RURAL MARKETING
(DBUS36)
(MBA 3Years)

ACHARYA NAGARJUNA UNIVERSITY

CENTRE FOR DISTANCE EDUCATION

NAGARJUNA NAGAR,

GUNTUR

ANDHRA PRADESH

Question Paper Pattern

Each paper carries 100 marks. 25 marks Internal assessment through assignments and 75 marks for year end examination. The duration of Examination for theory papers will be three hours.

Pattern :

The question paper is divided into 3 sections. Section A, Section B and Section - C

Section - A (3 x 5 = 15 marks)

Section A consists of 6 questions out of which the candidate has to write 3 questions. Each question carries 5 marks. Totally 15 marks.

Section - B (3 x 15 = 45 marks)

Section B consists of 6 questions out of which the candidate has to write 3 questions. Each question carries 15 marks. Totally 45 marks.

Section - C (15 marks)

Section C Consists of one compulsory question (either case study or problem) which carries 15 marks.

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RURAL MARKETING

Welcome to MS-611, your elective course on Rural Marketing. This course is one of the several electives on offer in the Marketing area for the Master in Business Administration programme with the Marketing specialization and also an elective in the Postgraduate Diploma in Marketing Management, offered by the School of Management Studies, IGNOU. Ideally, if you are pursuing this course as part of your MBA programme, you should have acquired a basic understanding of the basic concepts of marketing through your core course MS-6, Marketing for Managers. Several of the inputs in the course presuppose an awareness of basic marketing concepts and build upon the same.

ABOUT THE COURSE

This Course, MS-611, introduces you to the complexities and opportunities in a rapidly changing rural market in India and enables you to identify the various choices available to you in planning the marketing effort in the evolving and slowly but surely transforming rural markets.

MS-611 does not cover the entire gamut of activities included in the broad umbrella of Rural marketing processes. It, for example, does not cover the processes involved in marketing of agricultural products and non-agricultural products by the rural producers to consumers. The course is focussed on marketing of goods and services to the rural consumers.

You will, while going through the course, be exposed to the vast differentials between urban and rural marketing environment, the institutional and physical infrastructure available in rural India to support the marketing efforts as well as the variety of existing marketing initiatives that are being made to unravel the rural market puzzle. While pursuing the course, you will also come to appreciate the relevance an entirely different approach to the marketing effort, be it distribution, communication or marketing research, needed for rural markets.

COURSE AIMS

Like all other courses in the Management Programme this is a six credit course, requiring you to put in 180 hours of work, all inclusive. The course aims to

1. Provide you with an awareness of critical issues involved in rural marketing as well as possible approaches to successful marketing effort in this segment
2. Develop in you a capability to analyse the trends in rural marketing environment and identify the marketing implications of the trends
3. Provide you with the awareness of how marketing mix elements need to be adapted and planned for the rural markets
4. Bring to you an understanding of the rural consumer behaviour
5. Develop your capacity to design or advise on designing effective rural marketing efforts

LEARNING OBJECTIVES OF COURSE MS-611

This is a relatively new area of marketing knowledge and we hope that you will enjoy going through a comparatively unchartered terrain. Rural markets represent a domain where our understanding of the behavioural processes, rural perception and attitudes, the value prepositions sought and the post purchase evaluation is still evolving. It is therefore a good experience to learn through a mix of available research findings, actual experiences, case illustration and analysis of the situation at hand, so as to cull out marketing implications from the same. After going through this course you should be able to:

- Identify the complexity, diversity, scope and nature of the rural markets in India
- Discuss the economic, social, political and infrastructural rural environment and what it signifies to the marketer
- Explain the various influences on rural buying behaviour including the opinion leadership process and the reference group influences
- Outline and analyse the trends in rural consumer behaviour
- Evaluate the options available for conducting rural marketing research
- Identify the factors influencing the product development and modification decisions for rural India
- Evaluate the pricing options available and help in designing appropriate pricing strategies for rural markets
- Discuss the need and relevance of innovative distribution solutions against the backdrop of the rural infrastructure of roads, transportation and warehousing
- Identify effective modes of accessing the rural markets
- Develop an understanding of issues involved in creating and implementing suitable marketing communications for rural India
- Identify and evaluate media options for the rural markets
- Develop analytical skills to evaluate issues critical to successful marketing effort, through your analysis of the case studies included in the course

COURSE STRUCTURE AND SCHEME

The course consists of 6 blocks. The inputs in each block are as under.

Block I on Rural Markets: An Overview is the introductory block of the course and gives you a comprehensive overview of what rural markets mean and comprise in India. The block comprises two units, the first is on rural markets in India, giving you inputs on scope, size, dispersion and diversity of rural markets in your country. The second unit in the block is on Rural environment, which tries to enable you to understand the social, economic and political context within which the marketing effort would take place.

Block II on Understanding the Rural Consumer makes an attempt at identifying the key differences between rural and urban consumer behaviour and outlines the marketing implications arising from them. The block comprises three units, the first one focusing on the variety of influences that operate on rural consumer behaviour. The second unit of the block outlines, through extensive use of available data the trends in rural buying behaviour in an effort to enable you understand the direction that marketing effort should take. The third unit in the block is on rural marketing research. The unit identifies the constraints in applying traditional research tools and methods, in the wake of widespread illiteracy and lack of exposure the rural consumers; and suggest appropriate approaches to marketing research in such markets.

Block III on **Product and Pricing Decisions** is where the course begins to address the marketing mix elements as they operate in the rural market. This block consisting of two units presents inputs on the product and pricing decision in the context of rural markets. The unit on Product decisions, focuses on the need for product adaptation and required modifications for rural markets, the imperatives for branding and packaging decisions as well as the scrouge of spurious products that rural consumers often face. The unit on pricing explores the value proposition as it may operate for the rural consumers, the influence of distribution channel decision on pricing promotional pricing and the adaptations manufactures make when venturing into the rural markets.

It is a well understood fact that the most significant challenger for rural marketers is the one of access, both physical and communication access. Blocks IV and V respectively address the issue of physical and communication access to the rural consumers.

Block IV on **Managing Rural Promotion** consists of three units. Unit 8, the first unit in the block is devoted to understanding rural media. It explores the media choices available and introduces you to the oppbrtunities presented by innovative media solution in these markets. Unit 9 discusses the inputs for appropriate message design and development, looking at the profile and diversity of rural consumers and the issue of heterogeneity of language Unit 10 focuses on the sales promotion element of the promotion mix. The diversity of sales promotion tools applied in rural markets have been covered and inputs on planning effective sales promotion programmes have been discussed.

As you will notice where going through the course, the rural India, in terms of dispersion of population, access through motorable roads and patterns of purchase presents a distribution challenge very different from the urban markets. You will, through **Block V** find some interesting distributions that characterise the rural market. The block, entitled **Accessing rural markets** consists of three units on various aspects of the distribution mix. Unit 11 introduces you to the infrastructure for physical distribution in rural India, while Unit 12 focuses on participants in the distribution process. The various institutions operating in these markets, their relationship and market dynamics have been brought to you. The last unit in the unit discusses the physical distribution process followed rural markets.

Block VI, last one in the course brings to you four **case studies** to enable you to understand the decision making imperatives, the choice alternatives and the routes taken in the context of rural marketing effort.

This course utlises a large number of references from published literature and from the net. To enable you to explore further, all these references are marked in the body of the unit and given as a separate section at the end of the unit.

As mentioned earlier, this is an evolving field and you can further update your knowledge by visiting some of the internet sites mentioned along with relevant units. Not only would you be able to keep pace with new developments in the exciting and evolving land of new market opportunity that the rural market represents today for most FMCG and durable marketers, the updating effort would also enable you to add to a deeper understanding of the direction that rural marketing in India is taking.

Course Assessment

Like all your other courses, you will be required to do three assignments for this course. As all the assignments are expected to have a strong application orientation, you are requested to keep yourself abreast of your environment and develop an understanding of the market adequately through a perusal of your course. Your term end examination will comprise of 70% of the total weightage and follow the IGNOU pattern of using a mix of conceptual and application questions to evaluate you on the course. We also bring some video and audio inputs to supplement the print material being sent to you. These audio/video inputs will be available for your use through your study centres.

We look forward to you feedback on the course inputs. To help you provide your feedback on the course, a feedback form is being sent along with your course material.

BLOCK 1 RURAL MARKETS : AN OVERVIEW

There has been for some time, a dawning realisation on part of the Indian industry that rural markets are evolving into promising territories with possibilities of consolidating market shares and achieving growth targets. Appreciable levels of growth in rural incomes, comparable consumption figures and spread of awareness have all buffeted marketer interest in rural markets. The context the environment and the buyer are all significantly dissimilar to demand a different and relevant approach to marketing in the rural segment. This introductory block to your course in Rural Marketing introduces you to the subject, by providing you with an overview of the rural markets in India, the rural environment and the challenges presented by them. The block comprises two units.

Unit 1 on **Rural Markets in India** outlines the scope and nature of rural marketing and the aspects of it addressed in this course. As an introductory unit it outlines the various challenges posed by the rural markets and the marketing implications of the same.

Unit 2 on **Understanding Rural Environment** presents to you a fairly detailed description of the economic, social, political and infrastructural environment in rural India, and how do these translate into implications for the marketers venturing into these markets.

UNIT 1 RURAL MARKETS IN INDIA

Objectives

After going through this unit you should be able to:

- get a complete overview of the rural market scenario in India,
- describe the demographic profile presented by the rural markets,
- explain the important socio economic indicators characterizing the rural market,
- discuss the developmental trends in rural markets in India,
- comment upon the dispersion of rural population,
- described the ways in which rural buyers differ from urban buyers,
- identify the challenges for marketers in the rural context.

Structure

1.1 INTRODUCTION

The rural market in India are undergoing a silent but definite revolution in terms of vastly enhanced purchasing power, consumption priorities and overall volume of consumption of goods and services. The sheer size of the market, as large sections of rural population get converted into consumers, is enough to demand focused attention from both marketing practitioners and academics, to convert the emergent opportunity into realizable market shares and growth targets. In this unit, you will be exposed to some of the indicators of purchasing power in the rural segment, the structure and dispersion of rural markets in India, the market mechanisms in place and those recently emerging or being developed. Let us also, as an outcome of the inferences drawn from the statistical trends on growth and consumption, look at the challenges facing the marketer in creating demand, access and satisfaction in the rural context. As the introductory unit, this unit tries to bring to your attention the sheer dimensions and diversity of rural markets in India.

1.2 WHY RURAL MARKETING

The underlying reasons for undertaking specific efforts to understand marketing practices and to evolve a suitable framework for developing appropriate marketing strategy for the rural India have their basis in two major developments. The first is that on account of rising purchasing power in the rural India, corporate sector is discovering the huge potential that must be realized by creating access and focusing marketing efforts in the rural segment. The second reason is that rural markets and the rural consumers are different enough to demand differential marketing effort and it is important for you to be able to understand these differences as well as the marketing implications that flow from them. The infrastructure and the marketing institution that characterise the rural markets are very different from the urban setting which the marketers are used to. You will study about these variations and the structures as you go through this course. There is therefore an immense opportunity for the marketer to create innovative and creative solutions to tap the rural potential. The other reason, as

mentioned above for studying rural marketing as a specific course emanates from the knowledge that the rural consumer on account of his socio-economic and lifestyle profile, as you would study in block 2 of this course, presents a differential challenge to the marketer. The reference points used by the rural consumer are different from those used by his urban counterparts, his ability to discriminate between alternatives may be different and his value assignment behaviour has been shown to be different. We today do not really have an adequate body of knowledge to understand all aspects of rural buying behaviour and application of appropriately modified research methods has only recently started being made.

Another development which has focused marketer attention now on to the rural markets is that slowly but surely the infrastructural scenario in the rural India is changing. Supported by thirteen consecutive good monsoons (barring the bad patch of 2002-2003), the rural economy is definitely looking up. A look at the successive plan outlays will demonstrate the attention that the policy makers are now directing at Rural Development. The plan outlays have progressively escalated from Rs. 14,000 crores in the seventh plan to Rs. 30,000 crores in the eighth plan, and Rs. 60,000 crores in ninth plan to a mammoth 90,000 crores in the tenth plan. This resource allocation is expected to be invested in the road network, communication linkages, power, health and educational services, making incremental changes to the rural lifestyles. Added to all this, has been the growth in institutional credit for agriculture in rural India, a sector typically dependent on unorganized credit services. There was a 250% increase in institutional credit for agriculture between 1995 and 2000, and a total of 24 million kisan credit cards have been issued since the inception of the scheme in 1998. Let us look at some interesting facts about the rural India which were presented as part of the background paper at the FICCI Conference Rural Marketing and Communication on 24th April 2003, by Pradeep Kashyap, President, Marketing and Research Team, New Delhi. Consider the following:

- The number of transient rural supermarkets in India (haats) is around 470,000, which is more than the total number of retail chain outlets in the US (35000).
- The Life Insurance Corporation of India in the year 2001-2002, sold 55% of its policies in rural India.
- The 24 million kisan credit cards issued in the rural sector far outstrip the 17.7 million credit+debit cards issued in the urban sector. The amount of money sanctioned under the KCC scheme is a phenomenal Rs. 52,000 crores.

The consumption of electricity by the agriculture sector went up from 17.6% of the total consumption in 1980-81 to 29.2% in 1991-2000. During the same period the industry share has dropped from 58.4% to 34.8%.

These indicators show a definite trend towards growth of markets and indicate towards the potential of rural India. We must however, while looking at these statistics be always conscious that these figures are contributed by more than 70% of the population and therefore while indicative of the directions of growth, are still, in per capita terms, small. Efforts at market making and creating wider access may create a far more healthy picture but only if these developments are also accompanied by a parallel accretion of income and purchasing power in the rural sector. You would read more about the trends relating to the latter, in brief in following sections of this Unit, but in detail in Unit 4 of the course.

It is, however, important for you to understand at the very outset that rural market are not linear extensions, in more difficult terrain, of the urban market and since the context of the marketing effort and the consuming behaviour of the target segment are both different, specific efforts to analyse the dynamics of the rural market are required to be made, hence the need to study rural marketing as a specialized course of study.

Activity 1

Talk to representatives of at least 2 consumer durables companies and some FMCG companies. Discuss with them to understand their definition of, in terms of market delineation, what constitutes rural markets. Report on your discussion here. Also find out whether and why they want to venture into the rural markets.

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1.3 RURAL MARKETS: NATURE OF TRANSACTIONS

The rural market may mean many things to many people. For quite some time, rural markets were synonymous with agricultural marketing or agriculture input marketing. If you try to visualize the diversity of transaction that fall under the definition of marketing or related activities you would be able to identify a number of classes of transactions. To name some

- Rural markets involve transactions of agriculture produce and agribusiness products including dairy products, produced in the rural areas but sold all over, including rural and urban markets.
- Rural markets involve transactions in non-agricultural products, made in villages but sold in primarily urban locations. Handspun cloth, hand/block printed fabric, handicraft items, paintings and other local or heritage craft are included in this class of transactions.
- Rural markets involve goods and services produced and created in the villages and sold and consumed largely within the village as part of the sustained self sufficient rural economy. These include products like earthenware pots and pans, local carpentary and tailoring, services like hairdressing and transportation as well as local products, produced and consumed locally.
- Rural markets also involve sale and consumption of goods made by organized industry in both urban and rural sectors.

This course is primarily focused on the marketing of goods and services to the rural market and not on the marketing of the rural produce in the urban market.

1.4 WHAT CONSTITUTES RURAL IN INDIA

Before venturing into the field of rural marketing, let us try to understand what constitutes 'rural' in India. The term rural has been given a definition through the process of defining "Urban" by the Census of India. Accordingly, a habitation is defined as urban if

- It is a location with a municipality or a corporation, a cantonment area or is a notified town area
- All other locations which have a minimum population of 5000, a population density of more than 400 per sq. kms. and where more than 75% of the male workforce is engaged in non-agricultural occupations.

Taking on from the above, a habitation is defined as rural if

- It has a population density of less than 400 per sq. km.
- At least 75 percent of male working population is engaged in agriculture related activities, and
- There is, in the location, no municipality or municipal board.

India today has about 6.4 lakh villages. All except about 15,000, have a population below 5000. Looking at marketer defined classification, most companies in the FMCG sector would define any area with primarily agriculture based occupation and with a population of less than 20,000 as rural. Let us look at some statistical details of number of villages in India and the dispersion of rural population so that you may get a clear idea of the size and scope of rural markets in this country.

Table 1.1: Villages in India.

Sl No	STATE/UT	NO OF VILLAGES (2001)	Sl No	STATE/UT	NO OF VILLAGES (2001)
1	ANDHRA PRADESH	28,123	19	LAKSHADWEEP	24
2	ANDAMAN & NICOBAR ISLANDS	547	20	MANIPUR	2,391
3	ASSAM	26,247	21	MIZORAM	817
4	ARUNACHAL PRADESH	4,065	22	MEGHALAYA	6,023
5	BIHAR	45,113	23	MADHYA PRADESH	558,392
6	CHHATISGARH	20,308	24	MAHARSHTRA	43,722
7	CHANDIGARH	24	25	NAGALAND	1,315
8	DELHI	165	26	ORISSA	51,352
9	DAMAN & DIU	23	27	PUNJAB	12,729
10	DADRA & NAGAR HAVELI	70	28	PONDICHERRY	92
11	GUJARAT	18,544	29	RAJASTHAN	41,353
12	GOA	359	30	SIKKIM	452
13	HIMACHAL PRADESH	19,831	31	TRIPURA	870
14	HARYANA	6,955	32	TAMIL NADU	16,317
15	JAMMU & KASHMIR	6,652	33	UTTARANCHAL	16,805
16	JHARKHAND	32,615	34	UTTAR PRADESH	107,440
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

You would notice that states vary widely in the number of villages they have, pointing to the fact that rural population are not homogenously distributed in India.

Almost 18% of all villages have a population of less than 200 people. If you estimated the number of villages having a population of less than a thousand people the percentage would be around 60%. The table 1.2 below gives an idea of the population dispersion in rural India.

Table 1.2: Rural Population – Dispersion Status.

Population	Number of Villages	% of Total Villages
Less than 200	114,267	17.9
200-499	155,123	24.3
500-999	159,400	25.0
1,000-1,999	125,758	19.7
2,000-4,999	69,135	10.8
5,000-9,999	11,618	1.8
10,000 and above	3,064	0.5
Total Number of Villages	**6,38,365**	**100.0**

Source: Table 1.1 and 1.2 Backgraound paper prepared and presented by Pradeep Kashyap, President, MART at the Rural Marketing and Communication Conference organized by FICCI on April 24, 2003, Delhi.

Activity 2

You have just gone through figures on rural population and its dispersed trends. Looking at the dispersion of rural population, what in your view are the implications for

a. distribution planning
b. market segmentation

for a manufacturer of complete range of consumer non-durable items.

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1.5 RURAL INDIA: A BRIEF DEMOGRAPHIC PROFILE

A clearer idea of the population in term of consuming units can be obtained by looking at incomewise population growth figures in rural India. Though this data is discussed at length in Unit 4, where you go through trends in rural consumer behaviour, it is relevant here for you to know how has the income profile of rural consumer changed over the years. The market roughly consists of a population of 73 million people of which 45% live in pucca houses, over 90% of the dwellings are self owned and a huge number i.e. almost 9% of the total population owns two wheelers. According to NCAER income projections, (Table 1.3) the lower income group in rural India, going by the current economic trends, is expected to shrink from over 60% in 1996 to 20% by 2007. The higher income group in the same period is expected to rise by more than 100 percent. Most FMCG segments, comprising the necessity goods segment in the period are expected to register double digit growth figures.

Table 1.3: Trends in Rural Income

(percent)

Income groups (Annual Income)	1994-95	2000-01	2006-07 (projection)
Above Rs. 1,000	1.6	3.8	5.6
Rs. 77001-100000	2.7	4.7	5.8
Rs. 5000-77000	8.3	13.0	22.4
Rs. 2500-50000	26.0	41.1	44.6
Rs. 25000 & below	61.4	37.4	20.2

Source: The future of the New Market Place, NCAER Research Project, Business Today April 7-21 1997.

From the tables and figures quoted above you must have already got some idea of the size and scope of the rural markets in India. To take you to specifics, the NCAER market demographic report 2002, has estimated the number of consuming class households in rural India, with annual income between Rs. 45001 and Rs. 2,15000. be equal to the number of households in urban India. Of course, it must be clearly understood that these equal number of units of consuming class in the rural sector is contributed by a little more than 70% of the population while a little less than 30% population in urban locations is able to contribute equal units of the consuming class. We need to be very clear at the outset that while there are, at the moment great disparities in the urban and rural buying power, the latter is catching up, and it is on this account that, it presents a land of untapped, latent opportunity to most marketers. In terms of disposable incomes for the same level of income, the rural disposable surplus is far higher, because most services like health and education are virtually free and other consumption heads like food and shelter are of a very low or nil order of expenditure. You must be aware from your own consumption patterns that in urban households, these heads i.e. food, shelter, health and education, account for sixty to seventy percent of the total expenditure. This means that for same level of total income, a rural household will have far greater disposable income to augment their purchasing power. A differentiator, a critical one, however is that most rural incomes are highly dependent on agriculture and thus experience a high degree of volatility. This volatility and lack of certainty about similar income streams coming in, have suppressed the purchasing power of the farmers for a long time. Some market analysts predict that crop insurance is a possible way out, enabling large sections of rural populations to enjoy the benefits of their own purchasing power. To go back to the specifics in size of these market, the rural market which used to account for nearly one-fourth of the total market size in both FMCG and consumer durables goods categories in early eighties has been growing to reach a share of 50% in some FMCG categories and exceeding 50% in other markets. The size of the rural markets annually for FMCG is currently estimated at Rs. 50, 000 crores while that for consumer durables is estimated at Rs. 5000 crores. The market for agri inputs and farm implements is today around Rs. 45000 crores, while the market for automobiles has been estimated at Rs. 8000 crores annually.

In spite of all these positive indicators, there continues to be a great disparity between urban and rural incomes in per capita figures as well as in percentage of population below the poverty line, though the latter shows marked variations across states. The tables 1.4 and 1.5 below represent the disparity in per capita income and the percentage of population below poverty line.

Table 1.4: Income Variation in Urban and Rural India 1999-2000.

State/UT	Per Capita Income (Rs./annum)		Ratio of urban PCI to rural PCI	Rank
	Urban	Rural		
Delhi	29,364	24,852	1.18	1
Haryana	18,134	14,855	1.22	2
Chandigarh	34,509	27,256	1.27	3
Punjab	21,413	16,540	1.29	4
Pondicherry	18,938	13,215	1.43	5
Rajasthan	15,850	10,693	1.48	6
Assam	17,231	11,109	1.55	7
Gujarat	22,742	14,574	1.56	8
Goa	17,440	11,017	1.58	9
Karnataka	18,394	11,300	1.63	10
Kerala	17,372	10,342	1.68	11
Andhra Pradesh	19,143	11,033	1.74	12
Bihar	12,404	6,976	1.78	13
Uttar Pradesh	12,257	6,738	1.82	14
Himachal Pradesh	19,881	10,816	1.84	15
Tamil Nadu	24,246	12,888	1.88	16
Maharashtra	23,747	11,769	2.02	17
All India	**19,407**	**9,481**	**2.05**	-
Madhya Pradesh	14,719	7,079	2.08	18
Meghalaya	20,714	9,284	2.23	19
West Bengal	23,892	8,792	2.72	20
Orissa	15,993	5,704	2.80	21

Source Draft report of NSS 55th round (July 1999-2000) NSSO April 2001. As this data predates their creation, the new states of Uttranchal, Chattisgarh, Jharkhand are not shown separately.

The figure of percentage below the poverty line in rural India are specially significant as they reflect the shrinkage of the consuming class when seen against the population figure in rural areas. Again you will from the table below be able to see that market potential of different states vary as they show different percentages of people with disposable income to support significant consumption.

Table 1.5: Percentage of People below the Poverty Line – State-wise 1999-2000.

STATES	RURAL	URBAN
All India	36.35	
Andhra Pradesh	22.48	32.28
Assam	61.78	12.48
Bihar	58.85	45.10
Gujrat	26.22	21.70
Haryana	14.86	13.79
Karnataka	38.50	24.55
Kerala	26.50	31.89
Madhya Pradesh	39.35	46.29
Maharashtra	50.00	32.16
Orissa	62.67	34.27
Punjab	14.24	6.74
Rajasthan	25.01	24.34
Tamil Nadu	39.37	29.82
U.P.	29.87	36.39
West Bengal	56.16	16.34

Source : Draft report @ NSS 35th round NSSO April 2001

In terms of occupational classification of the below the poverty line population in rural areas, it is easy to see that a significant proportion is contributed by the agricultural labour. The following table will clarify the situation more fully.

Table 1.6: Distribution of BPL households (Rural) by occupation.

(percent)

Household occupation	1999-2000 (Population)
Self employed in Agriculture	24.12
Self employed in other than agriculture	27.00
Agricultural labour	46.96
Other labour	29.24
Others	18.38

Source: NSS 5th round July 1999-2000, NSSO April 2001

A brief look at the socioeconomic indicators, based on the MIMAP survey, (Micro impact of Macro and Adjustment Policies) NCAER shows additional dimensions of the profile of rural markets in India.

