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EMPOWERING TIMES



THINKING ALOUD
A Latent Opportunity:
Accessing and Developing
the Rural Market
Jay

PODIUM
Vamsi Udayagiri
Founder & CEO,
Hesa Technologies



WE RECOMMEND
The Learning Trap
Pradip K. Saha

Dear Reader,

India's rural markets are reservoirs of untapped potential waiting to be harnessed for both economic growth and cultural enrichment. Though navigating the Indian rural market landscape poses challenges such as inadequate infrastructure, financial limitations, and a dearth of comprehensive consumer insights, it simultaneously presents boundless opportunities owing to its expansive consumer base.

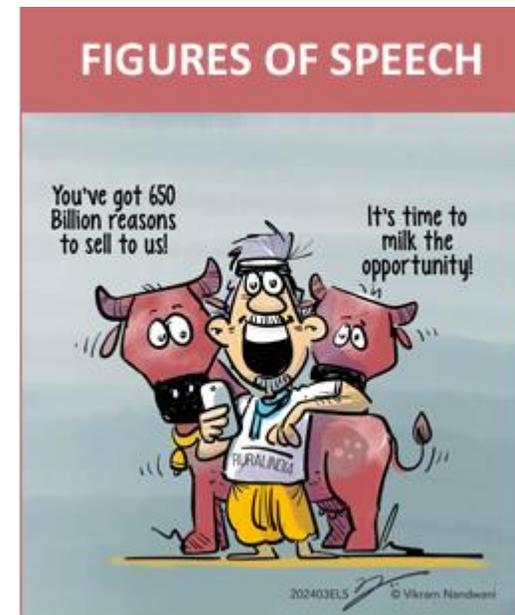
Within this realm, local entrepreneurs emerge as pivotal catalysts, acting as the conduits between brands and rural consumers. Their role is multifaceted, as they not only cultivate trust but also function as all-in-one aggregators for an array of products and services.

Technology, particularly the transformative powers of Artificial Intelligence (AI) and Machine Learning (ML), stands as the foundation in deciphering consumer behaviours and facilitating targeted product launches. Leveraging these advancements enables businesses to adapt their offerings to suit the unique preferences and needs of rural consumers, thereby fostering sustainable growth and inclusivity.

While the Indian rural market presents its fair share of obstacles, it also offers a wealth of opportunities for those willing to invest in understanding its intricacies and unlocking its vast potential. As we strive towards building a more equitable and prosperous society, tapping into the vibrancy of rural India is not just an economic imperative but also a testament to our commitment to fostering inclusive growth and preserving our cultural heritage.

ET this month looks at *'The Unknown Story of India's Rural Market.'*

In the **Thinking Aloud** section, **Jay** highlights the untapped potential of the rural market in India, emphasizing its significant growth in sectors like FMCG and automobiles. On the **Podium**, **Vamsi Udayagiri** articulates that the Indian rural market business grapples with infrastructure constraints and incomplete consumer data, and that it is



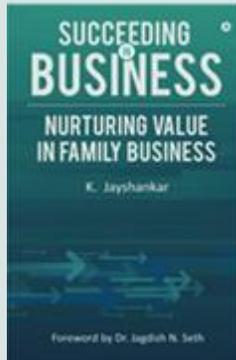
local entrepreneurs that serve as vital conduits that bridges the gap to revolutionize rural commerce. In the **We Recommend** section, we review **The Learning Trap** by Pradip K. Saha who exposes the pitfalls of India's education technology sector, particularly focusing on Byju's, highlighting issues like poor learning outcomes, toxic work culture, and financial mismanagement, revealing the systemic failures of the education system and exploitative practices within the industry.

In **Figures of Speech**, **Vikram's** toon taps into rural India's 650 billion opportunity!

Please also [Click Here](#) to check out our Special issue of ET, which is a collation of selected themes that were featured over the years highlighting the changing landscape of the business world. This special edition has been well received and can be [Downloaded Here](#) for easy reading and is a collector's item.

As always, we value your opinion, so do let us know how you liked this issue. To read our previous issues, do visit the Resources section on the website or simply [Click Here](#). You can also follow us on [Facebook](#), [LinkedIn](#), [X](#), [Threads](#) & [Instagram](#) - where you can join our community to continue the dialogue with us!

