

Rural Market in India

***“Innovations as Cutting Edge Solutions in
Rural Marketing “***

Presented By

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LG Electronics India Ltd.

Drive “3Q”..... Achieve “555”



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RURAL INDIA – The LG Vision

- Re-defining the position of Indian Rural Poor by extending the boundaries for their activities (products and services) through “Cutting Edge” initiatives.

Rural Population Distribution



Distribution of villages in India

Population	Number of Villages	% of Total
Less than 200	114267	18%
200-499	155123	24.30%
500-999	159400	25.00%
1000-1999	125758	19.70%
2000-4999	69135	10.80%
5000-9999	11618	1.80%
10000 and above	3064	0.50%
Total	638365	100%

Source : NCAER

1. Bottom Heavy Cluster among Villages

- 68 % of the villages in India are below the 1000 Popln
 - ✓ - Marketers overlooking the same
 - ✓ - Reaching out to these villages critical to exponential growth
 - ✓ - Bottom Cluster with greater than 2000 Popl slowly saturating.

2. Logistics – The 3rd Generation Challenge

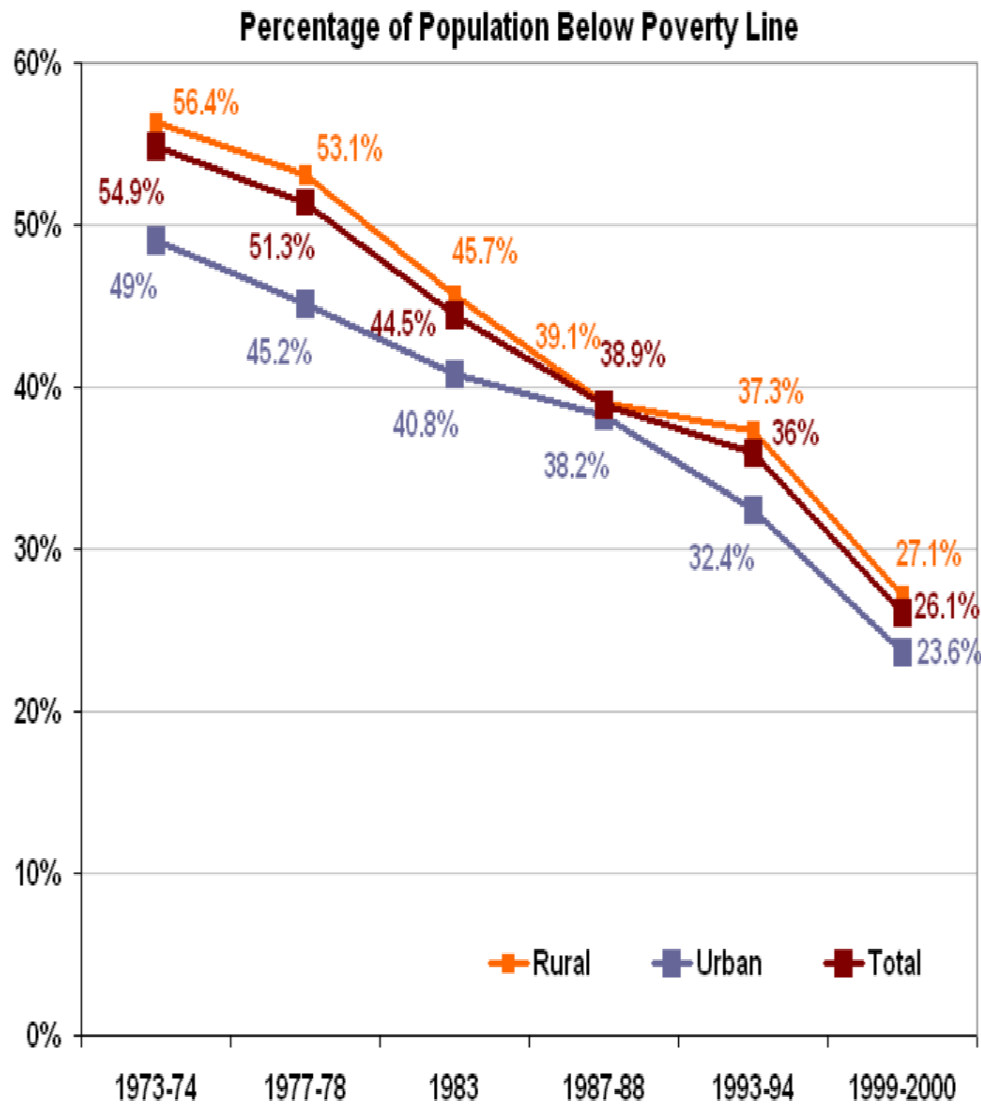
- The Top tier villagers walk , talk & Think like any other man.
 - ✓ - Servicing him is an absolute mandate
 - ✓ - Beefing up the supply chain critical to reaching out to these masses.
 - ✓ - Rural centric pdt and sound communication essential.

