Rural Marketing
This book is a part of the course by Jaipur National University, Jaipur. This book contains the course content for Rural Marketing.

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<th>Description</th>
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<tbody>
<tr>
<td>ACB</td>
<td>Agricultural Cooperative Bank</td>
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<tr>
<td>AEZ</td>
<td>Agriculture Export Zone</td>
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<td>APCO</td>
<td>Association of Public Safety Communications Officials</td>
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<td>APEDA</td>
<td>Agricultural and Processed Food Products Export Development Authority</td>
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<tr>
<td>ASM</td>
<td>Area Sales Manager</td>
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<tr>
<td>ASSOCHAM</td>
<td>Associated Chambers of Commerce and Industry of India</td>
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<tr>
<td>BFSPL</td>
<td>Bandhan Financial Services Private Limited</td>
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<td>BMS</td>
<td>Basic Minimum Service</td>
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<td>BSNL</td>
<td>Bharat Sanchar Nigam Limited</td>
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<tr>
<td>CAPART</td>
<td>Council for the Advancement of Peoples Action and Rural Technology</td>
</tr>
<tr>
<td>CII</td>
<td>Confederation of Indian Industry</td>
</tr>
<tr>
<td>DAP</td>
<td>Diammonium Phosphate</td>
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<tr>
<td>DPAP</td>
<td>Drought Prone Areas Programme</td>
</tr>
<tr>
<td>DRDA</td>
<td>District Rural Development Authority</td>
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<tr>
<td>FICCI</td>
<td>The Federation of Indian Chambers of Commerce and Industry</td>
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<tr>
<td>FMCG</td>
<td>Fast Moving Consumer Goods</td>
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<tr>
<td>FPS</td>
<td>Fair Price Shop</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GFC</td>
<td>General Fertilizer Company</td>
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<td>GNP</td>
<td>Gross National Product</td>
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<td>GOSM</td>
<td>General Organisation for Seed Multiplication</td>
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<tr>
<td>HLL</td>
<td>Hindustan Latex Limited</td>
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<tr>
<td>HTAL</td>
<td>Hindustan Thompson Associates Limited</td>
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<tr>
<td>HUL</td>
<td>Hindustan Unilever Limited</td>
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<tr>
<td>HYVP</td>
<td>High Yielding Varieties Programme</td>
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<tr>
<td>IAAP</td>
<td>Intensive Agricultural Area Programme</td>
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<tr>
<td>IADP</td>
<td>Intensive Agricultural District Programme</td>
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<tr>
<td>ICARDA</td>
<td>International Centre for Agricultural Research in the Dry Areas</td>
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<td>ICDS</td>
<td>Integrated Child Development Scheme</td>
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<tr>
<td>IFFCO</td>
<td>Indian Farmers Fertiliser Cooperative Limited</td>
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<tr>
<td>IMRB</td>
<td>Indian Market Research Bureau</td>
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<tr>
<td>IRDP</td>
<td>Integrated Rural Development Programme</td>
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<tr>
<td>ITC</td>
<td>Imperial Tobacco Company of India limited</td>
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<tr>
<td>JRY</td>
<td>Jawahar Rojgar Yojna</td>
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<tr>
<td>KRCBHC0</td>
<td>Krishak Bharati Cooperative Limited</td>
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<tr>
<td>KVIC</td>
<td>The Khadi and Village Industries Commission</td>
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<td>LIC</td>
<td>Life Insurance Corporation</td>
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<td>MFI</td>
<td>Microcredit Foundation of India</td>
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<td>MNC</td>
<td>Multinational Company</td>
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<td>MNP</td>
<td>Minimum Needs Programme</td>
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<tr>
<td>NABARD</td>
<td>National Bank for Agriculture and Rural Development</td>
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<tr>
<td>NBFC</td>
<td>Non Banking Financial Company</td>
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<tr>
<td>NCAER</td>
<td>National Council for Applied Economic Research</td>
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<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<td>NHB</td>
<td>National Housing Bank</td>
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<td>NSSO</td>
<td>National Sample Survey Organisation</td>
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<td>NSV</td>
<td>National Service Volunteer</td>
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<td>PCS</td>
<td>Per Capita Sales</td>
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<td>PDS</td>
<td>Public Distribution System</td>
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<td>POP</td>
<td>Point of Purchase</td>
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<td>PRA</td>
<td>Participatory Rural Appraisal</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>R &amp; D</td>
<td>Research and Development</td>
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<tr>
<td>RBI</td>
<td>Reserve Bank of India</td>
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<tr>
<td>RSM</td>
<td>Regional Sales Manager</td>
</tr>
<tr>
<td>RSP</td>
<td>Rural Sales Promotion</td>
</tr>
<tr>
<td>SBI</td>
<td>State Bank of India</td>
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<tr>
<td>SEC</td>
<td>Securities and Exchange Commission</td>
</tr>
<tr>
<td>SFDA</td>
<td>Small Farmers Development Agency</td>
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<tr>
<td>SHG</td>
<td>Self-Help Group</td>
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<tr>
<td>SKU</td>
<td>Stock Keeping Unit</td>
</tr>
<tr>
<td>TRMI</td>
<td>Thomson Rural Market Index</td>
</tr>
<tr>
<td>TSP</td>
<td>Triple Superphosphate</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>USSR</td>
<td>Union of Soviet Socialist Republics</td>
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Chapter I
Introduction to Rural Marketing

Aim
The aim of this chapter is to:

- introduce the rural marketing
- explain the nature and characteristics of rural market
- explicate the importance of rural marketing

Objectives
The objectives of this chapter are to:

- enlist the scope of marketing
- elucidate significance of the rural markets
- explain the factors contributing to the change in the rural market

Learning outcome
At the end of this chapter, you will be able to:

- identify the differences between rural marketing and urban marketing
- understand problems in rural marketing
- define rural marketing
1.1 Introduction

Marketing might appropriately be described as the process of anticipating, defining, and knowing customer-needs and organising all the resources of the company to satisfy them. Satisfaction of customer’s needs and wants provides the rationale for the firm’s existence. Therefore, knowledge of consumer behaviour is important for a firm to achieve its marketing goals. The consumer’s behaviour includes the acts, processes and social relationships exhibited by individuals, groups and organisations in searching, obtaining, use of and consequent experience with products and services. An understanding and knowledge of the motives underlying consumer behaviour helps a firm in seeking better and more effective ways to satisfy its customers. It helps to select appropriate sales and advertising strategies, and to plan marketing programmes in a more efficient manner.

The rural market of India started showing its potential in the 1960s. The 1970s and 1980s witnessed its steady development. There are clear indications that the 21st century is going to see its full blooming. In our country, where research on consumer behaviour has been nominal, not much systematised information is available about the rural consumers. Only a few progressive companies known for their marketing orientation, like Hindustan Lever, Asian Paints, Singer and Larsen, Philips India and Toubro have made concrete efforts in this direction. However, by and large, we have still to understand the rural buyer, his habits, attitudes and behaviour, particularly from the marketing point of view.

A lot of assumptions prevail about rural marketing. For instance, one assumption is that the rural buyer is not very discriminating. Once he is persuaded to buy a particular product, he develops a strong affinity for it, and if he is satisfied, he becomes brand loyal. As a result, Indian manufacturers are generally known to prefer selling fewer items at higher prices than selling more items at lower prices. A contrary view is that the rural buyer, being suspicious of the marketer’s hard sell techniques, is quite discriminating, and is not easily persuaded. Another assumption is that the rural buyer is not particularly keen about quality and packaging. Some other assumptions can also be quoted. However, all these need deep probing for arriving at valid and reliable conclusions. Consumer research, thus, is indispensable for entering the rural segment of the market.

1.2 Meaning and Definition of Rural Marketing

Rural marketing is promotion of a company’s products in the rural markets by using strategies which are different from that of urban market. The rural market is more ‘price’ sensitive, but it has preference for both quantity and quality.

Definition

Rural marketing can be defined as a function which manages all those activities in asserting, stimulating and converting the purchasing power of rural people into an effective demand for specific products and services and thereby achieving the goals of the organisation.

Rural areas

Rural areas are large and remote areas of an open country with low population density. A country side refers to rural areas that are open. The term ‘rural marketing’ used to be an umbrella term for the people who dealt with rural people in one way or other. The term got separate meaning and importance after the economic revolution in India after 1990.

Part I-Before 1960

Rural marketing referred to selling of rural products in rural and urban areas and agricultural inputs in rural markets. It was treated as synonymous to ‘agricultural marketing’. During this period, the agricultural produces like food grains and industrial inputs like oil seeds, cotton, sugarcane, etc., occupied the central place of discussion. The supply-chain activities of firms supplying agricultural inputs and of artisans in rural areas received secondary attention. The local marketing of products like ropes, bamboo baskets, window and door frames, and small agricultural tools like ploughs by sellers like black smiths, carpenters, cobbler and pot makers were emphasised in general. This was totally an unorganised market where all mahajans and banias (local business people) dominated this market.
Part II-1960 to 1990
In this period, green revolution resulted from scientific farming and transferred many of the poor villages into prosperous business centres. As a result, the demand for agricultural inputs went up especially in terms of wheat and paddy. Better irrigation facilities, use of high-yield variety seeds, soil testing, fertilizers, pesticides and deployment of machinery like powder tillers, harvesters, threshers, etc., changed the rural scenario. In this context, marketing of agricultural inputs took the importance. Two separate areas of activities had emerged during this period, ‘marketing of agricultural inputs’ and the conventional ‘agricultural marketing’. During this period, the marketing of rural products received considerable attention in the general marketing framework. The formation of agencies like Khadi and Village Industries Commission, IFFCO, Girijan Cooperative Societies APCO Fabrics, KRIBHCO, etc., and also the special attention government had paid to promote these products were responsible for this upsurge. Village industries flourished and products like handloom textiles, handicrafts, soaps, safety matches, crackers, etc., hit the urban market on a large-scale from rural areas.

Part III-After Mid 1990s
During the two earlier phases, the products which were not given attention so far were that of marketing of household consumables and durables to the rural markets due to obvious reasons. The economic conditions of the country were as such that the rural people were not in a position to buy these kinds of products. Secondly, the market was in a close shape and we never allowed companies (foreign) to operate in Indian market. However, the economy opened up and consequently companies started flourishing in India.

The small villages/hamlets were widely scattered making reach difficult and expensive. Consequently, rural markets were seen an adjunct to urban market and conveniently ignored. However, since 1990s, India’s industrial sector gained in strength and maturity. Its contribution to GNP increased substantially. A new service sector had emerged signifying the metamorphosis of agricultural society into industrial society. Meanwhile, due to the development programmes of the central and state governments, service organisations and socially responsible business groups like Mafatlal, Tatas, Birlas, Goenkas and others, the rural area witnessed an all round socio-economic progress. The economic reforms further accelerated the process by introducing competition in the markets. Gradually, the rural market has grown for household consumables and durables.

Rural marketing represented the emergent distinct activity of attracting and serving rural markets to fulfil the needs and wants of persons, households and occupations of rural people. As a result of the above analysis, we are in a position to define rural marketing “Rural marketing can be seen as a function which manages all those activities involved in assessing, stimulating and converting the purchasing power into an effective demand for specific products and services and moving them to the people in rural area to create satisfaction and a standard of living for them and thereby achieving the goals of the organisation.”

1.3 Nature and Characteristics of Rural Market
The proof of all production lies in consumption/marketing. With the rapid pace of technological improvement and increase in peoples’ buying capacity, more and better goods and services now are in continuous demand. The liberalisation and globalisation of the Indian economy have given an added advantage to sophisticated production, proliferation and mass distribution of goods and services.

Taking these into consideration, the question may arise whether marketers should concentrate their activities in urban India consisting of metros, district headquarters and large industrial townships only or extend their activities to rural India. Rural India is the real India. The majority of India’s population lives in villages. In terms of the number of people, the Indian rural market is almost twice as large as the entire market of the USA or that of the USSR.

Nature of rural market
The nature of rural market is as follows:

- Large, diverse and scattered market: Rural marketing in India is large, and scattered into a number of regions. There may be less number of shops available to market products.
- Major income of rural consumers is from agriculture: Rural prosperity is tied with agriculture prosperity. In the event of crop failure, the income of masses is directly affected.
- Traditional outlook: Villages develop slowly and have a traditional outlook. Change is a continuous process,
but rural people accept change gradually. This is slowly changing due to literacy especially in the youth who have begun to change the outlook in the villages.

- Standard of living and rising disposable income of the rural customers: It is known that majority of the rural population lives below poverty line and has low literacy rate, low savings, etc. Today the rural customer spends money to get value and is aware of the happening around him.

- Rising literary levels: It is documented that approximately 45% of rural Indians are literate. Hence, awareness has increased and the formats are well-informed about the world around them. They are also educating themselves on the new technology for a better life style.

- Diverse socio economic background: Due to differences in geographical areas and uneven land fertility, rural people have different socio economic background, which ultimately affects the rural markets.

- Infrastructure facilities: The infrastructure facilities like warehouses, communications systems and financial facilities (or) inadequate in rural areas physical distribution are a challenge to marketers who has found innovative ways to market their products.

### 1.4 Scope of Marketing

The scope of marketing is as follows:

- Large population: According to 2011 census, rural population is 72% of total population and it is scattered over a wide range of geographic area.

- Rising rural prosperity: Average income level has improved due to modern farming practices, contract farming industrialisation, migration to urban areas, etc.

- Growth in consumption: There is a growth in purchasing power of rural consumers. The average per capita household expenditure is Rs. 382.

- Change in lifestyle: Lifestyle of rural consumer has changed considerably.

- Market growth rate higher than urban: The growth rate of fast moving consumer goods [FMCG] market and durable market is high in rural areas. The rural market share is more than 50% for products like cooking oil, hair oil, etc.

- Lifecycle advantage: The products which have attained the maturity stage in urban market are still in growth stage in rural market.

- Rural marketing is not expensive: To promote consumer durables inside a state costs Rs. 1 crore while in urban areas it will cost in millions.

### 1.5 Importance of Rural Marketing

On account of green revolution, the rural areas are consuming a large quality of industrial and urban manufactured products. In this context, a special marketing strategy namely rural marketing has emerged. However, many times rural marketing is confused with agricultural marketing. The latter denotes marketing of produce of rural areas to the urban consumers or industrial consumers, whereas rural marketing involves delivering manufactured or processed inputs or services to rural producers of consumers.

The importance of rural market is as follows:

- Large market: Approximately 75% of Indian’s population resides around 6,38,365 villages of India spread over 32,00,000 Sq. Kilometre. 41% of Indian’s middle class resides in rural areas. The Indian rural consumer lives in 6, 00,000 villages across the country and they account for over 70% of population of the country. For several product categories, rural markets account for over 60% of the national demand.

- Higher purchasing capacity: According to ‘NCAER’ [National Council for Applied Economic Research]. As per NCAER study, there are many middle income and above households in the rural areas. As they are in the urban areas there are almost twice as many lower middle income households in rural areas as in the urban areas. Because of this purchasing power, the power of rural people is on rise.

- Market growth: ‘Hariyali kissan bajar’ set up by Sri Ram Consolidated Limited facilitates the scale of agriculture inputs, such as fertilizers, pesticides forming equipment, seeds, etc.

- ITC: ITC’s internet enabled rural interface that will help the scale of agricultural outputs is presently operational in 6 state-markets and is growing at a rate of 3-4% p.a.
1.6 Significance of the Rural Markets

If you meet a sales executive today and ask which market he would prefer to serve, the immediate answer would be, ‘rural markets’ as they are still unexploited. A number of factors have been recognised as responsible for the rural market boom. Some of them are as follows:

- Increase in population, and hence increase in demand. The rural population in 1971 was 43.80 crores, which increased to 50.20 crores in 1981, 60.21 crores in 1991 and 66.0 crores in 2001.
- A marked increase in the rural income due to agrarian prosperity.
- Large inflow of investment for rural development programmes from government and other sources.
- Increased contact of rural people with their urban counterparts due to development of transport and a wide communication network.
- Increase in literacy and educational-level among rural folks, and the resultant inclination to lead sophisticated lives.
- Inflow of foreign remittances and foreign-made goods in rural areas.
- Changes in the land tenure system causing a structural change in the ownership pattern and consequent changes in the buying behaviour. The general rise in the level of prosperity appears to have resulted in two dominant shifts in the rural consuming system. One is conspicuous consumption of consumer durables by almost all segments of rural consumers, and the obvious preference for branded goods as compared to non-branded goods of rural areas.

1.7 Factors Contributing to the Change in the Rural Market

The factors contributing to the change in the rural market are discussed in the following paragraphs.

1.7.1 Green Revolution

The substantial attention accorded to agriculture during the successive five-year plans has helped in improving agricultural productivity. Adoption of new agronomic practices, selective mechanisation, multiple cropping, inclusion of cash crops and development of allied activities like dairy, fisheries and other commercial activities have helped in increasing disposable income of rural consumers. Over 75 percent villages in India have been electrified. There is also a shift from rain dependence to irrigation. Farmers are getting high return for their cash and food crops. In the whole process, the dependence on seasonality has reduced, and in return there has been increasing disposable income. By observing this scenario, India’s one of the biggest giant Hindustan Lever Ltd. has entered into rural market for more penetration through the operation ‘Bharat’. HLL has reached out to 35,000 villages, 22 million households and spent Rs. 20 crore since December 1999. This has been one of the largest sampling exercises in recent times conducted by a big business house.

1.7.2 Emerging Role of Biotech. in Indian Agriculture Sector

It is evident from the facts that Indian agriculture is trailing in terms of yield, when compared with leading countries of the world. Countries like USA, Canada, Israel and Germany have achieved high yield in agriculture production, but countries like India, Brazil and Nigeria are having agriculture yield much lower than international average. The major difference created in this respect is the use of the applications of biotechnology. Biotechnology has vital role to play in so far as enhancement of agriculture yield is concerned. For instance, the yield of wheat in USA per hectare is almost three times more than that of India and the yield of sugarcane is two and half times more if compared with the Indian yield of sugarcane per hectare. These advanced countries have been making an extensive use of bio-technology, whereas in developing countries the concept is not yet very popular.

When we are living in the era of globalisation, everything is becoming globally competitive and therefore, we cannot live in isolation in terms of agriculture yield also. We have to make use of the applications of the bio-technology in an agriculture sector, both in terms of generating quality seeds and cropping. Our farmers, who are normally not aware of this fact, have to be educated and the responsibility lies on the shoulders of researchers, scientists, administrators and the policy-makers of the country. It will provide more discretionary income in the hands of the rural farmers.
1.7.3 Rural Communication

Around 50 percent of the villages are today connected by all weather roads and can be accessed throughout the year. However there are states, which are almost 100 percent connected with the metal roads. Road networking besides enhancing the mobility of rural consumers has increased their exposure to products and services. By watching such a scenario in these areas, Korean consumer durable companies have decided to look beyond their noses. They are now placing their bets on rural markets. Two giants, namely LG and Samsung have already made their strategies for entering into rural India. As per survey conducted by Indian Market Research Bureau (IMRB), 77 percent of the villages are covered by TV network. Now even villages are going for dish antennas and they have already been enjoying exposure to various products through advertisements.

All the villages are about to be connected with telephone facilities in the near future and already there are some villages, which are connected with this facility. Internet is not a distant reality. There have been announcements that in the coming days there would be 100 percent connectivity through telephones in the rural areas. Seeing these types of opportunities and interests of the ruralites, Tata cellular has already entered into rural India by making its first entry into Andhra Pradesh. Tata cellular has created India’s largest cellular ‘corridor’ to provide connectivity to non-metro and rural centres.

1.7.4 Development Programmes

The five-year plans have witnessed huge investments in rural areas in terms of number of development programmes implemented by the central and state Government. These programmes have generated incomes to ruralites and helped them to change their lifestyles. Some of these programmes are as follows:

- Intensive Agricultural District Programme (IADP- Package Programme)
- Intensive Agricultural Area Programme (IAAP)
- High Yielding Varieties Programme (HYVP- Green Revolution)
- Drought Prone Areas Programme (DPAP)
- Small Farmers Development Agency (SFDA)
- Hill Area Development Programme
- Operation Flood I, II and III (White Revolution)
- Fisheries Development (Blue Revolution)
- Integrated Rural Development Programme (IRDP)
- Jawahar Rojgar Yojna (JRY)

These programmes are related with agriculture and allied activities, but there are certain other policies which are specifically meant to raise the standards of the rural people in the field of health, education, sanitation, etc. After the beginning of economic reforms in 1991, the Government has been giving special attention to the rural India by providing certain developmental schemes for these areas. Some announcements were made by the finance minister in the Union Budget 2000 to enrich the existing programmes and to initiate some new schemes for the rural areas like Kisan Credit Cards, Micro Finance and Pardhan Mantri Gramodyog Yojna, etc. In the latest budget (2004), focus has been on agriculture and rural development.

As special attention is being given in the union budget through some schemes, and due to progress of economic reforms, poverty is declining at a faster pace and there is a substantial increase in the per capita income of the people especially in case of majority of the states of Indian union. For example, per capita income of the Punjab is Rs. 20,606/- followed by Maharashtra Rs. 19,207/-, Haryana Rs. 18,171/-, Gujarat Rs. 15,723/-, Tamilnadu Rs. 13,248/- and Karnataka Rs. 11,578/- and if we see the average of 14 states, it is Rs. 10,886/- at a growth rate of 4.4 per cent. Hence, we can see that today changes are taking place rapidly in all walks of life and rural areas are no exception to this. Improved infrastructure facilities, economic liberalisation, renewed emphasis on agribusiness and small industries, fast-changing agricultural technology, scope for commercialisation of agriculture, greater budgetary provision for rural people are few reasons to mention. Moreover, various socio-cultural, psychological and political aspects of rural life are also changing. Rural people today are less fatalistic, less attached to religious
beliefs, getting more individualistic, achievement-oriented and aspiring than before. This has opened up new vistas for the marketers of millennium at least in the states, which are leading in per capita income with a sustained growth, like Punjab, Haryana, Maharashtra, Tamilnadu, Karnataka, Gujarat, Delhi and Western UP, etc.

1.8 Problems in Rural Marketing

There are many problems to be tackled in rural marketing despite rapid strides in the development of the rural sector. Some of the common problems are discussed in the paragraphs given below.

Transportation
This is an important aspect in the process of movement of products from urban production centres to remote villages. The transportation infrastructure is very poor in rural India. Due to this reason, most of the villages are not accessible to the marketing man. In our country, there are six lakhs villages. Nearly 50 per cent of them are not connected by road at all. Many parts in rural India have only kachcha roads. During the monsoons, even these roads become unserviceable. Regarding rail transport, though India has the second largest railway system in the world, many parts of rural India however, remain outside the rail network.

Communication
Marketing communication in rural markets suffers from a variety of constraints. The literacy rate among the rural consumers is very low. Print media, therefore, have limited scope in the rural area. Apart from low levels of literacy, the tradition-bound nature of rural people, their cultural barriers and their overall economic backwardness add to the difficulties of the communication. Post, telegraph, telephones are the key components of the communication infrastructure. These facilities are extremely inadequate in the rural parts of our country. In rural areas, the literacy percentage is still low, compared to urban areas. In India, there are 18 recognised languages. All these languages and many dialects are spoken in rural areas. English and Hindi are not understood by many people. Due to these problems, rural consumers, unlike urban consumers do not have exposure to new products.

Availability of appropriate media
It has been estimated that all organised media in the country put together can reach only 30 per cent of the rural population of India. The print media covers only 18 per cent of the rural population. The radio network, in theory, covers 90 per cent. However, actual listenership is much less. TV is popular and is an ideal medium for communicating with the rural masses. As it is not available in all interior parts of the country, it is estimated that TV covers 20 per cent of the rural population. However, the actual viewership is too little. The cinema, however, is a good medium for rural communication. These opportunities are very low in rural areas.

Warehousing
A storage function is necessary, because production and consumption cycles rarely match. Many agricultural commodities are produced seasonally, whereas demand for them is continuous. The storage function overcomes discrepancies in desired quantities and timing. In warehousing too, there are special problems in the rural context. The central warehousing corporation and state warehousing, which constitute the top tier in public warehousing in our country, have not extended their network of warehouses to the rural parts. It is almost impossible to distribute effectively in the interior outlets in the absence of adequate storage facilities. Due to lack of adequate and scientific storage facilities in rural areas, stocks are being maintained in towns only.

Village structure in India
In our country, the village structure itself causes many problems. Most of the villages are small and scattered. It is estimated that 60 per cent of the villages are in the population group of below 1,000. The scattered nature of the villages increases distribution costs and their small-size affects economic viability of establishing distribution points.

Rural markets and sales management
Rural marketing involves a greater amount of personal selling efforts compared to urban marketing. The rural salesman must also be able to guide the rural customers in the choice of the products. It has been observed that rural salesmen do not properly motivate rural consumers. The rural salesman has to be a patient listener as his customers...
are extremely traditional. He may have to spend a lot of time on consumer visits to gain a favourable response from him. Channel management is also a difficult task in rural marketing. The distribution channels in villages are lengthy involving more intermediaries and consequently higher consumer prices. In many cases, dealers with required qualities are not available.

**Inadequate banking and credit facilities**

In rural markets, distribution is also hampered due to lack of adequate banking and credit facilities. The rural outlets require banking support to enable remittances, to get replenishment of stocks, to facilitate credit transactions in general, and to obtain credit support from the bank. Retailers are unable to carry optimum stocks in the absence of adequate credit facilities. They are not able to offer credit to the consumers, because of this problem. All these problems lead to low marketing activities in rural areas. It is estimated that there is one bank for every 50 villages, showing the poor banking facilities in rural areas.

**Market segmentation in rural markets**

Market segmentation is the process of dividing the total market into a number of sub-markets. The heterogeneous market is broken up into a number of relatively homogeneous units. Market segmentation is as important in rural marketing as it is in urban marketing. Most firms assume that rural markets are homogeneous. It is unwise on the part of these firms to assume that the rural market can be served with the same product, price and promotion combination.

**Branding**

The brand is the surest means of conveying quality to rural consumers. Day-by-day, though national brands are getting popular, local brands are also playing a significant role in rural areas. This may be due to illiteracy, ignorance and low purchasing power of rural consumers. It has been observed that there is greater dissatisfaction among the rural consumers with regard to selling of low quality duplicate brands, particularly soaps, creams, clothes, etc., whose prices are often half of those of national brands, but sold at prices on par or slightly less than the prices of national brands. Local brands are becoming popular in rural markets in spite of their lower quality.

**Packaging**

As far as packaging is concerned, as a general rule, smaller packages are more popular in the rural areas. At present, all essential products are not available in villages in smaller packaging. The lower income group consumers are not able to purchase large and medium size packaged goods. It is also found that the labelling on the package is not in the local language. This is a major constraint to rural consumers understanding the product characteristics.

**1.9 Distinction between Rural Market and Urban Market**

Rural marketing is similar to simply marketing. Rural marketing differs only in terms of buyers here; target market consists of customers living in rural areas. Thus, rural marketing is application of marketing fundamentals (concepts, principles, theories, etc.) to rural marketers. Rural marketing is a process of developing, pricing, promoting and distributing rural-specific goods and services leading to desired exchange with rural customers to satisfy their needs and wants and also to achieve organisational objectives.

**The differences between rural marketing and urban marketing**

Although rural marketing offers immense potential, marketers used to recognise the fact that there are considerable differences in many aspects including the nature, characteristics, buying patterns and behaviours of rural consumer, when compared with their urban counter parts. While the urban economy thrives mainly on secondary and territory activities, such as manufacturing and service, the rural economy is driven mainly by primary activities, such as agriculture, fishing and forestry. The consumer-demand and consumption patterns also differ across rural and urban areas, in many products rural consumption now accounts for a large share then urban. In washing soaps, the rural share is over 60%. In popular bath soaps, it is more than 50% and in batteries it is more than 56%. Similar is the case with packed tea and hair oils.
<table>
<thead>
<tr>
<th>Aspects</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philosophy</td>
<td>Marketing and social concepts and relationship market</td>
<td>Marketing and social concepts development marketing</td>
</tr>
<tr>
<td>Demand</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Competition</td>
<td>Among units in organised sector</td>
<td>Among unorganised sector</td>
</tr>
<tr>
<td>Consumers:</td>
<td>Concentrated</td>
<td>Widely spread</td>
</tr>
<tr>
<td>Location</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Literacy</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Income</td>
<td>Planned and even</td>
<td>Seasonal and variations</td>
</tr>
<tr>
<td>Expenditure</td>
<td>High-level</td>
<td>Low-level</td>
</tr>
<tr>
<td>Needs</td>
<td>Faster</td>
<td>Slow</td>
</tr>
<tr>
<td>Innovations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product awareness</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Concept</td>
<td>Known</td>
<td>Less known</td>
</tr>
<tr>
<td>Positioning</td>
<td>Easy</td>
<td>Difficult</td>
</tr>
<tr>
<td>Usage method</td>
<td>Easily grasped</td>
<td>Difficult to grasp</td>
</tr>
<tr>
<td>Quality preference</td>
<td>Good</td>
<td>Moderate</td>
</tr>
<tr>
<td>Price-sensitive</td>
<td>Yes</td>
<td>Very much in rural</td>
</tr>
<tr>
<td>Distribution channels</td>
<td>Whole seller, retailers, supermarkets, speciality stores, authorised store rooms</td>
<td>Village shops</td>
</tr>
<tr>
<td>Transport facility</td>
<td>Good</td>
<td>Moderate</td>
</tr>
<tr>
<td>Product availability</td>
<td>High</td>
<td>Limited</td>
</tr>
<tr>
<td>Advertising</td>
<td>Print, audio, visual media, outdoors, exhibitions, etc.</td>
<td>T.V, radio and print media to some extent</td>
</tr>
<tr>
<td>Personal selling</td>
<td>Door-to-door</td>
<td>Occasionally</td>
</tr>
<tr>
<td>Sales promotion</td>
<td>Contest, gifts, price discount</td>
<td>Gifts and price discount</td>
</tr>
<tr>
<td>Publicity</td>
<td>Good opportunity</td>
<td>Less opportunity</td>
</tr>
</tbody>
</table>

Table 1.1 Differences between rural marketing and urban marketing
Summary

• Marketing may aptly be described as the process of defining, anticipating and knowing customer needs and organising all the resources of the company to satisfy them.
• The rural market of India started showing its potential in the 1960s.
• Many assumptions prevail about rural marketing.
• Rural marketing is promotion of a company’s products in the rural markets by using strategies which differ from that of urban market.
• Rural areas are large and isolated areas of an open country with low population density.
• The term ‘rural marketing’ used to be an umbrella term for the people who dealt with rural people in one way or other.
• Agricultural produces like food grains and industrial inputs like cotton, oil seeds, sugarcane, etc., occupied the central place of discussion during this period.
• The liberalisation and globalisation of the Indian economy have given an added advantage to sophisticated production, proliferation and mass distribution of goods and services.
• Rural India is the real India.
• According to 2011 census, rural population is 72% of total population and it is scattered over a wide range of geographic area.
• The products which have attained the maturity stage in urban market are still in growth stage in rural market.
• Approximately 75% of Indian’s population resides around 6,38,365 villages of India spread over 32,00,000 Sq. Kilometre and 41% of Indian’s middle class resides in rural areas.
• The substantial attention accorded to agriculture during the successive five-year plans has helped in improving agricultural productivity.
• Transportation is an important aspect in the process of movement of products from urban production centres to remote villages.
• Rural marketing involves a greater amount of personal selling effort compared to urban marketing.

References

• Mr. Pradeep Kashyap - Founder -- Mart Rural Solutions. [Video online] Available at: <http://www.youtube.com/watch?v=_JI0VRs3iMU> [Accessed 07 May 2014].