Table 1.7: Key Social Indicators for India : MIMAP 96

Social Indicators	Rural	Urban
Education		
1. % literacy rates	51.7	83.2
2. % literate for 7 +	73.2	86.7
3. Average years of Schooling of primary dropouts	1.42	.40
Health		
1. Infant motality rate (per 000 births)	79.0	75.0
2. Immunization of children % (less than 24 months)	65.9	80.8
3. Antenatal care (percent)	46.6	74.5
4. Prevalence of illness episode (per 000 pop)	119	-
Basic Amenities		
1. Households without proper shelter (percent)	53.2	12.8
2. Access to potable water (% of population)	70.4	86.4
3. Households electrified (% of population)	46.6	92.0

Source: Rural Marketing by C.S.G. Krishnamacharyulu and Lalitha Ramakrishnan, Pearson Education, 2002

On the key social indicators, literacy rates have shown an improvement over the years. For both rural and urban populations, literacy rates are much lower for BPL population (rural males 53.8%, rural females 29.4.%; urban males 77.2 % urban females 56.1%) You will also find that there is a far wider disparity between male and female literacy levels in the rural India than in urban India. These figures have implications for media choices and package instructions as well as for product promotion methods used. The household electrification, access to tap water, immunization figures, on the one hand, point at the vast enormity of the developmental work yet to be completed and on the other hand, for marketers, portray the significantly differential lifestyles they are now addressing. Their tools for understanding the psychographics and thus deciphering buyer behaviour, would need to undergo major modification and adaptations. There are vast opportunities in healthcare, education and other infrastructure services, provided the services can offer value at the capacity to pay prevalent in these markets. Public private partnership are one way through which access to these services can be viably created. Some initiatives in the rural face of reform are given in the next unit under the section on policy environment.

Some other research studies show interesting dimensions of the rural demographics

- Of the total income generated in the household sector in 2000, rural areas accounted for share of 57%
- The ratio of per capita income of urban to rural income was 2.05 for all of India but was as low as 1.18 and 1.22 for Delhi and Chandigarh and as high 2.80 for Orissa showing that while in some states rural urban disparities are low , others still have a wide divide
- While 45% of rural India lives in pucca houses only 25.5% have a tap to get their drinking water from
- Households at the mercy of seasonal fluctuations in income account for a large share of the rural population
- Merely 5 and .05% of total households headed by petty shopkeepers and businessmen were in the rural area, catering to the need of more than 70% of the country's population. Rural India thus finds a large incidence of transitional market system of haats and melas
- Only 45% of the rural India is approachable by motorable roads.
- The rates of growth in some consumer goods categories is faster than that in urban markets. In fact for some categories of products, the rural market share has overtaken or its fast approaching, the urban market share. The table below indicates the product categories where these trends are most apparent.

Table 1.8: Market share of select products in Rural and Urban Markets.

Product	Urban Share (%)	Rural Share (%)
Analgesic tablets	54.3	45.7
Batteries	43.8	56.2
Blues	47.7	52.3
Coconut Oil	58.4	41.6
Iodized Salt	48.6	51.4
Safety Razor Blades	45.9	54.1
Tea	48.7	51.3
Toilet Soaps	58.1	41.9
Washing cakes/bars	45.4	54.6
Washing powders/liquids	53.6	46.4

Source: http://www.indiainfoline.com/bisc/mmru.html

- Despite growing incomes, the rural penetration of consumer durables continues to be low (Average ownership of about 3 durables on an average as against 8.5 in urban areas)
- The average ownership of electrical goods is .82% per rural family but the same jumps to 2.48 if only the electrified villages are concerned. This compares reasonably well when seen against average ownership of electrical durables in urban areas which is 3.39
- The recent Pradhan Mantri Sadak Yojana, a programme with an outlay of 60,000 crores, introduced to connect 1,90,000 villages through roads is expected to vastly improve the market connectivity and should see a definite change in the way marketers approach their rural operations

Activity 3

Critically assess, in view of the demographic profile of the rural markets just studied by you, what is the type of market opportunity for the following products and services in the rural markets. Base your comments on your discussion with people in organizations associated with these products/services.

a. cooking oil
b. insurance service
c. computer training services
d. two wheelers
e. digital inverters

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1.6 MARKETING CHALLENGES PRESENTED BY THE RURAL MARKETS

That rural markets for a large number of FMCGs and some consumer durables, represent the new land of opportunity cannot be denied. Yet our lack of complete understanding of the challenges presented by the rural market has acted as a barrier inhibiting quite few companies from venturing into these terrains. Yet, the companies that have taken time and effort to understand the needs and aspirations of the rural markets have met with great success and some corporate giants like HLL and Colgate Palmolive show a large share of their market (52 and 47% respective) is now contributed by rural India.

Arvind Mills, finding that even the cheapest ready to wear jeans were outside the paying capacity of most rural youth, introduced their ready to stitch Ruf and Tuf jeans kit at Rs.195 against the ready to wear range of Rs. 250 to 300 at the lowest level. Like all efforts at market building, Arvind Mills had to take specific initiatives and make investment to create primary demand. Local retailers in locations with 5000+ population were stocked with the product, training was provided to village tailors and special accessories enabling them to stitch heavy duty denim were also supplied. Demand crossed a million kits in the first two months and a sales figure of five million kits was crossed in eighteen month. The issue here is one of patience, of identifying roadblocks and devising solution to overcome them. While separate units are later in the course, devoted to specific facets of the marketing challenge presented by the rural markets, let us here take an overview of these challenges confronting a marketer as he approaches the rural markets.

- **Getting to know the Rural consumer:** The marketers' (barring a few) understanding of the rural consumer is, for all intents and purposes, limited. Most of their experiences have been earned in urban contexts which, as you have seen are vastly removed from the rural ones. The economy, lifestyle, languages spoken, awareness levels regarding alternative choices, exposure to media, reference groups, family decision making, value perception, impact of culture and social mores are all very different. To add to the complexity, the urban rural divide is not uniform, the differentials between urban and rural become pronounced as the remoteness from urban locations rises. Heterogeneity in dispersion of rural population and lifestyle across the country and between states add to the marketer's problems of appropriately segmenting the markets on a realistic assessment of buying motivations and buyer behaviour involved. You will study about these issues in detail in Block II of the course.

Accessing the rural consumers – the distribution dynamics: Distribution in rural India is considered a tough challenge to overcome, on account of 700 million + people spread in 6,00,000 + villages and that too unevenly. (Ref. Table 1.2 on rural population dispersion). Less than half the villages are connected through motorable, all weather roads. The rural retail institutions are fairly widespread, though the product choices made available are few. Most marketers have reckoned, that for the FMCG sector direct supply to feeder towns (population 20000+) would be quite adequate, as each of the distributors in turn, could service a supply network of more than a hundred outlets in about fifty locations which can then cover majority of villages with 2000+ population. You must appreciate that while these villages (2000+population) number only 85000, they account for upto forty percent of population and account for above sixty percent of the total rural consumption. The problem of access is for reaching the balance 60% of the population adequately. Marketers also contend that the rural consumption is at a certain level today partly because access to desired products and services is low. Utilizing the traditional outlets of haats and melas effectively, finding customized local solutions, employing mobile vans for transportation cum sales purposes, are some answers that marketers have chosen to employ. We will deal with the issue of rural distribution at length in Block V of this course.

Product and pricing choices: The rural consumer is an astute consumer and a discerning buyer, partly because of the various demands on a limited discretionary income. Marketers therefore need to understand that their product mixes for the rural marketers would need to be judiciously planned in views of the rural reality. Smaller packs and stocking units have been imaginatively used by some markets. Packaging has to be responsive to the rural preference for colour and size while branding needs to be strongly associative. The plight of the marketer is compounded by the blitz of spurious brands that flood the rural market in the FMCG sector, taking advantage of the lack of exposure of rural consumers. Product and brand recognition therefore, become a critical challenge. Marketers also recognize that a majority of branded products are facing an introduction and early growth stage of PLC in the rural market so their product strategies in comparison to the urban efforts would need to vary.

Pricing in the rural market has now successfully overcome the myth that only cheaper, stripped down variants will sell well in these markets. Rural consumers certainly, like their urban counterparts, want value for money but may not have buying capacity to buy larger units at a given purchase occasion. Adaptation of pricing strategy, promotional pricing and price bundling are some of the ways marketers have applied to their advantage. We will take a detailed look at product and pricing issues in Block III of this course.

- **Promotion in Rural India:** You have, in the earlier section, seen the literacy profile of rural India. Electronic media covers only 29% households in this segment, making the most used media vehicles (print and audiovisual) have a limited application as promotional media. The villagers sources of information about products and brands are limited, key influences are exerted by word of mouth, opinion leaders and existing users. The limited information sources inhibit the rural confidence in buying new products and marketers have a key challenge in building up trust and reassurance. In order to communicate effectively in rural markets, marketers would need to have a clear understanding of rural aspirations, fears, perceptions and role models. Traditional institution of haats and melas have not been adequately utilized by markets but their potential as platforms for promotions is being fast realized. We will go through these issue in Block IV of this course.

1.7 THE RURAL CONSUMER – GENERALISATION DRAWN FROM RESEARCH

Marketing and Research Team, (MART) an organization involved for decades in rural marketing research, has over the years built up a veritable trove of research findings on rural consumers and their consumption patterns. Some of these findings were presented by Mr Pradeep Kashyap, President, MART at the recently held Rural Marketing and communication conference organized by the Federation of Indian Chamber of Commerce and Industry (FICCI) at Delhi on April 24th, 2003. The following section is based on the presentation, after due permission from the author.

1. The rural consumer may not be very educated, but he is certainly astute, with a lot of commonsense and practical experience of handling the vagaries and uncertainties of life. He displays great ingenuity and adaptability as evidenced by his learning to repair his tractor, hand pump and motorbike, and finding a host of local solutions in everyday life.
2. Though low on economic resources, he does not go in for only 'cheap' products but looks for value for money. Perception of a premium product is not yet relevant in rural markets, with consumers more concerned with functionality than unnecessary 'frills' with a consumer durable. Too many features with a product tend to confuse the rural consumer.
3. Rural consumers are generally mistrustful and wary of urbanities and turned off by their patronizing attitudes. It is not easy for a rank outsider to get the rural consumer to spend money.
4. Brand adherence is high among village consumers. This may not necessarily be on account of loyalties. Limited access to alternatives and lack of information about possible choices do make them 'stick' to tried and tested brands.
5. Brand recognition is often on the basis of logos, symbols, colours rather than the exact brand name. This tendency is partly responsible for the widespread menace of spurious products in rural markets, as it is easy to deceive the rural consumer with look-alikes.
6. A very high degree of involvement characterizes purchase of expensive products like consumer durables. A lot of checking and counterchecking is done to seek reassurance on the soundness of the buying decision. Marketers must embody reassurance and provide opportunity to 'see and touch' the product in their marketing communication processes.
7. Routine is important to a rural consumer's life as a lot of time consuming activities characterize his everyday life. The routine is governed by nature and seasons, not by the calendar or the clock. Sunday is not typically a holiday. In buying processes, the consumer is not in a hurry and cannot be pushed into a hasty purchase for these segm[illegible]

8. Rural incomes show a great seasonality for the segment of large farmers. The segment of petty farmers, farm labour, non farm workers and the salaried class show a greater regularity of income patterns so the consumption cycles are also more regular and predictable.
9. on account of far higher degree of inter personal communication characterizing village life and relatively low penetration of mass media, word of mouth is a very effective medium of influence generation. Existing users, dealers, village influentials, youth studying or working in urban locations are all consulted before making purchases.
10. Among the households with TV ownership, TV viewing is the highest among women and children who in contrast to the traditional, household head dominated decision scenario are fast emerging as demand generators for the household goods. Decisions on durables like radio, TV and two wheelers are still male dominated decisions, taken in consultation with other people in the community.
11. The rural youth are increasingly becoming more exposed to urban lifestyles on account of their frequent visits to urban locations either for higher education or for work. Their media exposure to television is also much higher. This makes urban lifestyles an aspirational model for them and their preference for national brands is on the rise.
12. While culture and social norms have a greater hold on rural consumer than urban ones, perceptions, traditions and values vary from state to state, sometimes from region to region. It is therefore, difficult to work with a pan rural Indian communication package. Two step flow of communication, using opinion leaders and mass media both, seems to work better in rural settings.

These observations made on the basis of a host of research based inputs make it very clear that rural marketing effort cannot be visualized as a simple extension of the urban marketing process. It is a different market and presents a different set of premises on the basis of which suitable marketing effort, adapted to the realities of rural India would need to be designed.

Activity 4

On the basis of the above sketch of the rural consumer, as the marketer of an aerated, nationally sold brand of aerated cold drinks what are the marketing implication that you will draw for

a. your rural product mix
b. your rural promotion
c. your rural distribution

Justify your answer on the basis of what you have learnt about the rural markets in this Unit.

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1.8 Summary

Rural Markets in India are vast, geographically dispersed and diverse. With the growth in rural incomes and the higher purchasing power emanating from the same, rural markets have emerged as the new destination of marketers interested in improving their market shares. The opportunity, however, is not free from several daunting challenges. It is well understood that as a relatively untapped territory, the markets would reward the early entrants, specially those who move in with some understanding of the rural consumer and markets. This unit introduces you to the theme of what rural markets in India are all about, in terms of their size, scope, nature and diversity. It is against this backdrop that you would learn to plan and implement the marketing effort for the rural markets. The unit provides an overview of the subject, the various facets of which will be dealt at length in the successive blocks that follow.

1.9 SELF ASSESSMENT QUESTIONS

1. What do you understand by the term rural markets? Explain. Comment upon the nature of transactions that take place in the rural markets.
2. If the same principles of marketing apply for any kind of market, why is there a need to study rural marketing separately as an area of study?
3. What are the implications of the rural urban income disparity for marketers? Analyse the information given in the unit and comment.
4. How do socio-economic indicators make the rural market a different market ? Explain.
5. There are a lot of observations made towards the end of the unit about rural consumers. What are the promotion, pricing and product implication arising out of this knowledge about the rural consumers? Illustrate with examples.
6. What are the specific challenges for marketers intending to make a bid for the rural markets? Explain with examples.

1.10 FURTHER READINGS

1. Background paper by Pradeep Kashyap, President MART, presented at Rural Marketing and Communication Conference, organized by FICCI, New Delhi (April 24th 2003).
2. Rural Markets, A world of opportunity, October 11, 2001 w.w.w.hindunet.com
3. Tara Sinha, "Is being crude worse than --------?, Advertising and Marketing, Jan 31, 2001.
4. Sanal Kumar Veluyadan "Rural Marketing : Targetting the Non urban Consumer" Response Books 2001, New Delhi.

You are also requested to look into the following sites to get further updates on rural marketing inputs.

1. www.hll.com
2. www.indianfoline.com
3. www.equitymaster.com
4. www.ruralrelations.com
5. www.amul.com
6. www.indiaruralmarket.8k.com
7. www.martrural.com
8. www.anugrahmadison.com
9. www.samparkrural.com

UNIT 2 UNDERSTANDING RURAL ENVIRONMENT

Objectives

After going through this unit you should be able to:

- discuss the rural environment in the context of the rural economy
- describe the infrastructure governing rural economy
- explain the key institutions in rural India, especially banking and agriculture related institutions
- understand the framework of rural politics
- analyse the structure of the rural society
- appreciate the impact of policy framework
- assess the impact of technology
- use the understanding of rural marketing environment to develop your marketing plans.

Structure

2.1 INTRODUCTION

While referring to the Rural India of today, in marketing potential terms, the context of India's over 70% population living here is not the only prime issue. This population is beginning to get dynamic in its tastes, lifestyles, thinking and attitude, independent of developments in the urban market. The market is finding its own reason and rationale to switch from one product to another or from unbranded goods to branded goods. As you go into the other units, there are in-depth discussions on the rural onsumer, the type of product he buys, the ways of distributing and promoting in the rural markets. Before we get into those details, it is important to understand the environment of the rural India and possibly find reasons for some radical changes occurring in rural India. From Chaupals to E-Chaupals is definitely an augmentation for the society and the fact that the members of this society are willing to innovate and experiment is encouraging. Data of the last few years reveal distinct preferences for products like Tube Lights versus Bulbs or Iodex versus Amrutanjan. Both are cases of brand and category switch. Ultimately, the core issue is of value being sought from the product. Hence, it will be unfair to misjudge the rural consumer to be a poor clone of the urban consumer. His needs, wants and demands are very different and largely based on the environment within which he operates rather being purely imitative. Electricity is one of the key deterrents in the rural market, which affects certain purchases directly. Unlike urban markets, Ice Creams or Pet Bottles of carbonated drinks will have domestic storage problems in rural markets. It does not mean that the rural customer will not savour an ice cream or a bottle of chilled soft drink. His mode and quantity of consumption might be very different, as his stocking options are low.

You may have observed the Coca-Cola commercials, especially the one set in the rural heartlands of Punjab and the Rs.5/- promo offer. Both these commercials throw light on the rural India's environmental context that we have been talking of. The way the Coca-Cola bottles were retrieved from the well, is a popular means of stocking mangoes in rural Punjab to keep them chilled. In the other case, two girls who approach the shopkeeper for a Coca-Cola, ask for a single bottle, rather than two bottles, quite unusual in urban markets. However, it does not have any direct relationship with the purchasing power of the individual but the value being sought from the product at any given point in time.

The above instance also reflects heavily on the rural settings and the environment within which consumers exist. This unit on rural environment first covers the economy and its description. To describe the rural economy, income, occupation and the ownership patterns are a few parameters that have been discussed to explain the progressiveness in the economy. The second section discusses about the rural infrastructure and the institutions. The rural infrastructure in terms of the basic aspects like the road, rail, electricity, banking and financial institutions which are the lifeline for any economy, has been covered. The institutions discussed are the formal and informal organisations that exist in the rural economy. The formal organisations are the banks, agricultural institutions and other related financial institutions. The informal organisation refer to the Chaupals, Aangan Badi programs and other social organisations/institutions set up locally for a given region or zone. The third aspect of the unit is a discussion of the rural institutions and the political framework of the rural region. The Panchayats and their role especially in the local politics and how over the years the Panchayati Raj organisational structure has become the building block to the more broader and significant district and state level politics have been discussed. Also, with agriculture being critical revenue earners for certain states, the state politics there is rural driven, case in point, being Punjab, Maharashtra or Andhra Pradesh. The political environment of villages in such states is therefore a significant variable.

The fourth part of the discussion is on the rural society, which has its very own distinct structure both at the formal and informal level. Though population migration to urban or semi urban locations may seem as an integral failure of the society here, but certain values and traits are never given the go by in the process. Collective decisions, mutual respect especially for the elders, transfer of learnings attained in an urban context or from prior experience are all very unique to the rural society.

The later part of the unit discusses the impact of policy decisions in the context of the rural markets. There are certain critical policy decisions taken up by the government for development of the rural India and every year the basket of offer keeps on changing. The unit analyses some of the important policy decisions that might have been taken and how have the same impacted the rural markets. A case in point is that of agriculture incomes: the agricultural income being tax-free, has an impact on the collective buying decisions and the disposable income for any household. The last part of the discussion is on the impact of technology in rural markets. Talking of technology, compared to urban markets the rural markets are still evolving in terms of basic technology per se. Concepts like ATM or Credit Cards or Cellular Phones have a high penetration in the urban markets, The availability of infrastructure is critical to understand the cause and effect relationship between technology penetration and amount of technology used. This is one aspect where the rural markets still rely on the nearest feeder towns and cities for assistance. Issues like electricity or a well- [illegible] problems with which the rural markets

By the end of this unit you will appreciate that it is important for you as students of marketing to analyse the implications of environmental considerations for marketing in rural India. As you move from Unit 2, into more specific and specialised units on marketing in Rural India, the environmental considerations will be critical to correlate. Take for example, the Unit on the rural market buyer behaviour, wherein the first aspect to be covered will be the rural buying behaviour and differences between their urban counterpart. Without knowledge of the rural society it will not be possible for you to analyse rural buying behaviour. It is therefore of significant importance that you use your understanding of Unit 2 for understanding the remaining units on Rural Marketing.

Activity 1

Talk to the representatives of any company, significantly involved in rural business. In their view, what are the business environment variables they considered before creating their rural marketing plans?

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2.2 THE RURAL ENVIRONMENT AND ECONOMY: AN OVERVIEW

It will be unfair merely to say the rural economy is on the growth path in the last few years. Infact, the growth this time is more than succinct and consistent in nature. A few changes among these are even radical in nature, which is critical from the view of marketing imperatives. Before we discuss the key issue of the rural economy, let us look at the overall picture of the Indian economy briefly in the context of the urban and rural markets. (Table 2.1)

Table 2.1 – INDIA : A BRIEF STATISTICAL PROFILE
INDIA

Area (sq. kms.)	30,65,027
No. of districts (2001)	593
Total no. of inhabited villages (2001)	6,38,365
Population (2001)	1,027,015,247
Decennial growth of population (%) (1991-2001)	21.34
Density (person per sq. km) (2001)	324
Sex Ratio (females per 1000 males)	933

Population Classification (2001)

	Population million	(%)
Urban	285	27.8
Rural	742	72.2
Total	**1027**	**100**

Rural Classification

Village Class	No. of villages	%	Popn. lakhs	%
Less than 200	103952	17.90	105.32	1.69
201-499	141143	24.30	484.62	7.78
500-999	144998	24.97	1043.57	16.76
1000-1999	114395	19.70	1602.94	25.74
2000-4999	62915	10.83	1855.73	29.80
5000-9999	10597	1.82	698.39	11.21
Total	**580779**	**100.00**	**6228.12**	**100.00**

Working Population (2001)

No. of workers (millions) 402.5
Of which
Urban (millions) 91.8
Rural (millions) 310.7

Work Participation Rate

	Total workers		Main workers		Marginal workers	
	2001	1991	2001	1991	2001	1991
Rural	42.0	40.1	31.0	35.8	10.9	4.3
Male	52.4	52.6	44.5	51.9	7.9	0.7
Female	31.0	26.8	10.8	18.8	14.2	8.0
Urban	32.2	30.2	29.3	29.5	2.9	0.7
Male	50.8	48.9	47.5	48.6	3.4	0.4
Female	11.5	9.2	9.1	8.2	2.4	1.0

Banks (1993)

No. of office	61,968
Deposits (Rs. Crore)	2,73,501
Credit- as per utilisation (Rs. Crore)	1,61,370

Communication (2003)

Post Offices (Rural) (000) 138.5
Tele-density
Urban 11.58
Rural 1.03

Electricity

Households having electricity connection (%) (1991) 42.37
Urban 75.78
Rural 30.54
Villages electrified (%) (1996) 84.80

Railway network (1992-93)

Railway route length per 1000 sq. km (Kms) 19.01
Total length of national highways (Kms) 34,257
Surfaced length of national highways (Kms) 34,080

Roads (1995)

Road length per 100 sq. km (Kms) 66.9

Automotive Vehicles Population (1996)

All motor vehicles 3,33,62,401
Personal transport (Car, Two-wheeler, Jeep) 2,67,78,552
Commercial vehicles-passenger (Bus, Taxi, Three-wheeler) 18,13,302
Tractors 20,42,558
Others 1,89,807

Fuel Consumption '000 Tons (1996-97)

Petrol	4875.80
Diesel	34,796.26
LPG	4141.27
Kerosene	9519.62

Source: Statistical Outline of India, 2002-2003, Tata, Tàta Services Limited, Mumbai

The figures are an indication of the urban versus rural divide and how the rural infrastructure and amenities fare as against the urban markets. On the population statistics, the larger share still resides in the rural India, which makes the potential of

the market all the more critical to future growth. Technically speaking with 70% of the population in the rural heartland with lower literacy rates, higher working population and absence or reduced presence of basic amenities is a paradox, which is difficult to describe and points to of the complexities of the rural economy. A larger working population should make the economy more productive and open to a larger base of resources. The low productivity in the key sector of agriculture however keeps the household incomes and consequently the disposable incomes at low level, compared to other agrarian economies. A few other critical component to be noted in context of rural India are with respect to:

i) Hospitals, which are substantially less than what the urban area has;
ii) Electricity, a critical aspect which acts as deterrent to many factors of growth and;
iii) Media exposure where is comparatively less as compared to the urban areas, and this is directly correlational to the literacy rates as shown in socio economic profile in Unit 1 (Table 1.7).

The above data is indicative of some general aspects of the overall economies indicators. If you looked at a detailed picture with factors like sector wise growth indices of agriculture production and consumer price index, these macro economic indicators show a more clear picture of the way the rural economy is shaping up. The sectoral growth in 2001-02 shows agricultural growth estimation to be higher than industrial growth. The employee base in agricultural labour is showing a downward trend.

Table 2.2: Some Macroeconomic Indicators.

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000 (P)	2000-2001 (Q)	2001-2002 (A)
Sectoral real growth rate in GDP (at factor cost)								
Agriculture and allied services		-0.9	9.6	-2.4	6.2	1.3	-0.2	5.7
Industry		11.6	7.1	4.3	3.7	4.9	6.3	3.3
Services (financial, real estate and business)		8.2	7.0	11.6	7.4	10.6	2.9	7.5
Growth in Agricultural Production (crop based index)				-6.1	7.6	-0.9	-6.6	6.9
Index numbers of agricultural production								
Food Grains - Cereals	158.3	149.8	163.9	159.9	168.0	175.1	165.1*	
- Pulses	137.4	121.0	140.1	126.9	145.8	132.1	105.4*	
Groundnut	134.4	126.4	144.1	122.9	149.7	87.7	103.7*	
Rape seed and Mustard	282.2	294.0	326.3	230.5	277.6	283.7	206.2*	
Growth in consumer price index (over annual charges) *								
Industrial workers-food (base 1982=100)		9.9		7.3	11.1	3.5	1.6	
Industrial workers-general (base 1982=100)		9.3		8.1	13.1	3.4	3.7	
Urban non-manual employees- general (base 1984-85=100)		8.6		8.0	12.6	3.5	5.4	
Agricultural labourers-general (base 1986-87=100)			6.8	10.9	4.1	-1.0		
Growth in per capita emoluments of public sector employees		18.0		10.1	6.6	20.4		

***Source:** Indian Market Demographics Report 2002, Economic Survey (2001-02, 2000-01), Ministry of Finance. (P) = Provisional; (Q) = Quick; (A) = Advance estimates; * = Estimated.*

It is important to mention here that agriculture has not shown positive growth as compared to the Industrial and the services sector in the last few years. On the consumer price index between the industrial and the agricultural labourers, the former seems to have fared better than the latter from the data provided for the last 4 - 5 years.