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Rural BPL Trend Over the Years



1. Rural BPL Decreasing

10 % improvement in 10 Yrs.

- ✓ - Rural Fast Catching up with Urban
- ✓ - Has a rippling effect on the overall BPL of India
- ✓ - Rural overall fairing better than Urban India

Source : NCAER

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Rural Vs Urban Penetration – '05



Criteria	Rural HH'000	% PEN	Urban HH'000	% PEN	Ttl HH'000	% PEN
Car / jeep / van	1603	1%	7241	12%	8844	4%
Two-wheelers	16195	11%	25813	42%	42008	20%
Colour television sets	18152	12%	38572	63%	56724	27%
Refrigerators	11014	8%	29515	48%	40529	20%
Washing machines	1870	1%	14447	24%	16317	8%
Room air-conditioners	76	0%	2936	5%	3012	1%
Fans	63025	43%	47302	77%	110327	53%
Bicycles	80533	55%	36835	60%	117368	57%
TV (B/W or colour)	48573	33%	46400	76%	94973	46%
Gas stoves	27390	19%	40964	67%	68354	33%
Pressure cookers	37883	26%	45192	74%	83075	40%
Has electricity connection	59928	41%	46981	77%	106909	52%
Drinking water in the household	39549	27%	35073	57%	74622	36%
Fuel used is LPG / electricity / biogas	8544	6%	26090	43%	34634	17%
TOTAL HOUSEHOLDS'000	146192	100%	61196	100%	207388	100%
TOTAL Population base	877152		183588		1060740	

1. Life style definers

1. Very Poor Rural Penetration

2. Necessity

2. Higher Rural Penetration when compared to Life style

4. Basic Infra

4. Basic Infra fast improving in Rural HH

Source : FK Urban Rural Index 2005

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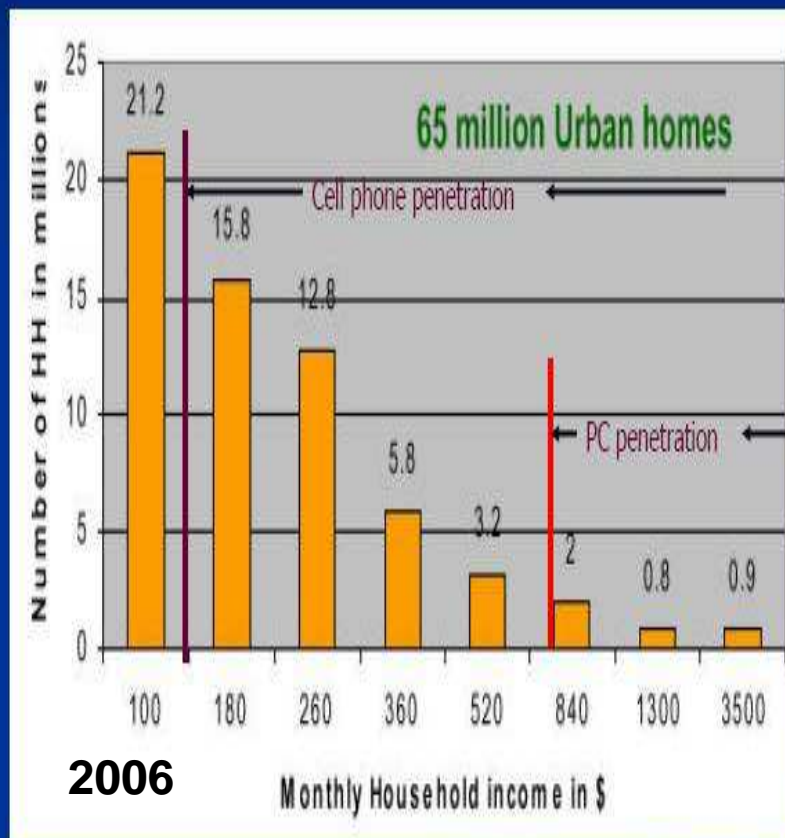