Recommended Reading

Self Assessment

1. The rural market of India started showing its potential in the______.
   a. 1940s
   b. 1970s
   c. 1960s
   d. 1950s

2. The rural market is more ‘______’ sensitive, but it has preference for both quantity and quality.
   a. price
   b. market
   c. quality
   d. product

3. What can be defined as a function which manages all those activities in asserting, stimulating and converting
   the purchasing power of rural people into an effective demand for specific products and services and, thereby
   achieving the goals of the organisation?
   a. Rural areas
   b. Local marketing
   c. Rural marketing
   d. Effective marketing

4. Match the following

<table>
<thead>
<tr>
<th>1. Transportation</th>
<th>A. It covers only 18 per cent of the rural population.</th>
</tr>
</thead>
</table>
| 2. Marketing communication | B. This is an important aspect in the process
   of movement of products from urban production centres to remote villages. |
| 3. The print media | C. It is the process of dividing the total market into a number of sub-markets. |
| 4. Market segmentation | D. This in rural markets suffers from a variety of constraints. |

   a. 1- D, 2- C, 3- B, 4- A
   b. 1- C, 2- A, 3- D, 4- B
   c. 1- A, 2- B, 3- C, 4- D
   d. 1- B, 2- D, 3- A, 4- C

5. What is tied with agriculture prosperity?
   a. Rural prosperity
   b. Transportation prosperity
   c. Communication prosperity
   d. Media prosperity
6. Which of the following statement is true?
   a. It is documented that approximately 55% of rural Indians are literate.
   b. It is documented that approximately 31% of rural Indians are literate.
   c. It is documented that approximately 45% of rural Indians are literate.
   d. It is documented that approximately 61% of rural Indians are literate.

7. _________ has a vital role to play in so far as enhancement of agriculture yield is concerned.
   a. Bio-diversity
   b. Bio-technology
   c. Bio-metrics
   d. Bio-medical

8. Which of the following have given an added advantage to sophisticated production, proliferation and mass distribution of goods and services?
   a. The preservation and globalisation of the Indian economy
   b. The conservation and expenditure of the Indian economy
   c. The consumption and capitalisation of the Indian economy
   d. The liberalisation and globalisation of the Indian economy

9. According to 2011 census, rural population is _____ of total population and it is scattered over a wide range of geographic area.
   a. 72%
   b. 65%
   c. 82%
   d. 57%

10. Which of the following statement is false?
    a. Rural marketing was treated as synonymous to ‘agricultural marketing’.
    b. Rural India is the real India.
    c. Rural marketing in India is very small, and scattered into a number of regions.
    d. In the event of crop failure, the income of masses is directly affected.
Chapter II
Rural Marketing Environment

Aim
The aim of this chapter is to:

- introduce rural marketing environment
- explain population
- explicate occupational pattern

Objectives
The objectives of this chapter are to:

- enlist the land distribution
- elucidate development programmes
- explain infrastructure facilities

Learning outcome
At the end of this chapter, you will be able to:

- identify the rural institutions
- understand the regulated market
- recognise print media in rural areas
2.1 Introduction

An environment is that which surrounds a business. Environment is sum total of external factors and prepared of tangible and intangible factors, both controllable and uncontrollable. Rural marketing is essentially a focused marketing activity of an organisation. The environment outlines opportunities and threats of the market. The rural marketing environment is complex and is changing constantly.

When marketing enters into rural people or marketing activities are done in the rural areas, it is necessary to know the conditions of the markets. Marketing is conditioned by the environment which is ever-changing. An overview of environment in India shows wide expanse of the market, enormity of the growth of population and density of living, under-developed logistics, unemployment and underemployment, low literacy, multiplicity of languages, slow growth, low purchasing power and standard of living, prevalence of marketing malpractices in political planks, the advent of the green revolution and technological revolution exodus from rural to urban areas and synthetic mix of heterogeneous social, industrial and ethical forces that affect the attitudinal and behavioural patterns of rural people.

India’s huge rural market offers a vast potential for a marketer facing stiff competition in the urban markets. The rural market environment is very different from the common surroundings of the urban market. In the late 1990s, the rural market environment changed. The issues in 1993 were simpler, but today markets stubbornly refuse to take just any product and service created for urban market. Quickly growing farm productions, population size of the present rural markets and their potential have offered a challenge to marketing organisation in rural areas. Improving infrastructure, rising incomes, favourable government policies and wide areas offer vast potential for rural marketers, which cannot be ignored.

As a result, it is essential to understand the rural marketing environment elements in detail to explore the opportunities and meet out the challenges provided by the rural markets. It is ironical that the census of India defines ‘rural’ in the context of all that is not urban, considering that there were only villages before the development of cities and towns.

![Fig. 2.1 Structure of rural marketing environment](http://indianresearchjournals.com/pdf/APJMMR/2013/September/7.pdf) [Accessed on 21 April 2014]
2.2 Population
Presently, there are more than 20,000 villages in the 5,000-10,000 population strata as per the Census of 2001, so any population cut-off criteria should definitely include these villages as rural areas.

2.3 Occupation Pattern
The occupational pattern is as follows:

- The occupational pattern of people in a section obviously affects their buying behaviour.
- A daily wage earner has to account for variations in income, whereas a salary earner brings home an assured fixed amount and thus can plan expenses in a better way.
- Three-fourths of rural household heads are either cultivators or wage earners, whereas three-fourths of urban household heads are salary earners, petty shopkeepers and wage earners.
- The cultivator’s disposable income is highly seasonal, with more disposable income available immediately after the harvesting season. This is therefore the time when he is more inclined to make purchases, especially of durables and high-involvement products.

Basic occupations that exist and help agro-related works are as follows:

- Farm labourer: He helps a village through his agricultural activity directly. The labourer works by tilling, weeding out, sowing, reaping, cleaning the produce, guarding the field at harvest time and many other odd jobs related to agriculture.
- Priest: He reads horoscopes, arranges poojas and tells villagers regarding auspicious dates for marriages, house warming, sowing in addition to his duties in the temple.
- Blacksmith: The agricultural implements are made and repaired by the village blacksmith.
- Milk man
- Carpenter
- Potter
- Barber
- Shoe maker
- Washer-man

Demographic profile of people in a segment naturally affects their buying behaviour. The salary earner and wage earner cannot be expected to behave in the same way. A daily wage earner has to account for variations in income, but a salary earner brings home a certain fixed amount and thus can plan expenses in a better way. Three-fourth of rural household heads for either cultivators or wage earners, whereas three-fourth of urban household heads are salary earners, petty shopkeepers and wage earners.

The cultivator’s disposable income is extremely seasonal, with more disposable income available immediately after the harvesting season. This is therefore the time when he is more prone to make purchases, especially of durables, and high-involvement products. The purchases at such times are quite significant, as 40% of the rural population, i.e., 50 million families are farmers.

2.4 Income Generation
In rural areas, the income-generation pattern based on agriculture is seasonal and extremely unreliable, unlike the fixed monthly income in the urban areas. This created a consumption pattern that is quite different from the urban one.

- By sale of agricultural produce
- By sale of animal produce
- By service: Rendered by teacher, doctor or nurse
- By interest on investment
Government subsidies and grants
- By mortgage of properties and gold
- By charities and donations
- By labour and wages: Labourers do jobs in construction of roads, bridges and buildings.
- Income of rural sector is rising at a considerable rate: Percentage of very rich, consuming class and climbers are rising, whereas aspirants and destitute are declining.
- The structure of rural income depicts the following trends:
  - On the income ladder, the top two slots are occupied by the non-farm sector, while the farmer is at the third place and wage earner is at the bottom.
  - The highest per capita income in rural comes from the formal segment of the non-farm sector at Rs. 19,514/- which is higher than the urban per capita income at Rs. 19,407/-.

### 2.5 Location of Rural Population

It has been observed that the majority of rural institutions, agri-markets and rural banks are located in larger villages and towns, up to 10,000. Moreover, the characteristics in terms of occupation, consumption and buying behaviour change from rural to urban in locations of more than 10,000.

### 2.6 Expenditure Pattern

Over last 20 years, per capita consumption expenditure has increased four times in rural. Rural spending in non-food items is increasing; out of a total per capita spending of Rs.486/-, approximately 40% is spent on non-food items. This shows an encouraging trend for consumer durables and non-durables (non-food items). Analysing the consumption patterns of non-food items of rural consumers, we find that the major share of spending goes to clothing, medical services and fuel needs, whereas urban consumers spend much more on rentals, education and conveyance.

### 2.7 Literacy Level and Rural Demand

Lower level of education in rural sector (approximately 60% of the population lies below the middle education bracket) lead to little or low demand for a range of products, such as literacy books, notebooks, pen/pencils, magazines, calculators, drawing instruments, digital diaries, computers, etc. However, change is taking place, because the literacy of the rural sector has risen 23% over the last 20 years. This has contributed considerably to an improvement in the socio-economic status of the people. The demand for educational products has increased with this growth. Overall, products and brand awareness have increased and rural consumers have become more mature in purchase decisions.

### 2.8 Land Distribution

India has a large geographical land area of 3.288 million square kms. Land classification is based on the following uses:
- Forest land: Area covered by forest.
- Uncultivable land: The land which includes land with tree crops, cultivable waste or permanent pastures are not fit for cultivation.
- Land not available for cultivation: Land area used for human dwelling, industry areas, military establishment roads, transportation roads, railways, etc.
- Cultivable land: Consists of area under cultivation or sown which includes irrigated land.
- Mountains: High lands above 7000 ft in altitude. This forms 10.7 percent in India.
- Hills: Weathered high lands up to an altitude of 7000 ft. They form 18.6 percent in India.
- Plateaus: Flat land with an elevation between 1000 ft and 3000ft. They constitute 27.7 percent in India.
- Plains: Flat land up to an elevation of 1000 ft. This forms 43 percent in India.
2.8.1 Land Use Pattern
Land use patterns are listed below as follows:

- Land management is gaining importance because of increasing demands on land and growth of the population.
- Forest area and cultivable land percentages have increased. Forest has increased from a level of 14% to 22%. Area sown has increased from 20% to 43%.
- Area not available for cultivation has reduced.
- Change of mindset of common man towards ecology, increasing greenery and that every square metre of land to be used gainfully. Multi-storeyed buildings form part of the city’s landscape.

2.8.2 Irrigation
Irrigation can be explained as follows:

- In last four decades, the irrigated area has doubled.
- Indian agriculture has depended on rains for centuries. The special programmes launched by Government of India to increase the irrigation facilities along length and breadth of India have yielded results and reduced dependence on rain.
- There is considerable difference in irrigation patterns from state-to-state in India. States like Punjab and Haryana, where there are enough natural water resources have a good percentage of gross irrigated area to total crop area.
- If a farmer owns many patches scattered at distances, it makes the entire efforts in agriculture less remunerative.
- Mechanical farming or agricultural methods cannot be adopted for small land holdings.

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Area Sown</th>
<th>Gross Cropped Area</th>
<th>Net area Irrigated</th>
<th>Gross Area Irrigated</th>
<th>Gross Irrigated as % of Cropped Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-2000</td>
<td>142.9</td>
<td>185.7</td>
<td>48</td>
<td>63.2</td>
<td>34.0</td>
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<td>2000-2001</td>
<td>142.2</td>
<td>186.6</td>
<td>53.4</td>
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<td>2001-2002</td>
<td>142.8</td>
<td>189.5</td>
<td>55.1</td>
<td>73.3</td>
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<td>2002-2003</td>
<td>142</td>
<td>190.8</td>
<td>54.6</td>
<td>76.4</td>
<td>39.7</td>
</tr>
</tbody>
</table>

Table 2.1 Statement of gross irrigation

2.9 Development Programmes
The development programs are discussed in the paragraphs given below.

2.9.1 Green Revolution in the Agricultural Sector
The period from 1967 to 1978 heralded a technological drive into rural areas aimed at improving food grain production in the country and therefore achieving food self-sufficiency.

Green revolution generated the following notable economic results:

- Crop areas under high-yield varieties required fertilizers, fungicides, pesticides and other inputs. Farm equipments like tractors with farm implements, diesel pump sets, etc., introduced mechanisation into the farm-sector for the first time.
- The increase in farm production also introduced mechanised processing, spurring expansion of the local manufacturing sector.

The modernisation and mechanisation of the farm-sector increased farm productivity, generate industrial growth, created jobs and initiated a change in the quality of life in villages.


2.9.2 White Revolution

White revolution generated the following notable consequences:

- Initiated by the government with the aim of accomplishing self-sufficiency in the area of milk production.
- Cornerstone of the government dairy development policy was producing milk in rural areas through producer cooperatives and moving processed milk to urban-demand centres.
- Gave a boost to dairy development and initiated the process of establishing the much needed linkages between rural producers and urban consumers.
- Formation of producer’s cooperatives has played a significant role in institutionalising milk production and processing.
- Socio-economic and demographic factors, such as urbanisation and changing food habits and lifestyles have also reinforced the growth in demand for dairy products (ice creams, chocolate, yoghurt, butter, flavoured milk, etc.).
- Milk production has increased from 17 million tonnes in 1950-51 to 84.6 million tonnes in 2001-02.
- Most successful stories in dairy development have been in Gujarat, Punjab, Haryana, Uttar Pradesh and Andhra Pradesh.

2.9.3 The NGO Movement

The NGO movement created the following notable results:

- Important in providing assistance at the grass-root level adaptation of technological extensions in rural areas.
- Stepped into create awareness, build skills, introduce technology and develop capacities for maintenance and sustainability.
- Government programmes implemented through NABARD, CAPART, KVIC and others are given form by these organisations.
- Introduction of low-cost spindles, weaving machinery, technology for leather processing, food processing, natural resources management, etc., have been some contributions in bringing about change at the grass-root.
- NGOs have been also active in providing basic health and child care services, running homes for destitute and the distressed and providing education and training opportunities.

2.10 Infrastructure Facilities

Infrastructure facilities are discussed in the paragraphs below.

Road connectivity

Road connectivity helped in creating the following positive effects:

- Good road connectivity, mainly in rural areas, between sub-divisional towns and district headquarters is often the primary means of supplementing public efforts directed at providing basic health and educational services, as well as infrastructural support for production and trade and commerce at the local village-level.
- It is particularly relevant in the Indian context where over 70% of the population continues to live in rural areas and where over 50% of villages with population of less than 1,000 have yet to be connected by roads.
- Among the major states, Kerala has the highest road length per hundred square kilometres (375 km in 1997).
Table 2.2 Statement of road connectivity at the village-level

<table>
<thead>
<tr>
<th>Year</th>
<th>Population less than 1000</th>
<th>Population between 1000 and 1500</th>
<th>Population more than 1500</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>36.52%</td>
<td>72.32%</td>
<td>89.82%</td>
</tr>
<tr>
<td>1997-98</td>
<td>37.45%</td>
<td>76.54%</td>
<td>91.72%</td>
</tr>
<tr>
<td>2005-06</td>
<td>49.18%</td>
<td>74.58%</td>
<td>78.04%</td>
</tr>
</tbody>
</table>

Post offices
Post offices created the following effects in India:

- India with its 1, 55,279 post offices as on 31 March 2002 (1,38,756 post offices are in rural areas) has a postal network that is the largest in the world. On an average, a post office serves an area of 21.17 km and a population of 6614 persons.
- For providing postal services, the whole country has been divided into 22 postal circles. Each circle is further divided into regions. A postmaster general who is the postal manager of the area heads each region.
- Post offices in the country are categorised as head, sub and branch post offices.

Rural health services
Rural health services provided the following services:

- Sub-centres: The health sub-centre is the contact point between the primary health care system and the community. The staff at health sub-centres are assigned tasks associated to interpersonal communication in order to bring about behavioural change in relation to maternal and child health, nutrition, family welfare, control of diarrhoea, immunisation and control of communicable diseases.
- Primary health centres: First contact point between the village community and a medical officer. These are established and maintained by the State Government under the Minimum Needs/Basic Minimum Services Programme. Manned by a medical officer and is supported by 14 paramedical and other staff. Activities include curative, preventive and promotive health care as well as family welfare services.
- Community health centres: Established and maintained by the State Governments under the MNP/BMS programme. Four medical specialists, i.e., surgeons, physicians, gynaecologists and paediatricians supported by 21 paramedical and other staff, 30 indoor beds, with X-ray, labour room, operation theatre and laboratory facilities.

Radio
From six radio stations at the time of Independence, ‘All India Radio’ today has 208 radio stations. All stations of all India radio broadcast farm programmes and home programmes directed at rural audience. The thrust of the broadcast is on increasing production of agri-products and various programmes adopted by the Government of India.

Television
DD-1 operates through a network of 1042 terrestrial transmitters of varying powers reaching over 87% of the population. Over the years, the viewership of Doordarshan has increased very much, reaching 7.5 crore homes. Community television sets have been introduced under various schemes operated by Central and State Governments.

Telecom services

- By 2004, over 80% of all villages had been connected through 5.4 lakh Village Public Telephones. Likewise, 1.42 crore telephone connections had been given in rural areas.
- People who are not able to afford a telephone facility of their own can now have access to VPTs in rural areas in addition to Public Call Offices.
2.11 Rural Credit Institutions

Rural institutions are discussed in the paragraphs below.

Asmitha
Asmitha provides rural poor women access to financial resources in the form of collateral free small loans for income-generation and livelihood-promotion. This enables them to set-off small start-up business, which soon translates into adequate nutrition, medical aid and education. With increased businesses, these low-income women become economic agents intrinsic to development, rather than simply homemakers.

Bandhan MF
This was set up to address the dual objective of poverty alleviation and women empowerment. The microfinance activities are carried on by Bandhan Financial Services Pvt. Ltd. (BFSPL), incorporated under the Companies Act, 1956 and also registered as a Non-Banking Financial Company (NBFC) with the Reserve Bank of India (RBI). Apart from that, Bandhan is also engaged in development work though it’s not a ‘for-profit’ entity.

Cashpor India
Our mission is to identify and motivate poor women in the rural areas and to deliver financial services to them in an honest, timely and efficient manner, so that our vision is realised and CASHPOR itself becomes a financially sustainable micro-finance institution for the poor.

Grameen foundation
Grameen foundation—works in 6 key areas: connecting microfinance institutions with capital markets, helping track people’s movement out of poverty, harnessing the power of technology, strengthening organisations by building people practices, sharing knowledge widely for broader impact and social business.

Grameen Koota
Grameen Koota recognises the future competition and challenge of retaining exclusivity of clients. Instead of targeting a high market share in high competition areas we will focus on increasing the mind share amongst client and becoming a preferred microfinance provider. We will leverage our existing goodwill with the community and have a strong focus on orienting our field staff towards this objective.

Hand in hand
Hand in hand is a development organisation whose objective is to remove poverty by creating enterprises and jobs. Focusing on help to self-help, we take a holistic approach that combines microfinance and support for women to start enterprises with work in four other areas that matter most to the poor communities, such as health and sanitation, education and child labour elimination, a sustainable local environment and information technology access. With currently more than 450,000 members in Tamil Nadu, Karnataka and Madhya Pradesh, who have collectively started more than 250,000 micro-enterprises, our goal is to create 1.3 million jobs by 2013. Supported by international offices in the UK and Sweden, we are now taking our model to South Africa, Afghanistan and Latin America.

Micro credit India
Microcredit Foundation of India (MFI) is a not-for-profit. Company in Tamil Nadu devoted to promoting entrepreneurship and community level action in rural areas as a way to sustainable economic prosperity. Today MFI works mainly with women. Through its field staff, MFI helps them form Self Help Groups (SHGs), trains them in good financial practice, facilitates access to microcredit loans, equips them with business skills and facilitates access to new markets for their products.

MYRADA
MYRADA is a Non Governmental Organisation managing rural development programmes in three states of South India and providing ongoing support including deputations of staff to programmes in six other states. It also promotes the Self Help Affinity strategy in Cambodia, Myanmar and Bangladesh.
New Life
New Life designs projects based on survey of the socio, economic problems of the project area and support the poor, abused and abandoned children and women by executing the projects with defined goals/objectives. The current projects of New Life includes orphanages for children of incarcerated parents, ensuring primary education for the rural children in India, save children from child labour, early learning centres for children of vulnerable community groups, read to lead project, taking care of the medical needs of physically handicapped and mentally retarded children.

RangDe
Rang De’s mission is to make microcredit accessible to every low income household by lowering loan interest rates through innovative means. Rang De is committed to enabling individuals to become social investors through a transparent platform.

2.12 Role of Cooperative Institutions
Cooperative society is an organisation of set of people with combined responsibilities and thoughts for the growth of needy, especially under-privileged. Cooperatives helped in the development of agriculture, agro-processing, banking, marketing, credit, storage, dairy, fishing and housing and its network covers 85 per cent of rural households. It occupies a key position in agricultural development with support in resource and input use, harvesting of water resources, marketing channels, storage facilities, distribution channels, value addition, market information and a regular monitoring network system. Cooperatives are also engaged in the following economic activities:

- Financial services
- Input supply services
- Marketing services
- Consumer services
- Welfare services
- Extension services
- Training centres
- Scholarships

2.13 Regulated Market
A regulated market or controlled market is a market, where the government controls the forces of supply and demand, e.g., who is authorised to enter the market or what prices may be charged. It is common for some markets to be regulated under the claim that they are natural monopolies. For example, water, telecommunications, gas or electricity supply. Often, regulated markets are established during the partial privatisation of government controlled utility assets.

A variety of regulations exist in a regulated market. These include controls, environmental protection, oversights, anti-discrimination, taxation and labour laws. In a regulated market, the government regulatory agency may legislate regulations known as regulatory capture.

2.14 Agriculture Export Zone
An agri-export zone or AEZ is a specific geographic region in a country demarcated for setting up agriculture-based processing industries, mainly for export. The term is widely used mainly in India.

AEZ are to be recognised by the State Government, who would evolve a comprehensive package of services provided by all State Government agencies, State agriculture universities and all institutions and agencies of the Union Government for intensive delivery in these zones. Corporate sector with proven credentials would be encouraged to sponsor new agri-export zone or take over already notified agri-export zone or part of such zones for boosting agri-exports from the zones. Establishments of marketing departments for various agricultural and non-agricultural produce KAPPAC.
Coir board
Main motive of this board is to purchase the coconut and prepare the coconut fibre. The functions of the coir board are as follows:

- Rejuvenation, modernisation, and technology up gradation of coir industry
- Scheme of fund for regeneration of traditional industries
- Skill up-gradation and quality improvement scheme
- Science and technology scheme
- Export market promotion scheme
- Domestic market promotion scheme
- Trade and industry related functional support service scheme
- Welfare measures.

Coffee board
The coffee board provides the following functions:

- Employee Welfare Scheme
- Allocation of fund for each region
- Educational stipends
- Incentive award
- Financial assistance

NHB (National Housing Bank)
The Sub-Group on Housing Finance for the seventh five year plan (1985-90) identified the non-availability of long-term finance to individual households on any significant scale as a major lacuna impeding progress of the housing sector and recommended the setting up of a national-level institution. NHB has been established to achieve, inter alia, the following objectives:

- To promote a sound, healthy, viable and cost-effective housing finance system to cater to all segments of the population and to integrate the housing finance system with the overall financial system.
- To promote a network of dedicated housing finance institutions to adequately serve various regions and different income groups.
- To augment resources for the sector and channelise them for housing.
- To make housing credit more affordable.
- To regulate the activities of housing finance companies based on regulatory and supervisory authority derived under the Act.
- To encourage augmentation of supply of buildable land and also building materials for housing and to upgrade the housing stock in the country.
- To encourage public agencies to emerge as facilitators and suppliers of serviced land, for housing.

The following are the initiatives taken by NHB:

- Residential mortgage backed securitisation process of national housing bank
- Reserve mortgage loan
- Reverse mortgage loan enabled annuity
- Housing finance
- Retail deposits

APEDA (Agricultural and Processed Food Products Export Development Authority)
The Agricultural and Processed Food products Export Development Authority (APEDA) is an export promotion organisation under Ministry of Commerce and Industries, Government of India. It is mandated with the responsibility of promotion and development of the export of its scheduled products.
The scheduled products monitored by APEDA
APEDA monitors all agri-products. APEDA provides financial assistance to its registered member exporters under the following schemes:

- Scheme for Market Development
- Scheme for Infrastructure Development
- Scheme for Quality Development
- Scheme for Research and Development
- Scheme for Transport Assistance

2.15 Rural Retail Outlet

Rural retail outlet is as follows:

- Certainly market-driven, technology-based agriculture-India- an economic superpower.
- The retail revolution is going to act as a catalyst.
- The new concept that is hitting the market today is the ‘Rural Retailing’.

Rural retail
The rate of disposable income of middle class is increasing with the advent of IT infrastructure and enormous grouped population. Though sales is expected to be much lower in early stages, break even will be reached in four-five months of being set up, as against eight-nine months earlier.

Approach towards rural retailing
The following are the various approaches towards rural retailing:

- Go to the producer directly
- Set up knowledge exchange centres
- Earn respect and confidence with locals
- Provide retail environment with local flavours and needs.
- Treat farmers with respect and serve them as customers.

2.16 SWOT Analysis

The following are the strengths of SWOT analysis:

- About 70% of India’s population lives in 6,27,000 villages in rural
- Middle and higher income households in rural India are expected to grow from 80 million to 111 million by 2010
- In urban India, the middle and higher income households are expected to grow from 46 million to 59 million. Thus, the absolute size of rural India is expected to be double to that of urban India
- Young population

The following are the weakness of SWOT analysis:

- Low literacy rates
- Low standard of living
- Traditional outlook
- Prevalence of spurious brands and seasonal demand.

The following are the opportunities of SWOT analysis:

- Three times more families live in Rural India
- Rural India has a large consuming class with 41 per cent of India’s middle-class and 58 per cent of the total disposable income
Population becoming brand-conscious
Exposure and increase in literacy rates will open market further

The following are the threats of SWOT analysis:
Shifting of young generation-rural to urban cities
Entry of small time players: Study on buying behaviour of rural consumer indicates that the rural retailers influence 35% of purchase occasions
Vast majorities of rural people are tradition-bound, fatalistic and believe in old customs, traditions, habits, taboos and practices.

2.17 Print Media in Rural Areas
Print media in rural areas function as follows:
The total number of newspapers and periodicals being published in the year 2000 was 49,145. Newspapers were published in as many as 101 languages and dialects during 2000.
The reaches of newspapers in rural areas are very poor, only 15% of the copies of newspapers reach rural areas. Newspapers normally reach the feeder market or small towns and are read in shops or road side hotels.
People sometimes buy newspapers in small towns and take back home, where it is read at home or at common gathering or social gathering.

2.18 Rural Areas Requirements
Considering the importance of agriculture and rural majority the nine five year plans have made substantial progress in improving the agriculture sector and the rural farmer. The rural requirements vary from state-to-state and the priorities also change. Rural requirements are listed below:
Improved seeds and fertilisers
Increased means and methods of irrigation
Multipurpose farming
Use of modern farming equipments and methods
Warehousing and preservation of agri-produce
Marketing development and remunerative prices for the produce
Improvements in pest control and preservation of crops
R&D work and benchmarking with the best agricultural practices and yields in the world
Training of farmers
Increased investments and credit facilities
Small land holdings to be consolidated and improvements in tenancy
Animal heath and veterinary facilities
Literacy of farmers and families
Develop village agro-based industries/cottage and village industries
Population control
Crop insurance
Health of farmers
Environment friendly agriculture methods
Water availability management
Remunerative price for milk and milk products
Provision for subsidiary occupations and incomes
2.19 Problems in Rural Marketing

Problems in rural marketing are discussed in the paragraphs below.

Unevenly scattered population
The spread of population in about 4,000 cities and towns is to the extent of 25% and the balance is in six lakh villages. Only 6,300 villages have a population of more than 500. This makes the marketers go through a lot of difficulty to reach out to the rural masses effectively.

Under-developed people and underdeveloped market
A number of initiatives have been taken to improve the quality of life in rural areas since 1947. In 1947, the rank of India in terms of poverty, unemployment and level of development was 86 in the world but in 1991 it reached the level of 123. The situation has further got worse and the 1996 report on Human Development Index shows that India ranks 136th in 156 countries of the world.

Lack of proper physical communication facilities
In India, only 50% of the road length is provided with a proper surface. About 36% of the villages in the country do not have road connection and over 65% of our villages are without all-weather road. Therefore, the road grid makes distribution costs higher, as the road grid as a whole suffers from serious capacity constraints, delays, congestions, fuel wastage and higher vehicle operating costs; marketers face a lot of problems in distribution of products. Share of rural income accounted for 55.6 percent with 74.6 percent of country’s population, thus reducing the demand of expensive products.

Many languages and dialects
In India, the number of languages and dialects differ extensively from state-to-state, region-to-region. The number of languages spoken is only 16; the total number of dialects is estimated to be around 850. The messages to be delivered in the local languages and dialects are a big problem to the marketers.

Low-level of literacy
Low-level of literacy leads to the problem of communication for promotion purposes. In this case, print medium becomes less effective and the dependence on audio visual messages is more relevant in rural areas.

Logistics problems
The rural markets have few selling points like retailers, cooperatives, haats and melas. Shortage of infrastructure for storage and handling and limited transport facilities act as a restraint for marketing action.

Low exposure to market stimuli
In rural areas, the rural people have little exposure to branded products, low product exposure, limited sources of information and learning which creates big challenge to the marketers to stimulate the rural consumers.

Less retail outlets
Due to less capital, the shops in the villages have limited availability of stock and limited or a few range of branded products to sell to rural people and these shops keep only fast moving items with a number of fake brands.

Seasonal demand
As 70% of rural population depends on agriculture and most of them with small land holdings highly dependent of natural environment that is rain, if the rains and weather conditions are good and on time the farmers will get good harvest which leads to good income, otherwise, if there is shortage of water the demand may be minimal.

Traditional life
Life in rural areas is still governed by customs and traditions and people do not easily accept new practices. For, e.g., even rich and educated class of farmers do not wear jeans or branded shoes in most of the rural areas.
2.20 Rural Demand

Some well established products are as follows:

- Pressure cooker
- Cooking utensils
- Batteries
- Cycle, bikes, scooters
- Radio/tapes
- Pesticides, fertilizers
- Tea
- Toothpowder/paste
- Sewing Machine
- Artificial Jewellery
- Medicines
- Tobacco and Products
- Bathing Soaps, washing cakes, washing powder
- Cell phones
- Fans
- TV
- Wristwatches

2.20.1 Recent Trends in Rural Demand

The recent trends in rural demand are as follows:

- Steady growth
- Welcome change in the composition of Rural Demand
  - Several products already well-established in the rural market
  - In many products, rural consumption accounts for a larger share than urban
  - In many products, rural market has overtaken the urban in growth rate, detergent powder, washing soaps.
  - People hardly buy the high priced durables in the rural area. NCAER (National Council for Applied Economic Research) classified durables into three categories:
    - Low-priced durables, watches, radios, irons, fans, etc.
    - Relatively higher priced durables, TV, sewing machines, mixers, 2-in-1 music system.
    - High-priced durables
- Factors behind the growth and diversification in rural demand
  - New income due to agricultural/rural development
    - Green revolution since 1970
    - New employment, income and purchasing power.
  - The expectation revolution
    - The rising expectation have enlarged the desire and awareness
    - Strengthened their motivation to work, earn and consume.
- Rural demand is more seasonal
  - Agriculture dominates the income sources
  - Purchasing on marriages and festivals (also the harvesting time)
2.21 Rural Market Index

Thomson Rural Market Index can be described as follows:

- Market Research is done by market research companies and experts in the field to provide data about consumption patterns, purchase preferences and rural market potential. Hindustan Thompson Associates Limited, a market research and advertising company in India studied the rural areas in India in year 1972.
- HTAL made its report in 1972 and developed overall indicators of rural market potential in India. These are known as Thompson Rural Market Index.
- HTAL compiled data of 335 districts based on 26 measurable scale variables. HTAL collated data regarding agricultural details of output in each district.