As you have seen from statistics provided in the first unit, in the well-off states/UTs of Chandigarh, Delhi, Punjab, Guajarat, Tamil Nadu, Maharashtra and Haryana the rural per capita income is almost 1.3 times the national average. This has strong correlation with the region's agricultural prospects which are more progressive in these states than some of the other states. Infact, as you move to the later part of this unit, you would see the heterogeneity of the rural markets as data on the purchase habits, particularly of these states with higher PCI is very different from the others. There are interesting regional variations in rural income categories(table 2.3). The trends shown below are indicative of these variations.

You would be able to discern the trends in economic growth (table 2.4), though the shift to higher income segments is lower as compared to the urban areas, the rural segment in 35001 to 70,000 category has shown a rapid growth, while the segment in upto 35,000 category has declined. Almost 50% of the rural segment in 99 was in the 35001 to 105000 category as compared to only about 41% in the same category in 92-93.

Table 2.3: Estimated Distribution of Household by Income Groups (All India at 98-99 prices).

(Percent)

Annual Income (at 98-99) prices	92-93		96-97		98-99	
	Urban	Rural	Urban	Rural	Urban	Rural
Upto 35000	38.44	65.49	24.46	52.80	18.96	47.94
35001-70000	32.97	22.61	34.69	31.79	33.76	39.83
70000-105000	16.07	8.22	21.33	9.54	22.59	10.41
105001-140000	7.62	2.30	10.55	3.44	12.16	3.85
Above 140000	4.90	1.37	8.98	2.43	12.53	2.97
Total	100	100	100	100	100	100
Total of no. households (000)	42114	113203	47375	119289	49111	122810

These income distributions show interesting variations regionally.

Table 2.4: Region-wise Rural and Urban Changes by Income Class.

Region	Urban				Rural			
	Household distribution		Growth per annum		Household distribution		Growth Per Annum	
	1995-96	1998-99	1989-96	1995-99	1995-96	1998-99	1989-96	1995-99
North								
L	29.51	21.61	-2.23	-7.88	57.26	46.50	-0.28	-4.97
LM	33.93	33.49	1.48	1.75	27.20	34.89	5.61	10.67
M	18.54	20.04	3.08	4.88	9.41	10.84	4.71	6.78
UM	9.71	11.14	9.60	6.98	3.18	4.01	17.93	10.02
H	8.30	13.72	16.33	20.85	2.94	3.76	29.51	10.57
ALL	100.00	100.00	1.91	2.20	100.00	100.00	2.39	1.86
South								
L	33.62	20.43	-5.04	-14.13	61.35	49.17	-1.72	-6.46
LM	34.60	36.13	5.24	2.86	27.1	34.76	10.21	9.40
M	18.52	22.44	10.61	8.08	7.51	10.14	16.66	11.28
UM	7.64	11.04	13.97	14.63	2.72	3.71	33.43	11.72
H	5.48	9.96	17.82	23.72	1.30	2.21	39.94	20.27
ALL	100.00	100.00	2.36	1.38	100.00	100.00	2.38	- 0.70

(Cont.)

Region	Urban				Rural			
	Household distribution		Growth per annum		Household distribution		Growth Per Annum	
	1995-96	1998-99	1989-96	1995-99	1995-96	1998-99	1989-96	1995-99
East								
L	25.05	19.80	0.11	-6.06	61.94	57.97	1.82	-0.99
LM	34.49	33.72	0.10	0.84	27.38	30.97	2.57	5.47
M	34.76	25.03	2.33	-8.93	6.99	6.90	-1.93	0.76
UM	9.22	11.40	3.80	9.04	2.33	2.28	10.86	0.45
H	7.48	10.05	11.18	12.10	1.36	1.89	14.27	12.91
ALL	100.00	100.00	1.55	1.60	100.00	100.00	2.00	1.22
West								
L	22.45	13.95	2.80	-13.34	44.56	34.14	1.57	-7.35
LM	35.21	31.48	2.40	-2.17	36.79	40.44	5.94	4.49
M	22.05	23.96	4.94	4.40	11.27	15.17	10.48	11.80
UM	11.99	14.96	13.72	9.34	4.71	6.03	27.97	9.93
H	8.30	15.65	14.96	25.46	2.67	4.21	37.41	17.87
ALL	100.00	100.00	4.30	1.55	100.00	100.00	3.22	1.25

Note : L – Low (upto 35000), LM - Lower Middle M=middle 70,000to 105000,
UM - Upper Middle 105001-140,000, H – High > 1,40,000
Source: Indian Market Demographics,2002 NCAER

You would find that the household income data shows further variations if we look, at the household income data distributed by the occupation of the head of the household. Given below are, first, an overall distribution of households in India by occupation so that you get an idea of the occupational (Table 2.5) distribution in rural India, followed by income distribution, occupationwise (Table 2.6).

Table 2.5: Estimated Number (in '000) and Percentage Distribution of Households by Head's Occupation (1998-99) - All India

Occupation	% Distribution		
	Urban	Rural	Total
Housewife	.88	1.04	0.99
Cultivator	3.54	40.89	30.28
Wage earner	20.87	35.22	31.15
Salary earner	40.64	11.26	19.61
Professional	3.31	0.72	1.45
Artisan	6.77	3.44	4.38
Petty shopkeeper	16.68	4.79	8.31
Businessman	3.77	0.44	1.39
Others	3.53	2.00	2.44
TOTAL	100.00	100.00	100.00

Source: Indian Market Demographics,2002 NCAER

An occupation wise comparison of urban and rural markets by the occupation of the household head, expectedly shows a very high concentration on cultivation (41%) and wage earning (35.22) in the rural India while the urban India shows high percentage of salary earners (40.64) and wage earners (20.87)

While cultivator and wage earner form sizeable portion of the rural household and occupation as shown in Table 2.6; Table 2.7 reflects that most of the cultivator and wage earner segment falls in the lower and lower middle income groups. Also, while segments like Businessmen and Professionals have shown the propensity to bulge more towards upper middle and higher income segment, the petty shopkeepers and the

artisans are also seen as forming a sizeable chunk of the population especially in the lower middle and middle segment.

Table 2.6: Income Distribution of Households by Head's Occupation (Rural) (1999-2000).

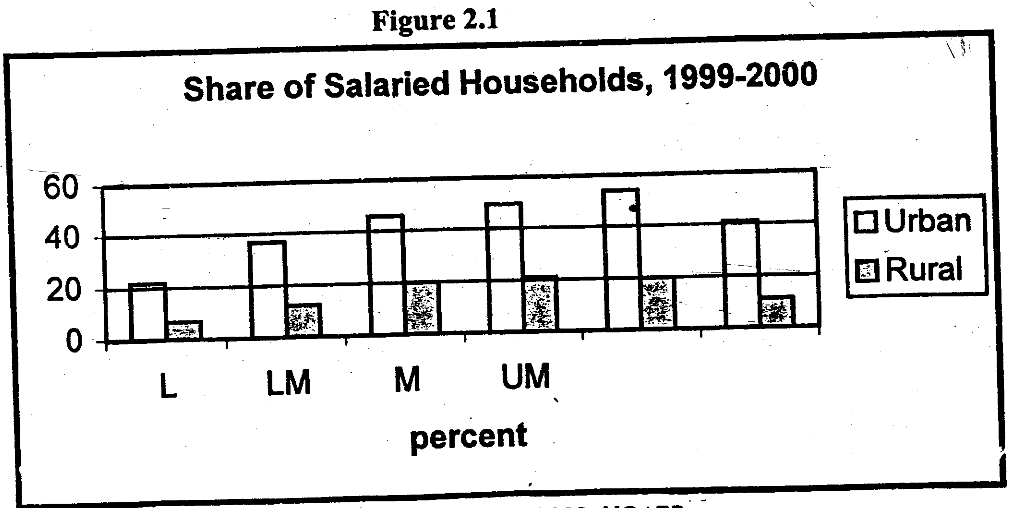
(percent)

Head's Occupation	Income Class					
	L	LM	M	UM	H	All
Housewife	33.43	38.18	18.32	7.43	2.64	100.00
Cultivator	39.33	36.64	13.02	5.76	5.26	100.00
Wage Earner	61.26	36.64	13.02	5.76	5.26	100.00
Salary Earner	23.93	39.28	22.01	8.40	6.38	100.00
Professional	12.60	24.33	22.90	20.81	19.37	100.00
Artisan	41.11	36.87	17.64	3.12	1.25	100.00
Petty Shopkeeper	35.91	38.74	16.14	5.58	3.63	100.00
Businessman	1.12	5.19	30.00	33.72	29.97	100.00
Others	37.03	31.34	20.76	7.85	3.01	100.00
Total	44.74	34.88	12.36	4.47	3.56	100.00

Source: Indian Market Demographics report 2002, NCAER

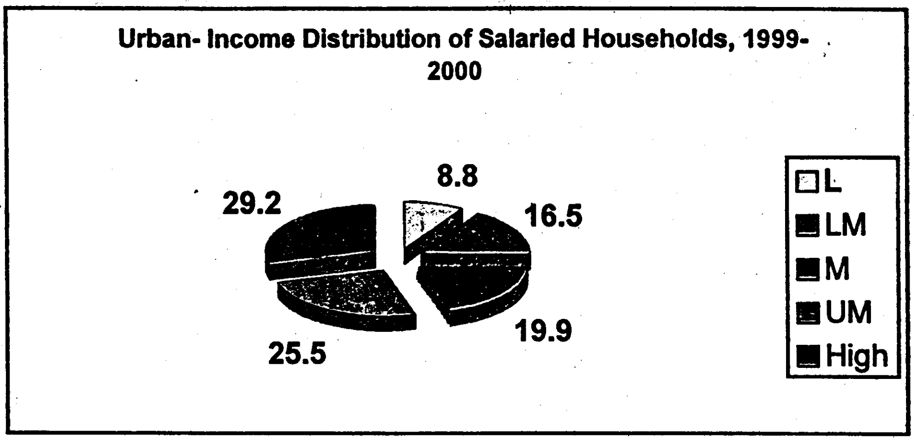
In terms of education as you have seen from Unit 1 the literacy levels are far lower in the rural areas as compared to the urban markets. The "no education" & "Elementary" category differences between the urban and the rural markets are fairly high but the disparity reduces as one moves to higher secondary level education.
In unit one we saw that large percentages of rural income drawn from agriculture, the incomes are uncertain and seasonable. Let us look at the incidence and distribution of salaried income classes in the rural areas, to get an idea of the relatively 'stable' demand potential of the market. The following figures are fairly self explanatory and give the picture of rural salaried income distribution as against urban picture. Figure 2.1 gives you a picture of the population of salaried households in India while figure 2.2 and 2.3 illustrate how salaried households in India while figure 2.2 and 2.3 illustrate how salaried incomes are distributed in urban and rural population respectively.

Figure 2.1



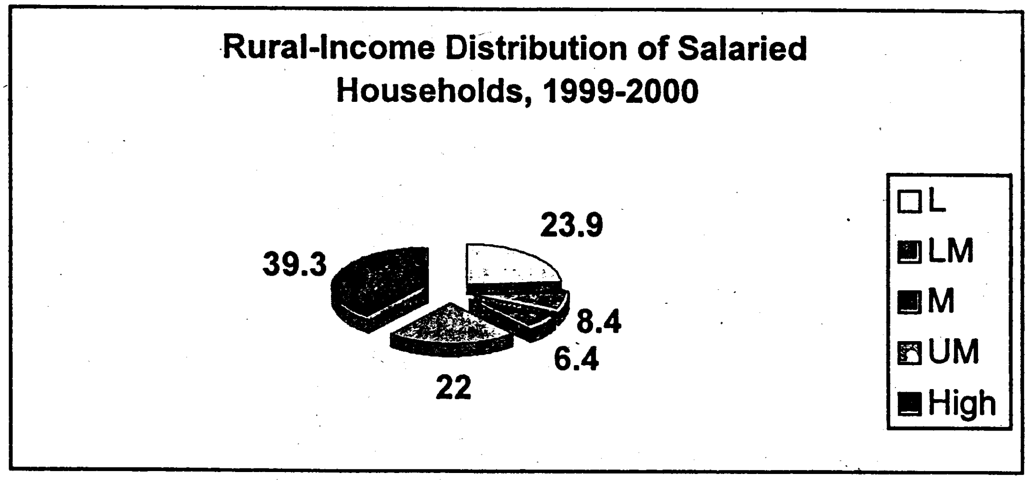
Source: Indian Market Demographics Report 2002, NCAER

Figure 2.2



Source: Indian Market Demographics Report 2002, NCAER

Figure 2.3



Source: Indian Market Demographics Report 2002, NCAER

You would see that salaried households, are far less in the rural areas owing to the basic nature of occupation, which comprises more of cultivation and daily wage earners. Besides, while the share of salaried class shows a growth in urban areas, it seems almost static in rural areas. Figure 2.2 and 2.3, show the differential distribution of salaried income classes between rural and urban segments, and indicate that while over 36%of salaried households in the urban areas fall in the top two income brackets, the rural distribution is bottom heavy with about 63% of the salaried households falling in the lower and lower middle segment.

The classification in terms of economic well being has also been used to show the relative status of consuming classes in India. NCAER data shows interesting variations in the four regions of the country. The consumer classification as given in the NCAER Indian Market Demographics Report 2002 are:

1. The Affluent/Very Rich : Households owning personal Car/Jeep along with other products.

2. The Well Off : Households owning any/all of these – air conditioners, motor cycle, scooter, washing machine, refrigerator, colour television with other durable products but no car/jeep.
3. The Climbers: Households owning any/all of these: moped, VCR, VCP, mixer grinder, sewing machine, audio equipment black and white TVs, geyser with other durable products but not these mentioned under the first two categories.
4. The Aspirants: Households owning any/all of these: bicycle, electric fans, electric iron with other durables but not those mentioned under the first three categories.
5. The Destitute: Households other than those classified under categories 1 to 4 above (owning any/all/none of these –wrist watches, pressure cooker, monocasette recorder, transistor/radio.

A distribution of population by these variable is seen below in Table 2.8.

Table 2.7: Zone-wise distribution of Households by Economic Well-Being, 1999-2000

(per cent)

Zone		Affluent	Well-off	Climbers	Aspirants	Destitute
North	Urban	11.32	51.90	25.16	7.75	3.86
	Rural	1.12	21.15	28.28	30.70	18.75
South	Urban	10.22	21.15	28.28	30.70	18.75
	Rural	0.94	29.02	44.90	19.01	6.13
East	Urban	6.19	54.24	28.52	9.91	1.14
	Rural	0.31	9.88	24.88	49.11	16.02
West	Urban	8.64	65.78	22.05	2.88	0.65
	Rural	2.16	30.81	37.42	21.39	8.22

Source: Indian Market Demographics Report 2002, NCAER

Table 2.11 also reflects on the wide disparity especially in the affluent and the well off as against the aspirants and destitute in the lower strata. However, in summation of the economic conditions it can be said that in the rural market still continues to depend heavily on a good harvest. Disparities are large and the prosperous few continue to dominate. But on the other hand, the large section of the Lower Middle is beginning to swell and there are distinct shifts occurring towards the Middle segment. The upper middle and higher segment is limited only to a few prosperous agricultural belts.

You will study about the durable owernership in the later units (Unit 7). Here it is important to note that while there is still a disparity between durable ownership between rural and urban households, the former is showing encouraging growth. Encouraging shifts are also observed in the ownership of more expensive ownership. Electricity has emerged as a key inhibitor of electrical durables among rural segments.

2.3 THE RURAL INFRASTRUCTURE AND INSTITUTIONS

At the start of this unit we had discussed, briefly, some of the issues in rural infrastructure and through comparative evaluation between urban and rural data we had found that the rural markets still fall short of the urban markets on a large number of consumption parameters. Hospitals, electricity, banking, post offices, road and rail coverage, communication facilities are some of the issues on which the rural markets lack heavily. The following figures given an ideà of the infrastructural situation in rural India.

Electricity

Households having electricity connection (%) (1991)	42.37
Urban	75.78

Table 2.8: Exposure to Media (1997)

(% of individuals)

	Urban	Rural	Total
Print	58.6	24.1	33.5
English Newspapers	*12.5*	*1.2*	*4.3*
Indian language newspapers	50.0	20.8	28.8
English magazines	*13.6*	*2.2*	*54*
Indian language magazines	33.6	13.1	18.7
Cinema	30.7	15.3	19.5
TV	76.1	33.4	45.0
Radio	22.5	20.1	20.8
Not exposed to any of the above media	12.6	47.7	38.1

Other information

Print circulation (lakhs) (ABC) (1996)	391.87
No. of cinema theatres (1997) (Permanent theatres)	8987
No. of cinema seats (lakhs) (1997) (Permanent theatres)	72.17
% of villages connected by motorable roads	45.3%
Pentration of cables Television (2000) (Rural Penetration)	(P8, 90)

While the rural India is characterised by lack of adequate infrastructure the issue is not merely that of inadequacy. If one were to go back and evaluate the geographic patterns of our country, the diverse and expansive nature of the topography makes it extremely difficult for the infrastructure growth to be complete and all round. For instance, some of the north east regions, the interiors of Orissa, Madhya Pradesh or Maharashtra suffer from lack of approachable roads. Owing to the low density of population in these regions, political attention to development has not been very even. With some of the remotest parts of the country suffering from complete absence of infrastructure or surviving with minimal infrastructure, it becomes difficult for the marketers to approach such markets. In one of the annual floods in Assam, which is usually devastating in nature, road and rail connectivity with the interiors of Assam virtually seized. HLL had to airlift consignments to the regions affected and this methodology was well accepted in their logistics support for distribution of goods. However, the issue still remains of how many companies can afford to incur such costs on distribution?

Perhaps the most critical issue for rural marketers currently is the lack of infrastructure in quite a few villages and the rising cost of distribution that affects the final pricing of the product. Very often goods available in a certain region are from two distinct sources. The first being through the company sources and the second through local retailers organising to get the stocks on

his own, where company distributors cannot reach. Picture 1 a profile of a typical grocery shop illustrates the absence of basic infrastructure to approach the shop and the shop ambience is also very unlike a grocery shop we see everyday. Picture 2 & 3 on the other hand are a depiction of the general conditions of approachable roads in typical village. This is one aspect of the infrastructure, similarly other aspect like electricity is a concern which has direct correlation to the buying patterns.

Some of the other aspects of infrastructure like banking, media coverage and telecommunication facility have a long way to go in some of the remote regions. In the case of banking, barring State Bank of India (SBI) there are few other instances where banks have well-established and well-connected branches. It has, however, taken SBI a substantial number of years to set up such a huge infrastructure base. The learning clearly is that evident in most cases, is that it is consistent effort over time, which is an investment all discerning marketers will have to make. All success stories of organisations making it good in the rural areas clearly point to factors of time spent and patience that the companies have displayed and how these have borne fruit over a period of time.

Rural institutions for long have existed at an informal and formal level and they have played a critical role in the development of the rural sector. One of the biggest rural institutional successes is the Panchayati Raj. The Panchayati Raj structure operates at the grass root level for any village or block or Zila and has often been responsible for infrastructural development of a given village area. For instance West Bengal has successfully been able to implement the Panchayati Raj structure in its rural set up. Whereas in the northern part of the country, politicising of the system has meant struggle for power and money, in the long term Panchayati Raj will be a well accepted norm for most rural areas and it will have to be the individual's or the village's responsibility to make the institution a success.

Banks like SBI and agricultural financial institutions like NABARD have been making attempts in the past to help in rural credit for agricultural produce, but biggest problems have been with the widespread disparity in land holdings in the rural markets. Approximately 12% of the rural farmer population own 65% of the land. This leaves wide disparity in the markets and makes it difficult for rural institutions to help in all round development. With over 600,000 villages in India, 79% having a population less than 1000, makes the markets unproductive in nature for financial institutions[1].

Owing to the predominantly agricultural occupation in rural India, most of banking institutions are involved in disbursal of loans and agricultural credit for purchases of tractors or pump sets or for seeds, pesticides, insecticides etc. The key concern of both the policy makers and the rural community is that a large number of farmers are not able to take the benefits of these institutions. The unpredictable nature of the agriculture harvests, also makes the banks at times wary of granting credits to the farmers. In all, it is a vicious circle where rural financial institutions have been making attempts for the upliftment of the farmers, but unfortunately, ending up giving majority of the benefits for a select few. The government has been making attempts too and a large number of policies have been developed. The annual budget also declares several policies and grants (to be discussed in the later part of the unit), but the entire effort still seems to be centred on to a limited few and does not reach the real needy.

Another form of rural institution that exist are the cooperatives or association of farmers trying to fight a common cause on the basis of a collective strength. The farmer cooperatives are immensely successful in certain states and they form a huge lobby. The cotton as well as sugarcane farmers in Maharashtra are an example of the

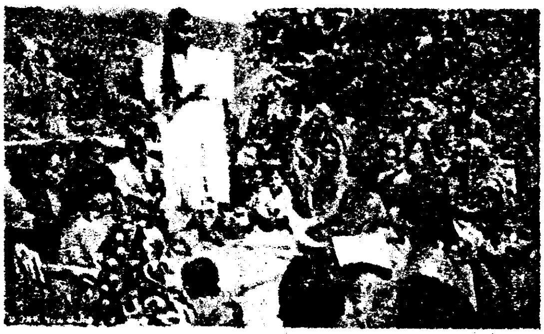
same, which influences state level politics too. However, such instances are too few and in most states the power rests with the prosperous few only. Local artisans and craftsmen also form associations for promoting tribal and rural art and craft, mostly through district or state level initiatives. One thing which is eminently clear is that, individual states have to take up the initiative in helping set up local institutions especially directed to helping the needy segment of people. States have to ensure that the institutions are set up and managed at the district, zonal or block level.

2.4 IMPACT OF RURAL POLITICS

Political environment has a definite bearing on development and therefore effects the economic well being of people. Rural politics in India, under the shift towards local self government is dominated directly by the institution of the Panchayati Raj.

While discussing about the aspects of Panchayati Raj in the earlier section, we had talked about the politicisation of the concept and hence making it a power centre, the benefits of which are unfortunately not provided to the rightful. The structure of the Panchayati Raj system through targeted at created local self government, today creates within the village a hierarchy resulting in a typical power centre being created. Cooperatives and social organisations have unfortunately been fighting for vested interest leading to lack of success. Rural politics is known to impact extensively where agriculture produce is abundant and is able to influence state level revenues. Prosperous farmers often make attempts to enter state level politics with their strong lobby and backed by the village vote banks. As mentioned earlier, the Maharashtra Cotton farmers lobby is very strong and has a definite influence at the state level politics. The following example illustrates the transforming effect . . Panchayats and related developments have brought to some parts of rural India.

Nothing short of a small revolution seemed to unfold before the astonished eyes of the world during President Bill Clinton's visit to India last in March,2000[2]. In the rural heartland of Rajasthan, a dozen village women introduced themselves: all are elected representatives of their village councils (panchayats). Together they run a women's dairy cooperative and have initiated several small credit and loan schemes for poor, landless women in their communities. They had discarded the age-old custom of hiding their veiled faces behind home walls. Now, they explained, they had to go to the bank to draw and deposit money, and to their district headquarters to attend monthly meetings.



[illegible] the country, these women are the daughters of the 73rd and 74th amendments of the Indian Constitution. Passed in 1993, these two amendments oblige all states to reserve one third of seats in the three-tiered system of local government (village, block and district levels)–known as panchayati raj–to women. Elected directly by and from among the villagers, the panchayats can make decisions concerning a wide range of fields, from agriculture to health, employment and primary education.

However, it will be long before the rest of India benefits truly from such an approach from the womenfolk. Rural politics is also known to influence sufficient number of decisions and political favours for their respective villages. The local MP/MLA, to appease the rural vote bank will gladly accept to favour the tide where his vote bank is. Indian cinema, particularly, movies like Manthan, Damul, Ankur have reflected the face of the politics especially in suburban and rural areas from an assessment of the prevailing realities clearly. It comes out very clearly that, influences of politics affects all, even though participation is by a limited few. Caste and religion form basis of the rural political agenda and parties in most rural areas have very distinct political set ups based on castes or religious groups. Minorities are also another critical component of the rural politics and government makes special attempts to ensure the upliftment of the minority segment, in most cases backed by a political agenda and social compulsions.

Rural politics can be summarised from an article by Ralph Buultjens titled "Understanding India", wherein he points out to five critical issues to help understand a vast nation like India[3]:

- its diversity
- the depth of culture
- a land of minorities
- its future depends on the interaction between two worlds:
  the cities of India . . . and rural India
- poverty, spirituality and modernity mix and coexist

In the fourth point he points to some extremely critical points , which are relevant, for people involved in rural politics and at apex policy decision stage at the State level too as well as for our understanding of this important segment. He says:

"*Broadly speaking, its (India's) future depends on the interaction between two worlds: the cities of India, where 20 percent of the population live, and rural India, where about 600,000 villages contain the rest of the population.* Urban India is the India of modern industry, national politics and foreign policy, government planning, the national media, the major universities, business, the armed forces, science and technology. Its best products are frequently as good as the best in the world, its orientation is cosmopolitan. Rural India is the India of age-old patterns where tradition is the principal dynamic of society, where outsiders come and go but life continues, often without much change. When the two India's mesh effectively, India is a success, as in the expansion of education, the reduction of illiteracy, the extension of the average lifespan, the introduction of some basic health care, the sustenance of a democratic political system. When they do not connect effectively, India is in trouble, as with population control and unemployment. For the nation to realize its considerable potential, the linkage between those two India's has to be expanded and strengthened."

In terms of creating business environment, rural politics has an indirect role of being an agent of development of essential infrastructure. It also creates "village influentratials" who may or may not command social following. As a marketer, assessment of political environment would be a consideration in trying to understand the directions of development, the village opinion leadership process, and the levels of general awareness in the village scenario.

Activity 2

For a village near your location, try to understand how the rural political setup has engendered, if any, development of infrastructure, relevant to market requirements. Comment upon these.