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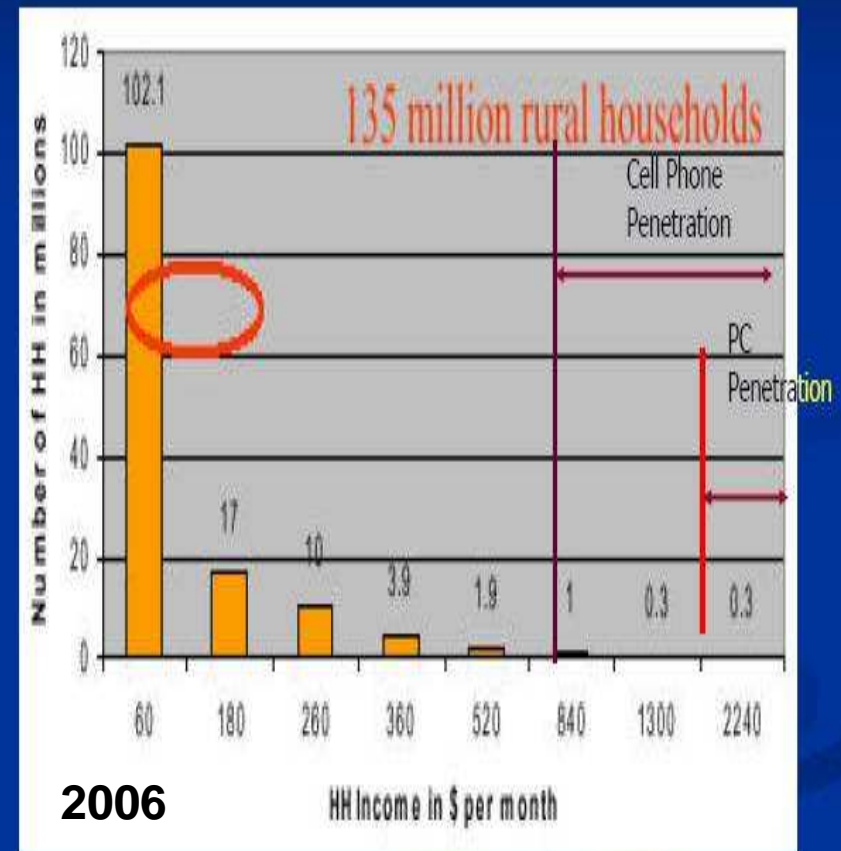
Rural Vs Urban Penetration – '06 – PC & Mobile



Urban PC and Cell Phone Penetration



Rural PC and Cell Phone Penetration



Untapped Rural Potential



- 600,000 villages with 700 mn people
- >50% of total GDP from rural India
- Nearly 50% of Very rich + Well off households in rural India



Demographic Classification	No. of Households (mn)		
	Urban	Rural	Total
Very Rich (Greater than 10 L P.Annum)	4.84	1.32	6.16
Well off (Greater than 5 L P Annum)	29.45	27.36	56.81
Total	34.29	28.68	62.97
% of Total	54%	46%	100%

**Hardly any Gap
between Rural &
Urban India in
terms of the Rich**

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The Challenge

- Electricity Shortage – Sporadic Power Supply
 - Acute Water Shortage.
 - Poor Transportation availability.
 - Consumer Finance Options
-
- ✓ Can we make energy saving products??
 - ✓ Can we give him a washing machine which consumes less water??
 - ✓ Can we give him access to buying products near by his location??

The Solution



- Set up of a Life style Research Team which would analyze the needs & preferences of the consumer , In-depth..
- Understand at length his comfort levels in terms of what he wants and what he would spend for what he wants..
- Make products and service available for him to suit his needs & Preferences..
- Have a deep pocket network to make products available for him at a close proximity from where he

