Rural marketing opportunities

The lessons for Insurance Companies & Advisors

Rural India with a vast population is a goldmine for insurance companies. It requires a different approach with plenty of localization.

Rishi Shrivastava
Sr.VP & Head - Rural Business
ICICI Prudential Life Insurance Company

The fact that rural India has enormous business potential is widely accepted across all segments of the industry. And it is attributed not merely to the population of 700 Million that reside here; other statistics make an equally strong statement. For instance, while rural households contribute to 45% of the total household income of the country, the savings to income percentage in rural, at 30%, is even higher than urban. The early success of FMCG, telecom and consumer durables is only a pointer to inherent purchasing power this segment has.

Within the rural sector, however there are vast variations in socio-economic profiles. The entire population is spread over 6,30,000 villages across the vast expanse of the country. The income distribution amongst these is highly skewed with some of the villages reaping the rewards of agricultural revolution and enjoying similar standards of living like their urban counterparts, while a bulk of villages are still grappling with the basic issues of electricity and water. These variations are not only at the regional level, but even within the state and the district. The income patterns too are diverse.

All the above factors make the execution of rural strategy a daunting task for any product or services provider. To increase the penetration of insurance in this sector, the regulator IRDA, had made it mandatory for insurers to write a growing proportion of its business in the rural market. Most of the early forays of the private life insurance companies in the rural sector have been towards meeting these requirements. The products sold are typically low premium term insurance product. The average risk cover provided is low enough not to warrant any medical check ups.

Lately however, there is a growing realization amongst the life insurers about the potential of the rural market and there are visible initiatives being taken. Most of the studies suggest that the awareness of insurance in rural India is high. However, unlike in urban areas where tax and investment are the main considerations, here insurance is considered a long term savings tool. Traditionally the endowment products have been sold in this segment.

There are several challenges confronting sales and marketing executives in the rural domain. The first one is a strong need for regionalization. The entire sales delivery should preferably be in the local language. This calls for not just the translation of sales and marketing content but also customization of the same to suit the regional cultural sensitivities.

Rural incomes are largely seasonal in nature –dependent on the monsoon and consequently the crop cycle. Therefore the premium payments on a regular basis are tough for rural consumers. This leads to a high percentage of policy terminations. Other operational challenge is in procuring reliable and standard documentation. In most cases income and age proof documents are not available at all. This leads to difficulties in policy issuance as well as during claim processing. Managing a high number of cash transactions also adds to the risk and cost.

From a branding perspective, the primary challenge for the new entrants is to create an awareness of the brand. A physical presence in terms of a branch office in the vicinity could be the biggest collateral for the brand. A brick and mortar presence also goes a long way in establishing credibility in the minds of the rural consumers, who might be wary of trusting their funds to a hitherto unknown entity. However the cost of putting up infrastructure has to be looked into from a long term returns point of view. Some of the other commonly employed marketing initiatives are sponsoring the local festivals and fairs *(melas)*, creating visibility around *haats* and *mandis,* road-shows, hoardings, wall paintings etc.

There are various distribution models that life insurers have been trying out in rural. Tie-ups with NGOs, Self Help Groups are common to target the rural masses. In certain parts of the country the MFIs have an extensive reach and presence. As financial intermediaries they have an existing relationship with the consumers and this can go a long way in synergising the sales of life insurance.

Regional rural banks, which have been set up in rural and semi-urban areas under the sponsorship of some of the nationalized banks, also offer a wide reach to the rural customer. After the amalgamation, the RRBs have been given clear directives by the RBI to focus on sharing operating costs and generating profitability through distribution of third party products including insurance.

As more and more banks are investing in setting up rural infrastructure, it also provides an opportunity for insurers to reach the consumer through Bancassurance tie-ups. In this regard, bundling of insurance with credit products can lead to mutual benefit. While it gives the insurer access to the banks' distribution channel, for the bank, it is collateral for covering the risk of non-repayment. Also, it can buffer up the wafer thin margins that the banks enjoy in rural market because

RURAL EXPERIENCE SUGGESTS that more sales happen on trust and familiarity with the agent than on a structured administration of Financial Planning tools of higher cost of operation and low ticket transactions.

While the above channels have been explored intensively for gaining quick access to the rural markets, in the long term, building own distribution of tied agents is the most cost effective as well as scalable option. Rural experience suggests that more sales happen on trust and familiarity with the agent than on a structured administration of Financial Planning tools. The agent has to be someone who is local and trustworthy. The agent also has an incentive in providing after sales service and collection of premium from the customers as his future business is heavily dependent on the

> THE TRAINING CONTENT and delivery should be in regional language to familiarize the agent with the right vocabulary.

referrals and the word of mouth that he gets. The agent represents the brand of his organisation in the village. Hence he needs to be very well trained on the products and processes himself. The 100 hours training that is mandated by IRDA has to be supplemented by detailed product training by the life insurance organisation. The training content and delivery should be in regional language to familiarize the agent with the right vocabulary. Also there should be frequent refresher courses to update and test his knowledge.

Penetration in rural would be attainable only if the organizations keep in mind the psyche of rural consumers, the cultural and social dynamics and above all cater to the diverse yet unique requirements of this segment.