

Identifying rural markets for consumer durables and estimating market size



We market durables across a price range and plan to enter rural areas. As rural markets are widely dispersed we want to identify prosperous rural markets and also estimate the size.

DATA REQUIRED FROM THE GUIDE

- MII - Rural - Volume II
- Contribution from Consumption to MPV - Rural - Volume II
- State-wise sales from marketer

SOLUTION

The approach will be three-fold: 1) Identify potential rural markets 2) Arrive at sales per unit value of potential based on current and past performance 3) Assess rural market size.

Let us consider rural potential in the state of Haryana. The relevant parameters from the Guide will be quality of markets (MII) alongwith contribution from overall consumption to total aggregate prosperity (MPV). We also require sales data by district to help estimate rural market size.

Table 1. Select districts in descending order of rural MPV

State rank by rural MPV	District	MII - Rural	Contribution from rural Consumption to MPV	Analysis
		1	2	3 = 1*2
2	Karnal	121.72	5.10	620.77
3	Bhiwani	93.72	4.04	378.63
4	Sonipat	111.24	4.18	464.98
5	Jind	111.96	4.87	545.25
7	Sirsa	118.21	4.71	556.77

The last column in the above table gives a good indication of rural consumption potential. Let us now assess rural market size based on performance in the urban areas of Haryana.

Assume total sales from Haryana is Rs. 46450 lakhs. We now estimate sales per unit MII and per unit contribution from Consumption to urban MPV in Haryana. Table below indicates such an analysis.

Table 2. Average sales per unit value of MII and contribution from Consumption to urban MPV in Haryana.

State	Assumed Total sales (Rs. Lakh)	MII-Urban	Contribution from Consumption to MPV-Urban	Analysis
	1	2	3	4=1÷(2x3)
Haryana	46450	185.03	78.45	3.2

It is clear that the market size in urban Haryana is 3.2 L for unit value of MII and contribution from Consumption to MPV. Applying the same estimation to rural areas, we arrive at the rural market size. As can be seen from the table 3 below, column 2 gives a good indication of rural market size by district.

Table 3. Arriving at market size for rural Haryana.

State rank by rural MPV	District	Analysis	Market Size
		1	2=1*(Rs. 3.2L)
2	Karnal	620.77	1986
3	Bhiwani	378.63	1212
4	Sonipat	464.98	1488
5	Jind	545.25	1745
7	Sirsa	556.77	1782

RESULT

Karnal, Sirsa and Jind do better than Sonipat and Bhiwani. It is interesting to note that though Jind and Sirsa have a lower rank by rural MPV, they are potentially better markets for durables when compared to Bhiwani and Sonipat.