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2.5 THE STRUCTURE OF THE RURAL SOCIETY

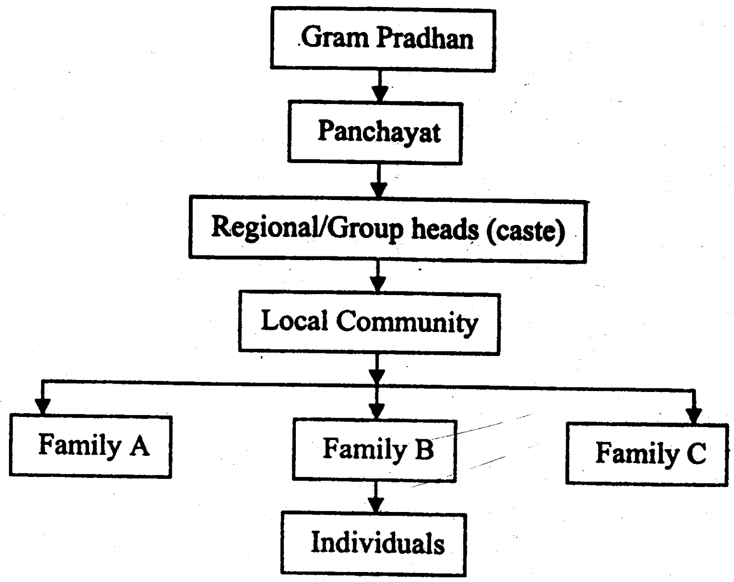
The structure of the rural society differs from the urban societies of today, which is gradually disintegrating into nuclear families. Though there has been high population migration from the rural belts, but the village as the root, continues to be critical to the rural people. In most cases, the migrant population has been found to return to their roots or have maintained strong connections with their origins. Most rural families are closely knit, staying as joint families and the elders in the family are supposed to be the authority figures. Their decisions in most cases are taken as the final word. The values of hierarchical authority and respect for tradition are deeply embedded in the society and are usually difficult to change. Beyond the family, the community is the next most important thing. Most rural societies are tightly knit communities and usually the neighbours are considered almost like family members. Decisions at times are influenced by neighbours too, specially when purchases of high investment products are being considered or the related products is already owned by the neighbours. Beyond the neighbours, most rural societies have well laid social structures. Caste and religious considerations usually from the basis of such structures.

The rural society differs significantly from the urban social structures and hence the marketing implications of the same are very different too. TV, for instance in most rural households is viewed jointly, and is often a community affair where the gathering is usually large and most audiences have a point of view, usually discussed while viewing. This is unlike urban India, where most households have individual viewing patterns and very often each family member prefers to view at a slotted time. If it is Cartoon Network for the kid, his timings are different, for the soaps the prime time slot of 8-10pm is again fixed and overlaps between family members are avoided. Hence, urban TV viewing patterns are largely heterogeneous unlike the rural, which is homogenous. This different phenomenon is a fallout of the very different value systems as well as time allocation patterns being followed in the two different social set ups.

The above instance shows only the media usage pattern. Similarly, social factors seem to influence product consumption as well single. In rural households brand usage of a soap in the family is the prevalent norm, unlike urban markets, where multiple soap brands in a family might be more acceptable. Decisions in rural set ups are hierarchical which may not necessarily be the case in urban markets. Figure 2.4 in the adjoining page explains a typical structure of any village where the Gram Pradhan plays a critical role. The Panchayat members are referred to as Sabhasads and usually jurisdiction locally rests with them, followed by the regional group heads and the family clusters. The regional groups are usually caste or religion driven whatever be the basis in that particular village which affect the community decisions and finally the individual in a family, who is integral to the family.

"The rural society" as a component will be discussed extensively again in Unit 3 as a part of the buyer behaviour process where families and reference groups in the context of Consumer Behaviour have been extensively covered. The decisions to purchase follow such structures very closely and therefore it is significant to cover the issue.

Figure 2.4



Over all these institution exert a far greater degree of influence over individual and social life in villages, as compared to the impact of similar institutions on social life of urban individuals

2.6 THE IMPACT OF POLICY FRAMEWORK

Rural India has been always been critical to the government's political and economic policy agenda on account of its sheer size and relevance for the developmental objectives. In every plan period there have been sustained efforts at focussing attention on development of rural sector. The allocation for rural development have steadily grown in successive plan periods as you saw in the first unit. Some of the critical policy reforms and schemes for the rural area are:

1. Pradhan Mantri Gramodaya Yojana (Prime Minister Village Development Programme): A Rs.5000 crore rural infrastructure development programme the programme works on the principal of Centre's assistance to the States for development and is based on their active participation in the implementation.

2. Self -Employment schemes: PMRY (Prime Minister Rozgar Yojana), TRYSEP, IRDP, NRY and the Panchayati Raj Yojana were developed to impart employment to the rural youth.
3. Janashree Bima Yojana insurance policis directed at the rural requirements.
4. Rural Infrastructure Development Fund (RIDF)
5. Micro Finance Development Fund
6. National Commission on land use policy
7. NABARD's project on National movement of Watershed Development
8. Rural Housing Schemes
9. Farm Credit by Regional Rural Banks (RRB's) and Cooperative Banks, SIDBI
10. Rural Industrial Scheme for KVIC (Khadi and Village Industry)

Some of the other schemes of the Department of Rural Development are:

a. Jawahar Gram Samridhi Yojana
b. Employment Assurance Scheme
c. Swarnajayanti Gram Swarozgar Yojana
d. Indira Awaas Yojana
e. Credit cum subsidy scheme for Rural Housing
f. Innovative Scheme for Rural Housing and Habitat Development
g. Rural Building Scheme
h. Samagra Building Scheme
i. National Social Assistance Programme
j. Training Programmes
k. CAPART

Most policies are directed towards reduction in the gaps of the rural and urban India. The disparities that have occurred over the years are largely due to the following reasons[3]

i) Low priority to agriculture
ii) Subsistence orientation of agriculture
iii) Failure of land reforms
iv) Inadequate food supplies
v) Slow growth of infrastructure
vi) Inadequate inputs from the specialists directly to the field.
vii) Slow down of rural industrialisation

You can have a more comprehensive view of impact of policy reform by looking at the income distribution in the pre and post reform period. Parts of this data has been shared earlier, here it is shown as pre and post reform picture, to enable you to appreciate the discernible shifts on account of the policy reforms.

Table 2.9: Distribution of Households by Income, 1985-86 and 1989-90

(Pre-reform period) (per cent)

Annual Income (Rs.) at 1998-99 prices	Income Class	1985-86			1989-90		
		Urban	Rural	Total	Urban	Rural	Total
<=35,000	L	42.1	73.6	65.2	37.1	67.3	58.8
35,001-70,000	LM	35.8	21.4	25.2	34.8	23.9	26.9
70,001-105,000	M	15.2	4.0	6.9	17.9	7.1	10.1
105,001-140,000	UM	3.9	0.7	1.5	6.5	1.2	2.7
>140,000	H	3.1	0.3	1.1	3.8	0.5	1.4
	Total	100.0	100.0	100.0	100.0	100.0	100.0

Sourc[illegible] 02, NCAE

Table 2.10: Distribution of Households by Income, 1992-93 1995-96 and 1998-99

(Post-reform period) (per cent)

Annual Income (Rs.) at 1998-99 prices	Income Class	1992-93			1995-96			1998-99		
		Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
=35,000	L	38.4	65.5	58.2	27.9	57.2	48.9	19.0	47.9	39.7
5,001-70,000	LM	33.0	22.6	25.4	34.9	29.0	30.7	33.8	34.8	34.5
0,001-105,000	M	16.1	8.2	10.4	20.3	8.6	11.9	22.6	10.4	13.9
05,001-140,000	UM	7.6	2.3	3.7	9.6	3.1	5.0	12.2	3.9	6.2
140,000	H	4.9	1.4	2.3	7.3	2.0	3.5	12.5	3.0	5.7
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Indian Market Demographics Report 2002, NCAER

Both tables 2.9 and 2.10 are an illustration of how policy reforms in the rural markets have been able to affect income patterns too. The great reform of 1991 has had significant impact on the Indian economy and the rural markets have definitely been a part of it too. However, a few more important policy measures are required in the rural markets, prime among them being[4]:

i. Special thrust on land reforms and adequate provisions created for farming operations by tenants and sharecroppers to help them avail institutional credit.
ii. The strengthening of the Panchayati Raj system
iii. Innovative credit delivery systems
iv. Development of farm credit dispensing institutions like RRB's
v. State government's initiatives through NABARD and SIDBI
vi. Kisan Credit Cards to help farmers liaison with banks easily
vii. Rural insurance must be looked at from a complete different perspective rather than the present system which is too myopic
viii. Communication facilities and other related infrastructural development.

2.7 IMPACT OF TECHNOLOGY

Technology in rural markets is still at a nascent stage and is yet to find inroads in large section of rural India. A few regional initiatives like the concept of E-Choupals by ITC are becoming popular, but the urban rural divide in terms of technology is still very wide. Internet, Email or Cellular Telephony has penetrated only to a limited extent and only in the prosperous belts of the country. The larger part of the rural India is yet to witness a technology revolution.

Many state governments have undertaken E-governance initiatives that, inter alia, focus on services to rural populace like maintenance and access to the land records in the rural sector; landowners are the targeted beneficiaries[5]. The pervasive use of IT in the cooperatives in the dairy development organisations has also exposed the rural milk producers to the computerised services in their payment systems. Initiatives like e-chaupal have gained wide acceptance and usage will benefit all concerned. Information Technology is not unfamiliar for people who are well connected to the urban system but a large proportion of the people are still not familiar and conversant with technology. It will in rural areas take some time to permeate. The gaps within the economic segments in the rural markets also create discernible problems.

Rural Initiatives in Information Technology

[6]The e-choupal concept was conceived by ITC's International Business Division, one of India's largest exporters of agriculture commodities. The e-choupal model is specifically designed to tackle the challenges posed by the Indian Agriculture and its numerous components. The choupal was initially conceptualised as an IT enabled

network for farmers to buy in and effectively trade their produce as well as for them to get efficient assess to farm inputs. The initiative is now being successfully used for reverse traffic as well by companies to access farming communities for marketing their goods and services including financial services like insurance.

The model has been fairly successful and there are already discussions with some of the African nations to implement the same.[7]

The R&D division of CMC now under TCS is working on three different projects related to Information technology for the rural markets. The India Health Care Project, the Integrated Tribal Management Project and an education project that seek to empower people at grassroots using handheld devices. The grassroot level health program is touching almost 5000 people in particular village and the number keeps growing.

[8]In another instance, Norti Bai, a 55 year old women has come to symbolise the potential of computers for changing lives in the rural areas of Rajasthan[10]. With the help of Information Technology, she maintains a database of wells, tube wells and ponds in 11 villages. HP Labs India, which was set up in Bangalore earlier this year by Palo Alto, California, HP & Co. is developing some IT products appropriate for India's rural markets. [10]As a part of its three year deal with Andhra Pradesh Government, HP is bringing state of the art computers to the rural heartland.

[11]*Drishtee* is another rural initiative involved in providing IT enabled services to rural and semi-urban populations through the usage of state-of-the-art software. Services include access to government programs and benefits, market related information, and private information exchanges and transactions. In less than two years, Drishtee has successfully demonstrated its concept in over 90 kiosks across five Indian states.

Some other areas where the computer can really be significantly helpful are the information database and network for farmers who could use the connected computer to get commodity prices faster or information on new agricultural techniques. The locals, mainly youth could get information on job vacancies across the state. The district administration could get access to the problems through a system of feedback and analysis of complaints lodged much faster. The voters could share their concerns with the elected representatives electronically. The village officials could share governance best practices among his peer group and other counterparts in nearby villages. With such enormous potential, information technology will be critical to development of rural India. There are numerous initiatives, which one can observe where individual states are collaborating with the corporate sectors or foreign collaborations, through individual company or country collaboration for establishing IT infrastructure in the rural markets.

2.8 SUMMARY

The Social, political, infrastructural and economic environment of a given market strongly determines the type of marketing initiatives that should be taken for that market. At the very outset of the course, therefore, it is important to you to have a clear idea of the ways in which, on these environmental variables, rural India presen a distinct and different picture in contrast to urban India. This unit presents a profil of the rural markets in terms of its economic environment, along with regional variations, the social and political environment, the infrastructure situation and the impact of technology. It is against thus backdrop of understanding of the rural marl environment that you will be studying the design and strategies related to the marketing mix variables in the following units of the course.

2.9 SELF ASSESSMENT QUESTIONS

1. From your understanding of the unit, comment upon how the rural economic environment affects the marketing decisions for the rural market.
2. Visit the site indiastat.com and identify the key infrastructure developments of the rural markets in the last five years.
3. Identify the key differences in the environmental factors affecting buyer behaviour for rural and urban markets
4. What are the marketing implications of the political environment in the villages?
5. In what ways are the social factors and institutions likely to impact the design of the marketing mix of a company? Critically analyse and comment.

2.10 FURTHER READINGS

1. Emerging Trends in Indian Marketing in the 90's, Edited by S.C. Sahoo and P.K. Sinha, Excel Publishing, 1991 Ed.
2. Rural Marketing by C.S.G. Krishnamacharyulu and Lalitha Ramakrishnan, Pearson Education, 2002
3. Rural Marketing: Targeting the Non-Urban Consumer by Sanal Kumar Velayudhan, Response Books, 2002
4. Indian Market Demographics Report 2002
5. R.K. Swamy/BBDO guide to market planning, 1991
6. www.indiastat.com

2.11 REFERENCES

1. Source: The Growth and Challenges of Rural Market by S.K. Patro, 1991.
2. Source: http://www.unesco.org/courier/2000_06/uk/doss24.htm
3. Source: http://www.askasia.org/frclasrm/readings/r000104.htm
4. Source: Rural Marketing by C.S.G. Krishnamacharyulu and Lalitha Ramakrishnan, Pearson Education, 2002.
5. Source: Rural Marketing by C.S.G. Krishnamacharyulu and Lalitha Ramakrishnan, Pearson Education, 2002.
6. Source: Marketing Life Insurance in the Rural Sector- Role of Technology by M. K. Chathil, Paper circulated at Rural Marketing and Communication Conference by FICCI, Delhi, April 2003.
7. Source: http://www.itcibd.com/e-choupal1.asp
8. Source: http://www.blonnet.com/bline/2002/12/24/stories/2002122401511700.htm
9. Source: http://newsvote.bbc.co.uk/mpapps/pagetools/print/news.bbc.co.uk/2/hi/technology/2940242.stm
10. Source: http://www.post-gazatte.com/world/20021104wiringindia1104p3.asp
11. Source: http://www.drishtee.com

BLOCK 2 UNDERSTANDING THE RURAL CONSUMER

It has long been understood that most of our problems in addressing the rural markets, emanate from our insufficient knowledge of the behaviour of rural consumers. The vast population of rural consumers in India is geographically dispersed and culturally as well as socio-economically very diverse. The rural market therefore does not present a homogeneous segment at all, forcing the marketer to acknowledge differences in preferences and buying pattern. We need to, as students of marketing, have a clearer picture of what constitutes rural buying behaviour. This block focuses on the understanding of the behaviour of rural consumers and comprises 3 units.

Unit 3 on Differential aspects of buying behaviour and major influences on buying, traces in broad and overall way, how the rural buyer exhibits a buying behaviour different from his urban counterpart. Variables influencing consumer behaviour have been explained and role of reference groups has been elaborated upon.

Unit 4 on Trends in Consumer Behaviour explores the transactions in various aspects of and buying trends over the years. You are presented with data showing the shifts in buyer behaviour as well as the marketing implications of these shifts.

Unit 5 is on Rural Marketing Research and explains the need for a differential approach to research in rural markets on account of problems of illiteracy and low penetration of mass media resulting in lower awareness levels of the rural consumer. Organisations involved in rural research and their activities have been discussed. The tools likely to be effective in rural research are also explained.

All units in this block, have used a large number of references, both from the net and published literature. For your reference and subsequent use, all these references are marked in the unit itself and given as "references" at the end of each unit.

UNIT - 3

DEFFERENTIAL ASPECTS OF BUYING BEHAVIOUR AND MAJOR INFLUENCES ON RURAL BUYING BEHAVIOUR

Objectives

After going through this unit you should be able:

- understand the buyer behaviour process in the context of Rural Markets
- evaluate the environmental factors that influence buying decisions
- critically analyse the cultural issues that affect buying decisions
- appreciate the role of reference groups in the Rural Environment
- explain, how does reference groups affect buying decisions
- apply this understanding of rural buyer behaviour to marketing decisions

Structure

3.1 INTRODUCTION

Rural Markets for long in our country have been considered an enigma and a land of untapped opportunities, where the customer is considered more of a stripped down version of his urban counterpart purely from the context of buying capacity and price conscious psyche. The initial roadblocks to enter rural markets were largely logistical issues of which, chiefly the diverse geographical patterns, made it difficult for the discerning marketer to reach most markets. However, as you will observe throughout this course, some marketers have made inroads in these markets. The marketer's understanding of the rural seems to be gradually getting evolved but more importantly they are unlearning the past; for newer learnings of the future, unfolding realities of rural India.

According to 1998 estimates[1] of the United Nations Population Division, the rural (world) population is 982,223,000, then rural India, taken as 73.3% of India i.e. 719,969,459 accounts for 12.2% of the world population. It just goes on to reflect the largeness of the market. It is interesting to note how, for long marketers have been talking of it, but a only few have really been able to make inroads into it. Two thirds[2] of the country's population lives here and almost half the national income of the country is generated from here. It is therefore natural that rural markets form an important part of the total market scenario in India. You have already from your exposure to Unit 1 have seen that today there are several product categories where the rural market share exceeds the urban market shares. You may refer back to the unit 1 for a recapitulation.

While rural market appears, in demographic terms, to be huge, only a few marketers have succeeded here and one of the few success stories that stand out are like that of Hindustan Lever Limited (HLL) who spent decades understanding the dynamics of the market. Project Streamline[3] and Operation Bharat are a few programmes run by HLL with the sole objective of penetrating rural markets. Project Streamline focused on extending distribution, and Project Bharat's influence was restricted to raising penetration and awareness levels.

Most marketers have highlighted three major problems in context of venturing into the rural market namely :

(i) Physical Distribution

(ii) Channel Management

(iii) Promotion and Marketing Communication

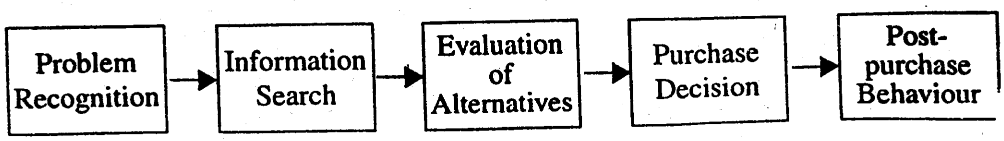
However, one issue, which seems to have been overshadowed in the process and which may be a critical success factor is our understanding of the rural consumer and differences from his urban counterparts. Unlike the urban markets where we seem to have identified segments and sub-segments, rural markets have been considered fairly homogeneous. A brand like Sunlight or A1 Tea is largely regional in nature and companies have consciously made attempts to push such brands locally. In the rural markets however, a farmer from Punjab might have tastes and preferences very different from his counterparts in Maharashtra or Kerela. Rural consumers in India exhibit a great diversity in their tastes and preferences. The economic background, cultural upbringing, regional growth in infrastructure and amenities will be imperative in helping develop and decide buying preferences.

Through this unit you will be able to understand the buyer behaviour process and how the rural consumer's buyer behaviour process functions in a given environment, besides the significant differences in buyer behaviour process with respect to his urban counterpart. The later part of the unit will also explore the major influences in buyer behaviour and role of reference group in the context of the rural markets.

3.2 THE BUYER BEHAVIOUR PROCESS IN THE CONTEXT OF RURAL MARKETS

In the basic course of marketing (Marketing for Managers MS-6, Block 3) on the subject of Consumer Behaviour you have already covered the component of the Buyer Behaviour Process as explained in the Figure 3.1 below.

Figure 3.1



Source: Marketing Management, Philip Kotler, Chapter 6, Page 170, 10th Ed., PHI

Understanding the Buyer behaviour process is a systematic effort to evaluate the consumer's attempts to fulfill his needs, wants or demands. The figure above will help you to recapitulate the learning in the block of Consumer Behaviour in your compulsory course and further relate it to the consumer in the rural markets. The sections below are built up on what you have already studied on buying behaviour in MS-6 and attempt to bring out the specific differences that rural buyers exhibit, while selecting, consuming and disposing of goods and services.

3.2.1 Problem Recognition

Problem recognition is the first step in initiating the buying process. In terms of individual drivers of buying processes, the rural consumer is no different from his urban counterpart. He also has his aspirations and desires to achieve in life. The means and goals to be achieved might be different, yet at any point in time do not seem to be too diverse. An urban consumer might seek the same value from his soft drink consumed after a hard day's shopping as compared to his rural counterpart, who too will savour his soft drink after a hard day's shopping at the weekly haat or bazaar. How different are the consumers really? It is a few differences in environmental context that compel us to realise the difference between the two. A few critical factors which affect the process of need recognition in the rural markets are:

(i) The infrastructure in the village/town/ kasba which is beyond the effective road and rail connectivity. It may or may not include a well-laid banking system, telecommunication facility, electrification reach and regularity.

(ii) The penetration of the television and more specifically the Cable and Satellite (C&S) in the vicinity.

(iii) The population shifts in the locality, which occur both village to village and village to town.

(iv) The occupation and the economic profile of the village and the residents.

(v) On account of (i) the 'available' set in different product categories have been very small in most rural markets.

While point (i) and (ii) have long been discussed as major issues, a critical factor is the population shifts across the villages. Like in urban towns, where population has a tendency to shift towards the metros in search of greener pastures, it is a discernible trend in the villages too, wherein the population shows shifts towards the sub-urban areas and semi-rural towns. However, unlike their urban counterparts, who in the process of migration eventually lose the link with their roots, this is not so for large segments of population in the villages. The rural counterpart has the tendency to transfer his learnings to his roots and that eventually affects the buying patterns, starting from the need set. This is illustrated in the example below:

Rambeer is the fourth son in a family of six, who aspires to enroll himself in an apprentice course for repairing automobiles, mainly tractors, motorbikes and jeeps, the principal means of transportation in his small village Goapatti, 50 kms off Hardoi district in U.P. This need was felt by Rambeer for two reasons, one he himself liked machines and second there was no mechanic within the radius of 100 km. Unfortunately, neither his village nor his district had the training institute like ITI, to impart skills. He approached the Gram Pradhan (Mukhiya) for help and to request if he could use his resources to get necessary information with regard to any institute or college that imparted such skill-sets.

The Mukhiya, Zile Ram spoke to his Zila Parishad office and found that the nearest college was in Lucknow, 250 kms from Goapatti, that offered a course on the lines of which Rambeer sought. Rambeer, after initial hesitation and reluctance on account of the distance to be covered took up the course and ***fortunately got a scholarship with the help of the village Mukhiya and went onto complete his 18 months programme. Rambeer eventually returned to his village to fulfill his dreams, visualised as a 12 year old when he saw his father sitting helplessly for 7 days as the mechanic would not turn up for that many days, and all this during peak harvest season.***

The example will help to understand that Rambeer's stay in a state capital like Lucknow will help him become a more aware and knowledgeable person. His 18 months tenure will not only mean completion of his course but also result in a more experienced and aware consumer exposed to several consumption and communication inputs because of the environment in which he was living to finish his course. Eventually, this will have a *"trickle down"* effect when he goes back to Goapatti.

3.2.2 Information Search

You already know, through your exposure to Consumer Behaviour through your basic course on Marketing Management (MS-6) that sources of Information Search for consumers are:

(i) Personal sources: Family, Friends, neighbours, acquaintances

(ii) Commercial sources: Advertising, salespersons, dealers, packaging, displays

(iii) Public sources: Mass media, consumer-rating organisations

(iv) Experiential sources: Mass media, consumer

Let us evaluate how these sources are utilised in the context of the rural markets:

Mass Media combined together reaches only 57%[4] of the rural population and vernacular press barely covers 16%[5] of the rural population. In such a situation, the unconventional media like the weekly haats, annual fairs, festivals, wall paintings, cinema vans are the means of publicity in the rural markets. But perhaps the biggest source of information is "word of mouth" which is considered credible. Data on rural consumer buying behaviour indicates that the retailer influences almost 35% of the buying decisions in the rural markets[6]. On the other hand, the other key influencers and important sources of pre purchase information in the rural markets are:

(i) the Gram Pradhan (Mukhiya)

(ii) the owner of the durable/non-durable products

(iii) the prospective consumer's friends/relatives/family members living in urban location, who are frequent visitors to their villages.

Rural markets as compared to the urban markets require more intensive personal selling effort. Hence, a brand needs to associate itself with the day to day activities and the psyche of the rural consumers and then act accordingly.[7]

3.2.3 Evaluation of Alternatives

Unlike the urban markets where consumers have the opportunity to consider and evaluate a large number of brands, this is not the case with rural markets. This is primarily because the product ranges available are not wide and secondly, because the consumers have largely been found to be brand loyal*, compared to the urban markets. The loyalty behaviour has resulted partly on account of the fact that their evoked sets have been smaller, sometimes limited to one or two brands. The history of use and long familiarity with these limited number of brands have resulted in a "perceived loyalty". However, as mentioned earlier in the information search section, word of mouth playing a crucial role, a sizeable time in evaluation of alternative is reduced. Recent trends in brand loyal behaviour for rural consumers as shown in Table 3.1, seem to indicate reverse trends wherein loyalties in the rural markets is depleting.

