Rural Potential

Shiv, Nokia India,November 2008

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…1

3 Billion people in the world do not own a mobile phone today !

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2 Billion of them live in rural areas today.

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At current market share, Nokia should get at least 1 Billion of this 2 billion opportunity.

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That’s why we are discussing this today

Lets look at….

- India Consumer Incomes
- India Telecom growth
- Strategies and Lessons from rural markets

Urban Households earn, spend and save twice that of Rural households

	Urban Household	Rural Household	Urban/Rural ratio
Annual Income (Rs)	95,827	51,922	1.85
Annual Expenditure (Rs)	69,065	40,309	1.71
Annual Savings (Rs)	26,762	11,613	2.30
No. of Households	61.4 million	144.5 million	

Source : NCAER

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Only 1/10th of rural households have regular income

Rural Households income

Source of Income	
Self Employment in Agriculture	41.30%
Labor	34.60%
Regular Salary/wages	10.50%
Self Employment in non-Agriculture	11.50%
Others	2.10%

Explains why the rural sales would be very dependent on monsoon and good produce!

Source : NCAER

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Top 20% of rural households account for half the income

Rural Income distribution by quintiles

	% share in households	% share in total income	Per Capita Income (Rs annum)
Q1 (Bottom)	18.1	6.3	3226
Q2	18.6	10.2	5193
Q3	20.5	14.2	7270
Q4	20.9	21.2	10817
Q5 (Top)	21.8	48.2	24618
Total	100	100	10227

Even the top quintile accounts for 30 million households. There income is more than second highest quintile in urban areas.

Source : NCAER

Food accounts for more than half of rural expenditure, only Rs. 1970 on durables

	Urban Spending	Rural Spending
Food	45.4%	55.4%
Housing	5.9%	3.8%
Transport	11.1%	10.0%
Health	4.6%	4.7%
Education	8.7%	6.4%
Clothing	6.8%	7.1%
Durables	5.0%	4.9%
Others	12.5%	7.7%
Total (Rs)	69,065	40,309

Mobile phone spend will come here.

Nokia Opportunity?

Can durable expenses (mobile phone) increase if consumers see benefit of lower transport and education costs?

Source : NCAER

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Extremely low durable penetration in rural areas

Household Penetration	Urban	Rural
Car	12%	3.0%
Motorcycle	34%	19%
Color TV (Regular)	54%	17%
Mixer/Grinder	56%	19%
Ceiling fan	89%	48%
Wrist watch	88%	76%
Bicycle	53%	69%
Pressure cooker	80%	38%

Source : NCAER

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Most of the savings is in cash

Break-up of Household savings

	Urban	Rural
Financial Investments	14.0%	10.3%
Physical Investmenst	21.5%	24.5%
Savings in cash	64.4%	65.2%
Total Savings (Rs)	**26,762**	**11,613**

Will people be ready to spend this cash on purchasing mobile phones?