Indicators considered in developing TRMI are as follows:

- Agricultural labourers
- Gross cropped area
- Gross irrigated area
- Area under non food crops
- Pump sets
- Fertilizer consumption
- Tractors
- Rural credit
- Rural deposits
- Villages electrified

TRMI has become a useful guide in segmenting and targeting rural markets. Based on TRMI data, the districts have been classified A, B, C, D and E classes. The classification is given as follows:

<table>
<thead>
<tr>
<th>Class of Markets</th>
<th>Index Range</th>
<th>No. of districts</th>
<th>Percentage of Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>60.00-100.00</td>
<td>22</td>
<td>17.80</td>
</tr>
<tr>
<td>B</td>
<td>40.00-59.99</td>
<td>39</td>
<td>20.5</td>
</tr>
<tr>
<td>C</td>
<td>30.00-39.99</td>
<td>54</td>
<td>20.4</td>
</tr>
<tr>
<td>D</td>
<td>20.00-29.99</td>
<td>86</td>
<td>23.00</td>
</tr>
<tr>
<td>E</td>
<td>Below 20</td>
<td>154</td>
<td>18.30</td>
</tr>
</tbody>
</table>

Table 2.3 Classification of classes
Summary

- An environment is that which surrounds a business.
- The rural marketing environment is complex and is changing constantly.
- Marketing is conditioned by the environment which is ever-changing.
- India’s huge rural market offers a vast potential for a marketer facing stiff competition in the urban markets.
- It is ironical that the census of India defines ‘rural’ in the context of all that is not urban considering that there were only villages before the development of cities and towns.
- The occupational pattern of people in a section obviously affects their buying behaviour.
- The labourer works by tilling, weeding out, sowing, reaping, cleaning the produce, guarding the field at harvest time and many other odd jobs related to agriculture.
- Demographic profile of people in a segment naturally affects their buying behaviour.
- The income generation pattern in rural areas based on agriculture is seasonal and extremely unreliable unlike the fixed monthly income in the urban areas.
- Land Management is gaining importance because of increasing demands on land and growth of the population.
- Cooperative society is an organisation of set of people with combined responsibilities and thoughts for the growth of needy, especially under-privileged.
- An agri-export zone or AEZ is a specific geographic region in a country demarcated for setting up agriculture based processing industries, mainly for export.
- The rural requirements vary from state to state and the priorities also change.
- In India, only 50% of the road length is provided with a proper surface.
- Low, level of literacy leads to the problem of communication for promotion purposes.
- A prominent feature of the seed situation in Syria is the high seed replacement ratio for wheat.

References

- Marketing Environment. [Video online] Available at: <http://www.youtube.com/watch?v=kqzHmJ5PsSM> [Accessed 07 May 2014].

Recommended Reading

Self Assessment

1. Environment is sum total of ________ factors and prepared of tangible and intangible factors, both controllable and uncontrollable.
   a. internal
   b. external
   c. risk
   d. environmental

2. What outlines opportunities and threats of the market?
   a. Rural marketing
   b. Income level
   c. The environment
   d. Saving pattern

3. Match the following

| 1. Asmitha | A. It recognises the future competition and challenge of retaining exclusivity of clients. |
| 2. Grameen foundation | B. It provides rural poor women access to financial resources in the form of collateral free small loans for income generation and livelihood promotion. |
| 3. Grameen Koota | C. It is a development organisation whose objective is to remove poverty by creating enterprises and jobs. |
| 4. Hand in hand | D. This works in 6 key areas. |

   a. 1- C, 2- A, 3- B, 4- D
   b. 1- B, 2- D, 3- A, 4- C
   c. 1- A, 2- C, 3- D, 4- B
   d. 1- D, 2- B, 3- C, 4- A

4. Which of the following was initiated by the government with the aim of accomplishing self-sufficiency in the area of milk production?
   a. White revolution
   b. Green revolution
   c. Pure revolution
   d. Blue revolution

5. Which of the following statement is true?
   a. Over last 5 years per capita consumption expenditure has increased two times in rural.
   b. Over last 60 years per capita consumption expenditure has increased two times in rural.
   c. Over last 20 years per capita consumption expenditure has increased four times in rural.
   d. Over last 1 years per capita consumption expenditure has increased five times in rural.
6. Which of the following board’s main motive is to purchase the coconut and prepare the coconut fibre?
   a. Consumer board
   b. Corporate board
   c. Coffee board
   d. Coir board

7. Which of the following is an export promotion organisation under Ministry of Commerce and Industries, Government of India?
   a. APEDA
   b. NHB
   c. KAPPAC
   d. AEZ

8. About ______ % of India’s population lives in 627000 villages in rural.
   a. 10
   b. 90
   c. 70
   d. 40

9. Which of the following statement is false?
   a. In India, only 50% of the road length is provided with a proper surface.
   b. High level of literacy leads to the problem of communication for promotion purposes.
   c. The rural markets have few selling points like retailers, cooperatives, haats and melas.
   d. In rural areas, the rural people have little exposure to branded products.

10. Rural spending in non-food items is _______; out of a total per capita spending of Rs.486, approximately 40% is spent on non-food items.
    a. decreasing
    b. falling
    c. increasing
    d. failing
Chapter III

Rural Consumer Behaviour

Aim

The aim of this chapter is to:

• introduce rural consumer behaviour
• explain consumer buying behaviour models
• explicate the factors affecting consumer buying behaviour

Objectives

The objectives of this chapter are to:

• enlist the main agricultural products in India
• elucidate characteristics of rural consumer
• explain personality and brand belief

Learning outcome

At the end of this chapter, you will be able to:

• identify the lifestyles of rural consumers
• understand stages in consumer buying process
• define opinion leadership
3.1 Introduction
The understanding of consumers has to always come from the consumer. The consumer behaviour related information has to be essentially based on an enquiry into their purchase process. Various factors, such as economic, social and psychological govern the purchase act by a consumer. Consumer behaviour is seen to involve a complicated mental process as well as physical activity (purchase decision). Consumer behaviour is a decision process and physical activity individuals engage in, when evaluating, acquiring, using or disposing goods and services. Consumer behaviour refers to the acts of individuals directly involved in obtaining and using goods and services and includes the decision process that provides a purchase. Consumer behaviour is not barely the study of what people consume, but also ‘where’, ‘how often’ and ‘under what conditions’ the product is consumed.

3.2 Consumer Buying Behaviour Models
With the type of buying decisions, consumer decision-making varies. Expensive and complex purchases are likely to involve more buyer deliberations and more participants. Based on the degree of buyer involvement and the degree of differences among brands, Henry Assael distinguished four types of consumer-buying behaviour.

Complex buying behaviour
When consumers are highly involved in a purchase and aware of significant differences among brands they engage in complex buying behaviour. This is generally the case when the product is expensive, bought infrequently, risky and highly self-expressive. The marketer requires differentiating the brand’s features, use print media to describe the brand’s benefits and motivate store sales personnel and the buyer’s acquaintances to influence the final brand choice e.g., automobile, two-wheelers, consumer durables, etc.

Dissonance-reducing buying behaviour
The consumer sometimes is highly involved in a purchase, but sees minute difference in the brands. The high involvement is based on the fact that the purchase is expensive, infrequent and risky. For example, consider carpet buying. After buying, the consumer may experience dissonance that stems from noticing certain disquieting features of the carpet or hearing favourable things about other carpets. Thus, marketing communication should aim at supplying evaluations and beliefs that help the consumer feel good about his or her brand selection.

Habitual buying behaviour
A lot of products are bought under conditions of low consumer involvement and the absence of significant brand differences. Consider salt. Consumers have slight involvement in the product category. They go to the store and reach for the brand. If they keep getting the same brand, it is out of habit, not strong brand loyalty. It happens with mainly low-cost, regularly purchased products. Marketers find it effective to resort to advertisement repetitions, price and sales promotions to stimulate product trial.

Variety-seeking buying behaviour
A few buying situations are characterised by low-consumer involvement, but significant brand differences. Here, consumers frequently do a lot of brand switching. Think about cookies. The consumer may get another brand out of boredom or a desire for a different taste. The marketer will try to encourage habitual buying behaviour by dominating the shelf-space, avoiding out of stock conditions, sponsoring frequent reminder advertising, offering lower prices, deals, coupons and free samples.

3.3 Factors Affecting Consumer-buying Behaviour
The various factors that affect buying behaviour of in rural India are as follows:

- Environment of the consumer: The environment or the surroundings in which the consumer lives has a very strong influence on the buyer behaviour. E.g., electrification and water supply affect demand for durables.
- Geographic influence: The geographic location in which the rural consumer is situated also speaks about the thought process of the consumer. For instance, villages in south India accept technology quicker than in other parts of India. Thus, HMT sells more winding watches in the north while they sell more quartz watches in the south.
- Influence of occupation: The land owners and service can buy more of category 2 and category 3 durables than agricultural labourers.
• Place of purchase: Company’s need to access the influence of retailers on both consumers at village shops.
• Creative use of product: The study of product provides indicators to the company on the need for education and also for new product ideas. E.g., Godrej hair-dye used to colour horns of ox. Washing machine used for making lassie.
• Brand preference and loyalty: The people in rural market will not give preference for brand products, but they give importance to loyalty of the product. 80% of the sale is branded items in 16 product category.

3.3.1 Social Factors
The social factor consists of the following three factors:
• Sociological factors: Consumer society or the community is important. The social setup influences consumer life style. The social constitution and changes influence customer taste, habits and lifestyles.
• Anthropological factors: The reasonable cultures and subcultures and living patterns influence selling strategies, advertising sales promotion and packing. The consumers in East India have different taste.
• Psychological factors: Consumer behaviour attitudes personality and mental make ups are unique. The study of behaviour is very important to evolve marketing mix.

3.3.2 Technological Factors
The quick growth of telecommunication facilities and mobile phone has provided opportunities for rural people to keep in touch with men and markets. Development of TV networks and reasonable channels has allowed the marketers to pass on message about product and services to rural people. In rural areas especially in large villages and villages near to towns and cities, children and youth have access to information, such as job opportunities, national news, weather conditions, bank loans, etc. IT and internet are sure to spread information in rural India, although at a slower rate as compared to urban market.

3.3.3 Economic Factors
The economic factors are enumerated as follows:
• Competition: A fine and healthy competition brings in good and overall improvement in economic activities. It also brings good quantity, good quality and price.
• Consumers: Today, the consumer is quite knowledgeable and particular. His progress and well being should be the aim of any economic activity.
• Price: Pricing is a delicate issue where it should be market friendly, not too high or too low. The marketers have to keep in mind to get decent returns on investment.
• Ethical forces: Business minus ethical values brings degeneration. In the long-run, it brings problems. No standardisation, falsification and exploitation are main ethical values in such organisation.
• Political forces: The government policies towards trade and commerce, internal taxation and preferential treatments have an influence on the marketing strategies. The marketing environment has to meet the political framework in which a government is made to work.
• Physical forces: The infrastructure availability for movement and storage of goods play an important role in the physical distribution of goods and reaching the consumers. Efficient and cheaper logistics help the market in a big way.
• Technological forces: The fast changing science and technology gives a cutting edge to the marketing of products. The changes warrant changes in marketing, inputs and strategies. Faster and efficient communication and transport systems have speeded up marketer. The capital is made to work faster and harder. So, in the case with the marketer, he has to use these new marketing tools and facilities in designing and implementing his marketing strategies which are adaptive to the change in environment and ensure success.

3.3.4 Political Factors
The government has taken initiatives for economic development of rural areas and have invested heavily in electricity, irrigation, agriculture, khadi and village industries and infra structure facilities, such as roads, hospitals, communication, school and banking. The initiatives certainly lead to rural prosperity and opportunities for the marketers.
### 3.4 Characteristics of Rural Consumer

Characteristics of rural consumer are as follows:

- Demonstrations, targeting opinion leaders and employing trained sales persons
- Lack of strong brand-consciousness
- Generally ask for the product and not the brand
- Indian consumers, on an average, try about six brands of same package goods product in one year and compared to two for Americans.

<table>
<thead>
<tr>
<th>Age</th>
<th>Life-Cycle Stage</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 12</td>
<td>Child</td>
<td>Video games, Chocolates, beverages, health drinks</td>
<td>Toys, ice candy, daliya</td>
</tr>
<tr>
<td>13-19</td>
<td>Teenage</td>
<td>Cell phones, motorcycles, Internet</td>
<td>Bicycle, television, cinema</td>
</tr>
<tr>
<td>20-40</td>
<td>Young</td>
<td>Car, Personal Computer, branded clothing, alcohol, stores/malls</td>
<td>Motorcycle, telephone, LPG, tailored/ unbranded clothes, local liquor, haat</td>
</tr>
<tr>
<td>40-60</td>
<td>Middle Aged</td>
<td>Luxury Car, Credit Cards, House, health insurance, holiday trips</td>
<td>Tractors, Kissan Credit Card, postal savings, mela</td>
</tr>
<tr>
<td>Above 60</td>
<td>Old</td>
<td>Clubs, theatre, parks</td>
<td>Chaupal, Playing Cards, pilgrimage</td>
</tr>
</tbody>
</table>

Table 3.1 Consumption by age and stages of the life cycle

**Occupation and income**

A range of goods and services beyond the very basic ones are bought by a consumer, influenced by the occupation and income of the individual in the rural sector. Fishermen buy boats and large nets, whereas a farmer selects a tractor and pump-set first.

**Economic circumstances**

Economic circumstances are as follows:

- Unfavourable economic conditions to adopt high-cost technology
- High cost of inputs
- Underprivileged rural industries
3.5 The Main Agricultural Products in India

The main agricultural products that control the fate of the rural economy in India are as follows:

- **Food grains**: Rice, Wheat, Cereals, Pulses, Maize, Corn, Rice Bran Extractions, Sorghum, Suji, Parmal, Soy meal, Lentils, Jowar, Bajra and Chick pea.

- **Fruits and nuts**: Cashew Kernels, Almonds, Cashew Nut, Cashews, Peanuts, Groundnut, Walnut Kernels, Roasted Dry Fruits, Walnuts, HPS Groundnuts and Indian Peanuts.


- **Vegetables**: Bitter gourd, Potatoes, Pumpkin, Stripe Gourd, Cauliflower, Cabbage, Tomato, Onion, Green Pepper, Drum Sticks, Lady’s finger, Cucumber, Banana, Papaya, Spinach, Mushroom, Mushroom Spawn and Radiata.


- **Spices**: Chilli Powder, Black Pepper, Cinnamon, Chillies, Cloves, Coriander Powder, Cumin, Curry Powders, Dry Ginger, Dry Red Chilly, Cardamom, Anise, Salt, Onion Powder, Fenugreek, Pepper, Ginger, Clove, Turmeric and Turmeric Powder.


- **Tobacco and tobacco products**: Betel-nut Leaves, Bidi Leaves, Beedi, Betel-nut, Chewing Tobacco, Cigarettes, Jarda, Arecanut, Scented Tobacco, Smoking Tobbaco, Snuff, Opium, Pan, Chatni, Pan Masala, Zafrani Zarda and Gutkazarda.

- Cotton, Rubber, Jute, etc.

3.6 Personality and Brand Belief

Personality and brand belief means the following:

- **Expression of the core values and characteristics of a brand with emphasis on human personality traits, e.g., intelligent, friendly and innovative.**

- **Process of transforming brand into a person or humanising the brand.**

- **Acts as brand differentiator and offers sustainable competitive advantage.**

What personality reveals about a brand is as follows:

- Demonstrates a brand’s passion, expertise and ultimate purpose

- Touches and energises the motivation of the targeted customer segments

- Projects the brand’s core values and beliefs

- Describes how customers expect to be treated.

Brand Personality is the ‘voice’ behind the brands:

- Values
- Functional attributes
- Competitive positioning
3.7 Rise of Consumerism

Kotler, 1972 "Consumerism is the social movement seeking to augment the rights and power of buyers in relation to sellers."

- The rise of modern consumerism can probably be traced to post First World War America.
- Time-and-motion studies along with labour saving technologies and worker efficiencies were an indication of fundamental changes in work. Productivity soared, but redundancies did too, creating huge overproduction. People couldn’t afford what was produced.
- ‘The new economic gospel of consumption’ was invented to convert Americans from thrift to spendthrift. Economist Simon Nelson in 1907 said “the new morality does not consist in saving, but in expanding consumption”. Business created ‘the dissatisfied consumer’. An example is the beginning of the yearly model change, coupled with aggressive advertising in the automobile industry, the start of planned obsolescence.
- A government survey on Recent Economic Change in 1929 concluded that “by advertising and other promotional devices … a measurable pull on production has been created.”

Reasons behind the rise of consumerism in India

The reasons behind the rise are mentioned as follows:

- Imbalance in demand and supply of commodities leading to hoarding, profiteering and black marketing.
- Low-literacy levels and lack of awareness of rights encourages businessmen to be indifferent to consumers.
- Reasons behind the rise of consumerism in India.
- Lack of effective competition.
- Consumerism is still in its infancy.
- Legal framework is time-consuming and tiresome.
- Lamentable state of public sector monopolies.

Remedies

The remedies are as follows:

- Active participation from the business, government and consumers.
- Business must ensure efficiency in production and quality of output and must refrain from Unfair Trade Practices.
- Government through legislations, statutory bodies, etc., prevent exploitation of consumers.
- Consumers should assert their rights and protect themselves from business malpractices.
3.8 Lifestyle of Rural Consumers

Lifestyles of rural consumer are as follows:

- Rural consumer is very religious: Dabur developed religious calendars and gave Hanuman Chalisa along with their products. Ganga was made of milk and holy water of Ganga.
- Rural consumers prefer to work hard themselves. Machines have to be sold on the basis of benefits offered and not on the basis of comfort and convenience.
- Strong family ties and respect for family values
- Likes to play cards and hangs out at Choupal.

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographics</td>
<td>Convent educated, salary earner, small nuclear family, large dense population, apartments</td>
<td>Govt school, self-employed, large family, small/scattered population, ordinary spacious houses</td>
</tr>
<tr>
<td>Activities</td>
<td>Office jobs, internet surfing, health club, shopping, clubs and party</td>
<td>Agriculture, physical sports, gossip, playing cards, cinema, religious congregation.</td>
</tr>
<tr>
<td>Interests</td>
<td>Chinese, continental foods, designer clothes, beauty salons, holiday trips</td>
<td>Desi food, milk, bright coloured clothes, jewellery, visiting towns, markets/melas</td>
</tr>
</tbody>
</table>

Table 3.2 Lifestyle-comparison of rural and urban lifestyle

3.8.1 Rural Shopping Habits: Consumer Insights

Rural shopping habits are as follows:

- Preference for small or medium package: Cavinkare’s Chik Shampoo, Britannia’s Tiger Biscuits and small Coke for Rs. 5.
- Role of the retailer.
- Role of opinion leaders for durables: Opinion leaders like Sarpanch, village elders and educated youth of the village.

3.8.2 Information Search and Pre-purchase Evaluation

Information search and pre-purchase evaluation are as follows:

- The rural consumer mainly seeks and gets his information from opinion leaders and influencers, rather than the media. However, this information search is fuelled by exhibitions and road shows, because of the opportunity of personal interaction and leisurely pace of absorbing and understanding the information and its relevance.
- In the case of high involvement products, this information search needs to be supplemented by an out of village visit to a company outlet with an opportunity for personal interaction. The need to demonstrate individual accessories of the product and their performance also becomes critical.
- The ultimate clincher is always the ‘touch and feel’ experience. Anything less will not lead to a purchase.
3.9 Stages in Consumer Buying Process

Stages in consumer buying process are listed below:

- **Need recognition:** It is the difference between the desired state and the actual state. A rural consumer first identifies his needs and accordingly thinks of purchasing the product. In the simple decision-making model, this is the first step. For instance, a farmer in a rural area wants to purchase a colour television.

- **Pre-purchase search:** After the need has been identified, the next step is to do a pre-purchase search. Pre-purchase search is of two types, namely internal search using one's memory and external search which involves getting more information from friends or relatives (word of mouth). Marketer-dominated sources, comparison shopping, public malls, etc. A successful information search leaves a buyer with all possible alternatives. Here, the farmer may go to a nearby city and visit a showroom that has multiple products.

- **Evaluation of alternatives:** This third step is to basically pick the best option from the available. In this step, the buyer needs to establish criteria for evaluation. He makes a decision about what features he wants or does not want in the product. Accordingly ranks are given to the alternatives. The farmer may look for products of Onida, Videocon and LG that are available with the dealers and ultimately select one of them. If he is not satisfied with the choice made, the buyer can return to the search phase. Also, marketers try to influence the buyer by framing alternatives.

- **Purchase decision:** This is action that results in the purchase of the product from among available alternatives. The customer may plan to purchase a specific product that suits his needs and is within his budget, etc. This includes product, package, store, method of purchase among other things. For example, the farmer may plan to go for LGs Sampoorna Colour Television as it has a vernacular onscreen display, better sound and superior picture quality. Besides, it is priced at only Rs 8,500/-. 

- **Purchase:** This involves the actual purchase of the product. However, it may differ from the decision due to time-lapse between the purchase-decision and the actual purchase or may also depend upon the availability of the product.

- **Post-purchase behaviour:** This is the final step in the simple model of consumer behaviour. The buyer’s relationship with the seller does not come to an end with the purchase especially in the case of consumer durables. This is not an important factor for FMCG. The farmer may see whether LG has a service centre nearby in case the product needs servicing. It is found that the main elements studied for analysing rural consumer decision making process are media exposure, purchase aspects, behaviour of the consumer towards price, quality relations, credit and influence of the retailer.

<table>
<thead>
<tr>
<th>Urban</th>
<th>Buying Process</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-involvement product, comfort, status, drive, consumer’s recognition for need</td>
<td>Need recognition</td>
<td>High involvement product - productivity drives consumer’s recognition for need.</td>
</tr>
<tr>
<td>First hand information from TV, Internet, Newspaper Ads/ Consults a fellow owner before dealer visit</td>
<td>Information search</td>
<td>First hand information from a fellow owner and nearby dealer at district town.</td>
</tr>
</tbody>
</table>
Normally buyer makes final decision. Family influences colour and looks. Drives new car home with family.

<table>
<thead>
<tr>
<th>Purchase decision</th>
<th>Collective decision by buyer, adult son, mechanic and progressive village farmer.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher satisfaction or dissonance because of greater risk factor. Higher risk taking ability, because of wanting experimentation. After sales service no issue</td>
<td></td>
</tr>
<tr>
<td>Post-purchase decision</td>
<td>Higher satisfaction, lower dissonance. Because risk taking is lower and expectation level is low. Low risk-taking ability because life-attached product, lack of technical knowhow, low confidence on after sales service.</td>
</tr>
</tbody>
</table>

### Table 3.3 Buying process

#### 3.10 Diffusion of Innovation

Diffusion of innovation is a theory of how, why, and at what rate new technology and ideas spread through cultures.

#### 3.10.1 Elements of Diffusion of Innovation

Elements of diffusion of innovation are discussed in the paragraphs given below.

**Innovation**

Rogers defines an innovation as “an idea, practice, or object that is perceived as new by an individual or other unit of adoption.”

**Communication channels**

A communication channel is “the means by which messages get from one individual to another.”

**Time**

“The innovation-decision period is the length of time required to pass through the innovation-decision process.” Rate of adoption is the relative speed with which an innovation is adopted by members of a social system.

**Social system**

“A social system is defined as a set of interrelated units that are engaged in joint problem solving to accomplish a common goal.”

### Categories of Innovativeness*

![Categories of Innovativeness](http://indianresearchjournals.com/pdf/APJMMR/2013/September/7.pdf)

<table>
<thead>
<tr>
<th>Innovators</th>
<th>Early Adopters</th>
<th>Early Majority</th>
<th>Late Majority</th>
<th>Laggards</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.5%</td>
<td>13.5%</td>
<td>34%</td>
<td>34%</td>
<td>16%</td>
</tr>
</tbody>
</table>

*Fig. 3.1 Categories of innovativeness*  
3.11 Opinion Leadership

The process by which, one person (the opinion leader) informally influences the attitudes or consumption actions of others who may be opinion-recipients or opinion-seekers.

**Strong/weak tie source**

What is Opinion Leadership?

![Opinion Leadership Diagram](https://example.com/image.png)

Fig. 3.2 Opinion leadership


Opinion leadership is the process by which the opinion leader informally influences the attitudes or actions of others, who may be opinion seekers or merely opinion recipients. Opinion receivers perceive the opinion leader as a highly credible, objective source of product information, who can help reduce their search and analysis time and perceived risks.

Opinion leaders are inspired to give information or advice to others, in part doing so enhances their own self-image and status and because such advice tends to reduce any post purchase dissonance that they may have. Other motives include product involvement, message involvement or any other involvement. Market researchers identify opinion leaders by such methods as self designation, key informants, the sociometric method and the objective method.

Studies of opinion leadership indicate that this phenomenon tends to be product category specific, generally one of their interests. An opinion leader of one product range can be an opinion receiver for another product category. Generally, opinion leaders are self confident, gregarious, innovative people who like to talk. Furthermore, they may feel differentiated from others and choose to act differently (or public individuation). They acquire information about their areas of interest through avid readership of special interest magazines and ezines and by means of new product trials. Their interests may often overlap into adjacent areas and thus their opinion leadership may also extend into those areas.

3.11.1 The Needs of Opinion Leaders

The needs of opinion leaders are as follows:

- **Self involvement**
- **Social involvement**
- **Product involvement**
- **Message involvement**
- **Opinion leaders are four times more likely to be asked about political issues, three times more likely to be asked about computers or investments, and twice as likely to be asked about restaurants**
- **Information seekers seek a ‘strong-tie’ source when they know little about a topic, and ‘weak-tie’ sources when they have some knowledge**
3.11.2 Reasons for the Effectiveness of Opinion Leadership

Reasons for the effectiveness of opinion leadership are listed below:

- Credibility
- Positive and negative product information
- Information and advice
- Opinion leadership is category-specific
- Opinion leadership is a two-way street

3.12 Brand Loyalty

Brand loyalty can be defined as the power of preference for a brand compared to other similar available options. This is regularly measured in terms of repeat purchase behaviour or price sensitivity.

3.12.1 Factors of Brand Loyalty

Lau et al. (2006) in his article mentioned that there were seven factors that influenced consumers’ brand loyalty towards certain sportswear brands. The factors were brand names, price, style, product quality, promotion, store environment and service quality.

**Brand name**

Famous brand names can disseminate product benefits and lead to higher recall of advertised benefits than non-famous brand names (Keller, 2003). There are many unfamiliar brand names and alternatives available in the market place. Consumers may prefer to trust major famous brand names. These prominent brand names and their images attract consumers to purchase the brand and bring about repeat purchasing behaviour and reduce price related switching behaviours (Cadogan and Foster, 2000). Also, brand personality provides links to the brand’s emotional and self-expressive benefits for differentiation. This is important for brands which have only minor physical differences and are consumed in a social setting where the brand can create a visible image about the consumer itself.

**Product quality**

Product quality encompasses the features and characteristics of a product or service that bears on its ability to satisfy stated or implied needs. In other words, product quality is defined as ‘fitness for use’ or ‘conformance to requirement’. Consumers may repeat the purchase of single brands or switch around several brands due to the tangible quality of the product sold. According to Frings (2005), the components of product quality of fashion merchandise include cutting or fitting, size measurement, colour, material, function and the performance of the merchandise. Fitting is a crucial aspect in garment-selection because some fitted garments, such as swimsuits and aerobic wear can ideally enhance the consumers’ general appearance. Material is important in product quality as it affects the texture, hand feel and other performance aspects of the product. Further, consumers relate personally to colour, and could select or reject a fashion because of colour. If the colour does not appeal to them or flatter their own colour, they will reject the fashion.

Functional attributes in sportswear include breathable, quick-dry, odour-resistant, waterproof, lightweight, and antimicrobial and finally, durability which is the use-life of garments.

For instance, some consumers wear their sportswear for heavy work and some for leisure and sports, as they need a lot of movement, while durability is an important consideration in purchasing sportswear. Perfectionist or quality consciousness is defined as an awareness of and desire for high quality products, and the requirement to make the best or perfect choice versus buying the first product or brand available (Sproles and Kendall, 1986). This indicates that quality characteristics are also related to performance.

**Price**

According to Cadogan and Foster (2000), price is probably the most important consideration for the average consumer. Consumers with high brand loyalty are ready to pay a premium price for their favoured brand, so, their purchase intention is not easily affected by price. In addition, customers have a strong belief in the price and value of their...
favourite brands so much so that they would compare and evaluate prices with alternative brands (Evans et al., 1996; Keller, 2003). Consumers’ satisfaction can also be built by comparing price with perceived costs and values. If the perceived values of the product are greater than cost, it is observed that consumers will purchase that product.

Loyal customers are willing to pay a premium even if the price has increased because the perceived risk is very high and they prefer to pay a higher price to avoid the risk of any change (Yoon and Kim, 2000). Basically, long-term relationships of service loyalty make loyal customers more price-tolerant, since loyalty discourages customers from making price comparison with other products by shopping around. Price has increasingly become a focal point in consumers’ judgements of offer value as well as their overall evaluation of the retailer (De Ruyter et al., 1999). According to Bucklin et al. (1998), price significantly influences consumer-choice and incidence of purchase. He emphasised that discount pricing makes households switch brands and buy products before than needed. Price is described as the quantity of payment or compensation for something. It indicates price as an exchange ratio between goods that pay for each other. Price also communicates to the market the company’s intended value positioning of its product or brand. Price consciousness is defined as finding the best value, buying at sale prices or the lowest price choice (Sproles and Kendall, 1986). Additionally, consumers generally evaluated market price against an internal reference price, before they decide on the attractiveness of the retail price.

Style

Style is visual appearance, which includes silhouette, line and details affecting consumer perception towards a brand (Frings, 2005). According to Abraham and Littrell (1995), a composite list of apparel attributes has been generated and one of the conceptual categories is style. Consumer’s judgement depends on the consumer’s level of fashion consciousness, so judgement will be made by their opinion of what is currently fashionable. Brands that supply stylish sportswear attract loyal consumers who are fashion-conscious. Fashion leaders or followers usually purchase or continue to repeatedly purchase their fashion garments in stores that are extremely fashionable. They gain satisfaction from wearing the latest fashion and style which also satisfies their ego.

A research conducted by Duff (1999) investigated the niche market in women’s sportswear, and the results showed that sportswear shoppers were becoming more fashion-conscious and were demanding products with more style; furthermore, consumers have a tendency to wear different attires for different occasions. According to Sproles and Kendall (1986), fashion-consciousness is generally defined as an awareness of new styles, changing fashions, and attractive styling, as well as the desire to buy something exciting and trendy.

Store environment

Omar (1999) emphasised that the store environment was the single most important factor in retail marketing success and store longevity. Positive attributes of the store, which include store layout, store location and in-store stimuli, affect brand loyalty to some extent. Store location and number of outlets are crucial in altering consumer shopping and purchasing patterns. If consumers find the store to be highly accessible during their shopping trip and are satisfied with the store’s collection and services, these consumers may become loyal afterwards (Evans et al., 1996). Thus, a store’s atmosphere is one of the factors that could influence consumer’s decision-making.

The stimuli in the store, such as the characteristic of other shoppers and salespeople, store layout, smells, noises, shelf space, temperature, and displays, colours, sign, and merchandise, affect consumers and serve as elements of apparel attributes (Abraham and Littrell, 1995), which may in turn, affect consumer decision making and satisfaction with the brand (Evans et al., 1996). On the other hand, background music played in the stores affects attitudes and behaviour (Milliman, 1982). The slow-beat musical selection leads to higher sales volume as consumers spend more time and money in a conducive environment. There are many advantages to retailers having loyal customers. As stated by Huddleston et al. (2004), customer loyalty could yield a favourable operating cost advantage for retailers. Also, they stressed that obtaining new customers cost five to six times as much as retaining current customers. Research conducted by Lin and Chang (2003) showed that the channel convenience of the brands had significant influence on buying behaviour. This means that the accessibility to this product/brand in the store is important when purchasing low involvement products. Consumers will not go to another store just to find the brand. Instead, they will stay put and choose another brand.

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Promotion
Promotion is a marketing mix component which is a kind of communication with consumers. It includes the use of sales promotions, advertising, personal selling and publicity. Advertising is a non-personal presentation of information in mass media about a brand, product, company or store. It greatly affects consumers’ images, beliefs and attitudes towards products and brands, and in turn, influences their purchase behaviours (Evans et al., 1996). This shows that promotion, especially through advertising, can help establish ideas or perceptions in the consumers’ minds as well as help differentiate products against other brands.

According to Rowley (1998), promotion is an important element of a firm’s marketing strategy. Promotion is used to communicate with customers with respect to product offerings, and it is also a way to encourage purchase or sales of a product or service. Sales promotion tools are used by most organisations in support of advertising and public relations activities, and they are targeted towards consumers as final users. She also states that promotion has a key role in determining profitability and market success and is one of the key elements of the marketing mix which includes advertising; sales promotion; direct marketing; public relations and publicity; personal selling and sponsorship.