Table 3.1: Rural Consumers and Brand Loyalty

Category	%loyalty
Analgesics/cold/ethical tablets	21.8
Batteries	17.7
Biscuits	22.8
Bulbs	32.8
Chyavanprash	77.3
Coconut Oil	52.1
Hair wash preparations	28.9
Hme Insecticides	85.8
Iodized Salt	24.2
Rubs and Balms	47.2
Safety razor Blades	26.5
Shaving preparations	67.3
Skin creams	62.5
Tea	25.3
Toilet Soaps	3.1
Tooth Powders	47.3
Toothpaste	12.6
Washing cakes/ bars	18
Washing powders/liquids	25.9

Source: http://www.businessworldindia.com/archive/990407/mktg2.htm (ORG Retail Audit)

Coming back to the issue of alternative evaluation, rural consumers, due to absence of proper and varied assortment in their own village, have to visit the nearest city/district/town to evaluate options. This is more so in the case of durables where local retailers are wary of investing on inventory, due to cost implications. If a certain farmer is looking for a tractor, two common sources of information for aiding alternative evaluation are the existing owners in the village or a visit to the nearest town, where the company has an established showroom. Of late, companies have begun to use the local weekly fairs/haats or the other festivals as an opportunity to showcase. The annual cattle festival at Sonepur, Bihar, is an extravaganza worth visiting, where FMCG, electronics and automobile majors rub shoulders with the prime commodity of exchange, cattle. Similarly, other regional festivals like Bihu, Baisakhi, Pongal, Onam, Kumbh Mela etc. are opportunities for companies to help customers make choices. You will go through a detailed description of market access through Melas and Haats in Block 4 of this course.

3.2.4 Purchase Decision

The final purchase is a deliberation, which usually, in the rural context, takes longer time as compared to the time spent in information search or evaluation of alternatives. Due to resource constraint or lack of exposure or personal orientation, rural customers spend considerably lesser time on the IInd and IIIrd stage of the buyer behaviour process. On the contrary, his urban counterpart spends lesser time on the final purchase and more in the earlier stages, the reasons for which are higher exposure levels, and availability of alternatives as well as large amounts of information.

The factors, which influence the final choice, are[8]:

- Attitude of others
- Unanticipated situational factors
- Perceived Risk

The issue of attitude of others in addition to that of friends and relatively who may be existing owners of the product in question, refers in this case also to the retailer or the dealer. In some cases the final choice is made on the advice given at the channel level. Alternatively, in some cases it is the complementarily in the product that makes final purchase decision far easier. A person in the village buying the *Eveready Jeevan Saathi* brass torch, will rely on the batteries of the same company.

3.2.5 Post Purchase Behaviour

Within the framework of the buyer behaviour process, the post purchase behaviour forms a critical part, as it lays the foundation for the repeat purchases and development of loyalties. In the context of the rural markets loyalties have been found to be higher and extended.[9] Penetrative pricing on a homogenous product, quality similar to that available in the urban markets and making the product available will be the key to service the rural markets. Just like the urbar middle class, villagers demand value for money. Says V. C. Burman, Chairman (Dabur India. "The winning combination will be a good product with consistent quality. Once you earn the villager's loyalty (and they are known for their brand loyalty), it will be difficult for competitors to take away your customers".

Companies are also beginning to realise the importance of changing patterns of the demand and the fact that customers are moving up the value chain. You hav heard of washing machines being used on the Delhi-Chandigarh highway for making lassis. Another phenomenal success is the Videocon's 'washer', a washii machine without a drier.[10] Launched specifically for the rural areas at Rs.3000/- piece, it has registered 100% growth in the last three years. "The success of thi model points to the willingness of villagers to switch to branded products from locally made washers". Says Navin Gupta of Videocon. Added to this is also th fact that the purchase patterns are changing and more consumers are willing to experiment and explore better and more convenient options.

In conclusion the critical factors for the rural customer in the buying decision process would be:[11]

(i) The need for the product
(ii) The purchasing capacity
(iii) The attitude towards the product
(iv) The cost benefit analysis done by the consumer before buying the product
(v) The social values governing the society

Activity 1

Talk to some rural consumers with respect to any one consumer non durable and any one consumer durable product bought by them recently. Try to get information on their prepurchase information search behaviour on the following aspects :

1 How did they get to know about the product in question ?

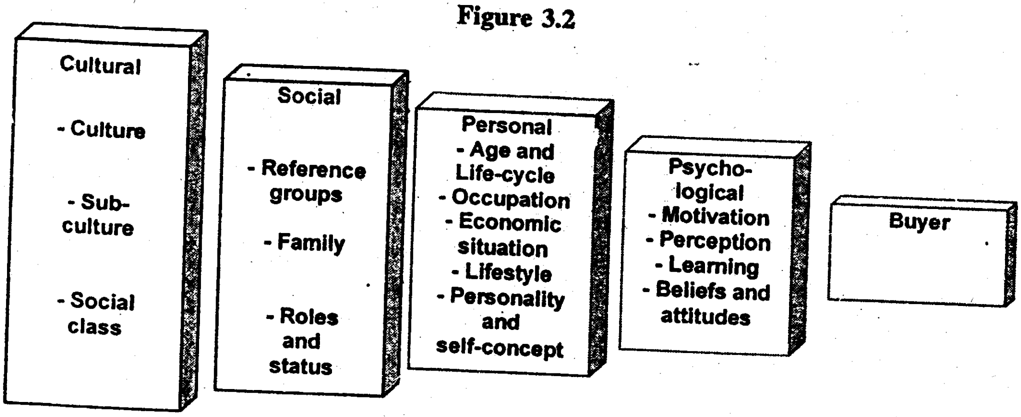
2 Who/What were there sources of information/advice.

3 What were the other alternatives known to them.

3.3 FACTORS THAT INFLUENCE BUYING BEHAVIOUR

You have already in a general context studied about the various influences on consumer decision processes. (figure 3.2). The factors influencing buying decisions are fairly comprehensive in nature ranging from cultural and social to personal. However, as compared to the urban India, rural India has influences, which are far stronger and deep rooted, especially on issues of culture and group dynamics.

Figure 3.2



Source: Marketing Management, Philip Kotler, Chapter 6, Page 170 10th Ed. PH1.

From your exposure to unit 2 of this course, you would appreciate that the rural buyer lives in a cultural and social milieu very different from an urban one. The reference groups that he/she interacts with and is influenced by may be different. The buying preference would also be affected by demographical determinants of income, occupation and education. We will in the sections below try to understand, the differential way in which these influences operate for the rural consumer, so as to identify implications for marketing decisions.

Activity 2

From your exposure to the basic course in marketing and your understanding of the rural marketing scenario, where among the four sets of influences shown above, do you expect to find the greatest difference between the rural and the urban consumer? List at least 2 differences in respect of each box in terms of what you expect. Revisit this activity again after reading through the unit and see what modification you would like to make in your response given now.

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3.4 INFLUENCE OF CULTURE

Culture and subcultures in our rural settings, are far more deep rooted and have impacts, which are fairly enduring in nature. As discussed in the earlier blocks, though population migration takes place in the villages like in urban townships, core cultural values remain in place on account of a continued touch with the village. As a case in point, assume in the example of Rambeer discussed in *Section 3.2,* who goes on to stay in Lucknow for a period of 18 months. Rambeer, on return to his village may not have eroded his cultural values, but would have augmented his value systems through the ability of making better value judgements through the experience of 18 months. If Rambeer was using Lifebouy during his years at the village, and switches to Lux in the city, owing to the variety, quality, fragrance and the price factor, he might go back to Goapatti to demand Lux as against Lifebouy, but may follow the same personal cleanliness rituals that he had prior to his leaving for his training.

Culture influences perceptions and behaviours.[12] The concept of colours, shapes, size has a strong influence largely affected by culture. In the rural markets, a study conducted by Eveready, the largest flashlight and battery marketer, found that customers come asking for a brand *"Billi Chaap"*, which is essentially the Eveready *"Cat-O-Nine"* logo. Colgate is referred to as *"Lal-Safed"*, and these are attempts made by customers to simplify his purchase process. Marketers have therefore, made attempts to play-up the brand pneumonic more strongly through colours, shapes, sizes, logo design. In the city of Delhi, surroundrd by a host of satellite villages there exists a concept of weekly haats/bazaar titled as *"Som-Bazaar"* or *"Budh-Bazaar"* depending on which day of the week the bazaar is set up in certain locality. The bazaar is perceived to offer products, which are definitely cheaper than the normal market rates. More importantly, it offers a wider range to the discerning customer. From vegetables to crockery to RMG to daily utility items, the bazaar offers everything. Interestingly, the bazaar has the largest traffic of the expatriate population coming from villages or suburban towns, working in the city and looking for value for money products. The reason of coming to the fair is two fold, one they are accustomed to the concept of weekly or biweekly haats or bazaars in their own villages and are more comfortable in this locale than in a large urban retail shop and second, culturally they have not been able to wear-off the concept of the haat/bazaar/fair culture from their minds and the perception that these venues are sources of cheaper goods. Culture also manifests itself in many outward visible forms of dress, language used, gestures and postures as well as in the forms of social rituals of greetings, hospitality and celebrations. India as a multilingual, multiethnic country has shown high degree of variations in all the above, making the marketers task more difficult. Marketers would need to be sensitive to these cultural manifestations when directing their sights towards rural communication.

The critical point of departure here is that though culture per se is strongly implanted in rural societies, it would be wrong to assume a fairly homogenous culture across rural regions. A village in Punjab, Rajasthan, Kerela or West Bengal would have completely diverse subcultures and these may differ from district to district. A farmer in Punjab is more upwardly mobile than his counterpart in eastern U.P., in spite of both being on the same socio-economic strata. Hence, subcultures in villages are deeply entrenched and it is imperative for marketers to understand how they operate in different parts of the country .

Activity 3

How in your view, would rural culture affect the following:

1. Entertainment forms chosen
2. Media preferred
3. Socialisation patterns

What are likely to be the impact of such variations on consumption behaviour? Comment.

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3.5 SOCIAL CLASS

The income, occupation and education, three key indicators to social class have been fairly uneven in the rural belts. A direct correlation seems to exist between the primary occupation in the region and how prosperous the same is in terms of revenue generation. Traditionally, Punjab, Western U.P., Maharashtra, A.P., are some of the prosperous states with respect to agricultural revenue and this has a fallout on the region's social classes too. Regions like Orissa, Eastern U.P., West Bengal, Bihar & Jharkhand are some of the states, where there is irregularity in terms of agricultural income. Tables 3.2, 3.3, 3.4 give an indication of the patterns of occupational classes in the rural areas:

Table 3.2: Occupation and Consumption Patterns

Occupation Category	Percentage in Rural Households	Percentage Contribution to Television Ownership	Percentage Contribution to Rural Two-wheeler Ownership	percentage Contribution to Refrigerators
Owner farmer	34	33	33	31
Shop Keeper/Trader	8	14	16	20
Service (total)	13	31	39	40
Inside Village	5	11	15	15
Outside Village	8	20	24	25
Agricultural worker	20	6	3	2
Unskilled non-agricultural labour	17	9	4	5
Artisan	6	6	4	2
Rest (leased farmers, livestock, poultry, fishery, milkman)	2	2	1	1

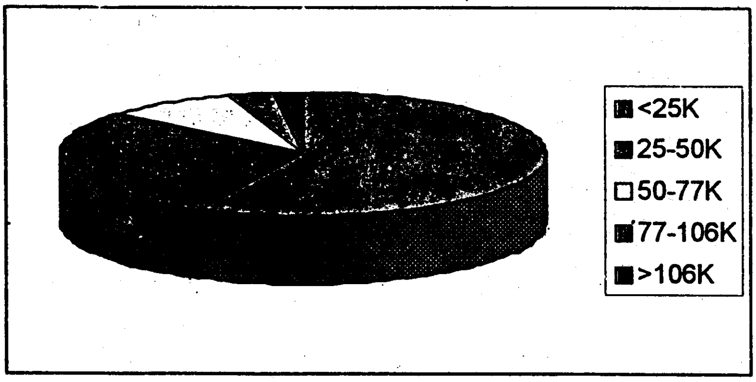
Source: Rural Marketing: Targeting the non-urban consumer, Sanal Kumar Velayudhan, Chapter 1, Page 43, 1st Ed., Response Books (Sage Publication)

Table 3.3: Distribution of Households by Income

Annual Income (Rs.) at 1995-96 prices	Perecentage
<25,000 L	57.2
25,0001-50,000 L	29.0
50,001-77,000 M	8.6
77,001-1,06,000 UM	3.1
>1,06,000- H	2.0
Total	100.00

Source: Rural Marketing: Targeting the non-urban consumer, Sanal Kumar Velayudhan, Chapter 1, Page 33, 1st Ed., Response Books (Sage Publication)

Figure 3.3 : Distribution of Households by Annual Income



Source: Rural Marketing: Targeting the non-urban consumer, Sanal Kumar Velayudhan, Chapter 1, Page 34, 1st Ed., Response Books (Sage Publication)

Table 3.4: Distribution of Households by Income and Region

Annual Income	North	South	East	West
<25,000	57.26	61.35	61.94	44.56
25,001-50,000	27.20	27.11	27.38	36.79
50,001-77,000	9.41	7.51	6.99	11.27
77,001-1,06,000	3.18	2.72	2.33	4.71
>1,06,000	2.94	1.30	1.36	2.67
Total	100.00	100.00	100.00	100.00

Source: Rural Marketing: Targeting the non-urban consumer, Sanal Kumar Velayudhan, Chapter 1, Page 34, 1st Ed., Response Books (Sage Publication)

You know from your exposure to unit 2 of this course that social class in the village context can be understood by applying the same six class categories category classification studied by you earlier in the upper upper, the lower upper, the upper middle, the lower middle, the upper lower and the lower lower class. What is different, however, is the consumption profile of the different social class segments in terms of ownership of various products and use of various services. This is an area where enough research has not been done and our understanding of social class-wise variations in rural consumption behaviour is sketchy.

Another point that must be underlined is that the influence of the rigid hierarchy of social caste is more strongly apparent in the rural setting. This in turn affects socialization patterns and influences information search and choice behaviour.

According to [12]National Council for Applied Economic Research (NCAER) study, there are as many 'middle income and above' households in the rural areas as there are in the urban areas. As per NACAER projections, the number of middle and high-income households in rural India is expected to grow from 80 million to 111 million by 2007. In urban India the rise will be from 46 million to 59 million. You can imagine the impact on purchasing power this would unleash.

If one were to evaluate the rural markets based on ownership of durables, the social classes have been showing dynamic shifts in their ownership patterns. According to ownership segments of durables, are the following:

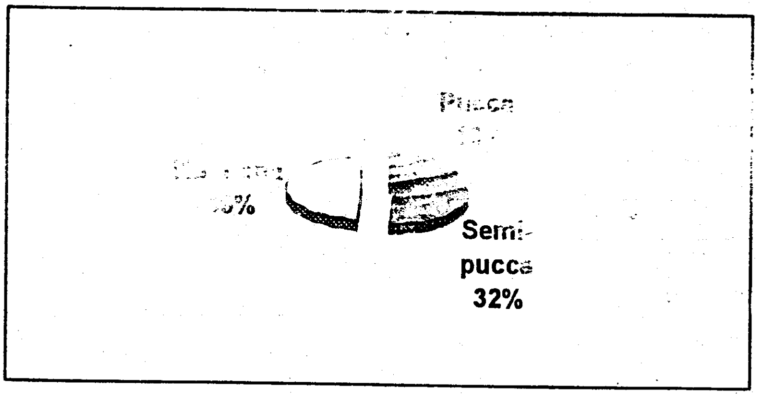
(i) *necessary products - Transistors, wristwatch and bicycle*

(ii) *emerging products* - B&W TV and Cassette Recorder

(iii) *lifestyle products* - CTV and refrigerators;

The marketers will be depending on the rural markets for major growth in market share especially for the first two categories. A closer analysis of how the ownership pattern is likely to differ across social classes in the growing rural market is an interesting future area of research. A closer look at some of the other determinants relating to social class like place/type of dwelling indicates a positive shift in the future. Table [13]3.5 and figure below indicate some trends for the rural markets in terms of current dwelling. Unit 5 will cover some more facets of the rural social class based on the data obtained from NCAER.

Fig 3.4 : Type of House



Source: http://www.businessworldindia.com/archive/990407/mktg2.htm

As rural incomes rise and the above percentages undergo a shift, mobility of rural consumers on a socio economic classification is also likely to follow :

Table 3.5: SEC Distribution (Rural)

Household Type	% Households
SEC 1	2.1
SEC 2	5.4
SEC 3	14.5
SEC 4	19.1
SEC 5	37.4
SEC 6	21.4

Source: http://www.businessworldindia.com/archive/990407/mktg2.htm

The figures above do not definitely indicate a progressive social class, however, there is an increase in new users and within the segments some upward movement which is sign of the dynamism within the segment. Socio-economic segmentwise penetration of goods will give you some idea of the rural segmentwise variation This is indicated in the Tables 3.6 and 3.7 below:

Table 3.6: The FMCG Penetration

Category	Total Penetration	Highest SEC (01)	Lowest SEC (06)
Analgesics/cold/ethical tablets	27.9	24.6	26.6
Batteries	21.3	26.1	20
Bulbs	29.9	39.2	24.1
Edible Oils	84.7	76.3	90.2
Hair wash preparations	39.4	49.6	32.3
Iodized Salt	61.5	67.5	61.2
Safety razor blades	45.4	46.3	47,2
Tea	79.1	82.6	74.8
Toilet Soaps	88.3	93.4	83.9
Tooth powders	22.8	20.7	22.3
Toothpaste	33.1	54.9	20.7
Washing cakes/bars	87.5	85.4	86.4
Washing powders/liquids	70.3	78	68

Source: http://www.businessworldindia.com/archive/990407/mktg2.htm

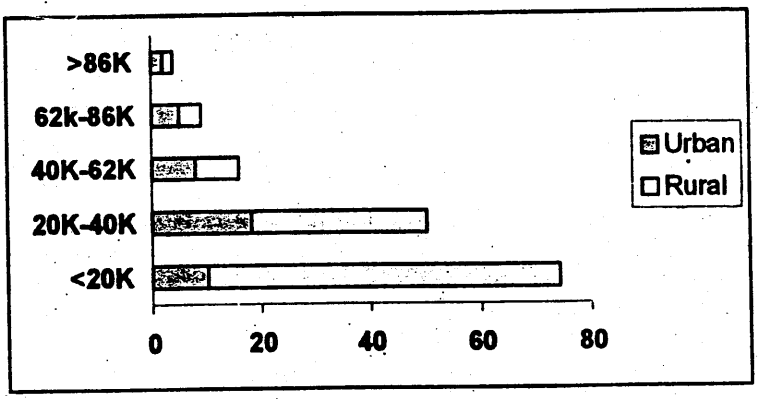
Table 3.7: The FMCG Penetration Percentage increase

Category	%age of new users added in a month
Analgesics/cold/ethical tablets	1.2
Antiseptic creams	3.3
Batteries	1.6
Biscuits	1.0
Bulbs	1.3
Coconut Oil	1.1
Hair Oil	1.3
Hair wash preparations	1.4
Rubs and balms	1.7
Safety Razor Blades	1.2
Tea	1.0
Toilet Soaps	0.8
Tooth powders	1.4
Toothpastes	1.5
Washing cakes/bars	0.8
Washing powder/liquids	1.0

Source: http://www.businessworldindia.com/archive/990407/mktg2.htm

The figure below gives an indication of the rural versus urban incomes segments and depicts the vast disparities that exists between especially at the lower strata of the income levels.

Figure 3.5 : Understanding Rural Incomes



Source: http://www.hinduonnet.com/businessline/catalyst/2001/10/11/stories/11o05bc1.htm

It would also be fair to point out that inspite all the figures quoted above rural incomes are grossly underestimated. In majority of cases the incomes have a cash and kind component and for estimation being done of the rural income, only the cash component is quoted. [14]Marketers are surprised to find consumers, who according to their estimates do not seem to have the purchasing power, are owners or consumers of their products. The right market estimation is therefore be the need of the hour in order to be able to assess the market potential and make the proper demand forecasts.

Activity 4

Some of the indicators used in socioeconomic classification are education, ownership of durables, income and occupation. Study a small segment of rural consumers to get insight into how does education affect the consumption patterns and buying decisions in the following classes:

a) Automobiles

b) Health Services

c) Saving Schemes

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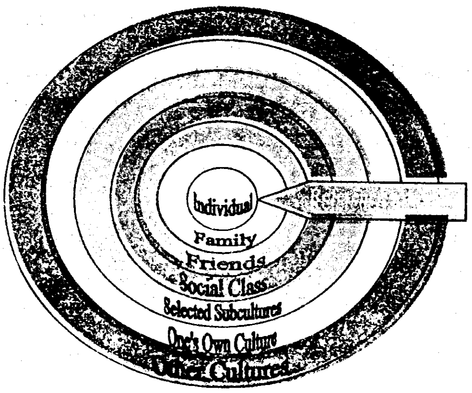
3.6 REFERENCE GROUPS AND FAMILIES

The impact of families and groups is perhaps the strongest in the rural context. As discussed in the earlier sections too, the role of the seniors in the family, the Gram Panchayat and the village Mukhiya are some of the key influencers in the rural consumers. The eldest male members largely take up the buying decisions in the rural family, whereas even children influence buying decisions in urban areas.[15] Buying decisions are also influenced by social customs, traditions and beliefs in the rural markets and require collective social sanction unheard of in urban areas. The hierarchy of influence has an inversely proportional relationship with educational background, occupation and SEC classification of the consumer. Besides, if the population in the village has the tendency to migrate, this will further mean that the number of people in the *"Purchase influence Hierarchy"* will increase.

The concept of joint families is still the pattern of living in most households and therefore the roles and status of each individual in the family are well defined. Interestingly, with the joint family structure, the earnings of the family are cumulative in nature and do not have direct correlation with the social class. In an example[16] quoted of the eighty member joint Sarangi family in Dubra, West Bengal, the ownership of durables exceeded the limits identify by NCAER as per income classification, purely for reasons of income being pooled.

Reference groups, partly on account of closer social bonds and lower access to mass media generated information, are very strong in the rural markets. Sources of reference group influence, and profile of reference group are very different from urban markets. A reference group typically consists of the opinion leaders, celebrity endorsee, product users and trade spokespersons. In the context of rural markets, the opinion leaders perhaps exert the strongest of appeals, as mass media has typically had a lower reach and impact. The hierarchy of reference group influences is explained by the figure 3.6 below.

Figure 3.6: Reference group influence



Source: Consumer Behaviour, Schiffman and Kanuk, 7th Edition, Prentice Hall

Opinion leaders as mentioned form a critical part of the reference group. These opinion leaders might be from within the village, within the family or companies make attempts to specially get experts in related issues to these villages. Typically in most rural health services campaigns, opinion leaders , who may be the village educated youth, the community health worked the school teacher the sarpanch or socially influential people play a very critical role. Their credibility and authenticity is an important part of the message being delivered. The 'Pulse Polio Campaign' of the Ministry of Health and HRD Ministry is a landmark effort where the government is making stronger push in the suburban and rural towns. According to their estimates lower literacy rates are not helping the cause of rural masses being aware of the damages left behind by Polio. The campaign is a hard-hitting campaign with Amitabh Bachahan at the helm of affairs and making a very honest, fervent and desperate attempt to get more folks to the Pulse Polio drive. Recently the U.P. Government has even decided to hire the services of Mohammed Kaif, the upcoming star in the Indian Cricket arena. The rationale for selecting Kaif, against more popular options like Aamir Khan being his semiurban image and perceived popularity in the minority community, where he will be definitely be recognised and identified with.

Several FMCG seeking to address the rural consumer markets are hiring the services of popular stars not necessarily sophisticated for endorsing products. Govinda, Dhanrmendra, Sunny Deol or Mithun Chakraborty all have an earthly charisma and appeal, which the rural masses identify with. The Rajdoot-Dharmendra promotion was very successful and that too with minimal mass-media support. Doctors from local district hospitals, Agricultural Scientists from IARI or related institutions add tremendous credibility to health services or the primary occupation, through the sheer application of their local credibility all this is without mass-media support. The moot point in the context of rural market and reference group being that influence is predominantly word-of-mouth driven and not necessarily through structured mass-media advertising in most cases.

In an [17]HLL experience, an incense vendor in a local weekly haat of a certain village for the last two decades, helps the company to sell its brands like LUX or Wheel with the help of the PA system built on a truck, which the company brought to the fair as a means of point of promotion and sales too. The credibility of the vendor is phenomenal and drives sales more than the Levers staff would have attained on a given day. Interestingly, the vendor used the same planks for selling on which these brands are traditionally sold.

The illustration above is a depiction of an application of reference group influence which operates in a very novel way when seen from an urban context different. Another source of opinion leadership are the village Mukhiya or the Gram Pradhan, whose experience and knowledge in most cases (by default) are considered legendary. The cooperatives and associations within the village also are strong influencers for the residents. The Anand Milk Cooperative is now a success story, the model of which is being adopted in several other states and for several other categories too. In the more evolved Western markets, especially EU, cooperatives are legendary success stories in the rural markets. However, cooperatives are very difficult to coordinate and run and inspite of several government initiatives have been slow to take off .

Companies already established or making inroads in rural markets are using concepts like community festivals, fairs, haats to leverage the product and its appeal with the help of an authorised spokesperson for the product. These spokespersons, company appointed, could be somebody from within the village o an external reinforcement. The Rajdoot motorcycle advertisement carried a very strong visual of an icon like Dharmendra, with a by line to explain the product aptly, *"Ek Jaandar Safari, Ek Shandaar Safari"*. These attempts by marketers unlike in urban context are not merely to create noticeability and cut through the clutter of messages. Reference group appeal continues to be very strong and helps in carrying with it credibility of the message and product. Traditionally, most social organisations have been using reference group appeal as a means to deliver messages, specially pertaining to birth control, AIDS awareness, Pulse Polio drive or any simple vaccination programme. These efforts have been fairly successful in the past. HLL, Dabur, Escorts, Eveready, are some of the bigger players in the rural markets using reference group influences successfully.