Source : NCAER

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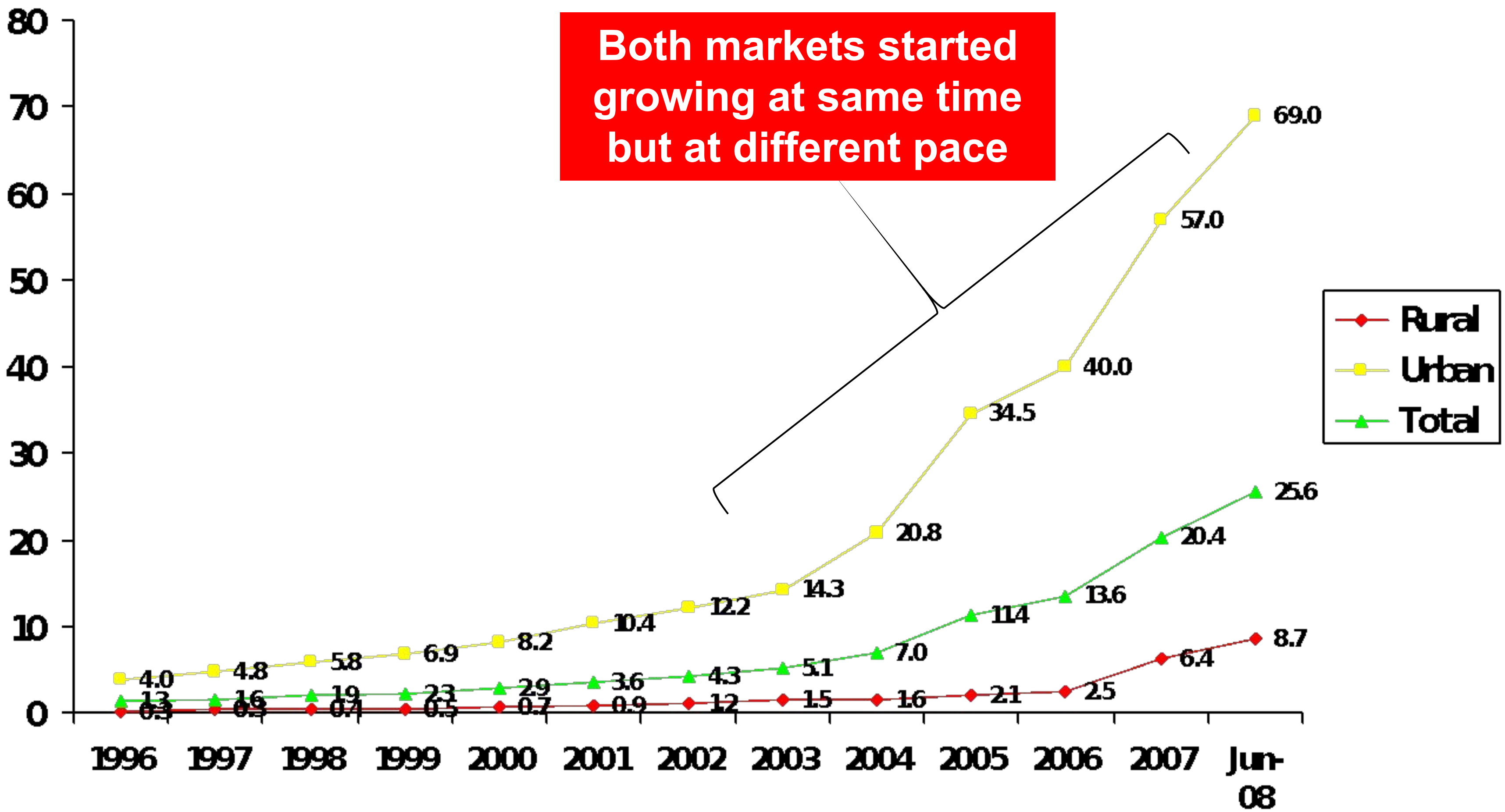
CONCURRENT GROWTH IN RURAL AND URBAN MARKETS

Mobile Penetration



Source : TRAI

Wide Variance in Rural Mobile Penetration

GSM Penetration in Rural Areas (End 2008)

National Average : 9.9%

- >15%
- 10% - 15%
- 5%-10%
- <5%

Note : WB incl Kolkata, TN incl Chennai and Maharashtra incl Mumbai

Source : Nokia

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1. A rural consumer is not a poor urban consumer. eg Motofone.

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2. Serving a rural consumer needs an interdependent eco system

3. The interdependent eco system will involve govt, NGOs, telecom players,others.

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3a. Most governments subsidize rural electricity, fertilizer and food.

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3b. Most governments invest in rural education, information,communication and health care.

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4. **Young girls introduce personal products into rural, young boys are tending to introduce mobile phones.**

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5. Established role models in most societies are teachers, village doctor.

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6. A product strategy …

Feature Set

	L	M	H
H			
M			
L			

Price

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7. For best results, We will need one biz system/strategy and not a separate care, separate distribution, separate services, separate device strategy.

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8. Vivid demo has always been the backbone of rural brand building. Detergents, shampoo, etc. Color, symbols and sensory have been drivers in fmcg.

9. Rural brand building involves educating the trade, the key influencers, the consumer. Traditional ATL alone is not enough.

10. Rural communities take to brands slowly, also give up brands slowly. That's a big sustainable advantage of doing this right the first time !!

Thank You