Succeeding in Business: Nurturing Value in Family Business



*As a counselor and trusted advisor, **K. Jayshankar (Jay)** offers practical insights in his book, drawn from four decades of experience. These insights are combined with conceptual elements to create a valuable primer for family businesses aspiring to succeed in the competitive marketplace of India. The book explores key factors driving successful growth in family businesses and addresses challenges related to generational transitions, value preservation, and the infusion of new ideas.*

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THINKING ALOUD

A Latent Opportunity: Accessing and Developing the Rural Market

Jay

With elections around the corner, the good news that came from the RBI Governor in early March was that India's GDP growth rate will be close to 8% this fiscal year. Predictably, the stock market welcomed the news while the opposition cried foul. The former Finance Minister, Mr. P. Chidambaram, was in his elements when his weekly newspaper column declared that, 'There are no poor in India', castigating the interpretation offered by NITI Aayog's CEO statement - based on the Household Consumption Expenditure Survey (HCES) published by the National Sample Survey Office - that poverty has come down to below 5%. Politicians love to talk economic theory to justify their position, so let's not get caught in that whirlpool. Instead, let us admit that there is much that our country can gain by tapping the rural economy. Consequently, interior India beckons all sectors, and the siren call is being heeded well by some enterprising firms.

A good barometer is the Fast Moving Consumer Goods (FMCG) sector. The market size in India has tripled from USD 33 billion to over USD 110 billion in 2020, and is on track to hit over USD 600 billion by 2027, by some accounts. This refers to the consumption in households of food, beverages, personal care and healthcare products. The conservative estimates are that this year the market will see a reasonable 6.5% growth. Interestingly, while overall the share of rural India is about 34% of the total FMCG consumption, for categories like personal care, beverages, etc., the growth is over 40%. Suffice it to say that the assumption that we are seeing a 'Rurban' phenomenon is not wrong, with some predictions indicating that soon we will see equal share of business from both Rural and Urban markets.

Witness for instance the rise of consumption in the auto sector. Noteworthy data from last year shows that the rise of household incomes has also produced rich rewards to the large auto firms. Traditionally seen as two-

wheeler market, it is the passenger car companies who converted new customers to their fold. While Maruti Suzuki's deep network and strong brand continues to offer them rich dividends (45% increase in sales in the last calendar year), Hyundai Motors and Tata Motors are also beneficiaries of this trend.

While these positive trends are certainly a cause of celebration, there is no denying that challenges continue. It would be curious to see how the benefits have accrued. Top of the list is the rise of access. Considered impregnable for many years, infrastructural changes have created greater access to rural markets. The presence of many - and better quality roads - not just across the country but also into the interiors has suddenly created a two-way flow of goods and services that has benefitted everyone. The telecom revolution was a precursor in this regard. The information highway preceded the physical roads. Television and cheap access to cellular data has created awareness of the products that are widely consumed in the urban markets. A new breed of consumers - semi-literate though they maybe - are the aspirational class that has begun to covet both FMCG and white goods. Firms in the consumer durable industry have also seen the good news from sales growth of their products. Reasons attributed include rise in rural electrification, and the propensity to indulge in aspirational purchases, just like the urban consumer. While cities are seen as markets for premium products, the rise in rural demand is a healthy one for those willing to create deeper distribution networks for the Fast Moving Electrical Goods (FMEG) sector - fans, lighting, geysers, conduit pipes, etc. Beyond the traditional demand for fans, and domestic appliances, there is a surge that is growing for white goods like refrigerators, twin-tub, semi-automatic washing machines, etc., that is keeping the cash registers ringing companies.

Figures available from the last National Family Health Survey tell a striking tale: only 37.9% of total households own a refrigerator, and about 18% have washing machines. And, as regards the three appliances which are easily seen in the urban household - viz., television, refrigerator and washing machine - only 16% Indian households own them. A simple translation of these numbers indicate that vast opportunities await firms that are willing to boldly challenge the status quo and penetrate new rural markets.

One way of innovating is the last mile connectivity to the rural consumer. While one can segmentalize rural markets according to population and financial capacity, the challenge of diffusion is also a factor that needs to be addressed. Creating awareness for products is easy compared to the onerous task of fulfilling the customer demand by bringing the product to the household (and servicing it later when required). Economic logic prevents

companies to build their own channel partners at all locations. This is where e-commerce partnership can provide answers to those willing to experiment.

There is a rising number of entrepreneurs who believe in the India story - in fact they are the ones who are creating it by being rooted to the ground reality of rural India. Already considered minicorns, a few have been labelled as soonicorns too. Some of them are bound to fail as in any business venture, for social purpose has to meet organizational and operational excellence for survival. However, a cold look at the economic numbers of India does indicate that the next wave of growth has to come from rural markets in every business - and making it possible is the dream that many of these new ventures are attempting.

More power to them!

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Podium

Vamsi Udayagiri

Founder & CEO, Hesa Technologies



Vamsi Udayagiri is a leader in bridging the rural divide for businesses and consumers at both ends. He has 12 years of supply chain experience, of which 10 years have been in the rural sector. Vamsi set up and successfully ran Rural Yellow.