The existing users of the product are also strong influences for the rest of the village. On account of volatility of agricultural earnings, the rural buyer is a more risk averse buyer. Lack of adequate product information and perceived consequences of a wrong decision, further escalate the risks associated with buying specially expensive or capital intensive products. Personal sources of information, specially those who are already using the product, therefore, become a very highly utilized and influential determinant of buying decisions as they help the buyer to reduce the perceived risk in buying a tractor or pump or motorbike which have long been considered to sell on the endorsements of existing users. Refrigerators, TV or any other durable bought in the neighbouring house are also another strong influence. These influences are evident not just in durables purchases but even in cases of brand switching, the customer looks for endorsements from current users. To summarise some of the reference groups important in the rural markets are:

(i) Existing users

(ii) Company or trade spokesperson

(iii) The village head

(iv) The opinion leader, wh could be internal or external

Activity 5

You have just gone through inputs on reference group influence on rural consumers. From the section above what in your opinion would be the most influential reference groups in the following product/service categories in a rural market and why?

a. Tractors

b. Higher education

c. Insurance policies

d. Washing soap/detergent

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3.7 FAMILY LIFE CYCLE AND LIFESTYLE

In a nuclear family the differences in the purchase patterns are more distinct and symmetrical. However, age in the rural markets in recent times has become a critical factor to be considered. In the past most rural youth as a segment was were considered homogenous. This is not so in today's context. Punjab has always been regarded as more progressive of the lot. An average rural household will have one of the sons in the defense sector, one an immigrant to the West, but roots firmly in place and the remaining continue to be involved in assisting the parents in the primary occupation of farming. This has meant that rural Punjab has displayed economic indicators superior to those compared to other rural rejoins. With the spread of education among the younger generation, the lifestyle patterns of the rural households in undergoing a shift. The typical FLC studied by you for urban markets may not suffice. There are significant variations in life cycle related consumption and ownership pattern in rural and urban lifestyles. An indicative table comparing the consumption by age and lifecycle in both urban and rural market which self-explanatory is given below for reference.

Table 3.8: Lifestyle comparison by age and lifecycle stage: Rural versus Urban

Age	Life Cycle Stage	Products/Services/Activities	
		Urban	Rural
Below 18	Child	Video Games, Toys mostly electronics, Cycles like ATB, MTB, Comics, Chips, Candies, cold drinks, cricket	State, Pencil, Kanji, Community schools
18-25	Teenage	Eating out with friends, bikes, movies, computers, career, mobile, part-time jobs	Cycles, Visiting melas, fairs, festivals, marriage and children
25-40	Young	Eating Out, Credit cards, small families	Bikes, no. of children increases, but smaller than earlier generation
40-60	Middle Aged	Annual holidays, Family Dinners	Daughter's marriage, Tractor or Jeep, participation at the block level politics depending on the social class
Above	Old	Clubs, Parks	Gram Panchayat, active participation in local polities

Source: Table based on the book Rural Marketing by C.S.G. Krishnamacharyulu and Lalitha Ramakrishna, Chapter 4, Page 99, Pearson Education (Singapore) Pte. Ltd., 2002

Overtime it has been observed that the rural markets have been demonstrating a gradual shift from the existing purchase patterns. As purchase options and awareness grow, they are exhibiting more of variety seeking behaviour[18] and in some markets and categories they are willing to experiment with new brands that provide better value. However, the context of the family and life cycle related consumption seem to have a direct correlation, with.; (i) population migration (ii) socio-economic strata and (iii) patterns of family life cycle in the locality.

The influence of politics in a village is high because the policy initiatives in respect of agricultural, rural infrastructure, banking and credit systems all critical to rural well being all emanate from the government policy and local implementation of policy. These in turn have far reaching influence on rural lifestyle and determine the Activities, Interests and Opinion (AIO) profile and the way they might differ in a rural context.

Migration to the cities and suburban towns also plays a crucial role in the lifestyle and economic background of the villagers. There are also widespread instances of parents sending children to cities for higher education and their eventually settling in the city itself. Eastern U.P. and Bihar are two states where both the cities and the villages have seen continuous population migration. A lot of it has to do with huge parental debt traps, which have become difficult to repay. Second, these villages suffer from poor economic conditions and a worsening lack of opportunities in the vicinity. Rajasthan is another state, where sizeable population has been migrating out to the adjoining states of Delhi and

Haryana. In states like Punjab and Maharashtra such phenomenon are relatively lower owing to their more prosperous background in comparison to the other states

However, all this has definitely created an impact on the economic background and lifestyle of families in the villages. The first is the disintegration of the rigid hierarchical structure, seemingly with low impact on the core family values. Some marketing implications of these changes:[19]

(i) The education and prosperity levels have percolated top to down with resultant widening of strata with market potential.

(ii) The youth's education levels have meant more awareness and a definite impact on the lifestyle.

(iii) Decision making process has largely begun to move from the bastions of elders in the family to the youth too. Interestingly, the elders in the family have begun to assign credibility to the soundness and perceived validity of such decisions, specially where the youth have become better educated and gainfully employed.

Activity 6

Talk to a farmer, a rural shopkeeper and a rural youth. Prepare a list of their Activities (what do they do, how do they spend their time) Interest (what occupies their interest) and Opinions (what do they think about in term of their environment, politics, economy, aspirations, products brands etc. Prepare a list of 3 AIO statements. In what way are they similar to an urban consumer and how they are different ?

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3.8 PSYCHOLOGICAL FACTORS

The questions of motivation levels for the urban and rural consumers being different or same depends on the motives. The felt or innate needs in both the cases will largely remain the same. It is the acquired needs where the differences may happen. The acquired needs are shaped through exposure, experiences and the process of socialization in a given environment. With the visible differences in the urban and rural settings, the aspiration levels related to acquired need do differ. Evaluation of Table 3.9 depicts how the differences in the lifestyles of the rural and urban are so apparent and they have direct correlation to the need set. A youth in the age group of 18-25 in the rural area is married and with significantly higher levels of responsibility in comparison to his urban counterpart who might still be a bachelor and dependent on his patents . In the Maslow's Need Hierarchy model, while there might be relative homogeneity on basic need levels but as the need set moves to safety or social or esteem, there are visible differences between the aspirations of urban and rural sets. In the urban markets, aspiration in respect of the safety needs will largely comprise of savings in the bank, insurance policies and long-term investments. Alternatively, for the rural counterpart it is the size of liquid and bullion reserve with the local bank or stored away privately that may be solution for his security needs. Similarly, aspirations for esteem needs may vary between the two segments. The key influences affecting aspiration levels in respect of various levels of need hierarchy are chiefly:

(i) Level of Education

(ii) Exposure to Mass-media (vernacular)

(iii) Infrastructure development in the region

(iv) Vicinity to the urban townships

(v) Banking and Rural Credit infrastructure

(vi) Reach of TV/Radio/Cinema

3.8.1 Attitudes and Beliefs

You are aware of the significance of attitudes for buying behaviour. As learned predispositions, to behave consistently favourably or unfavourably with respect to any give object, attitudes direct buying decision. You have also studied that attitudes are comprised of the three components, the cognitive (knowledge), the affective (emotions, feelings) and the conative (leading to action) components. Attitudes of rural consumers are strongly governed by their levels of awareness, belief systems affecting their evaluation and resultant feeling they may develop towards a given object, a product or a brand.

Overcoming basic attitudes and habits in the rural markets are some of the difficult tasks for rural marketers. In its quest of the rural market share HLL has not only been concentrating on penetrative pricing and well-established retail presence, but also trying to overcome certain attitudinal problems especially relating to hygiene and healthcare. [20]Three out 10 people in rural areas use toothpastes or talcum powders or shampoo and skin care products and only six use washing powders. In soaps, consumption is once per five bathing occasions, largely on account of perceptions of soaps being chemical, therefore harsh, and sufficient for cleaning once in a while. Economy in usage is also an issue. Quantities consumed are also thus far less which makes it even more difficult to place the standard sizes and weights on the shelf. Smaller packs, pouches or sachets are the more popular versions here and companies are re-engineering their manufacturing line for the rural markets. Marketers have also realised the importance of educating the consumers to overcome the basic attitudinal barriers. Operation Bharat is one such initiative of HLL, to not only offer a low cost basket of products to the rural masses, but also simultaneously educate them about the benefits of such products. Participation in the local festivals, melas, haats, fairs and using these forums to introduce the benefits of the product helps consumers fundamentally understand the problem of hygiene, its relationship with general well being and the possible solutions to the problem.

A simple issue like cleaning hands after every chore conducted, is a mental block. Especially after feeding the cattle or after washing clothes at the riverside, washing of hands should be imperative. Rural consumers, however, believe clean looking hands to be germ free hands so usually presume that a mere wash with water is hygienic enough.. HLL through its various rural awareness programmes is trying to change the basic attitudes regarding the desirability of germ free hands at two levels:[21]

(i) On one end, to get people to switch to soap

(ii) On the other end, switch to a Levers brand.

The process of overcoming the mindsets will be a fairly long and arduous task , but already there are enough evidences showing some sporadic success, especially in the southern region where the drive has been more successful. Population migration and rise in literacy levels has a direct relationship to the overcoming of basic attitudes and habits too, as visiting youth who have either been studying or working in the city, bring with them awareness of different concepts and consumption and are able to influence attitude change.

3.9 SUMMARY

No marketing effort can be envisaged without an understanding of the dynamics of the behaviour of consumers in a given market. This is as true of rural market as any other market. This unit makes an attempt to bring to you the buying behaviour processes as observed in the rural markets in India. The various factors that influence buying decision, for example ,attitudes, motivation, lifestyle and life cycle stages have been discussed to clearly bring out the differences between urban and rural consumers so as to help you to plan differential marketing effort. In view of their specific significance, reference groups and their influence in buying decision has also been discussed.

3.10 SELF ASSESSMENT QUESTIONS

1. Identify the key differences in the environmental factors affecting buyer behaviour for rural and urban markets.
2. In the age group of 18-25 years are there any differences in the value systems endorsed by the rural and urban youth, if so, what are they?
3. Visit any nearby village in the vicinity of your town and spend half a day at any retail outlet . Identify the approaches of customer in buying and list them down based on the steps in the buyer behaviour process.
4. Explain the role of reference group in the context of rural markets and comment upon how does it differ from the urban markets?

3.11 FURTHER READINGS

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4. Rural Marketing: Targeting the Non-Urban Cosnumer by Sanal Kumar Velayudhan, Response Books, 2002.

3.12 REFERENCES

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[2] Source: http://www.indianfoline.com/bisc/mmru.html

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[5] Source: http://www.agriculture.c.../ agNotebook.class?FNC=ArticleList_Aarticle_html_5658_50

[6] Source: http://www.hll.com/HLL/knowus/bs_ruralmark.html

[7] Source: http://www.indiainfoline.com/bisc/mmru.html

[8] Source: Rural Marketing by C.S.G. Krishnamacharyulu and Lalitha Ramakrishna, Pearson Education (Singapore) Pte. Ltd., 2002

[9] Source: http://www.the-week.com/99may30/biz2.htm

[10] Same as [9]

[11] Source: http//www.indiainfoline.com

[12] Source: http://www.hinduonnet.com/thehindu/2001/10/11/stories/0611000c.htm

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[14] Source: http://www.agriculture.c.../
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[15] Source: http://www.agriculture.c.../
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[16] Source: Rural Marketing by C.S.G. Krishnamacharyulu and Lalitha Ramakrishna, Pearson Education (Singapore) Pte. Ltd., 2002

[17] Source: http://pf.fastcompany.com/online47/hindustan.html

[18] Source: http://www.agencyfaqs.com/www1/news/interviews/
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[21] http://pf.fastcompany.com/online/47/hindustan.html

UNIT 4 TRENDS IN CONSUMER BEHAVIOUR

Objectives

After going through this unit you should be able to :

- Describe the underlying trends in the Rural markets with respect to consumption habits
- Evaluate changes that might have occurred over the years in patterns of consumption
- Comment upon Category specific behavioural patterns
- Analyse the differences in urban and rural trends with respect to buyer behaviour
- Suggest the road ahead for the rural marketers

Structure

4.1 INTRODUCTION

The earlier unit (unit 3) gave you an insight into the buying behaviour processes in the rural markets and the influences on consumer's behaviour. This unit is more of a reality check of the market and analyses the recent trends in the rural markets. Further it also compares the trends with the past data to find any underlying changes that might have occurred or are currently occurring in the market. It is important, as a student of rural marketing, for you to understand the aggregate picture of the trends in buyer behaviour as it enables you to have a dynamic assessment of the target group you want to reach. This unit, through an analysis of the consumption patterns in the rural market, tries to create direction for areas of possible marketing effort that needs to be made. It also outlines the marketing implication of these trends. The unit builds upon the conceptual understanding of influences on buyer behaviour studied by you in the last unit.

4.2 RURAL BUYER BEHAVIOUR - RECENT TRENDS AT MACRO LEVEL

Owing to several macrotrends like rising rural incomes, growing literacy levels, migration to more urbanized locales and rising penetration of audiovisual mass media, the rural markets are showing interesting changes at overall, aggregate levels. A case in point is the concept of Rural Insurance; wherein a concept of this kind was unheard in the past, only players like LIC made some efforts there. Today with the Insurance sector opening up, private players are flocking to the rural India. On the flip side, 55% of LIC's business during 2000-01 came from the rural sector where it sold an impressive 10.7 million policies.[1] Obviously there is a market waiting to tapped but it will ask for a gameplan very different from the urban markets.

The anticipated growth rates between rural and urban markets anticipated by NCAER have some interesting facets to it.

Table 4.1 : Anticipated Growth Rates in Rural & Urban Markets

Income Groups	Urban 2001-02 to 2006-07 (%)	Rural 2001-02 to 2006-07 (%)
Low (Up to 22,500)	-26.5	-6.9
Lower Middle (22,501-45,000)	-9.2	3.4
Middle (45,001-70,000)	2.5	13.4
Upper Middle (70,001-96,000)	13.0	5.9
High (Above 96,000)	15.9	14.3

Source: Development of Life Insurance Business in Rural Area by S. P. Subhedar

The large mass of the middle class is likely to swell much more in the rural markets as compared to the urban markets and this is where marketers have immense opportunities to exploit the market. [2]Besides, for the same level of income, disposable surplus (purchasing power) in rural could be higher owing to food, shelter, primary education and health being relatively cheaper or free as compared to the urban markets where 60-70% of the cost is incurred under these heads. The rural share in FMCG and durables are also on the rise with about 50% share of ownership as compared to less than 25% in the 1980's. Roughly the rural market is expected to be valued at Rs.500 billion for FMCG's, Rs.5[3] billion for consumer durables, Rs.450 billion for agricultural inputs and implements and Rs.8 billion for automobiles annually.[3] These figures speak of the substantive part of the market and there are already favourable transitions in the market.

Bicycles, Radio/Transistors, wristwatches, B/W television, Cassette Recorders, pressure cookers, table fans and sewing machines have already registered more than 50% of the share of sales in rural markets and expensive products like motorcycles and refrigerators have registered growths of 20-25%[4]. In some categories of FMCG like cooking oil, toilet soaps and washing cakes, both the rural and the urban markets have registered similar penetration levels.

The rural consumer is no more relying on traditional forms of savings and investments. Bullion reserve and land were the more conventional approaches to saving and investments and they have made way for more contemporary means of investing like Fixed Deposits, Recurring Deposits and even Insurance policies.

Rural Credit has always existed, but has been highly unstructured and unorganised. The Bank credit schemes have only been the bastion of a select few prosperous farmers. A few traditional products like tractors and agricultural equipment have long been procured through bank credit schemes. However, trends are beginning to change and there seems a conscious efforts from the financial sectors to look at structural changes rather than vanilla products. It might be too early to predict a fully evolved hire purchase market structure like the urban markets but with comparatively higher liquidity in the rural markets, one will witness more sustained activities of the organized credit sector.

Table 4.3: Rural and Urban Population in India : Picture from Select States

States	Rural		Urban	
	2001 (in lakhs)	%age of Total Population	2001 (in lakhs)	%age of Total Population
Andhra Pradesh	55.2	73	20.5	27
Arunachal Pradesh	86.8	80	22.2	20
Assam	23.2	87	3.3	13
Bihar	74.1	90	8.6	10
Gujarat	31.6	63	18.8	37
Himachal Pradesh	5.4	90	0.5	10
Karnataka	34.8	66	17.9	34
Madhya Pradesh	44.2	73	16.1	27
Maharashtra	55.7	58	41.0	42
Orissa	31.2	85	5.4	15
Punjab	16.0	66	8.2	34
Rajasthan	43.2	77	13.2	23
Tamilnadu	34.8	56	27.2	44
Uttar Pradesh	131.5	79	34.5	21
West Bengal	57.7	72	22.4	28

Source: Census of India 2001, website: http://www.censusindia.net

While from Table 4.2 a clear indication of the decline in % of rural population is apparent, Table 4.3 still reflects a clear domination of the rural population as against the urban counterpart in most states, which is indicative enough of the market's size. [5]Though the decline in population in rural markets cannot be for the same reasons as in urban markets, however, migration of population coupled with awareness of family planning has been the primal reason for the decline. Though percentage wise rural population has declined from 82.0 to 72.2 in 50 years, in absolute volume terms the rural population has grown from 36.03 to 74.17 crores i.e. by nearly 105.86%. There has been also indication of a steady economic growth in the region, which has been a harbinger of change. Economic growth in the agrarian sector has been 7% as compared to 3% in the industrial sector, reason enough for the sector to cheer.[6] This has had impact on the income distribution in the region too. (Table 4.4.)

Table 4.4: The changing income distribution of Rural Population

Income Group	1985-86	1989-90	1995-96
High (above Rs.96,000 p.a.)	0.3	0.5	2.0
Upper Middle (Rs.70,000 to Rs.96,000 p.a.)	0.7	1.2	3.1
Middle (Rs. 45,001 to Rs. 70,000 p.a.)	4.0	7.1	8.6
Lower Middle (Rs.22,501 to Rs.45,000 p.a.)	21.4	23.9	29.0
Low (Upto Rs.2,500 p.a.)	73.6	67.3	57.2

Source: From the article titled, Emerging Life Insurance Market in Rural India by T.K. Banerjee

With the economic growth in the region and as per NCAER the mobility towards higher income groups being higher in the rural sector as compared to the urban markets, a few distinct trends have been noticeable:[7]

(1) Increased monetisation of rural economy, whereby there is cash surplus holdings by rural population. Earlier, apparently the cycle of transactions from goods to cash and then to other goods was much faster than they today.

(2) Financial assets are gradually gaining importance in rural sector as against the traditional habit of creating physical assets. Thus the process of institutionalisation of savings has started.

(3) People are more conscious of security of their money and traditional institutions are the preferred ones.

However, there are some anomalies in this context, chief among them being the heterogeneity in the segments. The rural population is broadly divided into the following segments.

(i) Big Landlords

(ii) Micro-Enterprise/ Small Farmer

(iii) Marginal Farmer

(iv) Labourers

There are sizeable gaps in resource profile of each of these segments and this obviously has an impact on the economic prosperity of the region. Besides, from buying behaviour perspective too it has its own influences. A look at the declining poverty rates (Table 4.5) and growth rates across income classes (Table 4.6) will give you an idea of the transitions that are taking place.

Table 4.5: Population below poverty line

Number of poor (Mn.)	2001-02	1993-94	1973-74
Rural	137.5	244.0	261.3
Urban	44.5	76.3	60.0
Total	182.0	320.4	321.30
Poverty Ratio (%)			
Rural	18.6	37.3	56.4
Urban	18.6	32.4	49
Total	18.0	36.0.	54.6

Source: Statistical Outline of India

Table 4.6: Anticipated growth rate in income classes (%)

Income groups (Rs. in 1994-95 prices)	Urban	Rural	Urban	Rural
	2001-02 to 2006-07		1994-95 to 2001-02	
Low (Upto 22,500)	–26.5	–8.6	–12.5	–5.5
Lower Middle (22,501–45,00)	–9.2	3.4	1.7	8.3
Middle (45,001–70,000)	2.5	13.4	6.5	8.1
Upper Middle (70,001–96,000)	13.0	5.9	11.4	9.9
High (Above 96,000)	15.9	14.3	18.1	11.5

Source: Statistical Outline of India

Both tables are indicative of the declining population below the poverty line and it augurs good promise for marketers. A clear indication of that is also demonstrated from the Table 4.7 which is fairly indicative in nature and shows how the consumption profile has show a shift in the last decade. You can get a more complete and updated productwise picture, through the statistical data provided in the appendix of block III of this course.

Table 4.7: Purchases of Consumable Products–Rural Share (%)

Product	1986-87	1998-99
Body Talcum Powder	41.00	45.7
Cigarettes	54.00	57.90
Face Cream	21.00*	27.83
Cooking Medium (Oil)	66.00	65.92
Cooking Medium (Vanaspati)	58.00	59.22
Electric Bulb	31.00	41.62
Electric Tube	32:00	35.99
Footwear (Casual)	66.00	61.21
Footwear (Leather)	62.00	58.31
Footwear (PVC)	70.00	##
Footwear (Sports)	#	46.6
Hair Oil/Cream	47.00	51.89
Health Beverage	30.00	31.02
Lipstick	–	–
Nail Polish	–	–
Packaged Biscuits	54.00	43.6
Shampoo	–	32.69
Tea	65.00	59.85
Toilet Soap	50.00	58.43
Toothpaste	27.00	46.88
Toothpowder	69.00	78.23
Vanishing Cream	23.00	**
Washing Cake	61.00	66.88
Washing Powder	42.00	57.85

Source: Indian Market Demographics Report 2002, '_' Not surveyed/not available. * Cold cream only. # Included under footwear (Casual and Leather), ## Included under Footwear (casual)

Though the figures are not a segment wise indication, they do explain the current scenario wherein both FMCG and durables have shown positive growth signs. Some variation by mode of financing new purchases is also indicative of the way rural India has been acquiring goods. (Table 4.8)

Table 4.8: Distribution of New Purchases by Mode of Finance (1993-94)

Product	Cash Down			Hire Purchase			Loan			Gift		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Transistors/ radios	88.19	84.94	85.94	5.19	5.08	5.10	2.92	4.44	4.11	3.70	5.54	5.15
Mono Cassette Recorders	82.69	88.10	85.90	9.03	5.23	6.77	5.85	3.48	4.44	2.43	3.20	2.88
Pressure Cookers	88.02	80.34	84.47	6.35	6.94	6.62	1.35	0.41	0.91	4.30	12.31	8.00
Pressure Pans	80.45	92.08	82.54	3.23	0.00	2.65	1.77	0.00	1.45	14.56	7.92	13.36
Bicycles	88.13	86.33	86.73	6.95	5.30	5.67	2.09	3.93	3.52	2.83	4.44	4.08
Wrist Watches (Quartz/ Electronic)	88.54	87.13	87.83	3.14	2.78	2.96	0.73	0.11	0.42	7.59	9.97	8.79
Wrist Watches (Mechanical)	88.56	82.96	84.30	1.85	3.89	3.40	0.74	1.72	1.48	8.85	11.43	10.82
Electric Irons	90.87	89.57	90.32	3.98	0.35	2.45	0.66	5.29	2.61	4.49	4.80	4.62
Ceiling Fans	85.75	83.91	84.86	1.26	7.59	8.89	1.29	3.79	2.49	2.70	4.72	3.67
Table Fans	80.86	84.02	82.82	10.34	6.70	8.08	1.78	0.69	1.11	7.02	3.58	7.99

Source: Indian Market Demographics-The Consumer Classes, NCAER

Patterns of purchases by type, whether new purchase or second hand, also show some variation between rural and urban markets. (Table 4.9)

Table 4.9: Distribution of Purchases by Types of Purchase

(in percentage)

Product	New Purchase			Second Hand Purchase		
	Urban	Rural	Total	Urban	Rural	Total
Transistors/ radios	95.39	92.35	92.98	4.61	7.65	7.02
Mono Cassette Recorders	93.50	91.14	92.08	6.50	8.86	7.92
Pressure Cookers	100.00	100.00	100.00	0.00	0.00	0.00
Pressure Pans	100.00	100.00	100.00	0.00	0.00	0.00
Bicycles	91.34	82.60	84.40	8.66	17.40	15.60
Wrist Watches (Quartz/Electronic)	98.89	97.96	98.42	1.11	2.04	1.58
Wrist Watches (Mechanical)	96.50	94.36	94.86	3.50	5.64	5.14
Electric Irons	98.01	98.88	98.37	1.99	1.12	1.63
Ceiling Fans	98.50	97.77	98.14	1.50	2.23	1.86
Table Fans	95.42	95.43	95.42	4.58	4.57	4.58

Source: Indian Market Demographics-The Consumer Classes, NCAER

From an overall picture of the rural ownership of consumer durable it is possible to see that the acquisition profile, product category wise is showing a shift over the year (Table 4.10)

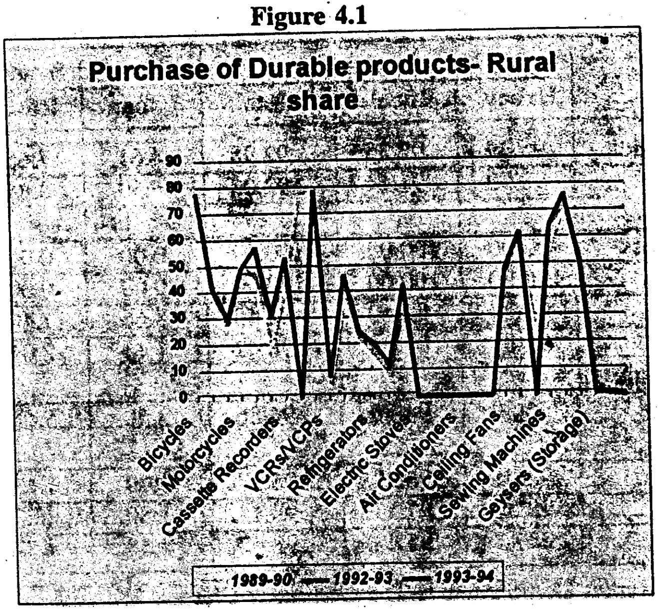
Table 4.10: Penetration (ownership per '000 households) of Durable Products–Rural