Service quality
A general definition of service quality is that the service should correspond to the customers’ expectations and satisfy their needs and requirements (Gronroos, 1990). Service quality is a kind of personal selling, and involves direct interactions between salespeople and potential buyers. Consumers like to shop at specific stores since they like the services provided and are sure of certain service privileges. The impact of salespeople-consumer relationships will generally result in long-term orientation of consumers towards the store or brand. Trust in salespeople appears to relate to overall perceptions of the store’s service quality, and results in the consumer being totally satisfied with the stores in the end. Furthermore, personalisation (i.e., responsiveness, reliability, personalisation and tangibles) significantly influence consumers’ experience and evaluation of service, and in turn, affects the brand loyalty of consumers (To and Leung, 2001). Gronroos (1990) noted that the quality of a service as perceived by customers had three dimensions, technical (or outcome) dimension, functional (or process) dimension and image dimension. Furthermore, Richard and Allaway (1993) argued that utilising only functional quality attributes to explain and/or predict consumers’ behaviour might be a misspecification of service quality and had low predictive validity.
Summary

- The understanding of consumers has to always come from the consumer.
- Various factors, such as economic, social and psychological govern the purchase act by a consumer.
- Consumer behaviour is a decision process and physical activity individuals engage in when evaluating, acquiring, using or disposing of goods and services.
- Expensive and complex purchases are likely to involve more buyer deliberations and more participants.
- The consumer sometimes is highly involved in a purchase, but sees minute difference in the brands.
- A few buying situations are characterised by low consumer involvement, but significant brand differences.
- The quick growth of telecommunication facilities and mobile phone has provided opportunities for rural people to keep in touch with men and markets.
- A range of goods and services beyond the very basic ones are bought by a consumer, influenced by the occupation and income of the individual in the rural sector.
- A rural consumer first identifies his needs and accordingly thinks of purchasing the product.
- Diffusion of innovation is a theory of how, why, and at what rate new technology and ideas spread through cultures.
- Opinion leadership is the process by which the opinion leader informally influences the attitudes or actions of others, who may be opinion seekers or merely opinion recipients.
- Market researchers identify opinion leaders by such methods as self designation, key informants, the sociometric method and the objective method.
- Brand loyalty can be defined as the power of preference for a brand compared to other similar available options.
- According to Cadogan and Foster (2000), price is probably the most important consideration for the average consumer.
- Promotion is a marketing mix component which is a kind of communication with consumers.
- The impact of salespeople-consumer relationships will generally result in long-term orientation of consumers towards the store or brand.

References


Recommended Reading

**Self Assessment**

1. Various factors, such as economic, social and psychological ______ the purchase act by a consumer.
   a. decrease
   b. govern
   c. cut
   d. decline

2. Based on the degree of buyer involvement and the degree of differences among brands, Henry Assael distinguished ______ types of consumer buying behaviour.
   a. four
   b. six
   c. two
   d. three

3. Match the following

| 1. Innovation                  | A. It is defined as a set of interrelated units that are engaged in joint problem solving to accomplish a common goal. |
| 2. A communication channel     | B. The process by which one person informally influences the attitudes or consumption actions of others. |
| 3. A social system             | C. An idea, practice, or object that is perceived as new by an individual or other unit of adoption. |
| 4. Opinion Leadership          | D. It is the means by which messages get from one individual to another. |

   a. 1-D, 2-C, 3-B, 4-A
   b. 1-B, 2-A, 3-D, 4-C
   c. 1-A, 2-B, 3-C, 4-D
   d. 1-C, 2-D, 3-A, 4-B

4. Which of the following mainly seeks and gets his information from opinion leaders and influencers, rather than the media?
   a. The rural consumer
   b. The urban consumer
   c. The city consumer
   d. The modern consumer

5. Which of the following gave “social movement seeking to augment the rights and power of buyers in relation to sellers”?
   a. Simon Nelson in 1907
   b. Lau et al. (2006)
   c. Keller, 2003
   d. Kotler, 1972
6. Who said “the new morality does not consist in saving, but in expanding consumption”?
   a. Simon Nelson in 1907
   b. Lau et al. (2006)
   c. Keller, 2003
   d. Kotler, 1972

7. Which of the following is a theory of how, why, and at what rate new technology and ideas spread through cultures?
   a. Post-purchase decision
   b. Purchase decision
   c. Diffusion of Innovation
   d. Need Recognition

8. Which of the following statement is true?
   a. The urban consumer is the length of time required to pass through the innovation-decision process.
   b. The innovation-decision period is the length of time required to pass through the innovation-decision process.
   c. The rural consumer period is the length of time required to pass through the innovation-decision process.
   d. The social system is the length of time required to pass through the innovation-decision process.

9. Which of the following statement is false?
   a. A social system is defined as a set of interrelated units that are engaged in joint problem solving to accomplish a common goal.
   b. Famous brand names can disseminate product benefits and lead to higher recall of advertised benefits than non-famous brand names.
   c. Consumers may prefer to trust major famous brand names.
   d. Price encompasses the features and characteristics of a product or service that bears on its ability to satisfy stated or implied needs.

10. Which of the following defines an innovation as “an idea, practice, or object that is perceived as new by an individual or other unit of adoption”?
   a. Rogers
   b. Lau et al.
   c. Keller
   d. Kotler
Chapter IV

Researching Rural Market and Strategies

Aim

The aim of this chapter is to:

- introduce rural market research
- explain marketing research-key decisions
- explicate research approach

Objectives

The objectives of this chapter are to:

- enlist limitations of rural research
- elucidate qualitative versus quantitative research
- explain development studies

Learning outcome

At the end of this chapter, you will be able to:

- identify major sources providing rural data
- understand strategies for rural marketing
- define market research
4.1 Introduction
Marketing research is a formalised way of getting information to be used in making marketing decisions. The American Marketing Association defines market research as: “The systematic gathering, recording and analysing of data about problems related to marketing of goods and services.”

Reactive approach
These organisations do not conduct research, but follow what others do and see it as a way to keep up with competition.

Proactive approach
These organisations await developments in the market and introduce new ideas and methods to exploit opportunities or to minimise problems, so as to get ahead of competition.

4.2 Limitations of Rural Research
Limitations of rural research are as follows:

- Low literacy levels: Literacy level in rural India is low. Due to this, villagers often find it difficult to understand the questions or respond to western ratings and ranking tools.
- Poor media exposure, low product and brand awareness: Media penetration, electronic or non-electronic is very low in rural areas. Thus, awareness regarding products and brands is very low, making brand studies virtually impossible.
- Local language communication: There are 15 official languages, making communication very difficult for the researchers.
- Scattered and remote villages; inaccessible roads: Tiny villages are remotely located, scattered and have almost inaccessible roads. Sampling such villages is a really painful task for researchers.
- Social taboos; difficulty in interacting with women respondents: Women in some parts of the country like Rajasthan and some parts of UP remain behind purdah. If the respondents include women, then this makes the job difficult for the researchers.
- Interview timing: Normally, younger men go to the fields in the morning and come back only in the evening. Women are busy in the morning and evening with cooking and other household chores. Researchers need to plan the day according to accessibility of the respondents.
- Rule out revalidation of data: The possibility of validating data over the telephone in rural areas is eliminated as telephone penetration per household is extremely low and physical validation is not feasible, because villages are remote and scattered.

4.3 Marketing Research-key Decisions
Key decisions of marketing research are as follows:

- Defining problems
- Determining the research budget
- Choosing research design (exploratory, descriptive or causal; qualitative or quantitative and based on primary data or secondary data)
- Determining sampling method and size
- Selecting appropriate data analysis tools
- Preparing the research proposal
- Organising field work
- Analysing and reporting findings
4.4 Research Design

Research frame: The research should contain the following things:

- Significance of the research
- Objectives of the research
- Problems of the research
- Research methodology
- Research question
- Determining the budget

4.5 Research Approach

The steps involved in research approach are explained in the following paragraphs.

**Choosing the research design-exploratory, descriptive and causal**

Choosing the research design are as follows:

- A company is interested in marketing its products in the rural market for the first time. The marketing manager is interested in knowing whether rural markets are attractive. He prefers a small-scale survey, a sort of pilot study to assess the attractiveness of the rural market.

- If the results are positive, he will order for a descriptive research, a large-scale survey to assess the market potential and identify the strategic options.

- In the final stage, he may undertake experimental research to test market his product in a few select villages to predict the success of the product. If the result is positive, he will implement his marketing plan for the entire rural market.

- When a manager is unaware of the phenomenon, he may initiate exploratory research to gain a basic understanding of it.

- Next, he may go for descriptive research to have a thorough and analytical view of it.

- He may opt for experimentation before making huge investments on it.

- In rural markets, the research is more exploratory in nature as many companies are looking for information to make entry decisions.

- FMCG companies that have already spread their wings in rural areas, such as HUL, Godrej, Colgate, LG, Philips and others are interested in assessing consumer preferences, consumer behaviour and brand loyalty. Hence, they require descriptive and analytical studies.

- Agri-input companies selling seeds, pesticides, fertilizers and farm equipment will be interested in going from the laboratory to the field and conducting real-life experimental studies to know how well their product works and how will it be received by the farmers.

4.6 Qualitative Versus Quantitative Research

Quantitative research is numerically oriented. It needs respondents to give specific answers that are measurable. For example, BSNL might ask its customers to rate its overall service as excellent, good, poor or very poor. As the respondents are less educated, such scaling techniques cannot be used in rural areas.

There are no fixed set of questions but instead, a topic guide is used to explore various issues in-depth, in qualitative research. The discussion between the interviewer and the respondent is mostly determined by the respondent’s own thoughts and feelings. For example, HUL personnel may stop a consumer who has purchased LUX and ask him or her why he or she has chosen the soap.
Qualitative Research can be done as follows:
• Observation
• Interviews
• Group discussion
• Focus groups
• Participatory research methods

### 4.7 Secondary Data Sources
Secondary data sources are as follows:
• Industry, commerce and trade associations: FICCI, CII, ASSOCHAM
• Marketing research agencies and associations: Rural relations, MART, Anugrah Madison, Sampark, Rural marketing Association of India
• Companies: Colgate, HUL, ITC, Rallis India
• NGOs: RASS (AP), Rural Innovations Network (Chennai), CARE (New Delhi)
• Government Agencies: NCAER, RBI, Ministry for Rural Development, Mandal Revenue Offices, Panchayats, etc.
• Educational institutions: Institutes like NIRD (AP) and NIRMA (Gujarat)
• Media organs: The Economic Times, Hindu Business Line, The Financial Express, yojana, Kurukshetra, RMAI journals and other periodicals
• Worldwide organisations: World Bank, IMF, IFAD, FAO and ILO

### 4.8 Major Sources Providing Rural Data
Major sources providing rural data are as follows:
• Census of India: Largest compilation of rural demographic data.
• NCAER (National Council for Applied Economic Research): Largest sample surveyor in the country compiles data on demographics, durables and non-durables.
• NSSO (National Sample Survey Organisation): Consumption and expenditure related data on major products and services.
• DRDA (District Rural Development Authority): Compilation of district-level data on government-aided projects.
• ICDS (Integrated Child Development Scheme): Compilation of village-level information mainly on health by anganwadi workers.

### 4.9 Determining Sampling Method and Size
Determining sampling method and size involves the following:
• In urban areas, sampling is an easy process due to marked similarity. This is a result of high mobility and exposure facilitated by infrastructure facilities, regularity of income receipts, savings patterns moulded by tax problems and time schedules and incomes.
• Differential and limited development of infrastructure, geo-physical differences, variation in literacy levels and differences in proximity to towns have contributed to the heterogeneity in the rural market place.
4.10 Diffusion of Innovation

Diffusion of innovation is as follows:

Innovative tools: Scaling techniques

- Simple, easy to understand techniques to indicate varying preferences and feelings have been evolved by rural researchers.
- Ladder: For rating purposes, a typical Likert scale on the ascendency is achieved by the steps on the ladder. The respondent is asked to place a visual card corresponding to the product or preference on a rung according to his ranking or rating.
- Images of faces: The images of faces with varying expressions (smiling to wailing) are another useful tool that is used to ascertain preferences and liking.
- Colour wheels: Colours are very strong indicators and forms of expressing feelings in the rural areas. The selection of colours is done on the basis of the association of rural people with colours.

<table>
<thead>
<tr>
<th>Colour</th>
<th>Rating</th>
<th>Association</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dark Green</td>
<td>5</td>
<td>Represents a good crop or hariyali and hence represents prosperity. It is considered to be the best.</td>
</tr>
<tr>
<td>Light Green</td>
<td>4</td>
<td>Represents a not very good crop</td>
</tr>
<tr>
<td>Yellow</td>
<td>3</td>
<td>Represents dry sand or a dry field</td>
</tr>
<tr>
<td>Orange</td>
<td>2</td>
<td>Represents setting sun and the end of the day</td>
</tr>
<tr>
<td>Red</td>
<td>1</td>
<td>Represents danger</td>
</tr>
</tbody>
</table>

Table 4.1 Colours and associations

- Dice: Dice are wooden or plastic piece with 6 faces with varying number of holes or dots ranging from 1 to 6. A face value of 1 is the lowest and a face value of 6 is the highest.
- Carrom coins: Fifteen coins are given to the respondents and they are asked to distribute them among the brands under study in order of their preference, more coins for the most preferred brand.
- Playing cards: The face cards with K, Q, J, 10 and 9 represent a descending order in terms of values. As such, they are assigned ranks from 1 to 5 in that order.
- 3-Point rating scale: Researchers interested in conventional scales may use 3-point scales (agree, neutral and disagree), especially when the respondents are school educated.

4.11 Questionnaire Design

Questionnaire design is listed below as follows:

- Questions should be simple and direct. Examples are as follows:
  - Why do you think you don’t need to use a mobile phone? (not direct)
  - Would you consider using a mobile phone? (direct)
- Questions should be self-explanatory.
- Questions should not be ambiguous. Examples are as follows:
  - Do you like the mobile phone? (not clear)
  - Are you satisfied with the performance of the mobile phone? (clear)
- Questions should have a logical flow, moving from general to specific and from macro to micro.
- Questions should be in the local language. The accuracy of translations should be checked by persons from the same region to ensure that there is no shift in meaning or nuance.
4.12 Development Studies

Development studies are discussed in the paragraphs given below.

**PRA Approach-participatory Rural Appraisal (PRA)**

Rural consumers are very different from the urban consumers. The lower levels of literacy and limited exposure to product and services are well-known, but there are also differences in occupation options, with a direct impact on income levels and income flows, and a high level of inter-dependency affecting the dynamics of rural community behaviour. All contribute to make rural consumer behaviour starkly distinct from the urban. As any consumer research study must understand the consumer in the context of his environment and society. Rural market research must overcome the challenge of respondents with lower literacy and exposure levels, where conventional market research tools may not be easily comprehended by villagers. MART, a specialist organisation in rural, has innovated tools to overcome these limitations in conducting rural consumer research.

- PRA is a set of approaches and methods to allow rural people to share enhance and analyse their knowledge of life and conditions, to plan and, to act. As a result, it arouses the curiosity and interest of people and they voluntarily and eagerly get involved in the process and they enjoy sharing and analysing about themselves.
- Social mapping is used to capture house locations and caste distribution throughout the village.
- Resource mapping is used to capture availability of resources throughout the village.
- Seasonality diagram is used to get information on the basis of seasons.
- Venn diagrams are used to identify various issues with their relative importance
- Participatory Rural Appraisal (PRA) is a very successful tool for social research. This tool has been adapted to capture rural consumer insights and social behaviour.
- PRA is a set of approaches and methods that enable the rural community to share enhance and analyse their knowledge of their own environment and life. The process adopted is pictorial and drawn by the community themselves, hence cross check and validation of data is done automatically. Here, the role of moderator is very low who simply acts as facilitator. The PRA approach empowers the community in such a manner, that they voluntarily participate in the research process.

4.12.1 Need for PRA

Social and resource map: The social map identifies different community profiles of the village and their social behaviour. The resource map captures various infrastructural and community resources, highlighting ownership and access. This exercise identifies the following need gaps for each community.
- A seasonality diagram: It is used to gather information on income flows and expenditure patterns for different communities and occupations. The objective is to gain insights into the variation in purchase and consumption behaviours.
- A need assessment map: It can be developed for any introductory product and serves to identify issues associated with access, acceptability or affordability. It also brings forth need gaps and helps to assess perceived needs of the product amongst the community.
- A daily activity clock: It captures economic and social activity in daily life. This helps to identify time windows for communicating with the community and potential consumers.
4.13 Sampling in Rural Areas

Sampling in rural areas has the following features:

- A variable, such as income cannot be used to stratify rural samples. The reason is that incomes are uncertain and unaccounted.
- In the urban context, the income category is the primary criterion for grouping consumers.
- Often, rural market research utilises land holding as an indicator of wealth and income.
- The land holding has to be balanced with the productivity and realisations from the crop mix.

4.13.1 Village Sampling

Village could be selected on the basis of the following:

- Population
- Proximity to highway or remote location
- Occupation profile
- Religion: Hindu-dominated or Muslim-dominated villages
- Tribal population: Tribal or non-tribal.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Large</th>
<th>Small</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time available</td>
<td>More</td>
<td>Less</td>
</tr>
<tr>
<td>Accuracy</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Cost</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Population</td>
<td>Heterogeneous</td>
<td>Homogeneous</td>
</tr>
</tbody>
</table>

**Table 4.2 Choice of sample size**

4.13.2 Operational Aspects of Data Collection

Operational aspects of data collection are as follows:

- The time-tested sophisticated tools fail to evoke the required response in rural market.
- Likewise, detailed questions need to be asked to simplify the inquiry and to pin down the response.
- Rural consumers are comfortable with colours, pictures and stories.
- Rural researchers make use of participatory research methods.

4.13.3 Techniques of Data Collection

Techniques of data collection are as follows:

- Secondary data sources
- Observation
- Interviews
- Diagrams
- Stories and portraits

4.13.4 Selecting Appropriate Data Analysis Tools

The type of analysis and the choice of analysis technique depend on the following factors:

- Purpose of research
- Type of data: Quantitative or qualitative
- Number of variables being examined: One or more
• Type of measurement scale used: Interval, nominal and ordinal
• Number of samples to be compared: One or more
• Nature of samples: Dependent or independent
• Size of the sample: Small or large

4.13.5 Preparing a Research Proposal
The elements of a research proposal are as follows:
• Executive Summary/abstract
• Background/introduction
• Objectives and hypothesis
• Methodology
• Time schedule
• Research staff and equipment
• Cost estimates: Recurring and non-recurring
• Appendices

4.14 Strategies for Rural Marketing by an Organisation
The lure of rural India has been the subject of animated discussion in corporate suites, for quite some time now. There is a good reason for this. With urban markets getting saturated for several categories of consumer goods and with rising rural incomes, marketing executives are fanning out and discovering the strengths of the large rural markets as they try to enlarge their markets. Today, the idea has grown out of its infancy and dominates discussions in any corporate boardroom strategy session. Adi Godrej, chairman of the Godrej group that is in a range of businesses from real estate and personal care to agri-foods, has no hesitation proclaiming, it is a myth that rural consumers are not brand and quality-conscious.

A survey by the National Council for Applied Economic Research (NCAER), India’s premier economic research entity, recently confirmed that rise in rural incomes is keeping pace with urban incomes. From 55 to 58 per cent of the average urban income in 1994-95, the average rural income has gone up to 63 to 64 per cent by 2001-02 and touched almost 66 per cent in 2004-05. The rural middle class is growing at 12 per cent against the 13 per cent growth of its urban counterpart. Even better, the upper income class those with household incomes of over Rs one million [$22,700] per annum is projected to go up to 21 million by 2009-10 from four million in 2001-02. It will have a 22 to 23 per cent rural component. Higher rural incomes have meant larger markets. Already, the rural tilt is beginning to show.

4.15 Strategies for Rural Marketing
Strategies for rural marketing are discussed below.

4.15.1 Communicating and Changing Quality Perception
Companies are coming up with new technology and they are properly communicating it to the customer. There is a trade-off between quality a customer perceives and a company wants to communicate. Thus, this positioning of technology is very crucial. The perception of the Indian about the desired product is changing. Now, they know the difference between the products and the utilities derived out of it. As a rural Indian customer always wanted value for money with the changed perception, one can notice difference in current market scenario.

4.15.2 Proper Communication in Indian Language
The companies have recognised the importance of proper communication in local language for promoting their products. With proper communication they have started selling the concept of quality. Their main focus is to change the Indian customer outlook about quality. Rural customer started asking for value for money with their promotion.
4.15.3 Target Changing Perception
If one goes to villages they will see the villagers using toothpaste, even when they can use Neem or Babool sticks or Gudakhu, villagers are using soaps like Nirma rose, Breeze, Cinthol, etc., even when they can use locally manufactured very low-priced soaps. Villagers are constantly looking forward for new branded products. One can infer from these incidents, is the paradigm changing and customer no longer is price-sensitive. Indian customer was never price sensitive, but they want value for money. They are ready to pay premium for the product, if the product is offering some extra utility for the premium.

4.15.4 Understanding Cultural and Social Values
Companies have recognised that social and cultural values have a very stronghold on the people. Cultural values play key role in deciding what to buy. Furthermore, rural people are emotional and sensitive. Thus to promote their brands, they are exploiting social and cultural values.

4.15.5 Providing What Customer Wants
The customers want value for money. They do not see any value in frills associated with the products. They aim for the basic functionality. However, if the seller provides frills free of cost, they are happy with that. They are happy with such a high technology that can fulfill their need. As ‘Motorola’ has launched, seven models of Cellular Phones of high technology but none took off. On the other hand, ‘Nokia’ has launched a simple product, which has captured the market.

4.15.6 Promoting Products with Indian Models and Actors
Companies are selecting Indian models, actors for advertisements as this helps them to show themselves as an Indian company. Diana Hyden and Shahrukh Khan were chosen as brand ambassadors for MNC quartz clock maker OMEGA, even though when they were models like Cindy Crawford.

4.15.7 Associating Themselves with India
MNCs are associating themselves with India by talking about India, by explicitly saying that they are Indian. M-TV during Independence Day and Republic daytime makes their logo with Indian tri-colour. Nokia has designed a new cellular phone 5110, with the India tri-colour and a ringing tone of ‘Sare Jahan se achcha’.

4.15.8 Promoting Indian Sports Team
Companies, to associate themselves with India are promoting Indian sports teams. By this, they influence Indian mindsets. LG has launched a campaign ‘LG ki Dua, all the best’. ITC is promoting Indian cricket team for years; during world cup they have launched a campaign ‘Jeeta hai jitega apna Hindustan India India India’. Likewise, Whirlpool has also launched a campaign during world cup.

4.15.9 Talking About a Normal Indian
Companies are now talking about normal India. It is a normal tendency of an Indian to try to associate him/her with the product. If he/she can visualise himself/herself with the product, he/she becomes loyal to it. That is why companies like Daewoo based their advertisements on a normal Indian family.

4.15.10 Developing Rural-specific Products
A lot of companies are developing rural-specific products. Keeping into consideration the needs, a firm develops these products. Electrolux is working on a made-for India fridge designed to serve basic purposes: chill drinking water, keep cooked food fresh, and to withstand long power cuts.

4.15.11 Giving Indian Words for Brands
Companies use Indian words for brands. Like LG has used India brand name “Sampoorna” for its newly launched TV. The word is a part of the Bengali, Hindi, Marathi and Tamil languages. In the past one year, LG has sold one lakh 20-inch Sampoorna TVs, all in towns with a population of around 10,000. By the end of 1999, roughly 12%, that’s Rs. 114 crore worth of TV sets sold in the villages in a year.
4.15.12 Acquiring Indian Brands

As Indian brands are operating in India for a long time and they enjoy a good reputation in India. MNCs have found that it is much easier for them to operate in India, if they acquire an Established Indian Brand. Electrolux has acquired two Indian brands Kelvinator and Allwyn this has given them the well-established distribution channel. Similarly, Coke has acquired Thumps up, Gold Spot, Citra and Limca, so that they can kill these brands, but later on they realised that to survive in the market and to compete with their competitors they have to rejuvenate these brands.

4.15.13 Effective Media Communication

Media rural marketing is being used by companies. They can either go for the traditional media or the modern media. The traditional media include puppetry, melas, folk theatre, etc. while the modern media includes radio, TV, e-chaupal. LIC uses puppets to educate rural masses about its insurance policies. Government of India uses puppetry in its campaigns to press ahead social issues. Brook Bond Lipton India ltd. used magicians effectively for launch of Kadak Chap Tea in Etawah district. In between such a show, the lights are switched off and a torch is flashed in the dark (EVEREADYs tact). ITC’s e-chaupal (chaupal is the common place where villagers gather) has been the most elaborate and extensive venture in this field so far. Conceived by ITC’s international business division and launched in 2000, the e-chaupal project has since grown to around 2,700 chaupals covering a population of around 1.2 million in five states, Madhya Pradesh, Andhra Pradesh, Karnataka, Uttar Pradesh and Maharashtra.

Rural marketing needs the understanding of the complexities and this article reviews some of the key issues. Indian agricultural industry has been growing at a remarkable pace in the last few decades. The rural areas are consuming a large number of industrial and urban manufactured products. The rural agricultural production and consumption process plays a major role in developing the Indian economy. This has designed a new way for understanding a new process called rural marketing.

The concept of rural marketing has to be distinguished from agricultural marketing. Marketing is the process of identifying and satisfying customers’ needs and providing them with adequate after-sales service. Rural marketing is different from agricultural marketing, which signifies marketing of rural products to the urban consumer or institutional markets. Rural marketing mainly deals with delivering manufactured or processed inputs or services to rural producers, the demand for which is basically a derived outcome. Rural marketing scientists also term it as developmental marketing, as the process of rural marketing involves an urban to rural activity, which in turn is characterised by various peculiarities in terms of nature of market, products and processes.

Rural marketing differs from agricultural or consumer products marketing in terms of the nature of transactions, which includes products, participants, modalities, norms and outcomes. The participants in case of rural marketing would be different, as they include input dealers, manufacturers, farmers, government agencies and traders. The existing approach to the rural markets has viewed the markets as a homogeneous one, but in practice, there are significant buyers and user differences across regions as well as within that require a differential treatment of the marketing problems.

These differences could be in terms of the type of farmers, type of crops and other agro-climatic conditions. One has to understand the market norms in agricultural input, so as to devise good marketing strategies and to avoid unethical practices, which distort the marketing environment. Many of the inputs used for production process have implications for food, health and environmental sectors. Rural marketing needs to combine concerns for profit with a concern for the society, besides being tilted towards profit. Rural market for agricultural inputs is a case of market pull and not market push.

The majority of the jobs of marketing and selling are left to the local dealers and retailers. The market for input gets interlocked with other markets like consumer goods, output, money and labour. The importance of rural marketing can be understood from the fact that today modern inputs, i.e., diesel, fertilizers, pesticides, electricity, seeds account for as much as 70 Green Revolution areas.

Rural marketing in India is not much developed. There are many hindrances in the area of market, pricing, product design and positioning, distribution and promotion. Companies need to understand rural marketing in a broader
manner not only to survive and grow in their business, but also a means to the development of the rural economy. One has to have a strategic view of the rural markets so as to know and understand the markets well. In the context of rural marketing, one has to understand the manipulation of marketing mix has to be properly understood in terms of product usage. Product usage is central to price, branding, distribution, promotion, company image and more important farmer economics, thus any strategy in rural marketing should be given due attention and importance by understanding the product usage, all elements of marketing mix can be better organised and managed.

4.15.14 Adopting Localised Way of Distributing

Proper distribution channels are recognised by companies. The distribution channel could be a big-scale super market; they thought that a similar system can be grown in India. However, they were wrong; soon they realised that to succeed in India they have to reach the nook and the corner of the country. They have to reach the ‘Local Paan wala, Local Baniya’, only then they can succeed. MNC shoe giants, Reebok, Adidas, and Nike started with exclusive stores, but soon they realised that they do not enjoy much Brand Equity in India. To capture the market share in India, they have to go the local market shoe sellers. They have to reach to local cities with low-priced products.

4.15.15 Associating Themselves with Indian Celebrities

MNCs have realised that in India, celebrities enjoy a great popularity so they now associate themselves with Indian celebrities. Recently Luxor Writing Instruments Ltd. a JV of Gillette and Luxor has launched 500 ‘Gajigamini’ range of Parker Sonnet Hussain special edition fountain pens, priced at Rs. 5000/-. This pen is signed by Mr. Makbul Fida Hussain a renowned painter who has created ‘Gajigamni’ range of paintings. Companies are promoting players like Bhaichung Bhutia, who is promoted by Reebok, so that they can associate their name with players like him and get popularity.

4.15.16 Melas

Melas are places where villagers gather once in a while for shopping. Companies take advantage of such events to market their products. Dabur uses these events to sell products like JANAM GHUTI (Gripe water). NCAER estimates that around half of items sold in these melas are FMCG products and consumer durables. Escorts also display its products like tractors and motorcycles in such melas.

4.15.17 Paintings

A picture is worth thousand words. The message is simple and clean. Rural people like the sight of bright colours. PEPSI, COKE and TATA traders advertise their products through paintings.
Summary

- The American Marketing Association defines market research as, “The systematic gathering, recording and analysing of data about problems related to marketing of goods and services.”
- Literacy-level in rural India is low, because of this villagers often find it difficult to understand the questions, or respond to western ratings and ranking tools.
- Quantitative research is numerically oriented.
- In urban areas, sampling is an easy process due to marked similarity.
- Rural consumers are very different from the urban consumers.
- PRA is a set of approaches and methods to allow rural people to share enhance and analyse their knowledge of life and conditions, to plan and to act.
- The social map identifies different community profiles of the village and their social behaviour.
- A survey by the National Council for Applied Economic Research (NCAER), India’s premier economic research entity, recently confirmed that rise in rural incomes is keeping pace with urban incomes.
- The rural middle class is growing at 12 per cent against the 13 per cent growth of its urban counterpart.
- Companies are coming up with new technology and they are properly communicating it to the customer.
- Cultural values play key role in deciding what to buy.
- Companies are selecting Indian models and actors for advertisements as this helps them to show themselves as an Indian company.
- A lot of companies are developing rural-specific products.
- Media rural marketing is being used by companies.
- Rural marketing needs the understanding of the complexities and this article reviews some of the key issues.
- The concept of rural marketing has to be distinguished from agricultural marketing.
- Rural marketing in India is not much developed there are many hindrances in the area of market, pricing, product design and positioning, distribution and promotion.

References

- Introduction to Market Research. [Video online] Available at: <http://www.youtube.com/watch?v=9tCnzIUD2ok> [Accessed 08 May 2014].

Recommended Reading

Self Assessment

1. In which of the following approaches organisations do not conduct research, but follow what others do and see it as a way to keep up with competition?
   a. Reactive approach
   b. Proactive approach
   c. Market approach
   d. Positive approach

2. In which of the following approaches organisations await developments in the market and introduce new ideas and methods to exploit opportunities or to minimise problems, so as to get ahead of competition?
   a. Reactive approach
   b. Proactive approach
   c. Market approach
   d. Positive approach

3. Match the following

<table>
<thead>
<tr>
<th>1. Quantitative research</th>
<th>A. It is used to get information on the basis of seasons.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Qualitative Research</td>
<td>B. It is numerically oriented.</td>
</tr>
<tr>
<td>3. Seasonality diagram</td>
<td>C. It used to identify various issues with their relative importance.</td>
</tr>
<tr>
<td>4. Venn diagram</td>
<td>D. It can be done by observation.</td>
</tr>
</tbody>
</table>

   a. 1- D, 2- C, 3- B, 4- A
   b. 1- A, 2- B, 3- C, 4- D
   c. 1- B, 2- D, 3- A, 4- C
   d. 1- C, 2- A, 3- D, 4- B

4. Literacy level in rural India is ______, because of this villagers often find it difficult to understand the questions, or respond to western ratings and ranking tools.
   a. high
   b. more
   c. low
   d. increased

5. Which of the following needs respondents to give specific answers that are measurable?
   a. Qualitative research
   b. Secondary data
   c. Diffusion of innovation
   d. Quantitative research

6. Which of the following statement is true?
   a. Rural consumers are very similar from the urban consumers.
   b. Rural consumers are very different from the urban consumers.
   c. Rural consumers are very alike to the urban consumers.
   d. Rural consumers are not different from the urban consumers.
7. Resource _________ is used to capture availability of resources throughout the village.
   a. mapping
   b. process
   c. diagram
   d. approaches

8. Which of the following statement is false?
   a. Participatory Rural Appraisal (PRA) is a very successful tool for social research.
   b. The social map identifies different community profiles of the village and their social behaviour.
   c. A variable, such as income can be used to stratify rural samples.
   d. Social mapping is used to capture house locations and caste distribution throughout the village.