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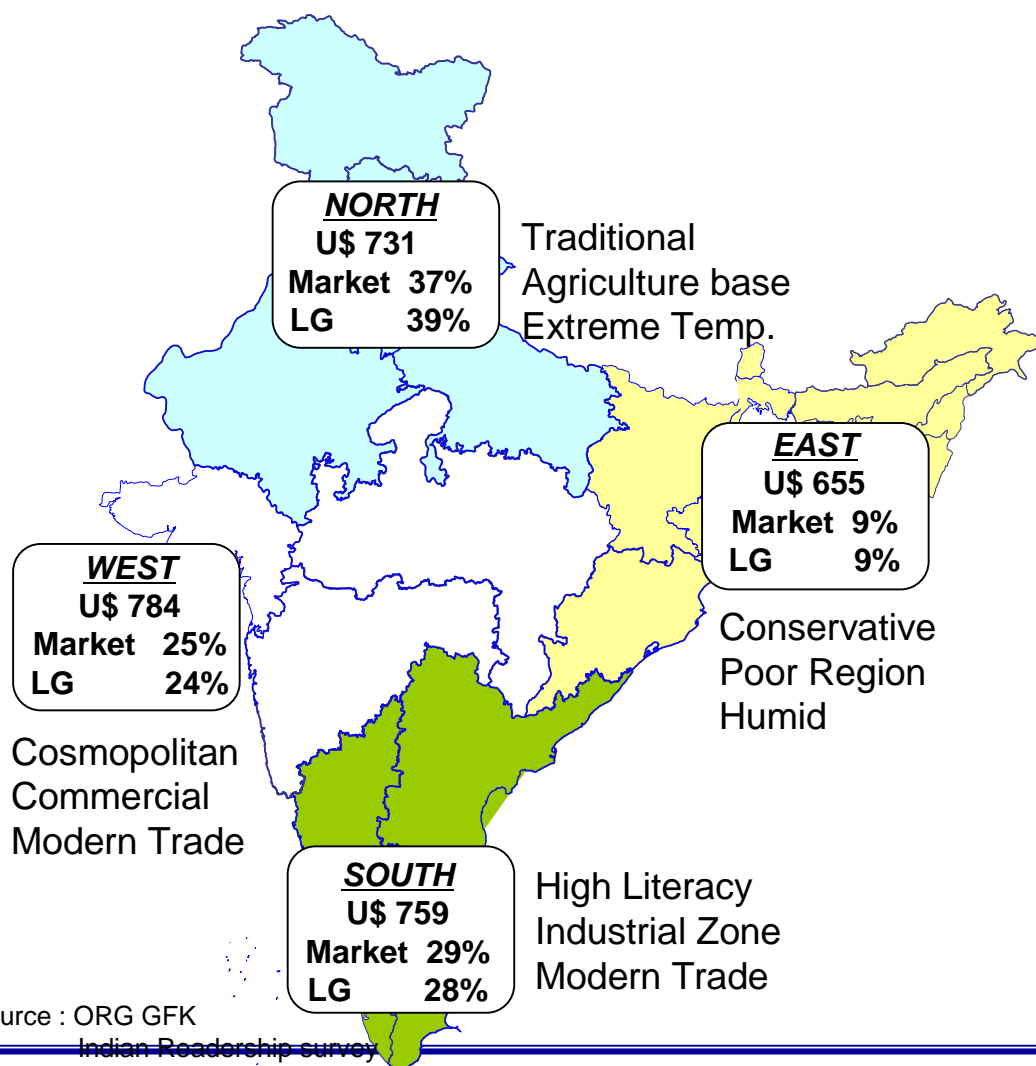
The Road Map – 4 Point Mantra

- ✓ Regional Marketing Approach
- ✓ Deep Channel Penetration
- ✓ Sophisticated & Deep After sales Service
- ✓ Rural Centric Marketing Promotions

1. Market Demand

► Regional approach in marketing is required.

Purchasing power by Region



Source : ORG GFK

Indian Readership survey

1. Market is different

- Consumer Behavior
 - S/W : Shift to Mid-High Segment
Split A/C, FTV, F/L W/M
 - N/E : Conservative, Low End
Win.A/C, 2Tub W/M, 1Dr Ref

