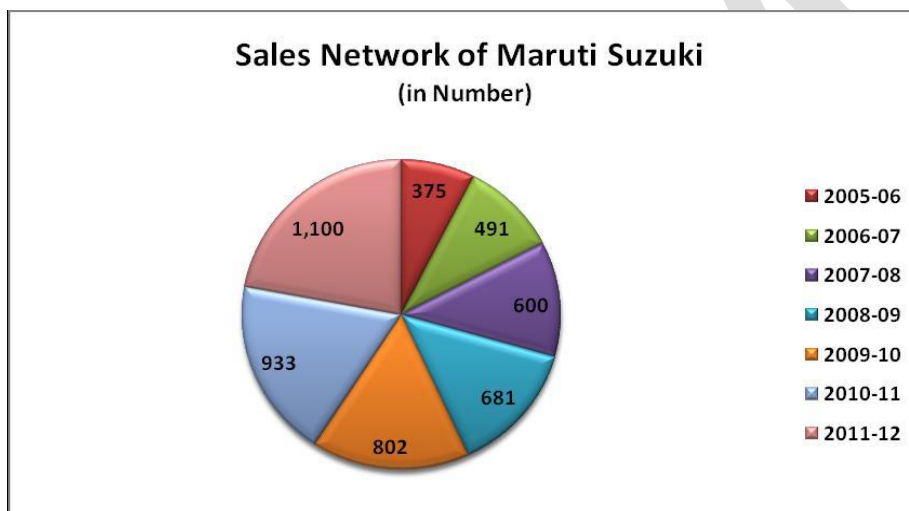
In 2008, In 2008, Maruti Suzuki introduced National Road Safety Mission. Under this initiatives, the company took a commitment of training over 5,00,000 people in safe driving

practice in a span of three years. Also with an objective to improve road safety and inculcate safe and systematic driving habits among people, Maruti Suzuki has opened Maruti Driving Training School (MDS). These driving schools are equipped with Practical Training and Attitude Training.

9. SALES NETWORK

Maruti Suzuki has the largest sales and service network amongst car manufacturers in India. It had 802 sales outlets in 555 cities and 2740 service workshops in 1335 cities. The service network of the Maruti Suzuki includes Dealer workshops, Authorized service stations and Maruti service zones. The following pie chart clearly describes the sales network of Maruti Suzuki.

Graph 1. Sales Network of Maruti Suzuki



It is amply clear from the above pie chart that, Maruti Suzuki gradually increased its sales and service network. In year 2005-06, the total sales network was 375 whereas in year 2006-07 the number of sales network reached to 491. In year 2009-10 the number of Sales network increased by 121 over 2008-09 and reached to 802. In year 2011-12 the total number of Sales network was 1100 i.e a growth of 17.89 percent over 2010-11.

Maruti's rural sales grew 16% in financial year 2013-14. At 336,463 units, this segment comprises 32% of the car market leader's total sales spread over 93,500 villages, up from 44374 villages where the company sold its cars in 2012-13. Maruti, according to top officials, sees its non-metro push as the drive to the future. The rural focus comes on the back of Maruti's strategy

of hitting sales of three million units in the longer term. In his address to shareholders, Bhargava talked of parent Suzuki's investment in the new Gujarat plant freeing up capital for Maruti to "strengthen R&D to develop and maintain the much larger number of models required to achieve sales of 3 million cars". Analysts say Maruti has managed to 'crack' the rural market thanks to its focus on fuel efficiency and network expansion. Maruti has announced fuel efficiency as one of its top focus for R&D activity. On its agenda are reducing vehicle weight and cost and use of alternate material plus new technologies. Maruti saw its total R&D spend as a percentage of total income increase from 1.17% in FY2012-13 to 1.48% in FY13-14.

Of course, no village road show can work without service accessibility. Maruti, which has 3000 rural service outlets, is planning to expand that network by 200 this year. It is also planning to double its 1000-strong mobile service vans across rural markets.