9. What is used to gather information on income flows and expenditure patterns for different communities and occupations?
   a. A seasonality diagram
   b. A need assessment map
   c. A daily activity clock
   d. Participatory rural appraisal

10. Rural market for agricultural inputs is a case of market _____ and not market push.
    a. press
    b. move
    c. still
    d. pull
Chapter V
Rural Marketing Strategies

Aim

The aim of this chapter is to:

- introduce rural marketing strategies
- explain segmenting
- explicate prerequisites for effective segmentation

Objectives

The objectives of this chapter are to:

- enlist targeting-coverage of segments
- elucidate degrees of segmentation
- explain positioning

Learning outcome

At the end of this chapter, you will be able to:

- identify approaches to rural segmentation
- understand marketing mix challenges
- recognise new products’ development
5.1 Introduction
Today, marketing has entirely changed the dynamics and nature of business. Today, one needs to be adaptive to survive. Marketing of products has taken precedence than the process of production itself. This can be attributed to the fact that the new-age consumer equipped with the potent tool of information seeks more knowledge about the product, its features and its uses. Today the customer indeed is the ‘King’. He can make or break the company. When this information is presented in an effective and creative manner, it creates an everlasting impression on the consumer’s mind and may even alter his perception of what he needs. Marketers are forever seeking new challenges and scouting for more and more clientele to be drawn into their sphere of influence. The urban consumer has always been pampered with the most incredible range of goods and services from every industry. However, the urban market is fast shrinking due to saturation caused by the competition, and the growth rate over the past few years has constantly shown a declining trend. In the hunt for fresh pastures, the vast and hitherto vastly unexplored terrains of rural India consistently beckon the moolah-seeking marketer.

5.2 Defining the Indian ‘Rural Market’
The definition of the word ‘rural’ in a market like India is very vague. There are many versions of the same idea, which are followed by different entities. Even in the rural marketing space, there is not one concrete definition. Different brands define ‘rural’ according to their product and service offerings. In a diverse market like India, which has a population of more than 1.17 billion people (estimate till July 2009); the urban-rural divide is quite significant. Around 12.2 per cent of the world’s population lives in rural India, this also indicates that 29 per cent of the world’s rural population lives here, according to various studies.

5.3 Segmenting
Segmenting is done as follows:
• The process of dividing a heterogeneous market, into several sub-markets or segments, each of which tends to be homogeneous in all significant aspects, is segmentation. The division is based on the basis that different people have different preferences.
• Market segmentation is the subdividing of a market into homogeneous subsets of customers, where conceivably any subset may be selected as a market target, to be reached through a distinct marketing mix. The power of this concept is that in an age of severe competition for the mass market, marketers venturing into rural markets may prosper through creatively serving specific market segments, whose needs are imperfectly satisfied by the mass-market offerings.

5.3 1 Heterogeneity in Rural Areas
Heterogeneity in rural areas occurs as follows:
• In some places, toothpaste and soap are luxuries, but in some other places, it is necessity.
• In Haryana and Punjab, hair dye has been used on buffaloes, and washing machines have been used for making lassi.
• In some parts of Rajasthan, utensils are cleaned with sand and ash due to water shortage. A washing powder would face competition from these alternatives that require very little water.
• Hard water in most villages in Bikaner is the cause for the low acceptance of soap.
• The rural market is heterogeneous in nature. There are a number of factors that display the heterogeneity of rural markets, including:
  • Socio-cultural differences across regions (caste-based hamlets)
  • Variation in population size and population density of villages
  • Difference in levels of infrastructural development (BIMARU vs. other states)
  • Media exposure levels (media-dark, media-grey, and media-green regions)
  • Variation in literacy levels (Bihar vs. Kerala)
  • Differences in income levels and patterns of income flow (farmers vs. daily wage earners)
  • Family structure (large joint families vs. small nuclear families)
5.4 Prerequisites for Effective Segmentation

In order to be effective, a segmentation exercise would have to fulfil the following requirements.

**Measurable**

With the help of certain variables, segments are formed. These variables should be clear, distinct and measurable. Then only can segments be described in exact terms and the differences between them understood properly. Until now, companies have not been able to reach rural market due to lack of poor data-related to consumers and markets. In the absence of information related to size, purchasing power and profiles of rural consumers, marketers tend to consider rural consumers as being similar to urbanites. Also, factors measurable in urban (e.g., monthly income) cannot be measured directly in rural due to non-uniform income patterns and multiple sources of income.

**Accessible**

Reach is vital to serve the different segments. Till recently, marketers preferred urban markets over rural because of the inaccessibility of the rural markets. Rural consumers were reached through vans and village retailers visiting distributors and retail outlets in nearby towns. So, while segmenting rural markets, it is important for the marketer to make certain that the segmented market is conveniently reachable for the efficient and quick delivery of products. With significant improvement in connectivity of villages and increased interest in using traditional haats and other new channels for distribution, rural marketers are becoming more and more accessible.

**Differentiable**

Segments value the consideration and attention of marketers, only when they have distinguished features. Rural consumers are recognised as a separate segment as their responses are likely to be different from those of urban customers, at least for some products. For example, while buying a motorcycle, rural consumers give more importance to the mileage, sturdiness and carrying capacity of the vehicle, whereas urban consumers look for power, style and aesthetics.

**Substantial**

To the marketer, a segment is attractive only when it is profitable. A segment should as such have the following characteristics:

- **Homogeneity:** The segment should consist of people who are similar in their views, preferences, attitudes, education and actions. As such, it will make it easy to cover them.
- **Largeness:** The segment should include either a large number of light users or a small number of heavy users, so that marketing is profitable to the company.

5.5 Degrees of Segmentation

The segmentation is considered as a process with two polar points from zero to complete, four distinct segment approaches are discussed in the paragraphs given below.

**Mass marketing**

In the early period of the 20th century, many companies pursued mass production and mass distribution. As the economy evolved and societies became civilised, consumer choices and needs came into focus. The rural market was considered as a homogeneous mass till some 20 years ago. Some companies depended on mass marketing, while many did not.

**Segment marketing**

The principle of segment marketing rests on the realisation that buyers differ in their wants, needs, demands and behaviours. The need for segment marketing arises when:

- Consumers have become more sophisticated, diverse and choosy.
- Competition has become tough.

**Niche marketing**

A niche is very small group with a different set of traits, who seek a special combination of benefits. Niche marketing identifies special sub groups within larger segments and offers different products and services.
Micro marketing
It involves tailoring products and programmes to suit the taste of specific locations and individuals. It includes local marketing and individual marketing.

- Local marketing: It involves the programmes to suit the taste of specific locations and wants of local groups on a geographical basis.
- Individual marketing: Individual market is customised marketing or one-to-one marketing. Tailoring units, hotels, tourist operators provide individualised services. For example, building contractors builds houses of flats to specific needs of customers.

5.6 Basis of Segmentation
Segmentation is done on the basis of the following features which are explained in the paragraphs given below.

Geographic segment
Geographic segment is done on the basis of the following aspects:

- Regions: East, West, North and South
- Density: Low, moderate, high (Villages with high population density have better infrastructural facilities and higher purchasing power).
- Climate: Summer, rainy, winter (Talcum powder is used more in hot and humid regions)
- Culture: (culture affects language, dress, food habits and location)

Demographic segmentation
Demographic segmentation is done on the basis of the following aspects:

- Age and life cycle: Children, teenagers, young adults, elders, seniors (Confectionary and toys are more desirable in childhood, whereas young adults seek motorcycles, soft drinks, trendy clothes and music systems)
- Family structure: Nuclear, joint (Family pack or economy refill packs work very well with joint families, Joint family translates to greater consumption of products)
- Gender: Male and female
- Income: Due to irregular income patterns and multiple sources of income, assessment of rural income is difficult.
- Land ownership: Land owners, rich farmers, small or marginal farmers, agricultural labourers.
- Segmentation on the basis of: size of landholding, area of land under cultivation, crop mix, irrigation method and rate of money realisation.
- Education and house type
- Occupation: Cultivators, shopkeepers, poultry, artisans, etc.
- Religion and caste: Settlement of villages on the basis of religion and caste. E.g., Rajput village.

Psychographic segmentation
Psychographic segmentation is done on the basis of the following aspects:

- Social class: Social class is determined by a combination of factors like education, income, occupation, wealth and others. Classified rural consumers into five classes: The Well off, Affluent, The Climbers, The Aspirants and the Destitute on the basis of three variables, Education of the chief wage earner, Ownership of durables and Type of house.
- Lifestyle: Overall manner in which a person lives and spends time and money.
- Personality
Behaviour segmentation

Behaviour segmentation is done on the basis of the following aspects:

- **Occasions:** Festival, mela, jatra, weekly haat. In rural areas, generally durables are purchased during or after the harvest season because this is when farmers have cash in hand after selling their agricultural produce. Melas offer products at attractive prices and weekly haat days are the time to purchase daily-use products, vegetables and spices.

- **Benefits sought:** Quality, value for money, convenience, service. Rural consumers are more concerned with the utility of the product than its appearance and sophistication.

- **User status:** Rural consumers fall into the category of first-time users for most product categories. Thus, the focus on product trials and demonstrations is very crucial in rural market. Tag line for Ghari Detergent ‘Pehle Istemal karein, phir vishwas karein’ is to induce customers to try out the product.

- **Usage rate:** Usage for most FMCG products is relatively low among rural consumers due to poor affordability. Marketers have launched sachet packs for rural consumers and family packs for joint families.

- **Loyalty status:** Rural buyers take a long time to decide on a particular brand, but once they are convinced, they are more brand loyal than their urban counterparts.

- **Place of purchase:** Village shops (Tea, kerosene), Haats (Food grain, pulses, vegetables), Nearest town (Fertilisers, seeds), Melas (Clothes, cheap jewellery)

Multi-attribute segmentation

Multi-attribute segmentation is done on the basis of the following aspects:

- **Thomson rural market index:** Overall indicator of rural market potential and considers 10 variables: Agricultural labourers, gross irrigated area, gross cropped area, area under non-food crops, fertilizer consumption, pump sets, tractors, rural deposit, rural credit and villages electrified.

- **MICA rural market ratings:** Used to segment rural markets. For each district, the socioeconomic indicators are classified as demographics, major occupations, educational profiles, communication methods, shops and other establishments, agricultural data, commercial banks, medical facilities, major crops, etc.

5.7. Evaluation and Selection of Segments

Evaluation and selection of segments is done on the basis of the following:

- **Overall attractiveness:** One should not be impressed by size alone. This is because in rural, the size of the market may be big, but the purchasing power of rural consumers is limited. Population engaged in non-farming activities offers higher per capita prosperity. Also, this segment is more exposed to products and accepts newer products and services more readily.

- **Company objectives and resource competencies:** If a company’s objective is to reach long-term sustainable sales volume by expanding its consumer base, then it has to go rural instead of expecting consumers to come to urban markets to purchase products and services. This is demonstrated by companies like HUL, and Colgate Palmolive, which are reaching rural homes with their products. Smart marketers in rural like HUL initiated Project Shakti pilots have been transformed into mega rural marketing models.

Targeting-coverage of Segments

A company has three basic choices for market coverage strategy:

- **Undifferentiated marketing:** Mass distribution and mass advertising. E.g., many toilet soap users prefer cosmetic strength, medicinal value, economy and the feeling of freshness in their toilet soap. Medimix offers all these features and also claims that it is a beauty care Ayurvedic family soap. Coca Cola targets both urban and rural market with the same drink.

- **Differentiated marketing:** Investigates and identifies differences between segments and tries to match the market-offer to the desires and expectations of each segment. E.g., Companies developed 25-30 HP tractors for small or marginal farmers and 50 HP tractors for large farmers.

- **Single segment concentration:** Due to the small number of consumers in each segment, targeting only one segment would spread marketing efforts thinly over a vast area. With Brands like Lifebuoy Active, Lifebuoy Gold, Lux, Breeze and Liril, HUL targets different consumers segments in the rural market.
Choosing a coverage strategy is based on the following facts:

<table>
<thead>
<tr>
<th></th>
<th>Undifferentiated</th>
<th>Differentiated</th>
<th>Concentrated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company resources</td>
<td>Moderate</td>
<td>Large</td>
<td>Limited</td>
</tr>
<tr>
<td>Product variability</td>
<td>Less</td>
<td>More</td>
<td>Less</td>
</tr>
<tr>
<td>Product life cycle stage</td>
<td>Introduction</td>
<td>Growth</td>
<td>Maturity/Introduction</td>
</tr>
<tr>
<td>Market variability</td>
<td>Less</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

Table 5.1 Undifferentiated, differentiated and concentration

5.8 Positioning

Positioning is the act of designing the company’s offering and image, so that it occupies a distinctive place in the mind of the target segment.

Positioning involves the following:

- Identifying the unique features of the product as well as the differences of the offer vis-à-vis the competitor’s offer.
- Selecting the differences that have greater competitive advantage
- Communicating such advantages to the target audience. E.g., Himami positions Sona Chandi Chyavanprash on the two platforms of a health body and a sharp mind. Ghari detergent-low price and high quality. Lifebuoy Active-from male soap to a family soap.

5.8.1 Identifying the Positioning Concept

Positioning concepts are as given below:

- Product differentiation: Can be differentiated on the basis of features, form, durability and quality. For rural, Coke introduced Chota Coke at Rs 5. Hero Honda came out with the lower-priced Dawn model of motorcycle for the rural buyer. Meswak, Neem and Babool toothpaste are herbal versions of the soap.
- Service differentiation: Service may be differentiated in respect of installation, delivery and maintenance. Reliance, a private LPG company, when pitted against the three well entrenched public sector undertakings created service differentiation on the basis of their distribution network and better refilling facility.
- People: People who are widely respected and admired by consumers. Endorsement of Coca Cola by Aamir Khan (dressed as a villager) or of Sona Chandi Chyavanprash by Sunny Deol and Courteous staff of HDFC Bank.
- Image: Foreign brands image. Image is built by advertisements, logos, signs, symbols, colours and general reputation of the company.

5.8.2 Selecting the Positioning Concept

Critical factors that should be considered while positioning a brand are as follows:

- Attractiveness: Does it provide value to the customer?
- Distinctiveness: Is it different from that of its competitors?
- Pre-emptive: Is it very difficult for the competitors to copy it?
- Affordability: Can buyers pay for it?
- Communicability: Can the product difference be clearly expressed?

Developing the concept

The concept is developed on the basis of the following factors:

- Deciding which positioning to promote: Lay stress on the generic benefit of the product. Eg. Sprite bujhaye only pyaas, baaki sab bakwaas. Thanda matlab Coca Cola.
- Deciding how many ideas/differences to promote: Positioning of two or three ideas would be a better proposition as rural consumers would think that they are getting more value for their money.
Mahindra and Mahindra tractors
Segmentation—On the basis of Horse power category:

<table>
<thead>
<tr>
<th>Horsepower Category</th>
<th>Industry Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 30 HP</td>
<td>10%</td>
</tr>
<tr>
<td>Between 30 &amp; 40 HP</td>
<td>37.3%</td>
</tr>
<tr>
<td>Between 40 &amp; 50 HP</td>
<td>25.3%</td>
</tr>
<tr>
<td>More than 50 HP</td>
<td>31.2%</td>
</tr>
</tbody>
</table>

*More than 50 HP category is the fastest growing segment.

Table 5.2 Segmentation on the basis of horse power category

- Campaign customisation: Core values of the brand: Fuel efficiency, technology, style and comfort. It did campaigns such as Puddling ka maharaja in Tamil Nadu and Jashn Josh Ka in AP.
- Target market: Farmers and Brick Kiln Owners
- CSR activities: Active in promoting sports and education. Shikshak Divas Mahotsav.
- Barriers: Economic slowdown.
- On-ground innovations: Mahindra Tractor Mahotsav, Arjun Ultra-1 Capsule Van (stunning mobile show room) and Jashn Josh Ka—Felicitation of loyal customers at their homes as part of a celebration.

5.9 Product Strategies

Product strategies are as follows:

- New product development: Given the rising interest of companies in the rural market, developing new products suitable for the rural market has become very important. For e.g., Jolly battery operated colour television, 5 kg cooking gas cylinder by HPCL, Philips free power radio, LG Washing Machine, Kisan Credit Card, Max Gas LPG cylinder, etc.
- Philips free power radio does not require batteries or any external source of electricity for operation.
- LG Electronics spent 21 lakhs to develop a set that would have onscreen displays in the vernacular languages of Hindi, Tamil and Bengali.
- Max gas LPG Cylinder has special steel-braided hose pipe, which is rat resistant and wider base of cylinder to ensure stability even on uneven rural kitchen floors.
- Sturdy products: Village people believe that the product should be sturdy enough to withstand rough consumers handling and storage. Rajdoot Motorcycle manufactured by Escorts Ltd. is very popular in rural areas because of its adaptability, low maintenance costs, minimal breakdown and easy accessibility of service and repairs. LG Electronics has devised a semi-automatic washing machine with double the capacity of their urban based machines.
- Brand name: A brand should have a name, short, simple, easy to pronounce, can be remembered easily and should lend itself to virtual interpretation. In rural markets, consumers do give their own brand name or the name of an icon. Many a times, rural consumers ask for peeli tikki or neeli tikki in case of washing soaps. E.g., LG Electronics branded one of the TV set as Sampoorna.
- Fertiliser companies normally use a logo on the fertilizer bag.
- Small unit packing: Rural consumers receive daily wages and at the same time their income is unsteady. Hence, they can’t make purchases in large quantities. E.g., HUL sells Shampoo and Hair oil in sachet packs in rural areas.
- Cavin Kare Ltd., has launched a sachet priced at 50 paise for its Chic Shampoo.
- Low-priced packing: Tata Tea launched ‘Agni’ as an economy brand in rural areas to compete with loose tea powder.
- ITC has launched ‘Hero’ containing blended tobacco and is priced just for the pockets of rural consumers.
5.10 Marketing Mix Challenges

Marketing mix challenges are discussed in the paragraphs given below.

**Availability**
Poor road condition is a challenge to make the products available in remote areas. HUL has built a strong distribution system that helps its brands reach the interiors of rural market. Village stockists use auto rickshaws, bullock carts and even boats to reach remote areas. Coca Cola uses hub and spoke model to reach villages.

**Affordability**
As the rural consumers have low disposable incomes, small unit packs are being introduced. Coca Cola has introduced 200 ml glass bottle priced at Rs. 5/-, Lifebuoy at Rs 2/-, and Videocon washing machine without dryer at Rs. 3000/-. 

**Awareness**
Only 41% of rural households have access to television-building awareness is another challenge. Hindustan Lever relies heavily on its own company-organised media. These are promotional events organised by stockists. Godrej consumer products, which are trying to push its soap brands into the interior areas, use radio to reach the local people in their own language. Coca Cola doubled its expenditure on advertising on Doordarshan, which alone reaches 41% of rural households.

**Acceptability**
There is a requirement to offer products that suit the rural market. LG developed a customised television for the rural market and named it Sampoorna. HDFC insurance tied up with non-governmental organisations and offered reasonably priced policies in the rural market.

5.11 Classification of Products

Classification of products is done on the basis of the following factors:

- Consumer goods
- Durability and tangibility
- Industrial goods

5.11.1 Rural Product Categories

(Fig 5.1 Rural product categories

FMCG (Fast Moving Consumer Goods)
Major FMCG players are HUL, Marico, Dabur, Colgate, Nirma, Palmolive, CavinKare and Godrej

Consumer durables
The major consumer durables are Usha, Philips, Bajaj, Titan, Godrej, Videocon, Onida, Salora, Hero Honda, Hero Cycles, Mahindra & Mahindra and Tata. New entrants are LG, Samsung and Maruti.

Agricultural products
Agricultural inputs, such as seeds, pesticides, fertilizers, insecticides and implements (tractors, tillers and threshers). Major players are Rallis India, Monsanto, DCM Shriram, Chambal Fertilisers, IFFCO, Mahindra & Mahindra, Eicher and Escorts.

Services
Telecommunications (BSNL), health care, transport, banking (SBI), insurance (LIC) and education are the major service providers.

5.12 Five Levels of Products
The five levels of the product offering are core benefit, basic product, expected product, augmented product and potential product.

- The core benefit (mobility, entertainment, etc.) and the basic products (e.g., motorcycle, television, etc.) remain the same, both in rural and urban.
- At the third-level, the marketer prepares an expected product and defines a set of attributes and conditions that a buyer normally expects, when he purchases a product. A rural television buyer expects good picture quality, clear sound and an easy to operate set, whereas an urban consumer looks for flat screen, digital sound and features, such as child lock and picture in picture. A motorcycle buyer in rural area expects good shock absorbers, fuel efficiency and low maintenance cost, whereas an urban buyer expects good appearance, power and style.
- At the fourth-level, rural consumers expect a television set that can run on batteries and provides better picture quality in weak signal conditions and on-screen display in local languages for easy operation. For urban consumer, could be an in-built DVD player with a television and a set-top box to watch his or her favourite.
- Fifth-level, by offering TV sets that can sustain high voltage fluctuations or TV that can run on alternate sources of power.

5.13 New Products Development
The various steps in new products development are explained in the paragraphs given below.

5.13.1 Consumer Adoption Process
Consumer adoption process involves the following:

- The adoption of new products and services is slow among rural consumers in comparison to urban consumers due to poor awareness of new products, because of low media access and resistance to trying new products in the absence of demonstrations.
- The sarpanch, the school teacher, and salaried people who have better media access and market exposure become early adopters, some of who in turn act as opinion leaders for other potential buyers.
- The inducement of product trials and demonstrations works well in rural for the adoption of new products.

5.13.2 Product Life Cycle
Product life cycle involves the following:

- In most cases, the product is developed for the urban market and is later pushed into the rural market. Only in recent years have companies started customising their products for rural markets. E.g., LG Television, Philips Free power radio.
- PLC of a product in the rural market is often longer due the multiple challenges involved in the distribution, communication and adoption of the product.
Low growth in the rural market has forced companies to reengineer their products (Free power Radio) or introduce low price packs (sachets, 200 ml Chota Pepsi, etc.).

They are also trying to change consumption patterns through consumer education (increasing soap usage frequency from weekly to daily) and adopting alternate channels to reach deeper (HUL’s Project Shakti, haats, mandis, etc.) to grow the market.

5.13.3 Product Mix

Product mix involves the following:

- The product mix is simple in rural markets.
- Mostly only one product of a particular company registers its availability on rural shelves.
- Limitations of investment in stocks, the slow movement and replenishment of stocks and the dominance of the retailer in rural markets are some of the important factors responsible for the smaller range of products available at retail shops in rural areas.
- HUL has good product width, with a presence in toothpaste, shampoo, detergent, etc.

5.13.4 Packaging in Rural India

Packaging in rural India needs special focus because of the following factors:

- Poor transport system (poor road conditions)
- Difficulties of safe storage (rats, moisture, heat, rainwater, etc.)
- Poor facilities (erratic power supply leading to poor cold-storage facilities for food products)

5.13.5 Products for Rural Consumption

The product for rural should possess the following qualities:

- Have a longer shelf life than the products for urban areas.
- Be able to withstand extreme weather conditions.
- Be able to withstand sudden and jerky movements on dusty roads.
- Have alternate storage arrangements (ice box for cold drinks).

5.13.6 Packaging Aesthetics

Aesthetics of packaging involves the following:

- Bright colours like red, yellow, green, etc.
- Use of local languages on the pack and images.
- Texla TVs: Launched new range in bright red and yellow colour as the old one with black and grey cabinet was a failure.
- ITC: Goldflake with a yellow cover in the south, whereas golden colour in north, because yellow is associated with ill-health and jaundice in north.

5.13.7 Branding in Rural India

Branding in rural India involves the following:

- Brand association is mostly with colours, numbers, and visuals and not necessarily with the name of the brand.
- Retailers play a main role in brand promotion. Due to strong bonding and trust between customers and retailers, coupled with low brand awareness, consumers often do not ask for the product by brand, but instead will request the retailer, ‘Paanch rupaye waali chai dena’. It is up to the retailer to push the brand.
- First mover brands become generic brands: Detergent powder came to be identified with Surf, mosquito coil with Kachua Chaap, vegetable oil with Dalda.
5.13.8 Brand Building in Rural India
Brand building in rural India involves the following steps:

- Brand name development: Facilitates easy brand recall and drawing any colour, visual or numeric association. E.g., Ajanta for toothpaste, Sansar for sewing machines.
- Creating a brand identity: Involve the need to relate the brand with the rural lifestyle, or with appropriate status symbols, or with the rural environment. E.g., Britannia Tiger Biscuits created an identity associated with an active, smart and sharp child.
- Building a brand image: Brand should have a personality of its own. E.g., Mahindra & Mahindra has maintained their sterling image in rural areas.

5.13.9 Brand Spectrum in Rural
Brand spectrum in rural areas involves the following:

- Brand choices are often limited, due to the small market size and the limited investment capacity available with the rural retailer.
- Only three brands are available in rural retail shop against six to nine brands in urban shops.

5.13.10 Brand Loyalty Vs Stickiness
Brand loyalty vs. Stickiness:

- Low-levels of literacy and awareness make rural people less likely to switch brands as they do not have the required knowledge or information to exercise a choice. They are more comfortable in purchasing tried and tested brands. They are therefore, brand sticky rather than brand loyal.
- First/early mover advantage: Whichever brand enters a village market first seems to gain acceptance in the community through ‘word of mouth’ communication and thereafter many prefer to stick to this particular brand.

5.13.11 Fake Brands
Rural markets suffer from the problems of low penetration and poor availability of branded products. Hence, although there exists a huge demand for branded products, there are no distribution channels to make the product reach the customer. This has led to the growth of fake brands. The examples are as follows:

- Ponds has been replaced by Bond’s talc
- Fair & Lovely by Fair & Lonely
- Lifebuoy by Likebuoy

5.13.12 The Fakes Market
The fakes market includes the following:

- Lookalikes: Products where the colour scheme on the packaging material closely resembles that of a popular brand, but the pack carries a different name. Shagun for Lifebuoy, Lalita Amla for Dabur Amla
- Spellalikes: Fakes of original brands packaged in colours and designs similar to those of the originals, but have names that are subtly and cleverly misspelt. E.g., Paracute for Parachute, Fair & Lonely for Fair & Lovely.
- Duplicates: Exact replicas of original brands. The colour, design, and name on the package are the same as those of the original brands.

Strategy to counter fakes
Strategies to counter fakes are as follows:

- Introduce upgraded packaging which is hard to copy: Dabur replaced its plastic blow-moulded container with a premium four-colour shrink-sleeve packaging, which has a grainy texture and water bubbles. The packaging is difficult to replicate. Tetra packs for Juices.
• Raids or legal course: Raids on the premises of the fake manufacturer and seize the products. File a patent for the product. E.g., P&G initiated action against the manufacturers of lookalike Vicks Vapour.
• Educate the customers: Coca Cola has put into place 48 consumer response coordinators, who work with their teams to redress the consumers’ complaints about overcharging and fake bottling.

5.13.13 Structure of Competition in Rural India
Structure of competition in rural India is as follows:
• Other urban national branded products: In certain villages, the proliferation of national brands is quite evident. More likely in villages, that are on the periphery of larger towns because of the spill over from urban centres.
• Regional urban branded products: Regional brands of unorganised sector are quite common. True for soaps.
• Local urban brands: These products are manufactured in urban centres and find their way into rural India through the wholesale channels like washing products, bangles, etc.
• Local village brands: Products manufactured in the village itself. For e.g., ropes, bread, etc.
• Substitutable products or indirect competition: Products that can be substituted. E.g., Ash for washing vessels, neem twigs for toothpaste.

5.13.14 Product Warranty and After Sales Service
Product warranty and after sales service involves the following:
• When purchasing high-value durable products, rural consumers attach a great deal of value to the warranty offered on the products.
• With the increase in the usage of machinery, appliances and equipment, there has been a continuous demand for after-sales service.
• Tractor servicing: Most tractor companies regularly organise service camps in big villages/small towns. They invite tyre, battery, fuel injection and other component suppliers to participate. Advance notice is sent to tractor owners of the company brand with a request to come on a scheduled date for a free-check up.
• Videocon servicing: Company mechanics go around to villages twice a week to provide after-sales service, an important factor in the decision to purchase consumer durables.
Summary

- Marketing of products has taken precedence than the process of production itself.
- Marketers are forever seeking new challenges and scouting for more and more clientele to be drawn into their sphere of influence.
- The definition of the word ‘rural’ in a market like India is very vague.
- The process of dividing a heterogeneous market, into several sub-markets or segments, each of which tends to be homogeneous in all significant aspects, is segmentation.
- With the help of certain variables, segments are formed.
- Reach is vital to serve the different segments.
- Segments value the consideration and attention of marketers only when they have distinguished features.
- A niche is a very small group with a different set of traits, who seek a special combination of benefits.
- The compilation of an index could then be attempted with farmers categorised into five prosperity levels, ranging from very poor to very prosperous.
- In rural areas, generally durables are purchased during or after the harvest season, because this is when farmers have cash in hand after selling their agricultural produce.
- A brand should have a name, short, simple, easy to pronounce, can be remembered easily and should lend itself to virtual interpretation.
- Poor road condition is a challenge to make the products available in remote areas.
- Only 41% of rural households have access to television-building awareness is another challenge.
- Five levels of the product offering, core benefit, basic product, expected product, augmented product and potential product.
- The product mix is simple in rural markets.
- Rural markets suffer from the problems of low penetration and poor availability of branded products.

References

- Faculty Lecture Series - Jan B. Steenkamp on Marketing Strategies to Fight Private Label. [Video online] Available at: <http://www.youtube.com/watch?v=Fy1pcW9mvNo> [Accessed 08 May 2014].

Recommended Reading

Self Assessment

1. The _______ consumer has always been pampered with the most incredible range of goods and services from every industry.
   a. urban
   b. rural
   c. city
   d. effective

2. What is the process of dividing a heterogeneous market, into several sub-markets or segments, each of which tends to be homogeneous in all significant aspects called?
   a. Heterogeneity
   b. Market
   c. Segmentation
   d. Homogeneity

3. Match the following

<table>
<thead>
<tr>
<th>Niche marketing</th>
<th>A. It includes local marketing and individual marketing.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local marketing</td>
<td>B. It identifies special sub groups within larger segments and offers different products and services.</td>
</tr>
<tr>
<td>Individual marketing</td>
<td>C. It involves in the programmes to suit the taste of specific locations and wants of local groups on a geographical bases.</td>
</tr>
<tr>
<td>Micro marketing</td>
<td>D. It is customised marketing or one-to-one marketing.</td>
</tr>
</tbody>
</table>

a. 1- B, 2- C, 3- D, 4- A
b. 1- C, 2- A, 3- B, 4- D
c. 1- D, 2- B, 3- A, 4- C
d. 1- A, 2- D, 3- C, 4- B

4. The rural market is ____________ in nature.
   a. saturated
   b. homogeneous
   c. ineffective
   d. heterogeneous

5. Which of the following is recognised as a separate segment as their responses are likely to be different from those of urban customers, at least for some products?
   a. Rural consumer
   b. Segments value
   c. Socio-cultural difference
   d. Media exposure
6. A _________ is very small group with a different set of traits, who seek a special combination of benefits.
   a. individual
   b. micro
   c. niche
   d. local

7. Which of the following statement is false?
   a. Individual marketing includes local marketing and individual marketing.
   b. Rural consumers are more concerned with the utility of the product than its appearance and sophistication.
   c. Overall indicator of rural market potential and considers 10 variables.
   d. Social class is determined by a combination of factors like education, income, occupation, wealth and others.