Over the years, he has built and established some of the finest expo brands like the Janatha Expo, HealthPlus Asia, AgriHorti Tech, Back to Farming and Pakka Hyderabad. Pakka Hyderabad was Vamsi's first Retailtainment venture which was highly successful.

The latest vertical Hesa is the amalgamation of all these experiences that Vamsi has gained over the years. Hesa Rural's primary objective is to enable brands to reach the last mile consumers and customers in the remote Bharat phygitally. Leveraging technology and human capital provided by Hesa, businesses are riding this rural value chain for buying and selling.

ET: In your experience, what are some unique characteristics of the Indian rural market that set it apart from urban markets?

VU: The Indian rural market is worth USD 650 Billion cumulatively and growing year on year. However, when it comes to selling to the rural consumers, businesses continue to struggle on multiple accounts - awareness, availability, visibility, delivery and sales. The main challenge in remote rural locations is to have a feasible and sustainable Unit Economic Model as there is a steep difference in the cost of doing business versus the revenues

generated. The same situation is faced by rural entrepreneurs including farmers wishing to sell their produce. This brings us to the challenge at hand - an acute shortage of an integrated rural marketplace.

Navigating the Indian rural market requires a detailed understanding of its distinctive characteristics. Unlike urban counterparts, rural areas are marked by diverse cultural landscapes, lower literacy rates, agricultural dependence, and limited infrastructure and broken supply chains. Extended family systems influence purchasing decisions, and traditional mind-sets shape consumer behaviour. Communication channels differ, with word of mouth playing a pivotal role, and digital penetration remains limited. The rural market operates on distinct buying seasons tied to agricultural cycles, affordability is a key concern, and government schemes wield significant influence. Local festivals and events punctuate the calendar, offering unique marketing opportunities. Successful engagement demands strategies that respect local cultures, address infrastructure challenges, and align with the financial realities and aspirations of the rural population.

ET: What are some of the lesser-known opportunities and challenges within the current landscape of rural commerce in India?

VU:

Opportunities

- There are 850 Million rural consumers across 6.5 lakh villages and hence the Indian rural market potential is 3 times bigger than all the unicorns of India put together.
- Covid-19 is a catalyst to India's digital payment market which is expected to grow to INR 7092 Trillion by 2025 - RedSeer Consulting. Only 20.26% of the rural Indian population have access to the internet, reflecting the opportunity to on-board 80% of rural users on the digital pathway.
- The rural market is worth USD 650 Billion cumulatively and growing year on year. The Indian Agritech sector to be worth USD 24 Billion and FinTech to be worth USD 84 Billion by 2025: EY Report.

Challenges

Ease of doing business is still a dream for 65% population living in rural India. This target market faces major challenges:

- **Supply Chain & Financial Constraints:** The time required to market in rural areas is higher. Urban Loan schemes do not reach 59% of the rural population and there are only 17% of ATMs in rural areas.
- **Unviable Unit Economics:** Shortage of integrated markets and entry barriers for businesses to sell and buy. The ease of doing business is tough because unit economics have been non-viable.
- **Customer Identification:** The companies looking to target the rural population use traditional data collection methods and have incomplete insights on - demographic, financial, behavioural of the rural population, rural consumers continue to struggle as they do not have adequate access to banking, finance, utilities, on-demand services and a huge range of products that they need or aspire for. There is a shortage of integrated marketplaces.

ET: Could you elaborate on the role of local entrepreneurs in rural areas and their significance in connecting brands to rural consumers?

VU: Rural thrives on relationship and trust and for any business to succeed in rural, a local entrepreneur (who is the son of the soil) is a must factor for penetration and winning the trust of the consumer.

The local entrepreneur also becomes a one-stop aggregator for a wide portfolio of products and services on behalf of a group or a community of people.

Also, having village level entrepreneurs make it a diverse, inclusive and sustainable business. Added to that, if you have a tech-savvy entrepreneur, it even helps to position him as a "Go-to-Guy".

ET: What role does technology play in bridging gaps and ensuring a seamless connection between brands and their rural consumers?

VU: Consumer profiling is very critical and having a solution with AI-ML capabilities for 360-degree rural consumer mapping helps to position right based on their specific needs.

Technology that provide demographic, financial and behavioural insights of the rural population can enable brands to launch relevant products and services to rural consumers.

ET: Can you share the inspiration behind founding Hesa Technologies and the journey so far in revolutionizing rural commerce? In what ways does Hesa bridge the gap between rural entrepreneurs, including farmers, and their potential customers?

