

Tough times mean tough choices



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At the prestigious Pan IIT meeting - the annual get-together of the high profile alumni of India's premier tech institution from across the globe - held in Chennai recently, the focus was on the India that lives in villages!

A big change from the earlier high-profile Pan IIT meetings which have been about providing mentorship and business tips for budding entrepreneurs from the alma mater or networking with global business leaders.

Among the galaxy of names present for the event like C K Prahalad, L N Mittal, Rajat Gupta were also IIT Madras Alumni - R Madhavan of Padapai Farms and village sarpanch Popatrao Pawar of Ahmednagar Dist. of Maharashtra. Truly, a telling indicator of the current times of global economic slowdown and the path seen by these eminent leaders for the country's economic salvation!

Consider some recent headlines in the country's financial newspapers post-recession. And you will see which way the wind is blowing:

- Marketers embrace Rural India
- Rural India goes FMCG shopping despite slump
- Rural spend, housing to rescue growth
- Micro finance institutions benefit from slowdown

In fact, the study of micro finance institutions (MFIs) is certainly an eye-opener. While most corporates are reeling under the impact of the domestic liquidity crunch, the large client base of MFIs in the country is now being seen as a section of society that is largely insulated from the ripples of economic slowdown.

According to an industry expert, the small ticket loans provided by the MFIs (ranging from Rs. 4,000 to Rs.12,000) have become the positive aspect. There is little scope for default as these people are not too directly linked with the crisis. As lending to MFIs can also be seen as priority sector advances, many banks, especially the public sector banks, are coming forward to give term loans to MFIs.

Another sector that seems to have been greatly benefited by the emancipation of the rural consumer is the garment industry. The eagerness of the rural consumer to emulate his city cousins is increasingly making him shed his dhoti for trousers and denims.

According to an industry report, Rural India is almost neck-to-neck in terms of percentage growth in quantity of textiles consumed in 2007 vis-à-vis 2006, a phenomenon drawing retailers to rural pockets. While Rural India grabbed 55.73% market share in the

category of ready-made trousers, the share of shirting was even higher at 73.47%. All this while the dhoti market size declined by 8.59% during the same period. Way to go!

The story of FMCG is of course well known. A sector that is showing considerable resilience despite the economic slowdown.

Here again the rural market growth at 20%-plus has overtaken urban which is growing at 17-18%, a definite result of increased rural disposable incomes following three consecutive years of good agricultural growth.

The battered real estate and housing sector also sees its salvation in the buying power of the bottom 80% of the population accounting for 67% of total consumption. While India has not had the banking crisis and widespread housing bust seen in the West, the BOP is also the segment not affected by the stock market fall, as they were never in the stock markets in the first place!

Hence, while the path for marketers in these troubled times is quite clear, it is also a path that requires long-term vision and tough choices.

It calls for innovative distribution, marketing and communication efforts for exploring the rural countryside and to goad the rural consumer to take out the wads of currency hiding in his newly acquired denim trouser pocket. Well as the old saying goes, 'Tough times calls for tough choices and when the going gets tough, the tough get going'.

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Note: The views expressed by writers in this issue are their own and do not necessarily reflect those of the RM Journal.