8. What can be differentiated on the basis of features, form, durability and quality?
   a. Service differentiation
   b. Product differentiation
   c. Foreign brands image
   d. Positioning

9. _________ may be differentiated in respect of installation, delivery and maintenance.
   a. Service differentiation
   b. Product differentiation
   c. Foreign brands image
   d. Positioning

10. Which of the following statement is true?
    a. Brand rejection is mainly with colours, numbers, and visuals and not necessarily with the name of the brand.
    b. Brand failure is mostly with colours, numbers, and visuals and not necessarily with the name of the brand.
    c. Brand association is mostly with colours, numbers, and visuals and always with the name of the brand.
    d. Brand association is mostly with colours, numbers, and visuals and not necessarily with the name of the brand.
Chapter VI
Distribution Strategy

Aim
The aim of this chapter is to:

• introduce distribution strategy
• explain distribution strategy
• explicate distribution channels in rural India

Objectives
The objectives of this chapter are to:

• enlist challenges of distribution strategy
• elucidate rural distribution channels
• explicate evolution of rural distribution systems

Learning outcome
At the end of this chapter, you will be able to:

• identify prevalent rural distribution models
• understand emerging distribution models
• recognise behaviour of the channel
6.1 Introduction
A distribution channel is normally envisioned as a series of intermediaries, who pass the product down the chain to the next entity, until it finally reaches the consumer or end-user. Every element of the chain has its own specific requirements, stimulus and ability to deliver in a unique operating environment, which the producer must take into account, along with those requirements of the end-user. Latest innovations in rural distribution models have expanded the role of the distribution partner. The distributor-role is no longer restricted to physical distribution of products alone, but has also expanded to provision of several other inputs, which influence a consumer’s purchase decision, such as credit and post-sales service.

6.2 Challenges of Distribution Strategy
The challenges of distribution strategy are as follows:

- Large number of small markets
- Dispersed population and trade
- Poor road connectivity
- Multiple tiers
- Poor availability of suitable dealers
- Low density of shops per village
- Inadequate banks and credit facilities
- Poor storage system
- Low investment capacity of retailers
- Poor visibility and display of products on rural shop shelves.
- Poor communication of offers

6.3 Distribution Strategy
Distribution strategy is explained in the paragraphs below.

**Ensuring reach and visibility**
The thing which is important is to get the Stock Keeping Unit right, as rural retailer can’t afford to keep many different SKUs. Being first on the shelf in the product category and develop a privileged relationship with the retailer is a source of competitive advantage to consumer goods companies, in such an environment.

**Reaching up to mandis, towns, semi-urban centres**
Organisations can cater to rural requirements for consumer durables, clothes, kitchen equipment and agri-input by making their products available up to feeder towns, semi-urban centres or mandis.

**Targeting larger villages**
There are just 85,000 large villages out of more than 6,38,000 villages. However, they have 40% of the rural population and 60% of total consumption.

**Understanding of peak seasons**
Peak season times in rural parts are harvest, festivals and marriage seasons. Bulk of the demand for the consumer durables is concentrated during these times. The rural consumers have the cash at this time for shopping and are willing to buy. Organisations have to ensure that their products are available at these times.

**Collaboration for distribution**
Organisations with comparatively lesser distribution reach can work together with organisations that already have achieved high penetration levels in rural areas. E.g., P&G had tie-ups with Godrej, Marico Industries and now it’s planning one with Nirma for distribution of Camay soaps.
Converting unorganised sector manufacturers into distributors
Small-scale manufacturers have good knowledge of the territory and have good sales network. Organisations like Exide are attempting to change these small-scale manufacturers to become their dealers.

Company’s own distribution network
Project Shakti of HUL is the example of a company’s own distribution network.

6.4 Distribution Channels in Rural India
Distribution channels in rural India are discussed in the paragraphs given below.

Use of cooperative societies
There are more than 4 lakh co-operatives operating for different purposes like credit, marketing and dairy cooperatives in rural areas. E.g., for rural consumers Farmers Service Co-operative Societies function like a mini super market, where they sell soaps, detergents, cloth, fertilizers, seeds, pesticides, etc., at economical and reasonable prices. As these societies have necessary infrastructure for storage and distribution, companies may contact these societies to sell their products.

Use of public distribution system
The public distribution system is well organised in India. There are about 4.37 lakh fair price shops operating in the country. As the PDS outlets cover the entire country, they can be utilised for marketing consumable items and low value durables in rural areas.

Utilisation of petrol pumps
These petrol pumps, in addition to petrol/diesel, oil and lubricants are also selling consumables, such as soaps, detergents, biscuits, etc., particularly on the highways. These bunks may also think of stocking certain consumable agricultural inputs like fertilizers, seeds and pesticides.

Agricultural input dealers
In the country, there are about 2, 62,000 fertilizer dealers. Most of the dealers don’t have business during off season; hence the companies may try to motivate them, so that they can sell other products also during their free time.

Shandies/Haats/Jathras/Melas
Shandies are periodic markets which operate in a weekly cycle. They offer a ready distribution network and are cheap, steady and appropriate. ‘Haats’ can be effectively used for demonstration; distribution and sampling of the daily need products. ‘Melas’ work best for introducing new brands and building brands through the organisation of events at the venue.

6.4.1 Accessing Rural Markets: Coverage Status in Rural Markets
Rural markets can be accessed as follows:

- Marketers have to ensure the reach of their product to retail outlets, and they also need to motivate retailers to stock their product or brand.
- 50% of the rural population resides in the 1 lakh odd large villages. These villages are connected by all-weather roads and they account for 60% of rural wealth.
- At the other end are 2.3 lakh tiny villages, which have hardly any shops.
- Eveready, HUL, ITC, etc., are the companies that have the most deeply penetrated rural distribution system just about cover the retail network up to the 2000+ population villages.
6.5 Rural Distribution Channels

For the movement of products from the company depot to the interior village markets, five layers of distribution channels are identified as follows:

<table>
<thead>
<tr>
<th>Layer</th>
<th>Channel Partner</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Layer 1</td>
<td>Company depot / C&amp;F A</td>
<td>National/state-levels</td>
</tr>
<tr>
<td>Layer 2</td>
<td>Distributor/van operator/super stockist/rural distributor</td>
<td>District-level</td>
</tr>
<tr>
<td>Layer 3</td>
<td>Sub-distributor/ retail stockist/sub-stockist/ star seller/shakti dealer</td>
<td>Tehsil HQ, towns and large villages</td>
</tr>
<tr>
<td>Layer 4</td>
<td>Wholesaler</td>
<td>Feeder towns, large villages and haats</td>
</tr>
<tr>
<td>Layer 5</td>
<td>Retailer</td>
<td>Villages and haats</td>
</tr>
</tbody>
</table>

Table 6.1 Five layers of distribution channels

<table>
<thead>
<tr>
<th>FMCG</th>
<th>Durables</th>
<th>PDS- Government</th>
<th>Fake Goods</th>
<th>Cement</th>
<th>Bulbs &amp; Tubes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company manufacturing plant</td>
<td>Company manufacturing plant</td>
<td>Food corporation of India</td>
<td>Manufacturers</td>
<td>Company manufacturing plant</td>
<td>Company manufacturing plant</td>
</tr>
<tr>
<td>Company Depot</td>
<td>Company manufacturing plant</td>
<td>Zonal Offices</td>
<td>Wholesaler (city)</td>
<td>Wholesaler (small town)</td>
<td>C&amp;F A</td>
</tr>
<tr>
<td>C&amp;F A</td>
<td>C&amp;F A</td>
<td>Distriict office</td>
<td>Distributor</td>
<td>Distributor</td>
<td></td>
</tr>
<tr>
<td>Distributor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub stockist</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail outlets</td>
<td>Exclusive dealers/dealers</td>
<td>Fair Price Shop</td>
<td>Retailers (village haats, mobile traders, etc.)</td>
<td>Outlets</td>
<td>Exclusive dealer/retail outlets</td>
</tr>
<tr>
<td>Consumer</td>
<td>Consumer</td>
<td>Consumer</td>
<td>Consumer</td>
<td>Consumer</td>
<td>Consumer</td>
</tr>
</tbody>
</table>

Table 6.2 Channels of distribution

6.6 Evolution of Rural Distribution Systems

Evolution of rural distribution systems are as follows:
- Historically, the rural distribution system has included retailers, wholesalers, mobile traders, vans and weekly haats.
- In the feeder markets, retailers act as wholesalers and vice versa to sell to small retailers who come from surrounding villages.
- Some town retailers send their salesmen to villages to book orders and supply goods to these small retailers.
6.7 Wholesaling
Wholesaling involves the following:

- 50% of rural consumption is still routed through wholesalers, because they are located in nearby feeder markets, which are frequented by village retailers to replenish stocks.
- Indian wholesaler is a trader, rather than a distributor and as a result tends to support a brand during periods of boom and withdraws support during periods of slump.
- Rural markets were neglected by most companies due to the low density of retail outlets and the small off-take per retailer. Wholesalers based in feeder towns took advantage of this situation as village retailers found it convenient to buy from these places. This resulted in the hold of the market by these wholesalers, who often indulged in trade malpractices in the channel.

6.8 Rural Retail System
Rural retail system functions as follows:

- Rural India accounts for 65% of retail outlets in the country. The logistics of feeding the 35 lakh retail outlets spread over 6 lakh villages is a tough task.
- The high distribution costs due to geographical spread and low volumes per outlet act as a barrier to the entry of products in rural markets.
- The average monthly sale per village shop is less than Rs. 5000/-, which restricts the variety and range of the products stocked.
- As a significant portion of the sale is on credit, it puts most village shops in a self-limiting sales cycle.
- Despite the same product being available in the village shop, 58% of villagers prefer to buy these from a haat because of better price, quality and variety.

6.9 Stock Turnover
Stock turnover involves the following:

- Average value of stock per product category in interior villages is about a third of that in feeder villages.
- Off-take of packaged food stuff and tobacco is higher in interior villages, whereas toiletries have a higher take-off in feeder villages in comparison to other products.
- The cash outlay of rural retail outlets is very low and most of it is invested in fast moving brands and high-margin commodities.
- The low off-take, low stocks and lower stock turnover ratio together pose a challenge to the marketer of a new product that how to occupy retail shelf space in rural markets.
- Rural retail shelf space can be occupied by offering consumers a combination of attractive margins, credit facility and servicing that is superior to that offered by the competition.
- Rural retail shelves: Unlike urban retail shelves, rural retail shelves are flooded with local and regional brands with promises of higher margins and longer credit periods to retailers.
- The number of product categories stocked by rural and urban stores does not vary significantly. However, what does vary is the number of companies/brands. This difference in stocking pattern is because of poor reach and difficulty in servicing stores.
- The first task is making brands available, but simultaneously marketers also need to make efforts to ensure their visibility on rural retail shelves. Products are stocked in a cluttered and disorganised way.
- Slow-moving products covered with dust accumulated over a period of time are a common sight. The visibility of brands is very poor due to the absence of proper racks and display boxes and stands.
- Brands that are advantageous to the retailer’s business are displayed prominently.
- Marketers need to devise strategies to occupy rural retail shelf space by providing display and storage systems. (Wall mounted display strips for fairness creams and ice boxes for soft drinks.)
6.10 Vans
The uses of vans are as follows:

- Mobile vans have an important place in the distribution and promotion of products in villages.
- In this system, the salesman loads the van with stocks from the nearest stockist or company stock point and works the surrounding markets.
- Once he has covered all such markets, he moves to the next stock point and starts covering the villages surrounding that stock point.
- Eveready batteries and torches are market leaders. It established an extensive distribution network that includes 1000 vans, 4000+ distributors and 44 warehouses. These vans reach 6 lakh retail outlets directly, each van making 50 to 60 calls per day. The company ensures that the van revisits a retailer every 15 days. The stock for these vans is supplied by the small town distributors.

6.11 Rural Mobile Traders-The Last-Mile Distribution
Rural mobile traders—the last-mile distribution has the following features:

- Mobile trading is an age-old, unorganised distribution system, direct to home in rural India.
- Sell a variety of daily-need products, mostly local brands ranging from detergent, cosmetics and personal care products to garments and footwear.
- They carry their products on mopeds, bicycles, handcarts or on foot.
- Mobile traders have a deep reach, since they target small villages to avoid competitions from shops in bigger villages. Their direct selling approach ensures high involvement on the part of consumers and since they have a fixed and committed consumer base, mobile traders enjoy a good rapport with their clients.
- Mostly sell fakes and local brands.

6.12 Haats/Shandies
Haats are the periodic markets and the oldest marketing channel in India. These markets provide people an opportunity not only to purchase consumer goods, but also to sell surplus agricultural and allied products. They provide a first-contact point for villagers with the market, a means for distributing local products and exchanging rural surplus, an opportunity for buying daily necessities as well as farm supplies and equipment and a place for social, political and cultural contact. Each haat caters to the need of a minimum of 10 to a maximum of 50 villages, drawing around 4000 persons who come to buy and sell a range of daily necessities and services.

6.13 Public Distribution System (PDS)
PDS is a system of distribution for necessary commodities to a large number of people through a network of FPS (Fair Price shops, often referred to as ‘ration shops’). The commodities are rice, wheat, sugar, edible oil and kerosene. PDS has been evolved to reach the urban as well as the rural population in order to protect consumers from the fluctuating and escalating price syndrome.

It has emerged as a major instrument of the Government’s economic policy aimed at ensuring availability of food grains to the public at affordable prices as well as for enhancing food security for the poor. PDS has a network of about 4.76 lakh. FPS is the largest distribution network of its type in the world.
6.14 Behaviour of the Channel

Behaviour of the channel involves the following:

- **Credit facilities to customers:** Credit sales account for as high as 60 to 70% of the total rural business, while in others it is only 15 to 20%, in some districts. Consumers usually have a running account, a part of the outstanding dues is cleared every month, but the final settlement takes place at the harvest time.

- **Pricing by the channel:** Sometimes, retailers in interior villages sell at a price higher than the maximum retail price. They justify doing this on the ground that they spend time and money to fetch the products from town wholesalers. A town wholesaler may deliberately cut the price of a fast-moving brand to increase his business.

- **Reason for stocking a product/brand:** Rural retailers stock a particular item usually because consumers demand it and to a lesser extent because of the wholesaler’s push or because a competitor stocks the item too.

- **Seasonal pattern of stocking:** Seasonal pattern is probably because the main buying season for rural consumers during the harvest and retail stocking of toiletries, cosmetics, ribbons, bangles, clothes, fertilisers and seeds also follows this pattern.

- **Information source and influence:** Wholesaler is the most important source of information and also most important influence on the retailer.

- **Purchase source:** Retailers in interior areas are not visited by agents of distributors. Retailers go to the nearby town/large feeder village once or twice a month to buy their stock.

- **Channel credit:** Small retailers and retailers in the interior villages must buy in cash, while large retailers in feeder markets are offered credit.

- **Purchasing cycles:** In high turnover feeder villages, rural shopkeepers often visit the neighbouring urban wholesale market for their purchases, sometimes as frequently as three to four times a week. In other areas, where rural shopkeepers depend only on counter sales and not on wholesale purchases, they may buy once a week or once a fortnight.
6.15 Prevalent Rural Distribution Models

Rural distribution can broadly be categorised into two models: Smaller companies adopt the wholesale activation route owing to a lack of viability, whereas companies with sizeable product baskets adopt the retail route to reach rural markets.

Van operations
Van operations involve the following:
- Stockists from nearby urban markets cover four to five rural markets per day.
- A distance of 60-70 km is covered per day.
- They operate mostly on cash basis as per the desired frequency.
- They provide better control over distribution.

Sub-stockist operations
Sub-stockist operations involve the following:
- Gets stock from super stockists appointed in the district.
- Super stockists typically cover 10-15 sub stockists in the district.

The sub-stockist covers all the outlets in his rural market like the regular stockist, by extending credit and services.

Fig. 6.2 Rural distribution
Distribution Model 1

- Channel Structure in Model 1, rural distribution has been separated from urban distribution to create a specific focus on the rural market.
- Coverage area of rural distributors is clearly defined. Company appoints a sub-distributor under the distributor to penetrate deeper into rural areas up to the 5000 population villages.
- The RD covers a large area with poor road network and a low volume per outlet, which would make it unprofitable for him to cover small locations. The RD services the wholesale market in his area.
- It has a large number of points appointed in the rural areas, because the locations are many and scattered.
- Model focuses more on distributors and sub-distributors, rather than the wholesale channel.

Distribution Model 2

- This is a simpler model compared to DM1. There is no separate channel for rural distribution.
- This model minimises distribution costs, allowing the company to offer better margins to the distributors and other channel partners who then push the sales of such products.
- Wholesaler locations work as feeder markets, from where the company caters to the requirements of nearby villages, places not covered by the distributor.
It is mostly companies with a limited number of SKUs and high sales volume that adopt this model. Channel partners are few and the distributor is given a large territory.

- The structure followed by Nirma consists of minimum channel partners. Direct distributors receive supplies from the depot. Mainly, market coverage is through the wholesaler’s network and hence few distributors are required to handle bulk despatches.
- In some cases, a big wholesaler plays the role of a sub-distributor, supplying to the retailers and wholesalers.

As durables are purchased largely from small and large towns, the number of locations for distribution is a few thousand only and these can be managed by a few channel partners.

- LGs manufacturing plant is located in Greater Noida, near Delhi. The finished goods are transported from the manufacturing plant to the company-owned depot, which in turn passes down the line to C&F agents. There is a specific area assigned to each C&F agent and multiple dealers and exclusive dealers are tied to the C&F agent by the company’s field force. The orders are generated by the company’s sales field force, which in turn is supplied by the C&F agent.
• Manufacturers to wholesalers/retailer in big city or small town, or directly to customer: Manufacturers take orders for fake products through personal visits or over the telephone from big wholesalers/retailers who deal in fakes. They also leave sample of new fake products for test marketing. Delivery is made to wholesalers/retailers through vans and tempos authorised by the manufacturer.

• Wholesaler in big city to wholesaler in small town/kasba: Wholesalers in kasbas source their supply of fakes through daily rail commuters. These passengers book orders from wholesalers and collect supplies from the manufacturer of fake goods. These are hand delivered the next day.

• Wholesaler in small town/kasba to village retailer/mobile trader/haat: Salesmen of fake products visit retailers in villages of 3000+ population category located 15-20 km. from the nearest town to deliver products. Mobile traders get their stock of fake goods for purchases above Rs. 500/- from mandis in nearby towns, or from the nearest kasba for smaller purchases.

6.16 Emerging Distribution Models

Emerging distribution models are as follows:

• Corporate-SHG Linkage: SHG is a group of 10-15 women organised by government bodies or NGOs, who come together to form a mutual thrift group, to inculcate savings discipline and boost feelings of self-worth among women. Members of SHGs get matching loans from rural banks to set up income-generating enterprises. Originally, SHGs were formed to support poverty-alleviation programmes in rural areas after the success of the model in Bangladesh, where this concept originated.

• HUL’s Project Shakti was targeted at strengthening the company’s FMCG rural distribution drive. Interested women from SHG’s were appointed as Shakti entrepreneurs, they borrow money from their group corpus and provide services to 6-10 villages, covering a population of 6000-10000. They receive stocks from HUL rural distributors and make sales to both retailers and direct consumers in villages.

Satellite distribution (The hub-and spoke system)

Satellite distribution (The hub-and spoke system):

• Stockists are appointed in major towns and feeder towns. By and large, they discharge the following functions:
  • Financing
  • Warehousing
  • Sub-distribution
Retailers in and around the feeder towns get attached to these stockists. The manufacturer supplies goods to the stockists either on a consignment basis or on a cash or credit purchase basis.

- The stockists take care of sub-distribution on the terms and conditions determined by the manufacturer or as agreed upon by the parties. Often, the stockists operate their own delivery vans to take care of secondary transport and local delivery jobs.

**Coca Cola hub and spoke model**

Coca cola hub and spoke model has the following features:

- Recently modified its distribution channel by shifting from a centralised model to a three-tier hub-and-spoke model. Invested in glass bottles and new vehicles in consonance with the three-tier distribution structure. Large trucks were used to move stocks from the bottling plant to the hubs, medium commercial vehicles were used to move stock from the hub to the spokes and after that auto rickshaws and cycles were used to cater to the requirements of rural markets.

![Fig. 6.8 Hub and spoke system](Source: Rural Marketing Environment: A Conceptual Framework. [Pdf] Available at: <http://indianresearchjournals.com/pdf/APJMMR/2013/September/7.pdf> [Accessed on 21 April 2014])

**Syndicated distribution**

Syndicated distribution has the following features:

- Syndicated distribution is a viable and novel approach to gain entry into rural markets. Under this approach, two or more companies come together to form a syndicated trading organisation, to jointly distribute a collective group of household products in rural markets by sharing distribution costs.

- The solution for small companies is to tie up with a leading company that already has a presence in the rural market, in order to distribute products through its distribution network. The golden rule is that the small company should not deal in the same products that the leading company sells.

- E.g., P&G uses the rural distribution network of Marico to sell Ariel, Tide, etc. CavinKare used the distribution network of Amrutanjan pain balm for its Chik shampoo.

**ITC’s distribution model**

ITC has taken the initiative to reach rural consumers through its e-choupal model for backward and forward linkages for its agri-related business, for direct procurement of agri produce from farmers and for selling a range of products through Choupal Sagar.
Petrol pumps and extension counters
Petrol Pumps and extension counters have the following features:

- These petrol pumps, in addition to petrol/diesel, oil and lubricants are also selling consumables, such as soaps, detergents, biscuits, etc., particularly on the highways. These bunks may also think of stocking certain consumable agricultural inputs like fertilizers, seeds and pesticides.
- 12,000 petrol pumps of which 60% on highways close to villages
- Sell consumables like food products and toiletries
- IOC Kisan Seva Kendra

Barefoot agent
Few insurance companies have taken the initiative of appointing barefoot insurance agents in order to penetrate rural markets. Agents are recruited on the basis of three parameters:

- Direct personal contact
- Spreading information through group discussions
- Motivating people to become life insurance agents through counselling

Agricultural agent and agricultural input dealers
There are about 2,62,000 fertilizer dealers in the country. During off season most of the dealers don’t have business, hence the companies may try to motivate them, so that they can sell other products also during their free time.

Other channels
Hero Honda Motors has 400 dealers all over the country. The company has reported the emergence of an unofficial channel of distribution, village mechanics, local real estate agents and shopkeepers. These people take the motorcycles, usually in twos and threes, from company dealers after providing adequate security deposits and display them outside their premises for closing the sale. The paper work, however, is left to the dealer to complete.

Ideal distribution model for rural
On the basis of the equation, Per Capita Sales (PCS) = Annual Sales/Market Population, the ideal distribution model for rural can be depicted as follows:

- The Project Shakti type of model best serves the needs of the Low PCS-Low population density segment consumers.
- The NSV model is more appropriate for the Low PCS-High population density segment. PDS, cooperatives and fertiliser dealers could also be integrated into this model.
Summary

• A distribution channel is normally envisioned as a series of intermediaries, who pass the product down the chain to the next entity until it finally reaches the consumer or end-user.
• The thing which is important is to get the Stock Keeping Unit right, as rural retailer can’t afford to keep many different SKUs.
• Peak season times in rural parts are harvest, festivals and marriage seasons.
• There are more than 4 lakh co-operatives operating for different purposes like credit, marketing and dairy cooperative in rural areas.
• The Public Distribution System is well organised in India.
• These petrol pumps, in addition to petrol/diesel, oil and lubricants are also selling consumables, such as soaps, detergents, biscuits, etc., particularly on the highways.
• Shandies are periodic markets which operate in a weekly cycle.
• The cash outlay of rural retail outlets is very low and most of it is invested in fast-moving brands and high-margin commodities.
• Haats are the periodic markets and the oldest marketing channel in India.
• PDS is a system of distribution for necessary commodities to a large number of people through a network of FPS (Fair Price shops, often referred to as ‘ration shops’).
• The sub-stockist covers all the outlets in his rural market like the regular stockist, by extending credit and services.
• Stockists are appointed in major towns and feeder towns.
• Syndicated distribution is a viable and novel approach to gain entry into rural markets.
• Few insurance companies have taken the initiative of appointing barefoot insurance agents in order to penetrate rural markets.

References

• Introduction to Marketing - Lecture 31 Channel Design -- FREE Course. [Video online] Available at: <http://www.youtube.com/watch?v=ctfdyYDIBWU> [Accessed 08 May 2014].
• The Marketing Mix: Place/Distribution. [Video online] Available at: <http://www.youtube.com/watch?v=3IuPC82y4uY> [Accessed 08 May 2014].

Recommended Reading

Self Assessment

1. Latest innovations in rural distribution models have _________ the role of the distribution partner.
   a. reduced
   b. expanded
   c. lost
   d. affected

2. Which of the following is a challenge of rural strategy?
   a. Small number of small markets
   b. Dispersed population and trade
   c. Good road connectivity
   d. One tiers

3. Match the following

<table>
<thead>
<tr>
<th>1. Syndicated distribution</th>
<th>A. They are periodic markets which operate in a weekly cycle.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Stockists</td>
<td>B. They are the periodic markets and the oldest marketing channel in India.</td>
</tr>
<tr>
<td>3. Haats</td>
<td>C. It is a viable and novel approach to gain entry into rural markets.</td>
</tr>
<tr>
<td>4. Shandies</td>
<td>D. They are appointed in major towns and feeder towns.</td>
</tr>
</tbody>
</table>

   a. 1-C, 2-D, 3-B, 4-A
   b. 1-D, 2-A, 3-C, 4-B
   c. 1-A, 2-B, 3-D, 4-C
   d. 1-B, 2-C, 3-A, 4-D

4. Which of the following system is well organised in India?
   a. The Utilisation Distribution System
   b. The Market Distribution System
   c. The Private Distribution System
   d. The Public Distribution System

5. There are about ________ lakh fair price shops operating in the country.
   a. 3
   b. 4.37
   c. 3.89
   d. 5.7

6. What can be used effectively for demonstration, distribution and sampling of daily need products?
   a. Melas
   b. Shandies
   c. Haats
   d. Mandi
7. Which of the following statement is true?
   a. 14% of the rural population resides in the 1 lakh odd large villages.
   b. 10% of the rural population resides in the 1 lakh odd large villages.
   c. 80% of the rural population resides in the 1 lakh odd large villages.
   d. 50% of the rural population resides in the 1 lakh odd large villages.

8. Rural distribution can broadly be categorised into how many models?
   a. Two
   b. Four
   c. Seven
   d. Three

9. Which of the following statement is false?
   a. Rural India accounts for 65% of retail outlets in the country.
   b. Mobile vans have an important place in the distribution and promotion of products in villages.
   c. Mobile trading is an age-old, unorganised distribution system, direct to home in rural India.
   d. Syndicated distributions are the periodic markets and the oldest marketing channel in India.

10. The ________ take care of sub-distribution on the terms and conditions determined by the manufacturer or as agreed upon by the parties.
    a. stockists
    b. agents
    c. distributors
    d. retailers
Chapter VII
Communication Strategy

Aim
The aim of this chapter is to:

• introduce communication strategy

• explain challenges in rural communication

• explicate a view of communication process

Objectives
The objectives of this chapter are to:

• explicate creating advertisement for rural audiences

• elucidate developing effective communication

• explain determining communication objectives

Learning outcome
At the end of this chapter, you will be able to:

• identify communication channels

• understand rural media

• recognise media topology: intrinsic characteristics
7.1 Introduction

With economic growth, advertising goes hand-in-hand. With increasing rural prosperity and economic liberalisation, marketers are eager to inform villagers about the benefits of buying and consuming their products and services. In 1990s prior to the introduction of economic liberalisation, there was a little incentive for marketers to advertise their products, and services, as rural markets were mainly a seller’s market. The electronic media influence, in particular television, video and Hindi film industry, is contributing to the growth of rural aspirations, which are being manifested in rural India in the form of increasing consumerism. Reaching out to rural consumers is a big challenge as understanding the dynamics of the rural market in India.

7.2 Challenges in Rural Communication

In rural communication, there are many challenges. Low-literacy levels; poor media reach and exposure and vast, heterogeneous and diversely spread rural audiences characterised by variations in culture, language and lifestyle—all these factors pose multiple challenges to marketers looking to take their messages to the largely media-dark or media-grey areas, of rural markets.

7.2.1 Heterogeneity and Spread

The communication pattern is a part of its culture in any society. No communication medium can be in a cultural vacuum. Communicating the message to the rural summers has caused vast challenges to the rural marketer, because of the large number of consumers scattered across the country, the problem is further compounded by the heterogeneous nature of consumers. There are 16 scheduled languages and 114 local vernaculars. For e.g., the dialect used in the Vidharbha region is different from that used in Marathwada, which in turn is different from the dialect spoken in the Konkan region.

Some key characteristics of the heterogeneous rural markets are as follows:

- Widespread geographical dispersion (6,38,000 villages) many of them are still away from the reach of conventional media.
- Vast variations in levels of literacy
- Literacy (Kerala 90, Bihar 44%)
- Variations in reach of electronic media (Kerala63%, Bihar 17%) and print media (Kerala 65% and Bihar 9%)

The limited reach of the mass media imposes limitations on universal communication to rural consumers. Therefore, the requirement is threefold as follows:

- To identify the most suitable medium to ensure maximum spatial reach.
- To develop region-specific consumer profiles to understand the characteristics of the target market.
- To design the most effective and persuasive communication and promotional strategies to induce the target audience to buy the product. Understanding the rural audience.

It is not enough to understand rural communication challenges as stated; rather, what is equally important is the need to understand the behavioural and psychographic characteristics of the rural audience, in order to develop an effective rural communication strategy. There are two distinct sets of audiences in rural India as follows:

- A growing number of educated, upwardly mobile, middleclass people with aspirations and high exposure to mass media and with considerable purchasing power, in many ways similar to their urban counterparts.
- The illiterate masses, who are poor and who cannot be easily reached through the mass media.

Interpersonal communication accounts for over eighty percent of the rural communication process. Any communication package aimed at rural audiences should create a lot of ‘word of mouth’ publicity, so that the brand remains on ‘top of the mind’, when the rural customer is finally ready to make a purchase. In terms of economic progress, rural India is divided into two:

- Developed states (Punjab, Haryana, Kerala, Tamil Nadu, Andhra Pradesh, Karnataka, and Maharashtra)
- Underdeveloped or developing states (all other states)
7.3 A View of Communication Process

Basic communication model involves the following:

An Interactive Marketing Communication Model

- **Source**
  - Company / Brand, agency

- **Message**
  - Brand Messages
    - Planned, Unplanned, Product, Service

- **Channel**
  - Newspaper, Mail, Magazine, e-mail, TV, Radio, Package, Salesperson, Customer Service, Internet

- **Receiver**
  - Target audience

- **Noise**
  - Clutter, Message conflict and inconsistency

- **Feedback**
  - Buy / Not Buy, Request Information, Visit Store, Sample Product, Repeat

![Fig. 7.1 An interactive marketing communication model](http://indianresearchjournals.com/pdf/APJMMR/2013/September/7.pdf)


7.4 Developing Effective Communication

Developing effective communication can be done by considering the factors which are discussed below.

**Profiling the target audience**

One of the cardinal principles of marketing is ‘know your customer’, be it rural or urban India. Basing the marketing decisions completely on data and numbers could prove to be counterproductive. Now we probe and profile the rural consumer by examining social classes and intentions, brand consciousness, receptivity, lifestyles, purchase needs, buying roles and value propositions relating to community and money.

**Social classes and intentions**

The product purchases priority varies across income levels. The poor buy essentials, whereas the rich purchase premium products. Rural consumers, though heterogeneous, mainly focus on purchasing value-for-money products and productive assets that enhance their income levels. Revital (a health capsule from Ranbaxy) is a premium-priced product that may not find much space in middle-class urban homes. However, it is quite popular among daily-wage earners, farm labourers and ironically, in poverty-ridden and underdeveloped states like Bihar and West Bengal, because consumers feel that Revital increases their concentration and performance levels, which is reflected directly in their earnings.

**7.4.1 Consumer Receptivity**

Those who are less exposed to the external environment and who are less literate require a linear communication message that is simple and easy to understand. They associate well with primary colours and numerals and rarely buy products by asking for brands’ name.

**Growing brand consciousness**

The influence of purchase behaviour in small towns and surrounding large villages is being increasingly reflected in small villages. Marketers know the fact that villagers are becoming more brand savvy with the rising penetration of the mass media into the interiors. The penetration of premium products is beginning to take place in lower socioeconomic groups. Consumers are going for a brand recognising the value of a quality product. The brand-recall for products like Colgate, Clinic Plus shampoo, Lifebuoy, etc., is high among rural consumers.
7.4.2 Lifestyles
Urban women tend to be more independent, liberated and decisive compared to rural women. Urban-oriented advertisements usually show the urban woman as a hard-working and loving companion to her husband, a caring and fun-loving friend to her children and an achiever and sincere worker in her career. In comparison, Indian rural society is still tradition-bound and such portrayals may be inconsistent with the value system of rural women and at times viewing such advertisements may even prove awkward to them and their families.