Products	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Bicycles	495.68	510.97	529.03	556.85	579.37	605.78
Mopeds	15.33	16.50	17.74	20.94	22.12	24.15
Scooters	17.19	19.15	21.13	23.89	26.40	29.03
Motorcycles	16.16	17.48	18.70	21.15	24.28	28.13
B&W TVs (S&R)	114.47	132.94	154.83	178.77	203.34	195.47
Colour TVs (S&R)	19.30	22.95	26.35	30.86	38.27	48.41
Cassette Recorders	129.86	152.56	173.15	201.20	227.26	246.07
Radios (Portable)	380.76	400.89	418.87	441.97	463.25	491.61
VCRs/VCPs	1.12	1.29	2.01	2.18	2.47	2.77
Pressure Cookers	108.38	118.42	130.27	146.10	161.73	178.10
Mixer/ Grinders	25.95	28.72	31.23	35.03	39.29	43.88
Refrigerators	14.06	16.99	20.37	24.54	29.14	34.55
Washing Machines	2.84	3.95	5.04	6.49	8.03	9.77
Electric Irons	70.17	76.83	82.66	90.61	99.44	109.24
Pressure Pans	0.70	1.10	1.70	2.55	3.37	4.27
Ceiling Fans	149.60	169.49	190.49	217.62	248.01	280.29
Table Fans	107.68	120.50	130.99	141.94	160.91	177.67
Sewing Machines	61.87	63.59	65.44	67.11	68.85	71.09
Mechanical Wrist Watches	732.14	746.39	759.68	790.58	811.45	823.90
Quartz Wrist Watches	194.35	224.90	257.51	295.36	345.25	400.90
Geysers (Storage)	0.41	0.43	0.45	0.57	0.61	0.65
Geysers (Instant)	0.26	0.28	0.30	0.41	0.46	0.49

Source: Indian Market Demographics Report, 2002, NCAER, '-' indicates figures not available

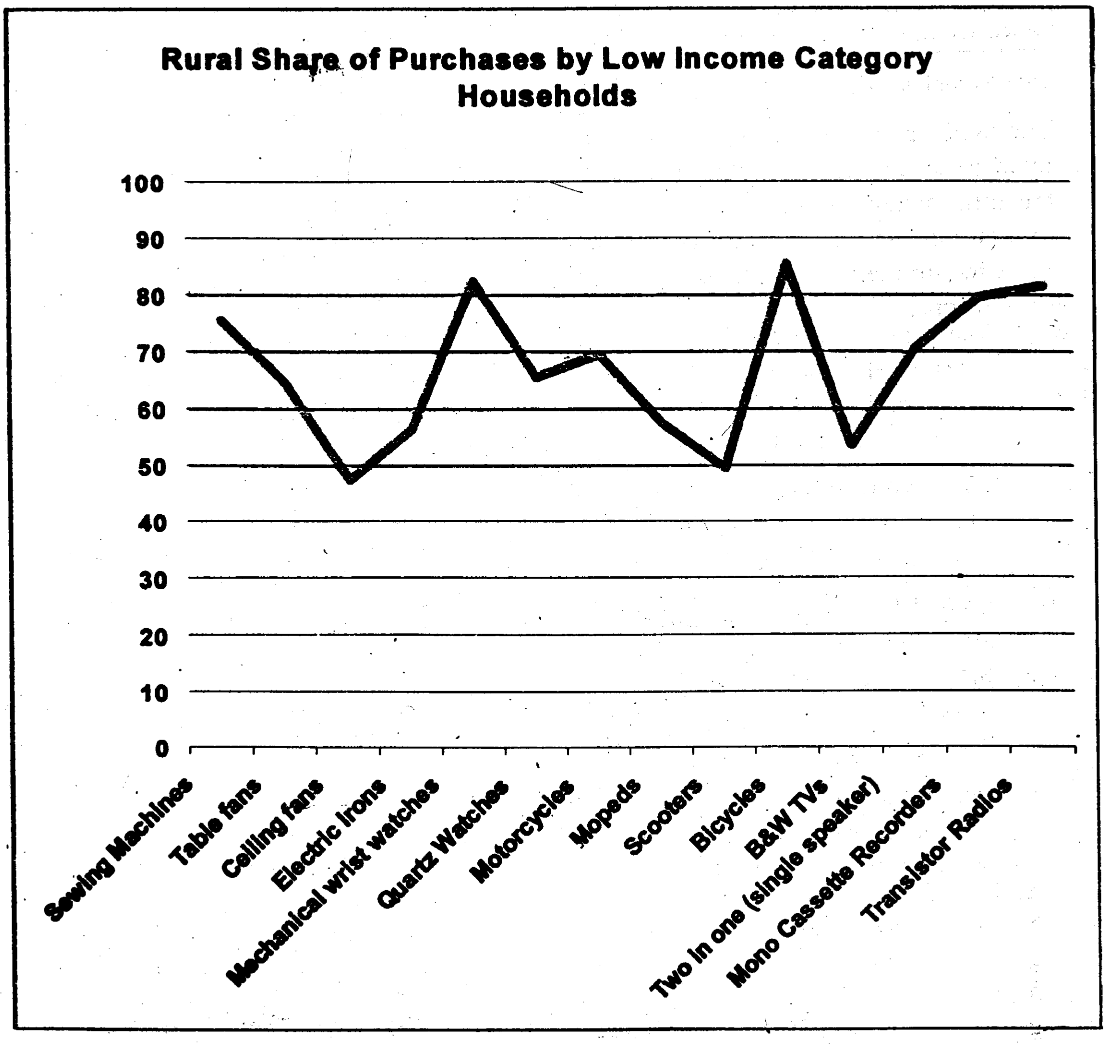
The trends can be seen in the figures below. Fig.4.1 gives an idea of the changing picture of durables ownerships while Fig.4.2 shows the patterns of purchase by low income category households.

Figure 4.1



Source: Indian Market Demographics-The Consumer Classes, NCAER

Figure 4.2



Source: Indian Market Demographics-The Consumer Class[illegible]

Table 4.11

Number of Purchasing Households ('000) 1993-94
Number of Consumers ('000)

Product	Households			Consumers		
	Urban	Rural	Total	Urban	Rural	Total
Nail Polish	4509	2755	7264	25252	15426	40678
Lipstick	5974	635	6610	33457	3557	37014
Packaged Biscuits	19244	22199	41443	107767	124316	232082
Electric Bulbs	31884	51135	83019	178550	286354	464904
Footwear PVC	18779	38091	56870	105160	213312	318472
Footwear Leather	22281	38702	60982	124773	216728	341501
Foowear Casual	23970	56526	80495	134230	316544	450774
Washing Powder	29915	56602	86517	167524	316973	484497
Washing Cake	40176	98770	138946	224987	553110	778098
Cooking Medium Oil	40002	99734	139736	224008	558513	782521
Vanaspati	19825	39981	59806	111018	223895	334912
Tea	37908	88293	126201	212286	494441	706727
Body talcum powder	26598	39316	65914	148949	220168	369117
Shampoos	11300	6910	18210	63280	38694	101974
Face Cream	11715	15540	27256	65605	87026	152631

Source: Indian Market Demographics-The Consumer Classes, NCAER

The tables above are a broad indication of the market and its characteristics. The main issue here is the differences in the urban and the rural markets and how has the rural markets covered ground especially in the last few decades. In the next section you will see some recent trends in the rural markets. However, if one were to summarise this section it will be in the form of a few logical conclusions:

(i) The growth in the rural sector especially from the primary sector has been substantially more as compared to the secondary sector overall, which means that economic resources are now more in the rural sector than in the past and that has definitely meant rise in the spend levels of the region.

(ii) The second issue is the traditional norms and means of investments and savings are giving way to the more contemporary ones, especially with the penetration of the banking and financial sector alongwith necessary reforms.

(iii) FMCG growth continues to dominate in the rural sector and durables are gradually beginning to make way for themselves.

(iv) Infrastructure is an issue and especially electricity will be the chief concern in most regions, and may continue to inhibit growth in the electricity dependant durables market.

(v) The market size will continue to grow even though shrinking population share is a gradual trend in the region, because overall growth rates in population continue to be higher in rural India.

Activity 2

Study the recent report of NCAER: The Indian market demographics 2002. Also go to the websites suggested in Block V of this course. Identify which are the 5 product/service categories in the rural market that are likely to have the highest growth rates. Also indicate which are the product categories that are likely to show a decline.

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4.4 CURRENT TRENDS IN THE CONSUMPTION PATTERNS

This section will help you analyse the recent trends in the rural markets and effort has been made to make necessary comparisons with the urban markets too. The ensuing tables give an indication of the recent scenario from the rural sector. Interestingly, growth still is in the traditional sectors and segments but some new dimensions, particularly with respect to credit and finance systems, are critical for you to evaluate. Though the rural markets are still not full-grown matured markets in respect of credit and finance but there has always been unorganised market, existing for long. The ensuing tables are indication of the recent trends in the rural markets.

Table 4.12: Consumer Durable Products- Market Growth

(per cent average annual rate)

	Pre-reform period (1989-90 to 1992-93			Post-reform period- I (1992-93 to 1995-96)			Post-reform period- II (1995-96 to 1998-99)		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	**Total**
Group I	4.8	3.2	4.2	5.7	4.0	5.1	11.1	5.2	**9.2**
Group II	9.6	2.7	5.5	19.6	6.4	12.7	9.9	-10.5	**-0.2**
Group III	1.6	1-4.4	-3.0	25.0	20.8	21.9	22.5	13.6	**16.3**
Total	5.3	2.0	3.9	8.8	7.0	8.0	11.5	2.9	**8.1**

Source: Indian Market Demographics 2002, NCAER

According to NCAER; the rural markets are growing, the levels of infrastructural developments (including that of service sector) and performance of agriculture in a given season, however, will be critical for realizing the purchase power potential of a given rural area. Availability of electricity alone will be a major variable in deciding the ownership of consumer durables as the table 4.13 shows.

Table 4.13: Factors Affecting Penetration of Consumer Electrical Products in Rural Areas

Factor	Per cent Contribution	
	1989-90	**1998-99**
Income	18.8	22.9
Electricity	55.1	56.0
Interaction between income & electricity	15.4	9.9
Lifestyle	10.7	11.2

Source: Indian Market Demographics 2002, NCAER

The approximate market size for the FMCG segment, across rural and urban sectors presents an interesting picture as you analyse from the table below (4.14)

Table 4.14 : The FMCG Market

Year	Market Size (Rs. billion at 1995-96 prices)			Growth (percent per annum)		
	Urban	Rural	Total	Urban	Rural	Total
1992-93	220.4	319.9	540.3	-	-	-
1995-96	292.5	378.6	671.1	9.9	5.8	7.5
1996-97	309.1	410.5	719.6	5.7	8.4	7.2
1997-98	382.5	457.6	840.0	23.7	11.5	16.7
1998-99	371.3	415.5	786.8	-2.9	-9.2	-6.3
1995-99	-	-	-	8.3	3.2	5.4

Source: Indian Market Demographics 2002, NCAER

On the FMCG market there will be steady growth as indicated in the figures below for the 22 products as classified by NCAER. Besides, for the durables sector consumer finance will be the key to future growths. According to NCAER[8] the three key reasons for the same will be:

(i) income effect (boom) of the mid 90's is over;

(ii) latent demand of the mid 90's has exhausted;

(iii) and there is no more a 'ready made' consumer market, the same will need to be cultivated and built.

Table 4.15: FMCG Product Market Growth

(per cent per annum)

Product	Change in growth
Lipstick	+13.9
Nail Polish	+16.9
Shampoo	+17.5
Tooth paste	+6.7
Electric Tube	+8.4
Face Cream	-2.7
Body talcum powder	+3.2
Footwear- Leather	-3.4
Health Beverages	-3.0
Packaged Products	-0.5
Footwear sports	-
Electric Bulb	-6.3
Tea	-7.5
Tooth powder	-3.9
Washing powder	-4.1
Cooking oil	-0.4
Hair Oil/Cream	-4.5
Washing Cake	+1.9
Vanaspati	-4.6
Cigarettes	-0.2
Toilet Soap	-9.0

Source: Indian Market Demographics 2002, NCAER

The birth of the consumer finance is primarily because of the financial and banking sector reforms and which is evidently helping consumers immensely. It is also a key variable in creating purchase potential for large segments of lower and lower middle income classed going in for durables purchases. (Table 4.16)

Table 4.16: Growth in Financed Purchases of White Goods

(per cent per anuum)

	1992-93 to 1995-96	1995-96 to 1997-98	1997-98 to 1998-99	1998-99 to 1999-2000
Urban	19.6	14.8	-17.1	17.4
Rural	20.4	14.3	-5.9	39.6
Total	19.8	14.6	-14.1	23.9

Source: Indian Market Demographics 2002, NCAER

The figures are indicative of the trends in the rural markets where the growth has been promising and definitely from the buyer behaviour perspective there have been distinct changes too. The next section evaluates the implications from the marketer's perspective and identifies some indicative learning that he has to apply for an effective rural marketing effort.

Activity 3

Talk to some members of the following organizations

1. A private insurance provider
2. A Cellular service provider
3. A leading FMCG manufacturer
4. A consumer durables manufacturer

Discuss with them to find out how they define the rural market opportunity in respect of their own organization, and in response to the trends apparent in the rural markets. Record the outcome of your discussion here.

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4.5 THE IMPLICATIONS FOR THE MARKETERS

According to an article by Prof. V. Mukanda Das, titled, [9]India's Emerging Consumer Markets- Relevance of the evolving Rural Consuming systems, the rural market transition shows interesting dimensions. Das points out to the directions of change very clearly. Though the paper is from the early 1990's yet seems very relevant in today's context. According to him, "There are two dominant changes/shifts discerned in the rural consuming systems. These changes, it is to be understood, are from a pre-agrarian prosperity level to one after agrarian prosperity or rural development investments. (i) The first change in spending is manifested in an increasing proportion of incremental income being spent for buying consumer durables from a previous state of buying more land, in the affluent segments of rural consumers. (ii) The second change is from a situation of buying locally made (mostly within village) goods to one of buying urban made consumer goods."

The three factors which have initiated the first direction of change are[10] :

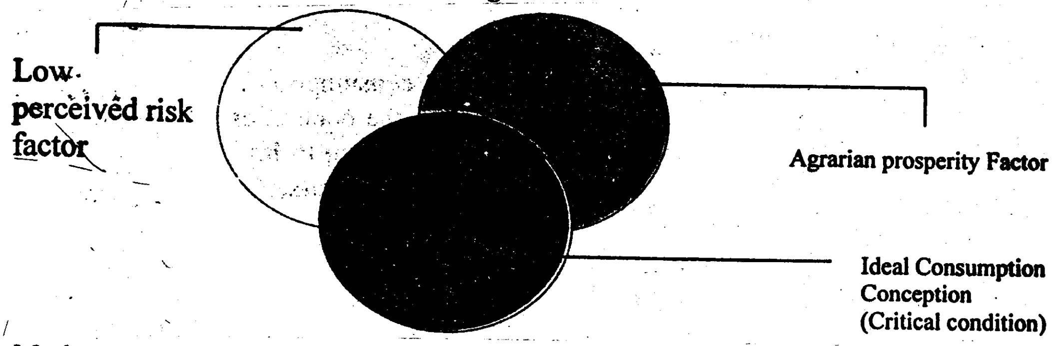
(a) Spurt of Agrarian Prosperity

(b) Reduction of Risk (perceived) in Agriculture

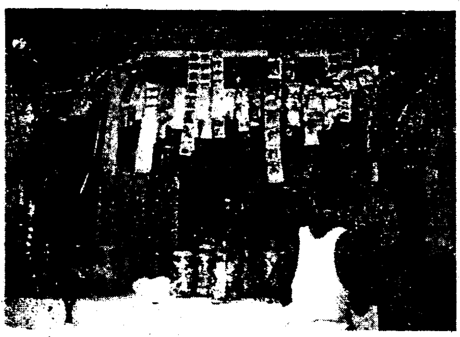
(c) Change in the (conception) of Ideal Consumption Basket

Based on these issues the implications for the marketers are important to understand[11]. Initially land and bullion reserve were considered important for security purposes. However, as things stand today this saving preference has made way for more contemporary viewpoints The evolution of the consuming system is because of the change in the consumption choices and this evolution is based on the mutual reinforcement of the two factors as the critical condition as illustrated in Figure 4.3.[11]

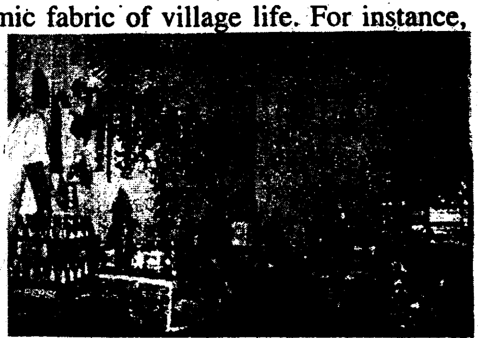
Figure 4.3



Marketers will have to very clearly understand the current dynamics and based on this, they will have to look at their marketing plans for the rural marketing. A sudden dose of advertising or by being merely present at specific fairs or haats will not ensure product saleability. Infact, a critical point of difference is that unlike his urban counterpart the rural consumer is not an impulsive consumer. His buying is ideally referred to as "Ideal Consumption"[12], which has a very strong social and economic influence. Marketers will have to clearly realise that there are a few distinct notions within the rural mindsets, which will be difficult to remove as they are a by product of the socio-economic fabric of village life. For instance, TV viewing in the villages is more of a community affair rather than family based affair in the urban market. The TV is therefore displayed not merely for public viewing but a silent endorsement is also required for brand/product consumed. If the village mukhiya endorses the product the social status of the individual owing the product, is augmented manifold. These are traits hard to remove and where marketers cannot do much except maintain visibility and opinion leadership levels. Another aspect is that the quantity of consumption product wise is lower too. Usage of soaps has already indicated, in contrast to urban situation is fairly low. In such cases marketers will have to provide for proportionate quantity of product. Sachets have therefore become immensely popular in the rural markets. Take a look at the pictures 1, 2 and 3 alongside and it will show how sachets are prominently



Picture 1



Picture 2

Picture 3

displayed in the rural markets. Infact, these pictures are taken in the villages of Haryana and they typically reflect the state of a typical rural grocery and how the products are displayed. For an urban counterpart it might seem very different from the grocery shop that he visits, however, the product display patterns are fairly similar. The concept of wall painting and signboards is still very popular in rural setting. Another very critical aspect is the message styles, which are fairly bold and prominent. The logo is prominently displayed and the product depiction is also very stark and distinct. As press plays a minimal role here in rural markets, emphasis is heavy on the in-store display and especially on below the line promotions.

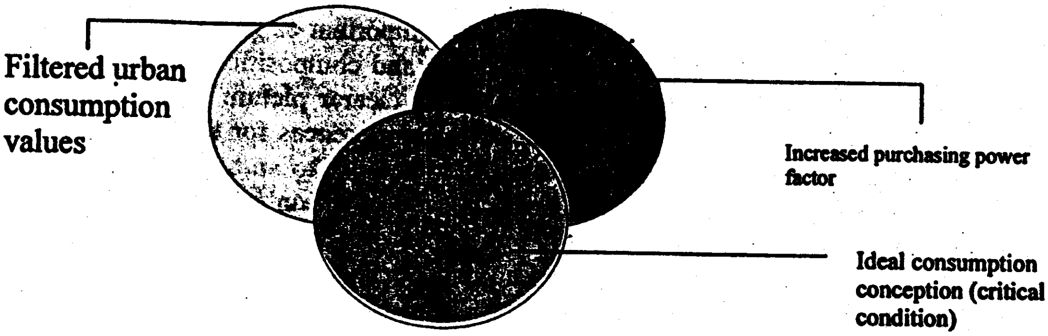
Going back to the marketing implication of rural consumption trends the second issue highlighted by Prof. V. Mukanda Das, is in the context of change from locally made goods to urban consumer goods. According to him this is because of filtered information from the urban markets and of course today TV does play a critical role in information flow and decision making.

However, it is important to understand that the rural customer will be no different than the urban eventually in terms of values that he seeks. When TV was relatively new to the cities and towns, DD (Doordarshan) was the only option available with a basket of products that viewers waited for days in the week to watch Chitrahaar, Sunday Feature Film, Aap or Hum, Phool Khile Hai Gulshan Gulshan to name a few. Of course, the evergreen Jaan Hai to Jahan Haai or Krishi Darshan was always there for an awaiting rural audience, though rural penetration of TV those days, was low. Things changed with the advent of soap operas like Hum Log, Buniyaad, and Ramayan... Post 1991, C&S (cable and satellite) changed the way we watched television and today there are a plethora of channels to be viewed. The urban markets have become fairly evolved atleast in terms of the viewership patterns and the content. The rural markets largely dependant on Doordarshan, are also undergoing similar transitions and they are better placed as compared to the position contentwise, from the picture in last decade, since the DD content today is far richer and better what was than offered in the past. The gradual penetration of C&S in times to come, will also ensure that the rural sector will gain exposure levels similar to his urban counterparts. This has been the trend in most cases and categories.

Infrastructure, especially electricity will continue be the prime concern as has been adequately covered in the earlier sections. According to NCAER estimates, there will be direct co-relationship between durable purchase and availability of electricity. In some states, where even the cities are grappling with all day electric supply, it will be a tall order before the rural sector is adequately covered.

Figure 4.4 explains clearly the need for the marketers to understand how the marketer needs to consider the filtered urban consumption values and its implications for the rural customers. Research shows that urban consumption has an aspirational value for those rural consumers, who are in touch with or exposed to such consumption. However, this must not be taken for granted that the consumer here is a linear extension of the urban counterpart. He has shown himself be patient, methodical and evaluative in nature before he makes the final purchase. The value sought will be more keenly evaluated and thus the time taken in the purchase process will be higher. Products like refrigerators, washing machines, OTG's and other related durables have entered in the commoditisation mode in the urban markets, which is still not the case in the rural markets and therefore the value sought is still at a stage where propositions have to be translated into resulting utility and functional benefits, meaningful to the rural consumer, in relation to the price paid for the durable.

Figure 4.4



[13]Some of the indicators of changes are:

a. The ever-increasing levels of input usage has to rationalise and stabilise itself to sustainable levels. The concept of sustainability includes elements of balance in the environment, society and economy here.

b. The growing complexity of the newer products which are becoming very technical, sophisticated and expensive, is an issue. The consumer needs to "understand" the utility : price equation as well as be satisfied about the possible repair and maintenance scenario.

c. Slowly, the concept of economies of scale, which is so much talked about in the industrial goods manufacturing, is going to come in agricultural production system also.

d. With growing urban influences and the process of urbanisation that is taking over the rural areas, including advent of mass media and lowered insulation of the village itself, the traditional dependence of rural customers upon channel members, for advice, credit and goods is slowly going to come down.

e. The rural customer is now getting influenced by the concept of a brand. It will make him switch from anonymous commodities to recognisable brands.

f. We are witnessing an increased migration from the rural to urban areas. The youth too is not looking at agriculture as an attractive career option. He has more career/livelihood options to choose from. This has an indirect impact in the form of 'aging' of the rural population in times to come and resultant shifts in consumption behaviour, unless some means of reversing the tide of migration can be employed.

In conclusion, a few learnings that can be gleaned from the unit are :

i) The rural customer will be more discerning and value conscious than the urban customers. This however, does not draw from any possible differences in the spend levels between urban and rural markets.

ii) Infrastructure is critical for markets to grow and flourish.

iii) The current trends in rural markets have displayed economic growths higher as compared to the urban markets and overall GDP growths are higher in the last few years, which augurs well for marketers eyeing this market.

iv) Traditional products like bulbs, tooth powders, washing bars are making way for more contemporary options like tubes, pastes or detergent powders.

v) TV penetration is high but press, specifically, vernacular medium, is low in reach, which seems to be in direct correlation to the literacy level in a given region.

(vi) Some traditional products like Radio, bicycles still continue to dominate and have been consistently performing well. Some recent indications and figures show motorbikes are increasingly finding a bigger rural audience.

4.6 SUMMARY

Analysis of overall trends in the rural market is important as it enables the marketer to have a general idea of the directions and composition of growth in a given market. Sector wise analysis can provide a clearer picture of pockets of opportunity in some product areas and declining preferences for the others. An understanding of these trends can also lead the marketer to an assessment of the underlying causes of the existing scenarios and the direction in which these underlying variables can take the market. This unit gives an aggregate level picture of the trends in the rural market and also brings to you some product sector wise analysis of consumption trends. The implications as drawn from these trends are also presented to guide marketing action.

4.7 SELF ASSESSMENT QUESTIONS

1. Evaluate some of the programmes on Doordarshan targetted at the rural audience on the primetime and evaluate the possible changes in the programming patterns before 1991 and now. Do you think that some of the programmes have universal approach for national audience or is region specific? Evaluate the products being advertised on DD as compared to other C&S channels and identify the reasons for differences in the product profile being advertised.
2. From the NCAER data on the Indian Market Demographics, 2002, find out the visible differences in the durable purchase patterns and identify reasons for the same.
3. Visit any local village in your vicinity and speak to the local durables retailer .Gather data on the recent trends in buying patterns and with your understanding of this unit try to explain the underlying reasons for the trends.