VU: Back then in 2010, I didn't know that I was taking a life-changing decision. I was not fully satisfied being in corporate world and wanted to do what I like the most - being an entrepreneur. I made up my mind that I would focus on RURAL INDIA. So, I started exploring for almost 16 months to understand the real rural India - visited 4,000+ villages across 8-9 states of India, where my understanding of the markets became sharper and the prevailing gaps more evident! Almost at the end of 2 years, I was clear about what I will be doing for the rest of my life. I wanted to combine my passion and my experience - Rural & Supply Chain - to bridge the gap between supply and demand for rural.

The idea of Hesa came to me in 2012, but realised that the market is not ready because of mobile penetration, tech adoption, less internet and more than anything - my experience in rural is limited - so shelved this idea and started hustling around with various things to get experience in rural markets - launched mobile job alerts, promoted solar products, conducted events and exhibitions in rural, enabled buying-selling for farmers, etc.

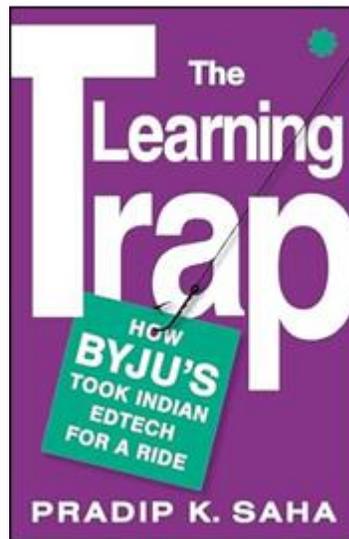
The biggest challenge is to live with this idea in the back-burner mode waiting for the right time to launch. After the penetration of the Internet in 2018-19 to rural, I thought this may be the right time and then started building the model and piloted in few districts and launched in April 2020.

Hesa is an integrated B2B rural marketplace. Hesa's digital platform and physical team of Village Level Entrepreneurs ('Hesaathis') works in tandem to connect brands to their rural consumers and customers. Hesa also connects rural entrepreneurs including farmers looking to sell their products. Our deep understanding of rural customers, their aspirations and their challenges is making us the "go-to" company as is evident from our growth trajectory over the last one year.

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We Recommend

The Learning Trap Pradip K. Saha



In "The Learning Trap," Pradip K. Saha delivers a compelling narrative that pulls back the curtain on the booming education technology sector in India, with a particular focus on the rise and fall of industry giant Byju's. Saha, a seasoned journalist with a keen eye for detail, delves into the dark underbelly of the industry, uncovering issues ranging from lackluster learning outcomes to toxic work cultures and financial mismanagement.

The book sets the stage with a gripping account of a pivotal meeting at Byju's headquarters, where founder Byju Raveendran's unwavering confidence clashes with mounting evidence of financial discrepancies. From there, the author takes readers on a journey through Byju's meteoric rise, tracing its origins from a math class in New Delhi to its evolution into a multi-billion-dollar enterprise. Along the way, he explores the societal pressures driving the demand for private tutoring and coaching centers, painting a vivid picture of the cutthroat competition for academic success in India.

Through firsthand accounts and meticulous research, Saha exposes the unethical sales tactics employed by companies like Byju's, shedding light on the exploitation of parental fears and aspirations. He also delves into the financial intricacies of Byju's business model, revealing the consequences of its aggressive growth strategy. The author offers a comprehensive overview of the Indian edtech ecosystem, tracing its evolution from the emergence of online tutoring platforms to the transformative impact of the COVID-19 pandemic. Along the way, he examines

the challenges faced by edtech start-ups, including the pitfalls of overreliance on technology and the need for more sustainable business models.

In the final chapters, Saha turns his attention to the future of Byju's and the broader edtech industry. Despite the company's current financial woes, he remains cautiously optimistic about its potential for redemption, provided it embraces restructuring and professional management. And while the road ahead may be fraught with challenges, Saha believes there is still hope for the industry to deliver on its promise of democratizing education and increasing access to quality learning opportunities.

In "The Learning Trap," Saha combines investigative journalism with compelling storytelling to deliver a thought-provoking examination of one of India's most dynamic industries. Whether you are a parent navigating the complexities of the education system or an investor eyeing the next big opportunity, this book offers valuable insights into the risks and rewards of the edtech revolution.

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THROUGH THE LENS



Nature enthusiast, **Rupesh Balsara** spots the Brown Boobook, a small owl species found in India. It inhabits various forest types, including tropical and subtropical forests, as well as wooded areas near human settlements. This owl is known for its distinctive brown plumage with streaks and spots, large yellow eyes, and prominent ear tufts. It primarily feeds on small mammals, birds, insects, and occasionally reptiles. Brown Boobooks are mainly nocturnal hunters and are often heard calling at night with a distinctive series of hoots. They are generally solitary birds and are not considered threatened.

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101, Lords Manor, 49, Sahaney Sujan Park, Lullanagar, Pune – 411040, Maharashtra, India

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