7.4.3 Buying Roles
In rural areas, a process of collective decision-making prevails. In a typical situation say, involving the purchase of tea, the housewife will be the user, the breadwinner of the family, who will give the money, will be the investor; the purchaser will be a youth who goes to a nearby feeder town and the influencer will be the retailer. The company needs to customise its communication message and address each intermediary involved in the purchase process. In the urban scenario, however, for the same product category, the user, the investor, the purchaser and the influencer may end up being the same individual.

7.4.4 Children
As the value of education assumes greater importance even in rural areas, children, especially the youth, commute to nearby towns to pursue their studies. They are exposed to wall paintings, hoardings, and other mass media and new trends in urban areas. The young in turn act as brand messengers and communicators within their families and communities and subsequently influence purchase decision.

7.4.5 Purchase Needs
The marketing team discovered that many rural people believe that tobacco smoking leads to impotency during the pilot test launch of vardaan bidi. The company decided to redesign its communication strategy, to stress the fact that Vardaan is a tobacco-less bidi and does not cause loss of vitality.

7.4.6 Community and the Personal-Value Proposition
Pepsi and Coca-cola used the planks of affordability and value for money successfully to drive penetration and boost volumes by introducing smaller 200 ml bottles priced at Rs. 5. These aspects were key ingredients in their communication as well.

7.5 Determining Communication Objectives
Intended goals of advertising or promotional programme’s possible communication objectives include the following:

- Creating awareness
- Imparting knowledge
- Projecting an image
- Shaping attitudes
- Stimulating a want or desire
- Effecting a sale

Marketing communication objectives are long-term goals, where marketing campaigns are planned to increase the value of your brand over time. In contrast to sales promotions, which are short-term inducements to buy, communication goals succeed when you persuade customers through consistent reinforcement that ‘your brand has benefits they want or need’.

7.5.1 Increased Brand Awareness
Increased brand awareness is not only one of the most common marketing communication objectives; it is also typically the first for a new company. Initially, when you enter the market, you have to let people know that your company and products or services exist. This might include broadcast commercials or print ads that portray the
image of your company and constant repetition of your slogans, brand name and jingles. The whole objective is to become known and unforgettable. Established companies often use a closely-related goal of building or maintaining top-of-mind awareness that means customers think of you first when considering your product category.

7.5.2 Change Attitudes
Another common communication objective is changing company or brand perceptions. At times, misconceptions develop in the market about your company, products or services. Advertising is a way to address them directly. In other cases, negative publicity results because your company is involved in a business scandal or unsettling activities. British Petroleum invested millions of dollars in advertising to explain the company’s clean up efforts to the public following its infamous Gulf of Mexico oil spill in mid-2010. Local businesses normally don’t have that kind of budget, but local radio or print ads can do the trick.

7.5.3 Influence Purchase Intent
To motivate customers to buy is a key communication objective. This is normally done through persuasive advertising, which involves emphasis of your superior benefits to the user, usually relative to competitors. It is important to strike a chord with the underlying need or want that triggers a customer to act. Commercials of sports drink showing athletes competing, getting hot and sweaty and then taking a drink afterwards are regular approaches to drive purchase intent. These ads usually include benefits of the drink related to taste or nutrients.

7.5.4 Stimulate Trial Purchase
Two closely related but separate communication objectives are to stimulate trial use and drive repeat purchases. To persuade customers to try your product for the first time free trials or product samples are common techniques. The purpose is to take away the risk and get the customer to experience your brand. Once you get them on the first purchase, you have to figure out how to convert that into a follow-up purchase. Discounts on the next purchase or frequency programmes are ways to turn one-time users into repeat buyers and, ultimately, loyal customers.

7.5.5 Drive Brand Switching
Driving brand switching is another objective closely tied to stimulating trial use. This is a specific objective of getting customers who buy competing products to switch to your brand. Tide detergent is normally pitted against ‘other leading brands’ in comparative ads intended to motivate brand switching. The advantage with this goal is that customers already buy within your product category. This means the need is established. You just need to persuade them that your product or service is superior and induce them to try it out.

7.6 Designing the Message
Designing the message involves the steps which are discussed in the paragraphs given below.

7.6.1 Message Content
The communicator must identify an appeal or theme that will produce the desired response. There are three types of appeals:

Rational appeals
Rational appeals relate to the audience’s self-interest. They show that the product will produce the required benefits. Rational appeal messages may show a product’s quality, value, economy, or performance. In its ads, Mercedes offers cars that are ‘engineered like no other car in the world’, stressing engineering design, performance, and safety. Buckley’s Mixture took its most recognisable quality, the bad taste of its cough syrup, and turned it into an award-winning campaign linked by the tag line, ‘It tastes awful. And it works’.

Emotional appeals
Emotional appeals try to stir up either negative or positive emotions that can motivate purchase. Communicators can use such positive emotional appeals as pride, love, joy, and humour. Advocates for humorous messages claim that they attract more attention and create more liking and belief in the sponsor. Cliff Freeman, the advertiser responsible for Little Caesars’ humorous “Pizza, Pizza” ads, contends that: “Humour is a great way to bound out of the starting
gate. When you make people laugh, and they feel good after seeing the commercial, they like the association with the product”. However, others maintain that humour can detract from comprehension, wear out its welcome fast, and overshadow the product. Communicators can also use negative emotional appeals, such as guilt, fear, and shame, which get people to do things they should (brush their teeth, buy new tyres), or to stop doing things they shouldn’t (smoke, drink too much or eat fatty foods). One Crest ad invokes mild fear of cavities when it claims: “There are some things you just can’t afford to gamble with”. Etonic asks: “What would you do, if you couldn’t run?” and go on to note that Etonic athletic shoes are designed to avoid injuries—they’re ‘built so you can last’. A Michelin tyre ad features cute babies and suggests, ‘Because so much is riding on your tyres’.

Moral appeals
Moral appeals are focussed to the audience’s sense of what is ‘right’ and ‘proper’. They often are used to urge people to support such social causes as a cleaner environment and aid to the needy, or combat such social problems as drug abuse, sexual harassment, discrimination, and spousal abuse. An example of a moral appeal is the March of Dimes appeal: “God made you whole. Give to help those He didn’t.”

7.6.2 Message Structure
The communicator must decide which of three ways to use to structure the message. The first is whether to draw a conclusion or leave it to the audience. Early research showed that drawing a conclusion was usually more effective; however, more recent research suggests that the advertiser is often better off asking questions and letting buyers draw their own conclusions. The second structure issue is whether to present a one-sided argument-mentioning only the product’s strengths or a two-sided argument touting the product’s strengths, while also admitting its shortcomings. Buckley’s Mixture built its entire business around this technique: Usually, a one-sided argument is more effective in sales presentations except when audiences are highly educated, negatively disposed, or likely to hear opposing claims. In these cases, two-sided messages can enhance the advertiser’s credibility and make buyers more resistant to competitor attacks. The third message structure issue is whether to present the strongest arguments first or last. Presenting them first gets strong attention, but may lead to an anticlimactic ending.

7.6.3 Message Format
The marketing communicator needs a strong format for the message. In a print ad, the communicator has to decide on the headline, illustration, copy, and colour. To attract attention, advertisers can use novelty and contrast; distinctive formats; eye-catching pictures and headlines; message size and position; and colour, shape, and movement. If the message will be carried over the radio, the communicator must choose sounds, words, and voices. The ‘sound’ of an announcer promoting banking services, for example, should be different from one promoting quality furniture.

If the message is to be carried on television or in person, then all these elements plus body language have to be planned. Presenters plan their facial expressions, gestures, dress, posture, and hair style. If the message is carried on the product or its package, the communicator has to watch texture, colour, scent, size, and Buckley’s Mixture has won world renown by using simple and humorous two-sided advertising, “It tastes awful, and it works”. Shape, colour plays a major communication role in food preferences. When consumers sampled four cups of coffee that had been placed next to blue, brown, red, and yellow containers (all the coffee was identical, but the consumers did not know this), 75 percent felt that the coffee next to the brown container tasted too strong; nearly 85 percent judged the coffee next to the red container to be the richest; nearly everyone felt that the coffee next to the blue container was mild; and the coffee next to the yellow container was seen as weak. Therefore, if a coffee company wants to communicate that its coffee is rich, it should probably use a red container along with label copy boasting the coffee’s rich taste.

Marketing communications can be defined as the following process:

- Presenting an integrated set of stimuli to a market target with the aim of raising a desired set of responses within that market target.
- Setting up channels to receive, interpret and act on messages from the market to modify present company messages and identify new communications opportunities.
As both a sender and a receiver of market-related messages, a company can influence customers to buy its brands in order to make profit. At the same time, it can stay in touch with its market so that it can adjust to changing market conditions and take advantage of new communications opportunities.

### 7.6.4 The Source of the Message

Often, receivers of a message are greatly influenced by the nature of its source. If an audience perceives a communicator as credible, then they will be more likely to accept his or her views. If, on the other hand, the audience believes that the communicator has underlying motives, particularly ones of personal gain, then he or she will be less persuasive than someone the audience perceives as being objective. Some advertisers use ‘candid’ television interviews with homemakers in order to enhance their credibility and eliminate intent to persuade, sometimes asking ‘consumers’ to explain why they buy a particular brand or asking them to trade their chosen brand for another.

To increase credibility is to have the product endorsed by an expert with appropriate education and knowledge on a given subject is another method used by companies. This source will be more successful in changing audience opinions. Specialised sources of information are often perceived as expert sources, and are successful due to the fact that messages are aimed at selected audiences, for example, the use of sports professionals as promoters for brands.

The credibility of a source is also a function of its perceived status or prestige. The higher the perceived status of a source, the more persuasive it will be. If a receiver likes a source, it will be more persuasive. It is clear that age, sex, mannerisms, dress, accent and voice inflection all affect source credibility and subtly influence the way an audience judges a communicator and his/her message.

A source high in credibility can change the opinion of receivers, but available evidence suggests that this influence disperses in a short time after the message is received. It has also been observed that where an audience initially receives a message from a low-credibility source, their opinion change increases over time in the direction promoted by the source. This is referred to as the sleeper effect. Another aspect of this is that when a high-credibility source is reinstated, for example, by a repeat advertisement, it has been found that audience agreement with the source is higher after a period of time than if the source had not been reinstated. For a low-credibility source, reinstatement results in lesser agreement with the source than with no reinstatement, and it is said that under these circumstances reinstatement negates the ‘sleeper effect’.

### 7.7 Selecting the Communication Channels

The communicator must select efficient channels of communication to carry the message. Communication channels are of two broad types, personal and non-personal.

**Personal communication channels**

Personal communication channels involve two or more persons communicating directly with each other. They might communicate person to audience, face to face, over the telephone, or through mail.

Personal communication channels are further divided into:

- Advocate channels consist of company salespeople who contact buyers in the target market. Dalmia Consumer Care has assembled a team of rural sales promotion (RSPs) to promote their non-tobacco bidi brand Vardaan in rural areas. In addition to performing their routine sales jobs, the RSPs also target consumers directly at haats.
- Expert channels consist of independent experts who make statements to target buyers. Marketers of building/construction products like cement and GC sheets target masons to promote their brands. Expert communication channels command more credibility in rural as they are considered insiders and possess the required technical knowledge.
- Social channels consist of neighbours, friends, family members and associates who talks to target buyers. In the rural context, the social channel is the first channel to which potential consumers automatically turn, before they solicit views and opinions from the outside world.
Non-personal communication channels
Non-personal communication channels carry messages without personal contact or interaction. They include the atmosphere, mass media and events. The mass media consist of the print media (magazines, newspapers and direct mail), the broadcast media (radio, television), the electronic media (audio tape, videotape) and the display media (signs, billboards, posters, etc.). Most non-personal messages come through paid media.

7.8 Deciding the Promotion Mix
Companies face the task of distributing the total promotional budget over the five promotional tools:
- Advertising
- Sales promotion
- Direct marketing
- Public relations
- Sales force (personal selling)

Each promotional tool has its own unique characteristics and costs. Marketers have to understand these characteristics in order to select the most appropriate and useful tool.

7.9 Creating Advertisement for Rural Audiences
Communication experts are required to keep the following factors in mind, when creating advertisements for rural audiences:
- Understand the mindset of potential customers, including their fears, hopes, aspirations and apprehensions conducting qualitative study (Focus group discussion) among the target audience would help in better understanding of the consumer mindset.
- Pick up ‘gems’ in the form of idioms, words, expressions, etc., in relation to the product category for later use in the creative.
- Tricky, gimmicky, clever, or even suggestive advertising does not work with rural audiences. ‘Flicks’ using very expensive computer graphics without any human presence go over the heads of rural audiences.
- When targeting rural audiences combining education with ‘entertainment’ is a good route to take. Using locally popular film stars or even featuring religious events (melas) popular in the region, helps to strike a chord with rural audiences.
- ‘Short television commercials’ do not register well with rural audiences. Advertising agencies need to provide for ample time and space to communicate a message properly and effectively to the intended audience. This is seen for instance, in the popularity of the two-minute theatre commercials screened in rural cinemas.

7.10 Rural Media
Rural media can be broadly classified into conventional mass media, non-conventional media and personalised media.

Conventional mass media
A medium is called a mass medium when it reaches millions of people. However, poor exposure to the mass media and the ineffectiveness of universalised communication aimed at heterogeneous rural audiences make it difficult for the mass media to address the communication needs in rural markets in an effective manner. The conventional mass media includes the following:
- Radio
- Television
- Cinema
- Print
Non-conventional media

Non-conventional media includes the following:

• Outdoor media:
  • Wall printing

• Folk media:
  • Folk theatre
  • Folk songs
  • Folk dances
  • Magic shows
  • Puppet shows
  • Interactive games
  • Video van
  • Haats
  • Melas

• Personalised media includes the following:
  • Point of Purchase (POP) displays and demonstration
  • Direct mail

7.10.1 Rural Media: The Importance of the Two-Step Flow of Communication

Having developed a good communication package aimed at the rural masses, it is equally important to deliver the same through a combination of mass media and unconventional media. Interpersonal communication accounts for over 80% of the rural communication process even today. Opinion leaders at the top of the literacy and the rural masses at the bottom (in a pyramid formation), reinforce the continued existence of the two-step flow of communication.

![Fig. 7.2 The two-step flow of communication](http://indianresearchjournals.com/pdf/APJMMR/2013/September/7.pdf) [Accessed on 21 April 2014]
7.11 Media Topology: Intrinsic Characteristics

Based on the intrinsic characteristics of media forms, the following table presents a topology of various media forms employed by rural advertising:

<table>
<thead>
<tr>
<th>Media form</th>
<th>Reach</th>
<th>Audience Involvement</th>
<th>Type</th>
<th>Accessibility Time/Place</th>
<th>Viewing Cost</th>
<th>Audience Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV</td>
<td>Mass</td>
<td>Low</td>
<td>Urban</td>
<td>Limited in rural area</td>
<td>No</td>
<td>Transient</td>
</tr>
<tr>
<td>Cable</td>
<td>Mass</td>
<td>Low</td>
<td>Urban</td>
<td>Limited in rural area</td>
<td>Yes</td>
<td>Transient</td>
</tr>
<tr>
<td>Radio</td>
<td>Mass</td>
<td>Highest in media</td>
<td>Urban</td>
<td>Highest in mass media</td>
<td>No</td>
<td>No more lasting than TV</td>
</tr>
<tr>
<td>Print</td>
<td>Mass</td>
<td>No</td>
<td>Largely Urban</td>
<td>High in rural area</td>
<td>Yes</td>
<td>Permanent</td>
</tr>
<tr>
<td>Cinema</td>
<td>Mass</td>
<td>Higher than TV</td>
<td>Mixed</td>
<td>Somewhat limited in rural area</td>
<td>Yes</td>
<td>Transient</td>
</tr>
<tr>
<td>Video Rath</td>
<td>Personal/ customised</td>
<td>Very high (when van arrives)/hands-on demonstrations</td>
<td>Mixed</td>
<td>Highest/but not mass media/reaches where mass media cannot reach</td>
<td>No</td>
<td>More lasting than TV/ mass media</td>
</tr>
<tr>
<td>Wall Printing</td>
<td>Personal/ customised</td>
<td>High</td>
<td>Rural</td>
<td></td>
<td>No</td>
<td>Lasting</td>
</tr>
<tr>
<td>Calendar art</td>
<td>Less than print</td>
<td>No</td>
<td>Mixed</td>
<td>Limited in rural area</td>
<td>Yes</td>
<td>Lasting</td>
</tr>
<tr>
<td>Haats/Oral sales calls</td>
<td>Personal/ customised</td>
<td>Highest (hands on demonstration)</td>
<td>Rural</td>
<td>Highest/but not mass media/reaches where mass media cannot reach</td>
<td>No</td>
<td>More lasting than conventional media</td>
</tr>
</tbody>
</table>

Table 7.1 A topology of various media forms employed by rural advertising

7.12 The Media Model

The ideal media model to reach rural audiences is to influence the opinion leaders first and win them over before targeting the rural masses, as the former guide the latter in their purchase decisions.

![Media Model Diagram](http://indianresearchjournals.com/pdf/APJMMR/2013/September/7.pdf)

Fig. 7.3 Media model


All efforts must generate sufficient word-of-mouth publicity for the product, so that when the rural customer is ready to buy, the brand has top-of-the-mind recall.
7.13 Reaching the Opinion Leader
Contrary to popular belief, the press, particularly the regional press, plays a very important role in reaching opinion leaders in villages, who are generally literate and exposed to rural masses and the mass media. As opinion leaders are few and can be identified easily by name, address, direct marketing efforts, such as road shows, direct mailers and one-to-one contact programmes specifically aimed at them can help create a favourable image about a product. In addition, messages conveyed through the mass media like television and radio are understood by these opinion leaders in the same way as they are by urban audiences. Dealers too, play a major role in influencing the choice of a brand at the point of sale for both the target audiences.

7.14 Media Innovation
This section gives a brief account of emerging communication channels, whose primary aim is to address the immediate problems or issues of social importance at the local-level, such as literacy, gender, sanitation, disaster relief, health and family welfare, etc., that affect the life of rural people and village communities.

7.15 Influence of Consumer Behaviour on Communication Strategies
Consumer behaviour exercises a major influence on communication strategies. The process of making a purchase passes through different states of readiness on the part of the buyer and this in turn dictates the communication objectives adopted by the marketer.

State of readiness of the consumer
Consumer behaviour’s state of readiness is observed during the decision-making process to purchase a new product, as compared to a new brand. The consumer first becomes aware of the product. He may or may not be convinced about the product’s benefits and uses. Once he is convinced, he purchases the product. When harvester combine was launched for expediting the process of harvesting and threshing of wheat and rice in Punjab and Haryana, the initial communication efforts aimed to create awareness, then interest, followed by knowledge among potential consumers. Agricultural officers who educated the farmers about the combine harvesters and their benefits carried out the process of education. The conviction among consumers was created and reinforced through field demonstration.

Involvement levels and communication strategies
The involvement level of a rural buyer varies with the purchase of different items. Generally, daily-use FMCG items like salt and soap are low-involvement purchases for rural buyers and hence efforts to seek information are low. For an FMCG marketer, the need is to get the information to the consumer at a comparatively low cost.

In the case of a high-involvement durable product, the consumer seeks information to reduce the risk of purchase and is willing to invest time and effort in making a purchase decision. Buying a tractor tyre is considered a high-value, high-involvement purchase. Appollo tyre have branded their 100 star performing dealer shops as Appollo Pragathi Kendras to educate farmers on ways to select the right type of tyre, depending on the purpose for which the tractor is used.
Summary

- With economic growth, advertising goes hand-in-hand.
- Reaching out to rural consumers is a big challenge as understanding the dynamics of the rural market in India.
- In rural communication, there are many challenges.
- The communication pattern is a part of its culture in any society.
- One of the cardinal principles of marketing is ‘know your customer’, be it rural or urban India.
- The product purchases priority varies across income levels.
- Consumers are going for a brand recognizing the value of a quality product.
- Urban women tend to be more independent, liberated and decisive compared to rural women.
- Marketing communication objectives are long-term goals where marketing campaigns are planned to increase the value of your brand over time.
- Established companies often use a closely-related goal of building or maintaining top-of-mind awareness that means customers think of you first when considering your product category.
- To motivate customers to buy is a key communication objective.
- Two closely related, but separate communication objectives are to stimulate trial use and drive repeat purchases.
- The marketing communicator needs a strong format for the message.
- The ideal media model to reach rural audiences is to influence the opinion leaders first and win them over before targeting the rural masses, as the former guide the latter in their purchase decisions.
- Consumer behaviour exercises a major influence on communication strategies.

References

- ECON 125 | Lecture 24: Michael Porter - Strategy. [Video online] Available at: <http://www.youtube.com/watch?v=KvYwKM5bY0s> [Accessed 08 May 2014].

Recommended Reading

Self Assessment

1. In ______ prior to the introduction of economic liberalisation, there was a little incentive for marketers to advertise their products, and services, as rural markets were mainly a seller’s market.
   a. 1990s
   b. 1960s
   c. 1974s
   d. 1980s

2. Which of the following is a challenge in rural communication?
   a. Low literacy levels
   b. High media reach
   c. Similarity in culture
   d. High literacy levels

3. Match the following

<table>
<thead>
<tr>
<th>1. Rational appeals</th>
<th>A. They are focussed to the audience’s sense of what is “right” and “proper”.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Emotional appeals</td>
<td>B. It is presenting an integrated set of stimuli to a market target with the aim of raising a desired set of responses within that market target</td>
</tr>
<tr>
<td>3. Moral appeals</td>
<td>C. These relate to the audience’s self-interest.</td>
</tr>
<tr>
<td>4. Marketing communications</td>
<td>D. These try to stir up either negative or positive emotions that can motivate purchase.</td>
</tr>
</tbody>
</table>

a. 1-B, 2-A, 3-C, 4-D
b. 1-D, 2-C, 3-B, 4-A
c. 1-C, 2-D, 3-A, 4-B
d. 1-A, 2-B, 3-D, 4-C

4. Which of the following communication accounts for over eighty percent of the rural communication process?
   a. Personal
   b. Developed
   c. Underdeveloped
   d. Interpersonal

5. One of the cardinal principles of marketing is ______, be it rural or urban India.
   a. pray your customer
   b. know your customer
   c. need your customer
   d. benefit your customer

6. Which of the following statement is true?
   a. There are 13 scheduled languages and 114 local vernaculars.
   b. There are 46 scheduled languages and 114 local vernaculars.
   c. There are 16 scheduled languages and 114 local vernaculars.
   d. There are 39 scheduled languages and 114 local vernaculars.
7. ________ brand awareness is not only one of the most common marketing communication objectives; it is also typically the first for a new company.
   a. Increased
   b. Decreased
   c. Changing
   d. Influential

8. Two closely related, but separate ________ are to stimulate trial use and drive repeat purchases.
   a. emotional objectives
   b. communication objectives
   c. rational objectives
   d. communication patterns

9. Which of the following appeal messages may show a product’s quality, value, economy, or performance?
   a. Emotional appeals
   b. Moral appeals
   c. Rational appeals
   d. Irrational appeals

10. Which of the following statement is false?
    a. In rural communication, there are many challenges.
    b. The communication pattern is a part of its culture in any society.
    c. There are two distinct sets of audiences in rural India.
    d. Rural women tend to be more independent, liberated and decisive compared to rural women.
Chapter VIII
Rural Marketing—The Future of Rural Marketing

Aim
The aim of this chapter is to:

• introduce the future of rural marketing
• explain the 4A approach
• explicate rural consumers’ preference for the brands

Objectives
The objectives of this chapter are to:

• explain the level of penetration of brands in nondurable products
• elucidate the level of penetration of premium brands
• explicate focused marketing strategies

Learning outcome
At the end of this chapter, you will be able to:

• identify types of consumer credit
• understand sources of consumer finance
• recognise retail and IT models
8.1 Introduction

From the last couple of years, the empowerment spree of rural India is on its high due to which the economy pertaining to this section is showing remarkable growth. The propellers for this progress include government initiatives and schemes, industry projects across the country, infrastructure development and the emphasis on local-employability.

Rural Indians are bringing desire for personal care products, packaged foods, consumer durables and IT products, two and four-wheelers and fashion accessories. Over the last five years, some consumer product companies have identified the potential of rural markets and invested time and resources to tap into this opportunity, understanding and segmenting the consumer, based on their lifestyles.

Some companies have even re-engineered pricing, products and packaging to customise features and value relevant for this market. For example, Vortex has launched low-cost ATMs, Godrej has introduced chotukool refrigerator and Nokia has developed Life tools, a mobile application that provides access to educational, agricultural and entertainment content. These innovative features and products have facilitated a better lifestyle for the people residing in hinterlands. Some players have developed new communication and distribution channels within the rural agents (HUL’s Project Shakti; Tata Tea’s ‘Gaon Chalo’) and some have created completely new products.

“Rural India is where the opportunity is, that is where the money will come from to drive current business and breed new entrepreneurs.” The research facts support this claim; eight of the world’s population resides in India’s rural markets. Mere one percent increase in India’s rural income translates to a large buying power of Rs 10,000 crore. Nearly two-thirds of all middle-income households in the country are in rural India. Close to half of India’s buying potential lies in its villages. This is indeed a huge untapped market. What had hitherto prevented its conquest was the innate Indian problem due to lack of infrastructure to access this market. Rural India being an untapped market initially the successful strategy rested on the implementation of the 3 A’s: Availability, Affordability and Acceptability.

Companies were forced to re-look at the rural markets owing to number of reasons during the last decade. The main reasons were the saturation of urban markets and immense market competition leading to flat or declining sales. The easiest way for growth was by reaching out to 150 million strong rural markets and tapping the latent demand there. Microfinance and sachet marketing provided the means to do so. In particular sachet marketing, as rural populace could now buy products in smaller and affordable packs. Suddenly, marketers found that they had made great strides, as they unleashed a plethora of products and services with innovative financing schemes to back them up. Suddenly, the rural markets no longer appeared unviable.

Until some years ago, the rural market was not given importance by many companies and advertising to rural consumers was usually a hit and miss affair, the sudden realisation of the potential of rural India changed all that. It was realised that the communications that is rooted in urban sensitivities didn’t touch the hearts and minds of the rural consumer. Organisations started looking at the right product and communications mix that would have a pan-Indian rural appeal. With their ad campaign, Coca Cola succeeded in providing just that. Pioneers like CavinKare came up with innovative ideas to target the rural markets. CavinKare came up with its brand Chic shampoo in small sachets. Bigger players like HLL took the cue and followed up with their own versions. HLL also launched Project Shakti, with a greater emphasis on volumes from the rural markets.

Nestle came with maggi ka chota pack, even Cadbury came with one rupee chocolate and very popular campaign like pappu pass ho gaya and cow campaign. On the other hand, ITC has totally brought new perspective to rural India’s branding history by launching e-chaupal first at sagar district of Madhya Pradesh. This was a few years ago, currently things are changing fast. Thanks to the rising literacy level and media explosion, people in the rural areas are becoming conscious about their lifestyles and about their rights to live a better life. Brand consciousness is on the rise. This, clubbed with increasing disposable income of rural households, has made the rural consumer more demanding and choosier in his purchase behaviour than ever before. Studies indicate a slow, but determined shift in the use of categories in the rural families. There is a remarkable improvement in the form of products used. For example, households are upgrading from indigenous teeth-cleaning ingredients to tooth powder and tooth-pastes, from traditional mosquito repellent to coils and mats.
There is also a visible shift from local and unbranded products to national brands; from low-priced brands to premium brands. And now, the Indian rural bazaar is displaying a market trend towards consumerism, outpacing the urban market in its ever-increasing demand for durable products like fans, wrist-watches, televisions, video cassette recorders and also non-durables like nail polish, ice-cream, lipstick, shampoo and mosquito repellents. All this has created the demand on the organisations to continue to prosper and develop in these untapped markets. As per Alvin Toffler’s revolutionary book third wave the need gap of rural market can be put as following:

- The first wave was production
- The second wave was availability or distribution
- The third wave will be branding

Godrej Agrovet, ITC, DCM Shriram and other companies expanding in rural areas may eclipse the growth of their urban counterparts, including Reliance Fresh and the Future Group-owned Food Bazaar chain, helped by higher farm income that is spurring a boom in sales of fast moving consumer goods (FMCG), consumer durables and apparel. The FMCG sector in rural areas is expected to grow by as much as 40 per cent compared with the growth of 25 per cent in urban areas.

The growth in rural income has been better than urban income, since the minimum support price for crops like wheat and paddy has been substantially hiked. Even prices of pulses, rice, oilseeds and milk have increased dramatically over the last one year. The disposable income with the farmer is still higher now. DCM Shriram Consolidated-promoted Hariyali Kisan Bazaar runs 180 stores and is present in Uttar Pradesh, Haryana, Punjab, Rajasthan and Maharashtra. These stores saw a 30 to 40 per cent growth in FMCG sales and a three-figure growth in grocery sales during the April-June quarter.

The FMCG growth at 25 per cent in the April-June quarter (over the corresponding period last year) is higher than earlier years. Better prices for farm produce, the increased government spending and remittances from workers in urban areas have contributed to higher income. ITC has 23 stores in Uttar Pradesh, Madhya Pradesh and Maharashtra.

In fact, the sales of agricultural inputs have done even better. With higher prices for the produce providing the incentive, on the one hand, and shortage of labour spurring the use of inputs, on the other hand, there is an increase in sales of the farm input. Rise in food prices is not the only reason. Large retail players like Spencers, Reliance and Subhkshka get farm commodities in bulk directly from the fields and this has cut out the middle man’s commission, which farmers used to pay. Moreover, farm earnings do not attract income tax. The future is set to see a further improvement in the disposable income from agriculture due to the Rs 71,000 crore farm-loan waiver and increased government spending on raising the farm output through schemes. When disposable income goes up, a part of it is spent on apparel, FMCG and education. It seems that we are going through this phase. At the same time, the farm-loan waiver and debt-relief scheme, which became public has also been factored into by farmers.

### 8.2 The 4A Approach

The rural market may be attractive, but it is not without its problems: Low per capita disposable incomes that is half the urban disposable income; large number of daily wage earners, acute dependence on the vagaries of the monsoon; seasonal consumption linked to harvests and festivals and special occasions; power problems; poor roads; and inaccessibility to conventional advertising media. However, the rural consumer is not unlike his urban counterparts in many ways. The more daring MNCs are meeting the consequent challenges of availability, affordability, acceptability and awareness. (The so-called 4 A’s).

### 8.3 Rural Consumers’ Preference for the Brands

In rural India, the branding rules are distinctly different from urban markets. Not only the culture landscape differs, the factor that influences purchasing decisions differs too. Price and value for money are high on their list. Rural branding calls for a greater component of local media and less of the mass media. As these markets have specialised forum of their own like temple festival, melas, cinema halls, these can be the right path to promote brands. Somehow the direct marketing and events like road shows, film shows and street theatres can be right medium of brand promotion.
The following effects have been observed:

- Rural purchasing power has grown faster than urban in the last six quarters.
- Faster growth in rural is not limited to penetration; today the rural consumer’s frequency of consumption is growing faster as well, demonstrating their entrenchment in these categories.
- Instant noodle sales is growing nearly twice as fast in rural India compared to urban in both penetration and frequency.
- Seemingly ‘urbane’ brands in categories like deodorant and fabric softener are growing much faster in rural India than urban.

Several FMCG firms, including ITC and DCM, have been registering faster and higher growth in sales of their goods in the rural markets as compared to the urban markets. Some of the FMCG companies, such as Godrej Consumer Products, Marico, Dabur and Hindustan Unilever (HUL) have increased their hiring in rural India and small towns in order to establish a local connect and increase visibility. Swiss FMCG giant, Nestle plans to make further inroads into the rural markets. At present, rural consumers spend about US$ 9 billion per annum on FMCG items and product categories, such as instant noodles, deodorant and fabric, with the pace of consumption growing much faster than urban areas.