2. Different culture, life style

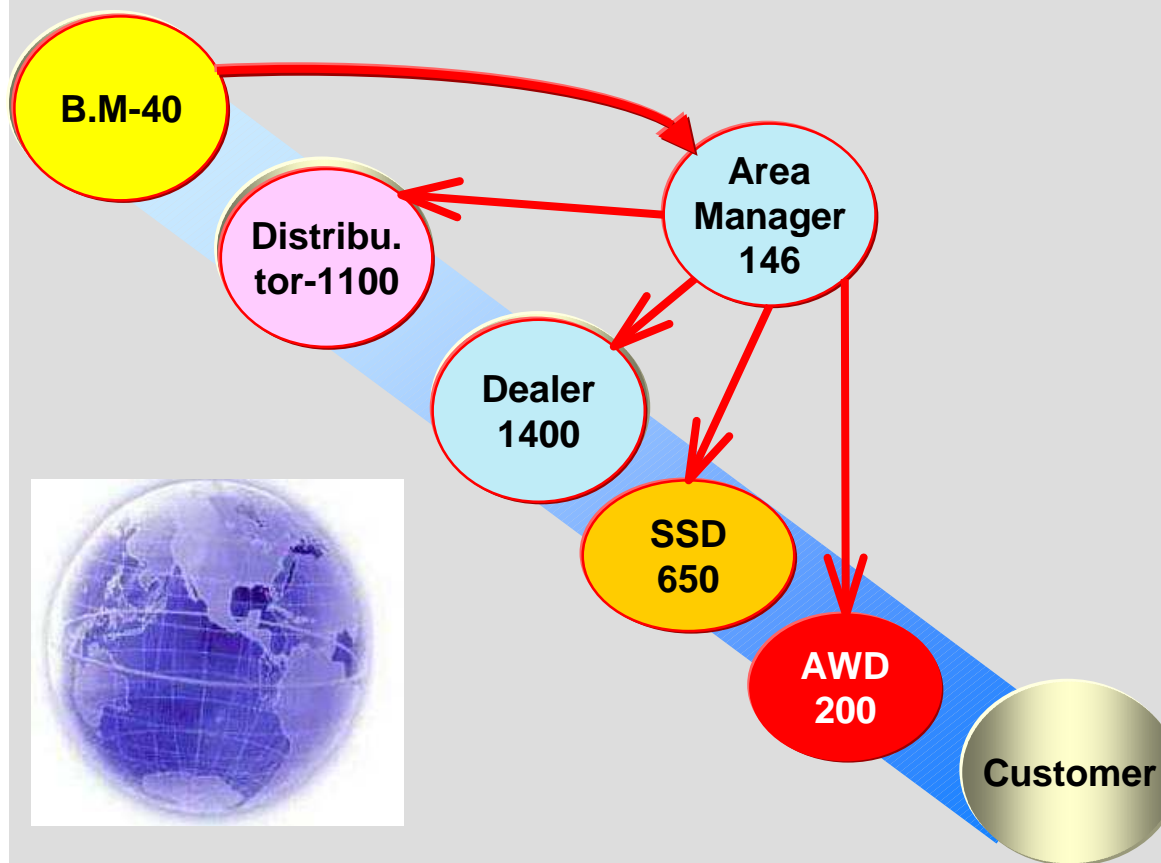
- Diversity in lifestyle
 - Food Habits / Clothing
 - Language : 18 official
 - Customs/Religion

3. Distribution Channel

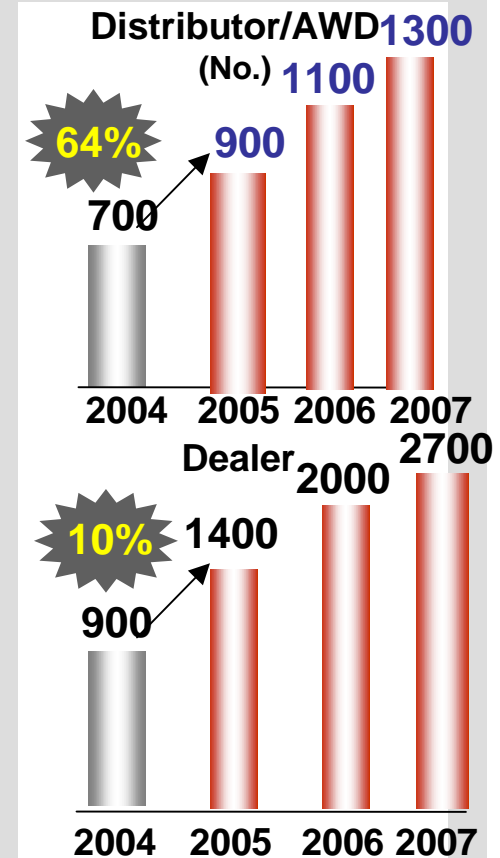
- S/W : Modern Trade 25%
- N/E : Distributor 61%

