



Corporate–Microfinance Institutions’ (MFIs) Partnerships: New Way of Reaching Out to Rural Consumers

It is no longer a surprise that rural markets in India has become mainstay for both MNCs and domestic companies. Rural regions, which were once overlooked by most companies under the impression that these markets lacked potential buyers for their consumable goods are in fact, turning out as cash cows for them. Companies that have so far benefited from exploring the Indian rural markets include, Hindustan Unilever Limited (HUL), Coco-Cola, Nokia, Bharti Airtel, Godrej, Bajaj Allianz, Housing Development Finance Corporation Limited (HDFC) and few others. But this success for companies came only after confronting the challenges posed by Indian rural markets.

Although rural consumers exhibit similar characteristics like the urban ones (in terms of product demand, consumption patterns and brand consciousness), rural markets demand different and innovative marketing strategies. Rural India, on many fronts, is still lagging behind their urban counterparts as it is in the process of transformation. Going by the latest statistics, the income levels and standard of living of rural people is relatively low. Large part of rural India thrives on agriculture and allied activities, which again relies on monsoons. Monsoons in India are unpredictable and so is the agricultural income. On the other side, the number of villages in India is high and the population in these regions is unevenly scattered due to which they remained undeveloped for a long time. The companies found it difficult to reach out to these consumers, as transportation and infrastructural facilities were poor.

Realising that the dynamics of rural markets are different, companies evolved with effective rural marketing strategies. They conceptualised a framework called 4As – Affordability, Awareness, Acceptability and Availability – to deal with the problems of rural markets (<http://www.thehindubusinessline.com/bline/2004/02/16/stories/2004021600160900.htm>). To meet the challenge of availability of products, companies revised their distribution channels. In this process, they partnered with Microfinance Institutions (MFIs) of rural areas, which strive for the empowerment of rural poor.

An outstanding example for such partnership was Project *Shakti* (*Shakti*) of HUL, which was launched with the objective of reaching out to 100,000 villages and 100 million consumers. As part of this project, HUL collaborated with women from Self Help Groups (SHGs) and made them direct-to-home distributors (who are called as *Shakti* dealers). The *Shakti* dealer, based on the business conducted received commission from the company. With this partnership, HUL was able to enhance its brand visibility and sales in rural areas. Similarly, many other companies (Godrej & Boyce, Nokia, Bharti Airtel and D.light) also tied-up/tying-up with MFIs for penetrating into rural markets.

Along with serving as distribution channels, corporate-MFI partnerships are bringing many other benefits to the companies. Such partnerships are enabling companies to understand the needs and requirements of rural consumers in better ways and accordingly customise their products. While this is the case with companies, MFIs are also showing equal inclination towards these partnerships, as they are creating social impact. The commission earned from the sales (of company’s products) is increasing the revenues of MFIs, which in turn is reducing the interest rates on loans. The decrease in interest rates is ultimately benefiting the members of MFI. Corporate-MFI partnerships are enabling to generate income in rural areas and thereby improve the economic condition of rural masses.

However, such partnerships are giving rise to new dilemmas. Firstly, is the alignment of two mutually exclusive goals possible? If analysed, companies operate with profit orientation, while MFIs strive for social betterment. Secondly, will the partnership between these two completely different entities be a sustainable one? Is there a threat that in the name of social good, MFIs oblige rural consumers to buy the products? More than the companies, MFIs are confronted with challenges in dealing with such partnerships. Therefore, they have to ensure that the social mission is not overlooked.

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