There are certain factors which influence the rural consumer purchase as follows:

- The brand
- The size of the product
- The price of the product
- The product features

There are also some regional brands, which have developed good image due to the following reasons:

- Cable channel and their network
- Understanding
- Lower cost
- One-to-one relationship
- Entrepreneurship

<table>
<thead>
<tr>
<th>Percent Branded</th>
<th>Necessity</th>
<th>Popular</th>
<th>Premium</th>
<th>Super-premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 20%</td>
<td>Non–refined oil</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21-40%</td>
<td>Oil</td>
<td>Coconut</td>
<td>Refined oil</td>
<td></td>
</tr>
<tr>
<td>41-60%</td>
<td>Iodised salt, tea</td>
<td></td>
<td></td>
<td>Home insecticides</td>
</tr>
<tr>
<td></td>
<td>and washing cakes.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>61-80%</td>
<td>Biscuits</td>
<td>Vanaspati, bulbs and hair oils</td>
<td></td>
<td></td>
</tr>
<tr>
<td>81-100%</td>
<td>Toilet soaps like</td>
<td>Razors, blades, tooth powders,</td>
<td>Batteries, balms, skin creams</td>
<td>Tooth brushes, anti-</td>
</tr>
<tr>
<td></td>
<td>Lifebuoy, Lux, etc., and washing powders.</td>
<td>tooth powders, hair wash soaps, and analgesics</td>
<td>tooth paste and shampoos.</td>
<td>septic creams, Chaya-vanprash, digestive, mosquito repellents, shaving preparations and CFLs</td>
</tr>
</tbody>
</table>

Table 8.1 Preference for brands
It is observed that on an average 6-7 bathing soaps brands were available in the rural shops visited most of its national brands and well advertised through the electronic and print media. However, in the case of Tea it was observed that on an average 2-3 brands were available in the rural shops visited, most of the visiting customers preferred local mix/retailers brand over and above national/regional brands. It is also found that price plays an important role in buying the local tea mixtures. Similarly in biscuits which are a necessity, many brands are making their presence in the rural market starting from Parle G, Sun feast and also Britannia’s low-cost range of cookies. With the introduction Gillette’s Rs 5/- safety razor becoming popular in the rural market.

### 8.4 The Level of Penetration of Brands in Non-durable Products

About 12 per cent of world population lives in rural areas in India. This is a huge market by world standards. Rural consumers own only 64 percent of available consumer durables, even though they constitute 81 per cent of total households in India, according to an NCAER survey. According to this survey, on an average rural households owned three consumer durables as compared to seven consumer durables owned by an average household. It also showed that purchase and use of certain durables and non-durables by consumers in rural areas is more than that of the consumers in urban areas. The durable products are sewing machines, wrist-watches, radio/transistors; black and white television sets, cassette recorders, bicycles, table fans and pressure cookers. However, in case of non-durables, the following data shows that at least for six products, rural market has a larger share than the urban.

<table>
<thead>
<tr>
<th>Category</th>
<th>Category Penetration</th>
<th>Brand with Highest Penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toilet Soap</td>
<td>91%</td>
<td>Lifebuoy</td>
</tr>
<tr>
<td>Washing Cakes/Bars</td>
<td>89%</td>
<td>Wheel, Nirma and Surf</td>
</tr>
<tr>
<td>Edible Oil</td>
<td>86%</td>
<td>Mustard Oil and Palmoline</td>
</tr>
<tr>
<td>Tea</td>
<td>79%</td>
<td>Maharani, Agni Today.</td>
</tr>
<tr>
<td>Safety Razor Blades</td>
<td>51%</td>
<td>Wilkinson sword, zorrik, 365.</td>
</tr>
<tr>
<td>Coconut Oil</td>
<td>55%</td>
<td>Parachute, Shalimar.</td>
</tr>
<tr>
<td>Shampoos</td>
<td>&lt;58%</td>
<td>Chik, Vatika, Nirma, Lux, Garnier.</td>
</tr>
<tr>
<td>Salt</td>
<td>64%</td>
<td>Tata Salt, Nirma.</td>
</tr>
</tbody>
</table>

Table 8.2 Level of penetration of brands

### 8.5 The Level of Penetration of Premium Brands

The personal and home care market is a mature one in urban area. For the past three years, it is witnessing a lot of changes in terms of product and usage patterns. Products in the soap, detergent and hair oils categories have high penetration level (over 70 per cent). The value growth is mainly through higher realisations and improvements in the product mix. The popular and economy segments currently dominate most of the product categories. With an increase in disposable incomes, the preferences of the target market would shift to the premium products.

For products in the hair oil and dental care market, the thrust of the organised sector is to convert users of non-branded products to branded ones. The categories like shampoos, skin care and cosmetics continue to have low-penetration levels even in the urban areas and have achieved volume growth through packaging innovations and value growth through increased realisations.

In the shampoo and detergent segment, sachet packs, which contribute to over 35 per cent of revenues, have been successfully used to break the price barrier and have offered convenience and affordability. In the product categories of mosquito repellents, where consumption is dictated by need, and shaving blades, which has low penetration levels, entry barriers are relatively high. Only players with strong brands can pass on cost increases.
<table>
<thead>
<tr>
<th>Brand</th>
<th>Penetration of Category Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surf</td>
<td>6.2%</td>
</tr>
<tr>
<td>Ariel</td>
<td>4.5%</td>
</tr>
<tr>
<td>Pantene</td>
<td>1.8%</td>
</tr>
<tr>
<td>Denim</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

Table 8.3 Brand Penetration

The table below shows some FMCG’s which are less penetrated in the rural market.

<table>
<thead>
<tr>
<th>FMCG</th>
<th>Urban</th>
<th>Rural</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toothpaste</td>
<td>749</td>
<td>376</td>
<td>486</td>
</tr>
<tr>
<td>Soft Drinks</td>
<td>370</td>
<td>122</td>
<td>198</td>
</tr>
<tr>
<td>Mosquito Repellent</td>
<td>541</td>
<td>152</td>
<td>267</td>
</tr>
<tr>
<td>Coffee</td>
<td>232</td>
<td>79</td>
<td>125</td>
</tr>
<tr>
<td>Skin Cream Health</td>
<td>315</td>
<td>178</td>
<td>220</td>
</tr>
<tr>
<td>Beverage</td>
<td>188</td>
<td>47</td>
<td>88</td>
</tr>
</tbody>
</table>

Table 8.4 FMCGs which are less penetrated in the rural market

8.6 The Annual Size of the Rural Market

Traditionally, consumers can be divided into two broad categories, individuals and households. The household sector is a major consumer of food products, user of manufactured goods ranging from low-priced durables, such as transistors, electric irons, etc., to high-priced colour TV sets, motorcycles, etc. This sector meets the needs of a wide range of consumer from rural to urban, from rich to poor, from wage earners to professionals. A rural market broadly comprises of consumer markets, institutional markets and services, being a relatively new entrant in this market.

Consumer markets constitutes of Fast Moving Consumer Goods (FMCG) like personal care (oral care, hair care, soaps, cosmetics and toiletries and household care (fabric wash and household cleaners) and Consumer durables like home appliances, watches, bicycles, TV sets, radio, automobiles, etc. Institutional markets constitutes agricultural and allied activities like food processing, poultry farming fisheries, cottage industries, schools, NGOs, etc. It includes products like agri inputs, animal feed, fuel, engine oil, etc., and agri implements like tractors, pumps sets, etc. Services market constitutes banking, insurance, retail, healthcare, IT, power, communication, etc.

The rural market in India is beginning to emerge as an important consumption area. The total size of the rural market is estimated at Rs.1, 23, 000 crore which includes FMCGs, durables and agri-products.

<table>
<thead>
<tr>
<th>FMCG</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMCG</td>
<td>Rs 65,000 Cr</td>
</tr>
<tr>
<td>Durables</td>
<td>Rs 5,000 Cr</td>
</tr>
<tr>
<td>Agri inputs (including tractors)</td>
<td>Rs 45,000 Cr</td>
</tr>
<tr>
<td>2/4 Wheelers</td>
<td>Rs 8,000 Cr</td>
</tr>
<tr>
<td>Total</td>
<td>Rs 1,23,000 Cr</td>
</tr>
</tbody>
</table>

Table 8.5 The total size of the rural market
India’s rural market has been growing steadily over the years and is now bigger than the urban market for fast-moving consumer goods with an annual size estimated at Rs 65000 crore. Rural markets account for 56% of the total domestic FMCG demand. In fact, companies like HLL derive more than half of its Rs.12000 crore revenue from the rural markets. According to the NCAER, an average rural Indian household have five major consumer appliances. The table given below represents the percentage of households owning various consumer durables:

<table>
<thead>
<tr>
<th></th>
<th>Universe</th>
<th>Total</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV</td>
<td>42.2</td>
<td>72.2</td>
<td>29.6</td>
<td></td>
</tr>
<tr>
<td>Pressure Cooker</td>
<td>34.5</td>
<td>68.4</td>
<td>20.2</td>
<td></td>
</tr>
<tr>
<td>AV System</td>
<td>28.2</td>
<td>38.1</td>
<td>24.0</td>
<td></td>
</tr>
<tr>
<td>Two Wheelers</td>
<td>13.6</td>
<td>26.0</td>
<td>8.4</td>
<td></td>
</tr>
<tr>
<td>Fridge</td>
<td>11.8</td>
<td>29.7</td>
<td>4.2</td>
<td></td>
</tr>
<tr>
<td>Motor Cycles</td>
<td>7.4</td>
<td>12.4</td>
<td>5.3</td>
<td></td>
</tr>
<tr>
<td>Kitchen Sink</td>
<td>6.6</td>
<td>17.5</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>Scooters</td>
<td>4.3</td>
<td>10.4</td>
<td>1.7</td>
<td></td>
</tr>
<tr>
<td>Washing Machine</td>
<td>3.5</td>
<td>10.8</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Automobile</td>
<td>1.5</td>
<td>4.0</td>
<td>0.5</td>
<td></td>
</tr>
</tbody>
</table>

Table 8.6 The percentage of households owning various consumer durables

Rural penetration rates in most cases are much lower than urban penetration rates. About 6 products exhibit rural penetration levels that are less than a fourth of the corresponding urban numbers. However, it doesn’t necessarily mean that rural Indians don’t want these products. Low penetration rates can be attributed to three factors, low-income level, inadequate infrastructure and different lifestyles like lack of electricity. The urban rural disparity is highest in case of electrical goods due to the non-electrification of more than 50 percent of rural households. The graph below displays consumer durable ownership patterns amongst SEC categories.

![Fig. 8.1 Consumer durable ownership patterns amongst SEC categories](http://www.zenithresearch.org.in/images/stories/pdf/2011/Oct/ZIJMR/5_vol-1_issue-6_%20DEVARAJ%20Understanding_the_Indian_rural_market_potential.pdf)

The above figures are a clear indication that the rural markets offer the great potential to help the India which has reached the plateau of their business curve in urban India to bank upon the volume-driven growth. As a result of the growing affluence, fuelled by good monsoons and the increase in agricultural output to 200 million tonnes from 176 million tonnes in 2007, rural India has a large consuming class with 41 per cent of India’s middleclass and 58 per cent of the total disposable income.
The importance of the rural market for some FMCG and durable marketers is underlined by the fact that the rural market accounts for close to 70 per cent of toilet-soap users and 43 per cent of all two-wheeler purchased. The rural market accounts for half the total market for TV sets, fans, pressure cookers, bicycles, washing soap, blades, tea, salt and toothpowder. What is more, the rural market for FMCG products is growing much faster than the urban counterpart.

8.7 Focused Marketing Strategies

Focused marketing strategies are discussed in the paragraphs below.

Product
Developing relevant products to meet the specific needs of rural consumers will exercise the minds of marketers. For e.g., we know that voltage fluctuation is a major problem in our villages, because of which bulbs last but a few days. Companies will put their R & D teams to develop filaments that can withstand violent fluctuations, thereby extending the life of the bulb.

Price
As rural incomes continue to rise in the coming years, we may see the share of low unit packs coming down somewhat and economy packs gaining share. As the reach of media and awareness level improve, we are likely to see companies shift their focus from trade to consumers.

Distribution
Challenge of reach will be addressed through innovation. Project Shakti of HUL is one such successful example. Nehru Yuva Kendra ‘volunteers’ model through haats being piloted by MART for Colgate, is another such new model. Amway is already selling bio-fertilizers in rural India, through its famous multi-layer distribution model.

Communication
Indian advertising industry has to be firmly grounded in rural perception, values and traditions. It has to drown itself in local colours, customs and modes of communication, to make itself relevant to rural society. It has to gain the trust of masses, by undercutting excessive dependency on western advertising.

8.8 Market Research

Rural consumers are fundamentally different from their urban counterparts. The lower levels of literacy and limited exposure to product and services are well-known, but there are also differences in occupation options, with a direct impact on income levels and income flows, and a high level of inter-dependency affecting the dynamics of rural community behaviour. All contribute to make rural consumer behaviour starkly distinct from the urban. As any consumer research study must understand the consumer in the context of his environment and society. Rural Market Research must overcome the challenge of respondents with lower literacy and exposure levels, where conventional market research tools may not be easily comprehended by villagers. MART, a specialist organisation in rural, has innovated tools to overcome these limitations in conducting rural consumer research.
buy goods for personal consumption. Here, the lender and seller are different and lender does not have the responsibility of seller.

- Secured finance: when the credit granted by financial institutions is secured by collateral it takes the form of secured finance. The collateral is taken by the creditor in order to satisfy the debt in the event of default by the borrower. The collateral may be in the form of personal property, real property or liquid assets.

- Unsecured finance: When there is no security offered by the consumer against which money is granted by financial institutions, it is called unsecured finance.

### 8.9.2 Sources of Consumer Finance

Sources of consumer finance are as follows:

- Traders: The predominant agencies that are involved in consumer finance are traders. They include sales finance companies, hire purchase and other such financial institutions.

- Commercial banks: Commercial banks provide finance for consumer durables. Banks lend large sum of money at wholesale rate to commercial or sales finance companies, hire purchase concerns and other such finance companies. Banks also provide consumers personal loans meant for purchasing consumer durable goods.

- Credit card institutions: These institutions arrange for credit purchase of consumer goods through respective banks which issue the credit cards. The credit card system enables a person to buy credit card services on credit. On presentation of credit card by the buyer, the seller prepares 3 copies of the sales voucher, one for seller, bank/credit card company and 3rd for the buyer. The seller forwards a copy to the bank for collection. The seller’s bank forwards all such bills to the card issuing bank or company. The bank debits the amount to the customer’s account. The buyer receives monthly statement from the card issuing bank or company and the amount is to be paid within a period of 20 to 45 days without any additional charges.

- (NBFCs): Non-banking Financial companies constitute an important source of consumer finance. Consumer finance companies also known as small loan companies or personal finance companies are non-saving institutions whose prime assets constitute sale finance receivables, personal cash loans, short and medium term receivables. These companies charge substantially higher rate of interest than the market rates.

- Credit unions: A credit union is an association of people who agree to save their money together and in turn provide loans to each other at a relatively lower rate of interest. These are called co-operative credit societies. They are non profit deposit taking and low cost credit institutions.

### 8.9.3 Products Covered

Consumers financing covers a wide range of products, such as cars, televisions, washing machines, refrigerators, air conditioners, computers, etc. The products covered possess some distinct feature such as durability, sustainability, saleability and serviceability, etc.

### 8.10 Rural Vertical

Rural verticals are listed below:

- The CEO would need to articulate a strong commitment to rural marketing, only then will the marketing team give its focused attention and sustained support to this growing market segment.

- HUL has already created a separate rural vertical with a team of RSMs, ASMs, SOs and RSPs committed exclusively to servicing the rural market. Rural has been given separate sales targets and the company is in the process of allocating separate sales promotion and advertising budgets for this market.
8.11 Retail and IT Models

IT and connectivity impact the way business is done. Today with STD facility, the retailer can dial the town distributor instantly and fresh stocks would reach him in just a couple of days, because of better road connectivity.

Benefits of IT-driven business strategy are as follows:

- Ease of access
- Up-to-date content
- Layout, design, consistent themes
- Easy navigation
- Higher interactivity
- Access through multiple media
- Higher use of non-textual information
- Multiple languages
- Lower transaction cost.

Rural managers

As the rural market is already bigger than its urban counterpart, there is need to develop a good understanding about it among corporate managers. For this to happen, rural marketing should be taught as a subject in every business school.

Glamorise rural marketing

Rural marketing should be glamorised by adopting following measures:

- Rural is considered as unglamorous. Industry seminars on these subjects also evoke a similar response. This must change as the rural market in size is bigger than any of the other markets mentioned here.
- Industries associations (CII, FICCI, ASSOCHAM, etc.) government agencies and academic institutions should take upon themselves to give due importance to rural marketing.

Public-private partnership

Companies would join hands with the government in self-interest to increase the size of the pie, by creating economic activity in villages through micro-enterprises and mainstream these efforts by linking them with large industry.

ICT Initiatives in rural markets are as follows:

- ITCs e-choupal
- N-Logue communications: Business of providing internet, voice, e-governance and other rural services through a network of local service providers.
Summary

- From the last couple of years, the empowerment spree of rural India is on its high due to which the economy pertaining to this section is showing remarkable growth.
- Rural Indians are bringing desire for personal care products, packaged foods, consumer durables and IT products, two and four-wheelers, and fashion accessories.
- Some companies have even re-engineered pricing, products and packaging to customise features and value relevant for this market.
- Rural India is where the opportunity is, that is where the money will come from to drive current business and breed new entrepreneurs.
- Companies were forced to re-look at the rural markets owing to number of reasons during the last decade.
- Organisations started looking at the right product and communications mix that would have a pan-Indian rural appeal.
- Brand consciousness is on the rise.
- Studies indicate a slow but determined shift in the use of categories in the rural families.
- The growth in rural income has been better than urban income, since the minimum support price for crops like wheat and paddy has been substantially hiked.
- In rural India, the branding rules are distinctly different from urban markets.
- Price and value for money are high on their list.
- The personal and home care market is a mature one in urban area.
- The rural market in India is beginning to emerge as an important consumption area.
- Rural penetration rates in most cases are much lower than urban penetration rates.
- Rural consumers are fundamentally different from their urban counterparts.
- The term ‘consumer finance’ refers to the activities involved in granting credit to consumers to enable them to possess goods meant for everyday use.

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Recommended Reading

Self Assessment

1. Rural India is where the opportunity is that is where the money will come from to drive current business and breed new_________.
   a. markets
   b. entrepreneurs
   c. services
   d. products

2. Which of the following is the ‘3 A’s of rural market strategy?
   a. Accountability, Affordability and Ability
   b. Availability, Affinity and Acceptability
   c. Availability, Affordability and Acceptability
   d. Agree , Affordability and Agility

3. Match the following

<table>
<thead>
<tr>
<th>1. Revolving credit</th>
<th>A. Under this type of credit banks and financial institutions provide money with which the consumers buy goods for personal consumption.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Fixed credit</td>
<td>B. The consumer is entitled to avail credit to the extent sanctioned as credit limit, e.g.,: credit card</td>
</tr>
<tr>
<td>3. Cash loan</td>
<td>C. It is when there is no security offered by the consumer against which money is granted by financial institutions.</td>
</tr>
<tr>
<td>4. Unsecured finance</td>
<td>D. The credit has to be repaid within a stipulated period e.g., monthly instalment loan, hire purchase.</td>
</tr>
</tbody>
</table>

   a. 1- B, 2- D, 3- A, 4- C
   b. 1- C, 2- A, 3- D, 4- B
   c. 1- D, 2- C, 3- B, 4- A
   d. 1- A, 2- B, 3- C, 4- D

4. The growth in rural income has been _______ than urban income since the minimum support price for crops like wheat and paddy has been substantially hiked.
   a. worse
   b. better
   c. smaller
   d. lesser

5. Which of the following term refers to the activities involved in granting credit to consumers to enable them to possess goods meant for everyday use?
   a. Consumer finance
   b. Rural market
   c. Market research
   d. Advertising
6. When there is no security offered by the consumer against which money is granted by financial institutions, what is it called?
   a. Secured finance
   b. Cash loan
   c. Fixed credit
   d. Unsecured finance

7. What covers a wide range of products such as cars, televisions, washing machines, refrigerators, air conditioners, computers, etc.?
   a. Consumer finance
   b. Rural market
   c. Market research
   d. Advertising

8. Which of the following statement is true?
   a. The predominant agencies that are involved in consumer finance are traders.
   b. The predominant agencies that are involved in consumer finance are dealers.
   c. The predominant agencies that are involved in consumer finance are retailers.
   d. The predominant agencies that are involved in consumer finance are bankers.

9. Rural markets account for ______ of the total domestic FMCG demand.
   a. 74%
   b. 37%
   c. 56%
   d. 97%

10. Which of the following statement is false?
    a. In rural India, the branding rules are distinctly similar from urban markets.
    b. The personal and home care market is a mature one in urban area.
    c. Rural purchasing power has grown faster than urban in the last six quarters
    d. About 12 per cent of world population lives in rural areas in India.
Case Study I

Impact of Rural Markets on Environment (A Case Study)

Impact of Rural Markets on Environment
In Central Hadaoti region, rural marketing is performed by periodic marketing, i.e., weekly markets and fairs. There is a need to examine the environmental impact of weekly markets and fairs, so that steps for sustainable marketing development can be taken for future planning.

A periodic market (weekly market) is a gathering of buyers and sellers at an appointed place and time, usually between 10 a.m. and 6 p.m. These markets attract a large number of buyers and sellers and when there is a gathering of 500 to 3,000 people, some environmental problems crop up.

The weekly markets are held:
- Along the main road of the settlement
- Along approach road
- At a central place of the settlement
- At an open space

Whatever may be the location, the space is very limited. On market day the whole area becomes a congested place full of temporary shops, spread on both sides of the road or in a rectangular manner. This already congested space becomes unmanageably suffocating and unpleasant, when a large crowd of buyers comes in. The result of this can be seen in the form of air and noise pollution for about five to six hours of market time. The whole market area and its adjoining regions are enveloped in a blanket of dust, creating the problem of air pollution. Noise pollution is caused by the vendors shouting for their products and loudspeakers blaring in full volume. Waste disposal also is a major cause for concern.

In spite of the above mentioned environmental problems created by weekly markets, these markets are quite sustainable from the ecological point of view because:
- The time involved in these markets is very short.
- There are no permanent shops and other establishment.
- The pattern of ‘market shift’ provides complete spatial interaction in the region.
- The commodity structure of these markets is according to the needs of the local environment.
- These markets are not only marketing institutions, but more of a social institution and an integral part of the cultural ecology.

It has been observed that whatever damage to environment has been done during marketing hours in these markets is recovered during the next six days. Therefore, the weekly markets are ecologically suitable.

Another institution of periodic marketing is the fair known as mela. The fairs are ancient trading and social institutions. They are held once or twice a year and are generally associated with festivals or religious places. In Central Hadaoti region, as we have seen earlier, 48 fairs are held, and the gathering in these fairs is larger than in periodic markets. This crowd is responsible for air, water and noise pollution.

The dust and smoke of vehicles creates atmospheric pollution. In the region many cattle fairs are also held in which cattle aggravate the level of pollution. Noise pollution is created by loudspeakers, singers, dancers as well as by the common people, while water pollution is a main problem in the vicinity of the fairs. Most of the fairs are held either near a tank, a well or a river. Generally demand of water is more and its availability is limited therefore water becomes polluted. The same water is used for bathing and drinking purposes by cattle also.
This polluted water becomes the cause of concern to authorities when diseases like cholera spread. There is no provision for waste disposal. In fairs, heaps of waste can be seen here and there. It includes human and animal waste as well as waste cleared from shops. As periodicity of fairs is limited, their impact on environment is also short-term. What is needed is proper arrangement for drinking water and waste disposal. In brief, the problem of environmental degradation due to marketing activities is not a serious problem in the region under study. Kota city is an example of the environmental impact of marketing activity on urban environment. In other urban centres, this problem is not so serious.

Similarly in rural areas, periodic markets are economically viable, ecologically sound and socially acceptable. For long-term planning of market-places, there is a need for sustainable development. The development of more periodic markets in rural areas will be a major step towards sustainable development of markets and marketing.


Questions
1. What is a periodic market?

   **Answer**
   A periodic market (weekly market) is a gathering of buyers and sellers at an appointed place and time, usually between 10 a.m. and 6 p.m.

2. What is the effect of rural market on environment?

   **Answer**
   On market day, the whole area becomes a congested place full of temporary shops, spread on both sides of the road or in a rectangular manner. This already congested space becomes unmanageably suffocating and unpleasant, when a large crowd of buyers comes in.
   
   The result of this can be seen in the form of air and noise pollution for about five to six hours of market time. The whole market area and its adjoining regions are enveloped in a blanket of dust, creating the problem of air pollution. Noise pollution is caused by the vendors shouting for their products and loudspeakers blaring in full volume. Waste disposal also is a major cause for concern.

3. Why are the weekly markets ecologically suitable?

   **Answer**
   The weekly markets are ecologically suitable as it has been observed that whatever damage to environment has been done during marketing hours in these markets is recovered during the next six days.
This case study is about a product and service named Akashganga sold by a small, entrepreneurial business named Shree Kamadhenu Electronics Private Ltd. (SKEPL). Akashganga is for dairy farmers and it is intended to enable them to increase their efficiency and productivity. The Indian dairy industry is plagued by several problems, the major ones being low productivity of Indian cows, the delays in processing milk, low quality caused by manual handling, corruption and mismanagement, and of course, endemic dilution of milk with water.

Akashganga attempts to alleviate some of these issues. Akashganga is a computerised system. When a farmer gets milk into the collection point, it’s weighed and the amount of fat measured and immediately an entry is made on the farmer’s swipe card. The money can be collected immediately. This is marked contrast to the previous system where the financial calculation was done later to avoid holding up the queue of farmers ready for milking; the calculation was done by hand and was somewhat complicated. With the new system, calculation is done automatically which makes it possible to pay the farmer on the spot rather than having him wait for a couple of days. Also, the potential for cheating is reduced. An entry is made electronically on the farmer’s swipe card.

When SKEPL wanted to market this service, it ran up against the scepticism of the Indian rural people against unproven technology. This is the classic catch-22 situation as the farmer does not trust the tool till he tries it, and is reluctant to try it till he trusts it. SKEPL got around this problem by offering free trials and delayed payment schemes stretching up to several months.

The company also provided responsive and efficient after-sales service. It established a service network covering the rural areas, and typically would attend to a compliant within a few hours of receiving it. It’s important to note that the company’s local presence, whether for marketing, sales or service helped tremendously, since the villagers would not be disposed to make a journey to a town or city to learn about their products.

The company also used a name Akashganga that Indian villagers can relate to. This helped earn the trust of the villagers. Also, Shree Kamadhenu Electronics used local people for marketing, sales, service, etc. This was a very important factor that helped the farmers relate to and trust the company. Of course, the company had a solution that was superior in terms of time, transparency, fairness, etc., and that played a big role in their success. As a result of these factors, SKEPL gained a threshold in this large market and earned respect among farmers.

(Source: AKASHGANGA. [Pdf]. Available at: <http://www.it.iitb.ac.in/~deepak/deepak/courses/eco/ppt/Rural%20Marketing.pdf> [Accessed on 16 May 2014])

Questions
1. What are the problems faced by Indian dairy industry?
2. What is Akashganga?
3. What was the issue when SKEPL wanted to market this service?
Case-Study III

ITC e-Choupal

About ITC-IBD
ITC is one of India’s foremost private sector companies with a market capitalisation of over US $14 billion and a turnover of US $3 billion. ITC has a diversified presence in cigarettes, hotels, paperboards and specialty papers, packaging, agri-business, packaged foods and confectionery, branded apparel, greeting cards and other FMCG products. Its International Business Division (ITC IBD) was created in 1990 as an agricultural trading company; it now generates US $150 million in revenues annually.

Initially, the agricultural commodity trading business was small compared to international players. By 1996, the opening up of the Indian market had brought in international competition. Large international companies had better margin-to-risk ratios because of wider options for risk management and arbitrage. For an Indian company, to replicate the operating model of such multinational corporations would have required a massive horizontal and vertical expansion. In 1998, after competition forced ITC to explore the options of sale, merger, and closure of IBD, ITC ultimately decided to retain the business. The ITC-IBD takes the challenge to use information technology to change the rules of the game and create a competitive business that did not need a large asset-base. Today, IBD is a US $150 million company that trades in commodities, such as feed ingredients, food-grains, coffee, black pepper, edible nuts, marine products and processed fruits.

ITC e-Choupal and the Strategy
ITC followed a different media/communication strategy which is more elaborate and extensive in rural marketing so far, which benefits both the farmers and the organisation. The strategy is the use of the Information Technology bridging the information and service gap in rural India which gives an edge to market its products like seeds, fertilizers and pesticides and other products like consumer goods. With this strategy, it can also enhance its competitiveness in global market for agri-exports.

A pure trading model does not require much capital investment. The e-Choupal model, in contrast, has required that ITC makes significant investments to create and maintain its own IT network in rural India and to identify and train a local farmer to manage each e-Choupal.

The company has initiated an e-Choupal effort that places computers with internet access in rural farming villages; the e-Choupals serve as both a social gathering place for exchange of information (choupal means gathering place in Hindi) and an e-commerce hub. The computer, typically housed in the farmers house, is linked to the internet via phone lines or, increasingly, by a VSAT connection, and serves an average of 600 farmers in 10 surrounding villages within about a five kilometre radius. Each e-Choupal costs between US $3,000 and US $6,000 to set up and about US $100 per year to maintain. Using the system costs farmers nothing, but the host farmer, called a sanchalak, incurs some operating costs and is obligated by a public oath to serve the entire community; the sanchalak benefits from increased prestige and a commission paid him for all e-Choupal transactions. The farmers can use the computer to access daily closing prices on local mandis (government-mandated markets), as well as to track global price trends or find information about new farming techniques either directly or, because many farmers are illiterate, via the sanchalak (the village farmer who runs the e-Choupal and acts as ITCs representative in the village). In addition, they can also know about weather forecast (local) and best practices in the world from e-Choupal website. They also use the e-Choupal to order seed, fertilizer, and other products, such as consumer goods from ITC or its partners, at prices lower than those available from village traders; the sanchalak typically aggregates the village demand for these products and transmits the order to an ITC representative. At harvest time, ITC offers to buy the crop directly from any farmer at the previous day’s closing price; the farmer then transports his crop to an ITC processing centre, where the crop is weighed electronically and assessed for quality. The farmer is then paid for the crop and a transport fee.
Launched in June 2000, ‘e-Choupal’, has already become the largest initiative among all Internet-based interventions in rural India. ‘e-Choupal’ services today reach out to more than 3.5 million farmers growing a range of crops, soyabean, coffee, wheat, rice, pulses, shrimp - in over 31,000 villages through 5200 kiosks across six states (Madhya Pradesh, Karnataka, Andhra Pradesh, Uttar Pradesh, Maharashtra and Rajasthan).

(Source: AKASHGANGA. [Pdf]. Available at: <http://www.it.iitb.ac.in/~deepak/deepak/courses/eco/ppt/Rural%20Marketing.pdf> [Accessed on 16 May 2014])

Questions
1. Which strategy did ITC follow?
2. How did the strategy help ITC?
3. Why did the company initiate an e-Choupal effort?
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Recommended Reading

Self Assessment Answers

Chapter I
1. c
2. a
3. c
4. d
5. a
6. c
7. b
8. d
9. a
10. c

Chapter II
1. b
2. c
3. b
4. a
5. c
6. d
7. a
8. c
9. b
10. c

Chapter III
1. b
2. a
3. d
4. a
5. d
6. a
7. c
8. b
9. d
10. a

Chapter IV
1. a
2. b
3. c
4. c
5. d
6. b
7. a
8. c
9. a
10. d
Chapter V
1. a
2. c
3. a
4. d
5. a
6. c
7. a
8. b
9. a
10. d

Chapter VI
1. b
2. b
3. a
4. d
5. b
6. c
7. d
8. a
9. d
10. a

Chapter VII
1. a
2. a
3. c
4. d
5. b
6. c
7. a
8. b
9. c
10. d

Chapter VIII
1. b
2. c
3. a
4. b
5. a
6. d
7. a
8. a
9. c
10. a