Increased Channel Networking which Resulted in an increased Rural Market Reach

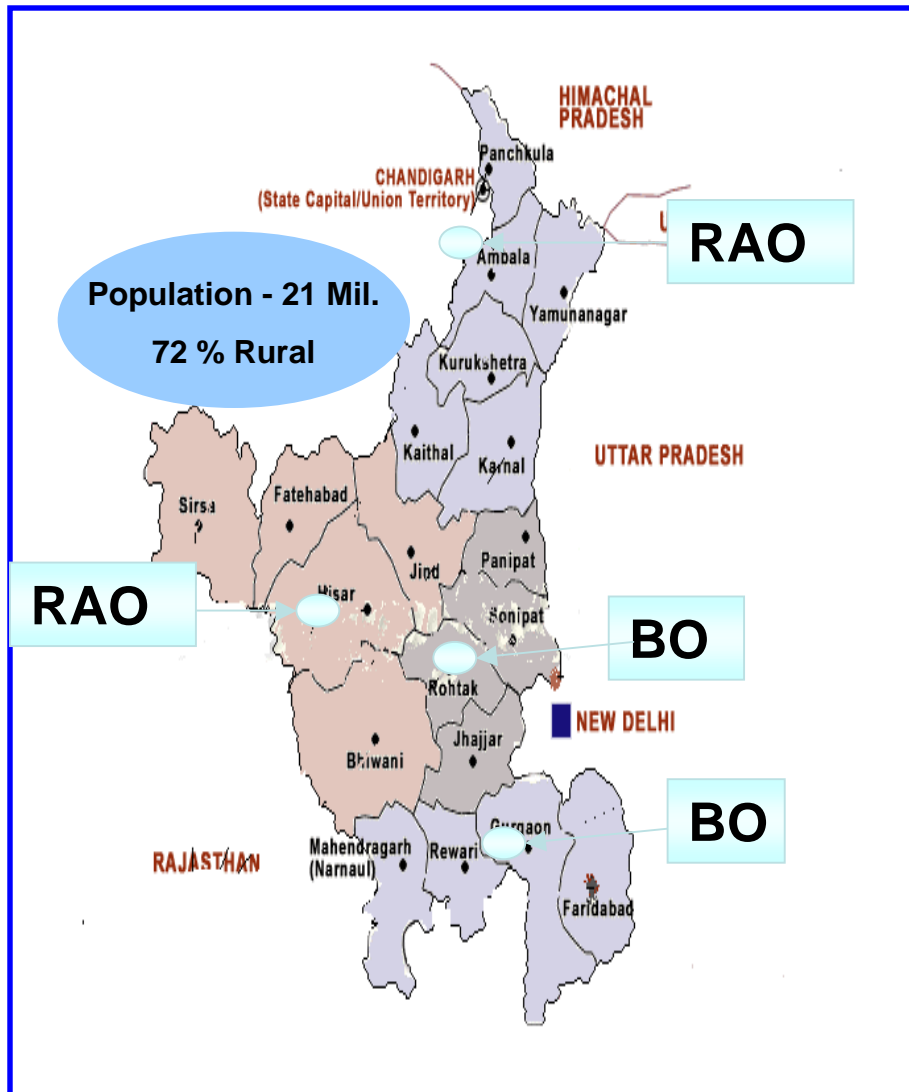
2007 NETWORK



GROWTH



BEST PRACTICE – DISTRICT NETWORKING(Example)



B.O (Branch Office)

- Small CEO
- Profit Centre
- Heading & supporting AO's.
- Equipped with Stock point, ERP.
- Equipped with Functional Manpower.

RAO (Remote Area Office)

- Sales & A/R Collection
- Enhance mkt penetration & ctr share.
- Enhance Relationship with TP
- CS & Accounting Solutions
- Equipped with Infrastructure &
- Manpower

RSO (Remote Sales Officer)