Maruti's rural target began in the slowdown of 2008 but really came good in 2013 when the car market saw its worst slowdown in a decade. While the rest of the market ground to negative growth curve, Maruti saw its smaller/rural markets - with populations of less than 10,000 people growing around 14-15%.

10. MSNL AND RURAL AREAS

The leading Indian car maker company Maruti Suzuki, is focusing its sales on rural India now. As per the market resources company is seriously working on its plan to enhance, share in rural auto market by almost 20 percent, which is a very considerable margin in the rural market share. The auto market is gradually spreading its wings and covering more and more areas.

Maruti Suzuki is at present looking across 1.5 lakh villages for its presence. Interestingly, the company's rural sales has grown to 4,15,380 units. There are a number of medium size vehicles of the company popular in the rural India. It has known the mindset of rural people and provided the vehicle to best of their requirements. It has also planned to match the vehicles as per the rural road condition. The Maruti is believed as a leader in petrol variants of the vehicles and same is useful to it to tap the rural market.

According to Mr RS Kalsi, The Executive Director, Marketing & Sales, Maruti Suzuki India, the company is planning to penetrate in rural market by FY14-15 and their share is standing at 34.5 per cent (of total sales) which was 32 percent in FY 13-14. In FY14-15 they have got a

better presence in more than 1.25 lakh villages. The target of the company is to go forward and enhance the enhance presence in 1.5 lakh villages hence almost more 25000 villages will be tapped by the company in a year. This can add a significant sales figure in company's total sales and increase the market share to a great extent.

He has further added that more than 7 per cent the sales of the company generate from villages which has almost or less than 200 houses. Still, the rural sales have suffered from unforeseen circumstances such as delayed monsoon and also due to unseasonable rains which has affected the sales in the rural areas to a large extent else the company might have achieved more than its plans. However, the company believes that the situation will be improved very soon.

The number of rural customers has been on the rise and companies like Hyundai and Maruti have been reaping the benefits as they have invested solid marketing and sales efforts over the last decade. *“At the start of the year (FY14-15), we targeted to sell at least one vehicle in 1.25 lakh villages. We have been able to reach even the smallest of villages—today more than 7 per cent of MSI's sales are coming from villages with less than 200 households.”* The company foresees uncertainties in the rural economy as the country has been experiencing unseasonal rainfall in various regions. Inclement **weather patterns have negatively affected rural sales**. However, Kalsi said: *“Barring the current situation, the long term growth story of rural India looks good and promising... As infrastructural jobs reach rural India, the dependency on agriculture may come down.”*

Mr Kalsi also said that if the current situation is ignored, still in the long term the growth of rural India looks very promising and hence there are huge chances of people getting the vehicles for personal convenience. In the coming days the India is going to have modern rural areas where a car in the house will not be surprising at all. Due to these factors the company is planning to tap these areas well in advance to avoid direct competition with rivals in the long run good and promising. The auto experts and economists believe that with the infrastructural jobs the rural India will be wealthy and dependency on agriculture will be no more. Hence, the growth story is very lucrative and drawing a pink picture of the coming days. However, it will be soon realized when the company will expand its network.

11. CONCLUSION

Here the paper is completely said about the sales and usage of Maruti in village as well as remote village. After the analysis it gives some suggestions for how to cover the customers

- The product price is according to the customer, this will collect the proper person should be getting from the area people
- The company should understand their requirement. At least we should know about that some general suggestions about customers and consumers perceptions are below

Consumers today are much more concerned about climatic changes than they were even few years ago. Moreover, they are expecting their favorite brands not only to share their concern but to take action (or enable their consumers) to mitigate it.

The earlier perception of industry towards green marketing was that the pressure for making business environment green and behaving in a more responsible manner especially comes from Government and its legislations. Now that old perception is changing throughout the globe as studies performed on consumers reflect that in most countries consumers are becoming more aware and willing to act on environmental concerns. There is a radical change in consumer preferences and life styles. They prefer environment friendly products over others and many a times are ready to pay a little extra price for such green products. Due to this shift from traditional marketing to green marketing, companies these days are facing many new challenges.

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