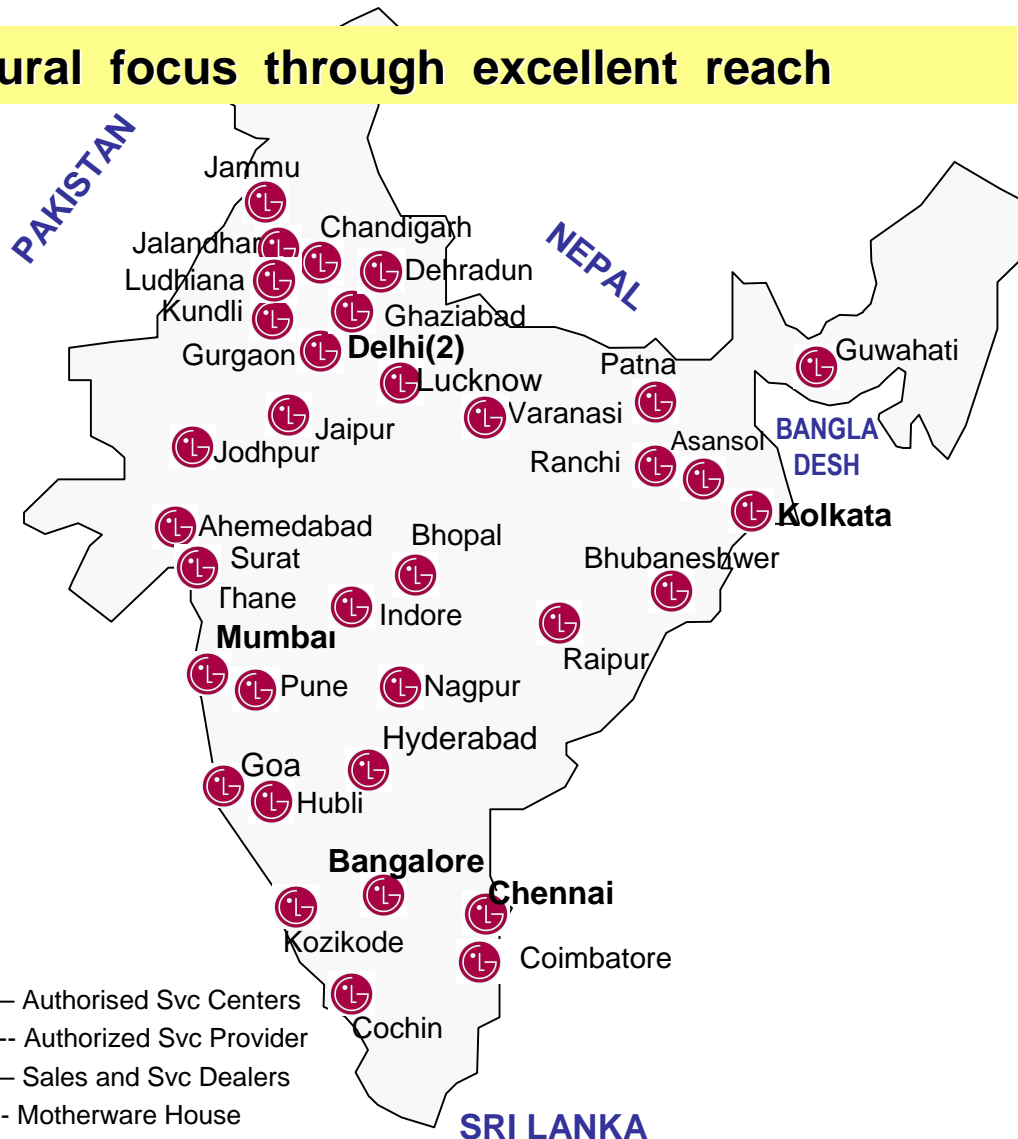
- Covers Sub-Dealer Network.
- PR & Motivation of SD.
- Enhance penetration & extraction

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Rural focus through excellent reach



Co.s Reach

□ Branch Off	: 40
□ RAO	: 63

Rural Sales Channel

□ Dealers/SD	: 9000
□ Distributors	: 1100

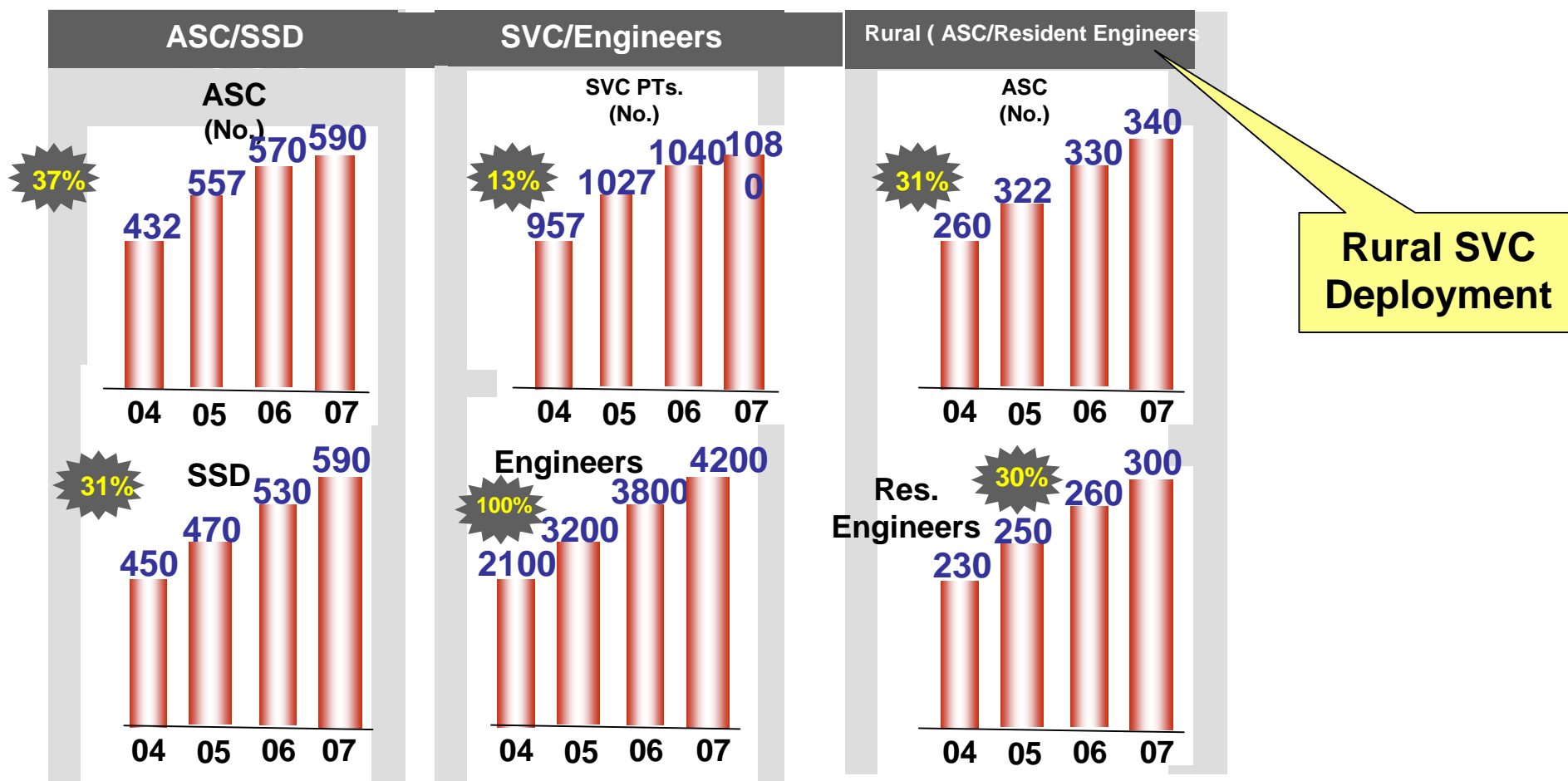
SVC Channel

□ ASC	: 1080
□ SSD	: 600
□ ASP	: 590

Logistics

□ MW	: 5
□ Stock Point	: 46
□ Br Warehouse	: 36

Service Network Development – The key to improving Rural reach



Increased service Network which Resulted in an increased **Rural Market Service Reach**

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Rural Marketing - Promotion Support initiatives of LG



**Mobile Van at
Kasargod**



**Exhibition at
Rajamundry**



**Cookery Classes at
different locations for
Rural Housewives**

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Life's Good



**1000 In Store
Demonstrators
at Dealer counters in Rural
Cities**



Road Show at Satna

LG's Rural Foray

- LG India- tripled the number of its retail & distributor outlets in rural areas from 2004 to 2006
- The avg. price of its Sampoorna range of CTVs came down to about the price so competitive that, thereby bridging the gap between CTVs and other local B/W TVs.
- It also tapped local forms of entertainment like annual *haats* and fairs and made huge investments in infrastructure for distribution and marketing.

Result

- The rural market accounts for 60 per cent of new CTV buyers for LG
- The rural market for LG grew at 25 per cent over the last year, against a 15 per cent growth in urban areas.
- Sampoorna TVs sold in the Indian heartland and the semi-urban belts ,enforced a strong connection with India for LG.
- It connected very well with down the pop strata.

“Improving the lives of the billions of people at the bottom of the economic pyramid is a noble endeavour. It can also be a lucrative one”

C.K Prahlad

Thank You