4.8 FURTHER READINGS

1. Emerging Trends in Indian Marketing in the 90's, Edited by S.C. Sahoo and P.K. Sinha, Excel Publishing, 1991 Ed.
2. Indian Market Demographics 2002: NCAER, Global Business Press, 2003.
3. R.K. Swamy/BBDO guide to market planning, 1999.
4. MICA's Rural Market Ratings, MICA, 1999

4.9 REFERENCES

[1] From the paper titled, *Rural Market: A Business Opportunity for Insurance* by Pradeep Kashyap, President, MART: presented at the FICCI conference on Rural Marketing and Communication on 24th April, 2003 at Delhi

[2] " " " " " " " " " "

[3] " " " " " " " " " "

[4] " " " " " " " " " "

[5] From the article titled, Emerging Life Insurance Market in Rural India by T.K. Banerjee: presented at the FICCI conference on Rural Marketing and Communication on 24th April, 2003 at Delhi

From the article titled, Rural Insurance: Prospects and Constraints by R. Vaidyanathan and S. Jyotilakshmi

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Source: Indian Market Demographics 2002, NCAER

From the book titled, Emerging Trends in Indian Marketing in the 90's by S.C. Sahoo and P.K. Sinha, 1991, the paper titled India's Emerging Consumer Market by V. Mukanda Das

[10] From the book titled, Emerging Trends in Indian Marketing in the 90's by S.C. Sahoo and P.K. Sinha, 1991, the paper titled India's Emerging Consumer Market by V. Mukanda Das

[11] From the book titled, Emerging Trends in Indian Marketing in the 90's by S.C. Sahoo and P.K. Sinha, 1991, the paper titled India's Emerging Consumer Marke by V. Mukanda Das

[12] Source: India's Emerging Consumer Market- Relevance of the Evolving Rural Consuming Systems by V. Mukanda Das, 1991

[13] Source: http://www.sanver.biz/marketing/

UNIT 5 RURAL MARKETING RESEARCH

Objectives

After going through this unit you should be able to

- describe the type of research being carried out in the rural markets
- explain how has the scope of research changed over the years
- comment upon the implications of rural research for marketers
- analyse the difficulties in conducting rural research
- identify organisations involved in rural research and their work
- select appropriate research methods for your rural marketing effort

Structure

5.1 INTRODUCTION

Rural market research has traditionally existed much longer and has had a structure even before the urban markets developed fully. This is quite ironical but it is true, as most research which have pertained to health, literacy, family planning or infrastructure related projects have their base always in the suburban or rural areas to start with. However, research related to marketing and its problems have started to take shape more recently when companies like HLL, Dabur, Colgate Palmolive, Richardson Hindustan Ltd. (now P&G) started to make headway into the rural markets and found that they had very little or no information regarding the markets. Data existed pertaining to socio-economic classifications, more specifically on occupation profiles, education profile or ownership profile, but data on income, its allocation and buying preferences was not available. Hence, it became difficult to segment the markets. Most organisations wanting to enter rural markets either relied on the existing published sources or commissioned studies. However, commissioning a study was time consuming and involved huge financial resources. Besides, the heterogeneity of the market meant that data from one region could not be adopted elsewhere. It was difficult to assess the market size and the potential. After having spent considerable amount of time and investments in research today companies like HLL have strong rural presence. But, issues like infrastructure and geographic reach of the places still continue to bother companies. The situation regarding rural marketing research is however slowly changing with our knowledge base on rural marketing growing on the basis of both higher experiential data available as well as deeper penetration of rural markets. In this unit, an attempt has been made to introduce you to the scenario in rural marketing research, the organizations involved and the methods in use.

5.2 RURAL MARKET RESEARCH : THE PREVAILING SCENARIO

Organisations like NCAER, ORG-MARG, PSI, National Institute of Family Health and Welfare (NIFHW), Statistical Institutes of India, GOIís Census Study Organisation, etc. have for quite some time now been involved in rural research. Organisations like NCAER are involved directly in primary research pertaining to demographic study for both urban and rural markets besides handling a portfolio of other products under research. ORG MARG's retail audit is one of the most accomplished and largest research processes involving brand tracking for companies at retail level. The number of regions covered is geographically expansive and therefore the retail audit of ORG MARG is respected in the trade circles. Agencies like PSI, TERI, NIFHW are involved in research of the completely different kinds in rural India. Their research is focussed more on Health, Sanitation, Family Planning, Literacy and other related social issues. Unfortunately, a large part of our rural India still cannot access basic health facilities and primary education. Pregnancy related deaths are still the highest in India and even basic amenities are not provided because of which such deaths are common. Low literacy levels, absence of a local Health Centre are reasons for such mishaps too, so research in these areas is imperative.

The government has been taking several initiatives in this regard and several government-funded institutions are involved in related projects. For instance on the AIDS awareness drive alone close to Rs.1000 crores is supported by grants from external and internal sources. Several NGO's are also involved in researches in rural areas either for an eradication or awareness programme. The Pulse Polio Campaign and the Balbir Pasha AIDS campaign are a few instances where the government focus and drive is more intended towards the semi-rural and rural areas.

Market research in rural markets is considerably different from the urban market research. Issues like literacy level, civic amenities and infrastructure support are some key factors that affect rural market research. Some broad differences in rural and urban market research are illustrated as follows:

Table 5.1 : Differences in Urban-Rural Market Research

S. No.	Aspect	Urban	Rural
1.	Respondents	Literate, brand aware, individuals respond individually	Semiliterate or illiterate, brand knowledge low. Difficult to get individual responses. Generally group response.
2.	Time	Willing to respond. Have time pressures. Spare little or virtually no time to field staff	Hesitant initially, but once opens up, devotes time.
3.	Accessibility	Easy to access, though many suffer from research fatigue	Tough to access; geographical distances and psychological apprehensions are barriers. Do not speak easily to outsiders.

4.	Secondary data source	Internal data, syndicated research, published media. Many sources and large data	Very few sources and less data
5.	**Primary data source**	**Large number of middlemen, experts, sales force, consumers and opinion leaders**	**Less number of all categories**
6.	**Sampling**	**Respondents form relatively homogeneous group. Income can be a criterion**	**Heterogeneous groups. Income and land holding to be carefully applied.**
7.	**Data collection**	**Use of sophisticated instrument, style and administration. Respondents comfortable with numbers, ratings and timelines**	**Requires simplified instruments. Respondents comfortable with colours, picture and stories**

Source: Rural Marketing by C.S. Krishnamacharyulu and Lalitha Ramakrishna, Pearson Education (Singapore) Pte. Ltd. 2002.

The table indicates the broad differences in the rural and urban research and how the distinct differences are critical while developing a suitable research design for researching in respective markets. However, in the context of rural markets the research process is critical for two prime reasons[2].

(i) The marketer has a limited understanding of the rural consumer; and

(ii) The marketer who is urban oriented may find it useful to unlearn consumer response to decision variables in the urban market. This requires the use of research methodology that is sensitive to social processes in rural marketing.

What is important to understand is that rural markets are not as evolved as urban markets and hence it might not be appropriate to use the tools and techniques used in the urban markets . For instance, the VALS-Lifestyle Analysis model would be difficult to implement locally owing to the respondentís lack of awareness about several issues which are usually covered in the VALS classification. A more stripped down qualitative research will be a more feasible option. In depth interviews, observational study or open-ended questionnaire will be easy to implement. A few research houses have developed special tools[3] for the rural markets.

- ORG-MARG has a rural consumer panel referred to as the R panel comprising 20,000 households whose purchasing and consumption habits are monitored every day. The study covers 16 state clusters over 1000 villages and 32 FMCG product categories.
- Initiative Media, the AP Lintas media buyingarm developed Lin: Quest- a software package tht provides marketers with data on rural India and this package helps in using the census data in an interactive manner.
- MICA has also developed a report referred to as the MICA Rural Market Ratings, covering aspects of[4]:

A. **Digital Maps:** Covering all the districts in the country including those of Jammu and Kashmir are included in the maps. These cover:

a. Boundaries of districts
b. Location of tehsil headquarters
c. National highways
d. State highways
e. Metalled roads
f. Railway lines along with railway stations
g. All urban centres
i. Names of all 41,888 places where haats (weekly bazaars) are held
j. Days of the weeks when the haats are held
k. Distance from nearest town

Rural Socio-economic indicators: A total of 42 socioeconomic indicators are given for all the districts in the country except the 14 districts of Jammu and Kashmir. For each district the socioeconomic indicators are classified in the following categories:

- Demographics
- Major Occupations
- Communication methods
- Education profile
- Shops and other establishments
- Commercial Banks
- Agriculture data
- Medical facilities
- Major crops of the district

C. **Names and Population of all villages in India:** The data covers each of the 6,31,307 villages in the country. You will read more about the MRMR and its application to distribution decisions in block 5 of this course.

There are other organisations and agencies involved in rural market and social research and we shall discuss these in the section 5.5. With this backdrop of existing scenario in rural research, let us look at the issue in rural research a little more closely in the remaining sections.

Activity 1

You have already studied about the rural buying behaviour in Units 3 and 4. You have been assigned the task of collecting information on the ideal attributes that rural people want in a two wheeler. What are the methods of information collection, that looking at the buyer profile, would you like to use?

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5.3 RURAL RESEARCH : TRANSITION OVER THE YEARS

As discussed earlier rural research has always existed but has been more in the form of social research. As marketers began to identify the potential of a given region, market research began to slowly evolve in that region. In the 70's and 80's, the pre-reform stage, very few companies really approached the rural sector and those existing or entering could only look at the vanilla. The prosperous belts of Punjab or AP or Maharashtra were the few belts tapped by marketers. Also, inconvenience of bad roads, limited electricity and other related infrastructure was an added plight. It was not only a problem of reaching the customer but also understanding his psyche too. Having made some inroads, marketers were also stuck with the proposition of what to sell. Will the customer readily buy the Liril or Lux or the Surf or Hamam just like his counterparts, or is he any different? Questions were aplenty, and the initial years were full of trial and error, wherein in addition to stripped down versions of the branded products, a large number of spurious and counterfeit products were sold. However, most marketers had to unlearn a few things of the past to gather new information on these markets. Besides, they also realised that eventually the customers in rural markets were seeking the same values from the products like their urban counterparts in terms of value for money, quality, convenience but their environment, culture, value system had different orientation which meant consumption patterns were also different. A rural customer also used a toilet soap, but soap usage was maybe once in five occasions or exhibited usage of washing bar as against detergents or tooth powder against tooth paste. Marketers found a great diversity of language forms and cultural nuances in villages, which made wholesale extension of urban promotion impossible. The initial research was more of commissioned research by companies taken up at regional level, based on the companyís annual plan or marketing plans to target a certain region and on which the marketer had virtually no information. However, as the rural markets began to open up with reforms and agrarian sector growth, they generated surplus funds. Besides, migrant population was also a key factor for information flow and changes in the value system. You have already been exposed to some of the issues relating to migrant population in the Unit 3 of this block.

Gradually, as the rural markets began to expand in size and potential too, it meant larger and complex implications for the marketers. It also meant that more and more marketers approached the rural markets to find a niche for themselves. The imperative for rural research become more pronounced and some trends began to emerge clearly as marketers began expanding their operations and physical areas of operations[5]. These were the following:

(i) While there is purchasing power in the country, this is scattered across a wide geography, and marketers have to collect their sales bit by bit to achieve scale. There are no easy solution in rural market segmentation.

(ii) There is beginning to be a surfeit of supply in every category of goods, and companies have to be smart in the manner in which they target and approach the market place to outsmart competitors.

(iii) The Indian market is more severe in its value orientation, more so in our rural experience, than most other markets. This keeps prices low and margins under pressure, making efficient marketing an absolute imperative.

(iv) Every marketer has to work with finite and limited resources, in terms of both money and manpower. It is a simple truism that the more focused the application of these research resources in the most fertile of target areas, the better the results will be.

The initial lack of information led to trial and error kind of decisions regarding the market, some of which were costly and made way for need for focused information and hence market research began to evolve. Agencies and organisations with urban market fortes started making efforts and the age of the commissioned study gave way to more of policy research. ORG Retail Audit, one of the most successful market research report providers, began compiling information with substantive inputs on both urban and rural markets. Advertising agencies, media buying houses and corporates rely heavily today on this data, which has a virtual monopoly in the market in the area of information generated from the rural audit.

Today, there are many published data on the rural markets, which help the marketers unravel the dynamics of the rural market. The R.K. Swamy/BBDO guide to market planning incorporating media coverage at the district level is another excellent source of data. Published first in 1989[6], it was the first time ever that the traditional rural-urban divide was broken, and the district was viewed as the composite unit for market planning. The MICA Rural Market ratings is another comprehensive guide on the rural markets and details of which have been discussed in the previlous section.

Today, most research is structured and detailed, giving figures right upto the district or tehsil level, making the reports informative and usable. There are reports today on the readership patterns of the rural audience, viewership patterns and also their usage habits of durables and non-durables. The behavioural details resulting in such usage, though, are currently lacking, while there is substantial data on the demographic profiles. Unfortunately most of the behavioural study is usually commissioned and is limited in nature, undertaken by organisations on a limited basis. Such studies are usually qualitative in nature and give a specific solutions to imminent problems that the marketer might face. Applicability of such behavioral research to the general context of rural buyer behavior is , therefore, limited. Overall, in the context of the rural markets, most studies are quantitative in approach and give more of a situational analysis. As urban markets are more evolved and complex, more and more qualitative studies are being undertaken to assess the market . There is also a large segmentation of historical data available on behavioural issues in urban markets, as research has had a longer history there. Rural market research is currently involved in more of demographic data analysis. Psychographic data pertaining to rural markets are still not available and this is one area where marketers rely on commissioned studies, usually region specific, for solving their current marketing problems. Data on rural lifestyle or on reliable income sources are also a problem and marketers use occupational or land ownership as variables to segment the market. Lifestyle analysis models like P: SNAP (Pathfinders), SRI VALS might be too early to implement in the rural settings, however, it won't be long before marketers look for related data on rural lifestyles.

5.4 COMMISSIONED STUDY VERSUS PUBLISHED STUDY

One of the issues confronting rural researchers is that of commissioned versus published research studies for rural markets. Commissioned studies are those which are undertaken on behalf of a certain organisation by a certain research house in response to a particular, limited research objective. These studies are usually on short-term basis and solve a current marketing problem of the company. Assume that in district of Darbhanga, Bihar, most villages are showing a sudden jump in the sales of Vicks Vaporub Cough Tablets, especially during monsoons i.e. July-September. Sales normally taper off after this time and the marketer intends to know the reason for the sudden jump in sales. A study commissioned by the organisation to some research agency was used in this case and can be termed a commissioned study.

The scope and the methodology of research in this case will be responsive to the research objective of finding the reason for the seasonal jump in sales of a particular product. The research findings therefore are likely to be non generalisable for insights in overall rural consumer behaviour.

A published study or report is more of a broad based policy research which is undertaken independently by research houses and interested organisations may avail the reports at a cost. Hence, reports like the Indian Readership Survey, ORG Retail Audit, MICA Rural Market Report or R.K. Swamy/BBDO Guide to Market Planning are all published reports, which can be availed by organisations at a certain cost. Most advertising agencies, media planning/buying houses and other organisations buy such published reports. These reports are usually exhaustive and give a detailed analysis of the area that they cover.

For instance, the ORG-MARG Retail Store Audit, being published for the last four decades, covers all retail outlets including grocery stores, general stores, retail pharmacies, tobacconists, food stores, restaurants, cosmetic stores, supermarkets, kiosks, etc. for FMCG market. For the different audits, liquor shops, petrol pumps, hardware stores, paint shops and electrical stores are empanelled in urban and rural areas. ORG-MARG continuously monitors a panel spread across 367 cities and about 983 villages in India. Given the diverse retail universe in a country that has over five million FMCG outlets, the challenge lies not only in sampling, but also in the logistics of providing robust estimates of purchase, stocks and consumer off-takes made at the Stock taking Unit (SKU) level every month. This data can be used by organisations for[8]:

(i) Identification of market opportunities

(ii) Trend analyses and forecasting

(iii) Studying market structures

(vi) Prioritisation of markets

(v) Conducting analysis of competitors

(iv) Product portfolio analysis

(iv) Understanding changes in distribution

(iiv) Pricing trend analyses

The product categories covered are[9]: (This audit covers more than 100 product categories including)

(i) Baby products (oil, powder, diapers, milk food, weaning food)

(ii) Beverages (coffee, soup mix, squash and juice, syrup tea, concentrated drinks)

(iii) Contraceptives

(iv) Cosmetics (colognes, deodorant, perfume, lipstick, nail polish)

(v) Environmental hygiene (air freshener, floor cleaner, floor polish etc.)

(vi) Fabric Care (fabric bleach, washing powder, liquid, whitener, soap, detergent)

(vii) Food products (butter, margarine, salt, packaged food etc.)

(viii) General toiletries (mouthwash, talcum powder, toilet soaps, toothpastes, toothbrush, sanitary napkins)

(ix) Hair care (conditioner, dye, oil, shampoo)

(x) Health products and OTC (analgesic, digestive, medicated dressing etc.)

(xi) Liquor (beer, brandy, gin, rum, vodka, whisky, wine, liqueur)

(xii) Milk products (milk, condensed milk, milk powder, cheese)

(xiii) Semi-durable products (batteries, bulbs, lubricants, paint, tubelights, etc.)

(xiv) Shaving products (after-shaves, blades, razors, etc.)

(xv) Skin care (cream, cold cream, lotion, face-wash, etc.)

(xvu) Snack foods and soft drinks (biscuits, chocolates, confectionery, etc.)

The data is given as measures of:

(i) Market size in terms of units sold, volume and value

(ii) Market share by volume and value

(iii) Numeric distribution

(iv) Weighted distribution

(v) Share among handlers

(vi) Out-of-stock retailers

(vii) Per dealer take-off

(viii) Purchase by retailers

(ix) Stock level with retailers

(x) Stock turnover ratio

(xi) Trends for market, company, brand and SKU-for size and shares

A published data like ORG retail store audit being so exhaustive and informative, marketers usually rely for their analysis with respect to markets upon such published sources. However, there are certain limitations of the published reports, prime amongst the same being they are usually based on a certain benchmark or parameter, which might not be relevant to the company or not all the aspects of the reports might be relevant. Besides, these reports are at a certain cost and which is usually very steep, hence the ROI on these reports is always a question mark. Yet, on the flip side, if the organisations were to independently commission even a certain portion of these exhaustive reports, it will mean huge expenditure of time and money. Companies, however, do at various points in time go ahead with commissioned studies also.

The commissioned studies are based on internal requirements of a company. Also if the published reports do not contain the specific information, organisations initiate studies based on their requirements. Research agencies also independently carry out such assignments. Most agencies have a rural division, specialising in rural research. At IMRB, one of the premier research houses in India, the rural market research division is referred to as SRI (Social & Rural Research Institute). Some of the research assignments it has undertaken for clients are indicated in Table 5.2 and selected list of clients that SRI has is also mentioned.

Table 5.2: Projects Executed (indicative list)

Assignment	Client	Coverage	Sample Size
Contingent Evaluation of drinking water services in Lucknow	Overseas Development Administration	Lucknow	550 household interviews to assess willingness to pay for water
Rapid Assessment of Health NGOs	Policy Project-Futures Group	U.P.	Research among Health Workers
Rural soap users	WIPRO	A.P.	Attitudes and perceptions of soap and cleanliness
Agro-inputs Database	Tata Chemicals and Rallis	U.P., Punjab and Haryana	Studies among 4,000 farmers to understand agricultural practices
Evaluation of IAEP Project in Madhya Pradesh	National Afforestation and Eco-development Board	M.P.	5 districts throughout 12 technical evaluations of forestry sites, 100 interviews with beneficiaries and Project oficials

Source: http://www.imrbint.com/corpprof.htm

Some of the major users of SRI are research work are

(i) Actionaid India

(ii) Andhra Pradesh Forest Department

(iii) BASICS

(iv) Credit Analysis & Research

(v) DANIDA

(vi) Dept. of Adult Education

(vii) Doordarshan

(viii) Eicher Goodearth

(ix) International Centre for Research on Women

(x) Indian Medical Association Johns Hopkin University

(xi) Lok Seva Sanchar Prishad Madhyam

(xii) Ministry of Rural Development

(xiii) Ministry of Health & Family Welfare

(xiv) Parivar Seva Sanstha

(xv) Population Services International

(xvi) Rajiv Gandhi Foundation

(xvii) Swedforest

(xviii) Tata Chemicals

(xix) Thompson Social (Hindustan Thompson Associates)

(xx) UNICEF

(xxi) USAID

(xxii) World Bank

(xxiii) World Health Organisation

This illustrative list has only been provided as indication of the fact that a considerable portion of rural research is still commissioned by development agencies and by the government for developmental purposes as well as by commercial organizations.

In most cases organisations prefer to give research assignments which are based on their internal problems and cover a specific region only. Like IMRB, other research houses also work on assignments, which may include rural assignments as well.

In the context of rural research, another issue is that of tools and techniques to be adopted for rural research. Most research organisations have their own in-house techniques and tools. Some of these are implemented as such for the rural markets. Some organisations prefer to use stripped down versions of the tools they have been using for urban markets IMRB in India uses some of the tools of Millward Brown as a licensee for these products in India. Similarly, other research houses are also adopting their own tools. Also, the arrival of a large number of Multinational organisations in research, namely, AC Nielsen, SRI, Mediamark etc., is changing the scenario of rural research. They bring with them certain level of expertise and innovations in the field of research, in different and diverse market situations, some of which may be applicable in Indian rural markets as well. Most local agencies have a tie-up with some foreign affiliate and the affiliation helps in sharing of talents and resources.

Activity 2

How as a marketer of economy range of tooth paste and toilet soaps, would you use the ORG retail audit? Explain.

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5.5 ORGANISATIONS INVOLVED IN RURAL RESEARCH

The changing competition in the market research industry has also influenced the foray into quasi-consultancy[10]. Though the number of research agencies in the country has not increased considerably from the 30-od agencies that were around 10 years back, mergers and tie-ups over the past three years or so have changed the structure of the business. In the 1980's, the two agencies, IMRB and ORG-MARG, dominated the Indian market research scene, followed by Mode. In the mid-nineties, Bangalore based Research and Consultancy Group (RCG) tied upwith MBL and was eventuall taken over by the interpublic group's $450-million market research company, NGO Worldgroup. Around the same time, AC Nielsen entered and bought a stake in MRAS while TNS bougth a stake in Mode. Dutch giant VNU, bought a stake in ORG-MARG in 1996.

Several new outfits have also stepped in[11]. For example Blackstone, a small outfit from the US, set up shop and teamed up with a large American agency, Market Facts, in India. Market Probe, a boutique US company, set base in 1999. Then MBA, a small Mumbai-based outfit, tied up with Gallup. Barring the WPP group's Research International, which has been here since 1992, most global players came to India in the last three years. [12]If the newer players ushered in change through branded techniques, then the pre-reform players like ORG-MARG and IMRB had vast databases, culled over two decades or more, that could be used to better effect. [13]The nature of the market is changing too with the advent of Internet and Information technology era . The Telecom and Financial Market reforms also opened up the market and newer avenues like consultancy-research opened up.

While the Indian market research industry is worth Rs.4000 crores[14], rural research forms only 10-15% of the total research pie. According to ORG-MARG the rural market research spends will be in the tune of Rs.50 crores[15]. Though the size of rural research industry is small, it will be more complex and difficult to carry out research in the rural markets. The major players in rural research are[16]:

(i) NCAER (National Council for Applied Economic Research)

(ii) ORG-MARG

(iii) NFO-MBL

(iv) Sampark

(v) MART

(vi) ORCN (Ogilvy Rural Communication Network)

(vii) RC&M (Rural Communication & Marketing)

(viii) Initiative Media

(ix) Anugrah Madison

Some of the other organisations engaged in rural research are:

(i) IMRB (SRI Division)

(ii) R.K. Swamy/BBDO

(iii) MICA (Mudra Institute of Communication and Advertising)

(iv) IRMA (Institute of Rural Management, Anand)

(v) Population Services International

(vi) Central Statistical Organisation

(vii) National Institute of Health and Family Welfare

(viii) National Sample Survey Organisation

(ix) The Census Study of GOI

The last five organisations are involved more in social and health related issues and not on marketing research. However, their expertise on rural markets is unquestionable and the data generated by these organisations are used by related organisations. Especially, with rural insurance today showing huge untapped potential, data relating to health and diseases will be of critical interest to insurance companies.

Activity 3

In addition to the organisations given above, identify the organisations in your area, including advertising agencies, which are involved in rural research. Prepare a note on their activities.

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5.6 HOW DO MARKETERS GAIN FROM RURAL RESEARCH?

Today, as rural markets are considered as high potential markets, marketers are trying to take full advantage of the current boom, for which they need to know more about the markets they are entering. A large number of research organisations have begun to make their advent with newer tools and techniques into the rural markets. However, the critical point for the marketers will be the implementation techniques in the rural markets. They cannot use the same ways and means they have been using in the urban markets. For instance, while watching television, the images absorbed by the rural and urban audience will be very different. Take the case of the Pepsodent GI Joe offer and its effect on the urban child and the rural child. The imagery as perceived is likely to be very different. Obviously, media planning has to ensure that the right audience will view your commercials. Tattoos, another huge product pusher might have strong pull in the urban markets but with little relevance in the rural markets. In light of this backdrop and the changing face of competition, marketers will have to work out a new game plan for rural market research.

Games can be used as effective marketing research tools[17], which involve collective participation of the tribe. Typical 5-point, 7-point or 10-point scales used in the urban market are not effective in the rural context because they involve complex understanding on the part of the rural consumer. The rural consumer is not spatially well equipped. Pictorial scales may be used in their place. Scales can also be simplified to three-pointers, which involve less complex processing of information required. TAT (Thematic Apperception Test) can be used very effectively for such researches.

A photograph/painting is highly visual and supplies more information than that can be processed by the rural consumer[18]. Instead, cartoons or caricatures, which lack information, are effective and provide for participatory role of all the five senses. Another trend is the increasing use of participant observation methods. Typically used in cultural anthropology, these methods indicate an important lesson for marketing research too[19]. The researcher participates in the rituals and activities along with the tribe so as to understand the shared meanings, not as passive and objective observer but as an active participant. Such socio-participatory roles played by the researcher in the village may lead to important insights, which may be overlooked otherwise by objective means of measurements. Studying rural consumers in their natural environments is a better research technique that may be employed instead of using CLTs (central location tests), which are non-indicative of their natural surroundings. [20]Care needs to be taken so as to respect the hierarchical, rigid, social class structure of the rural village owing to their time and tradition rooted culture. This fact has been stressed on time and again by market research agencies.

Till the 1980s, market research was restricted to the data delivery function alone[21]. As competition grew, predicting consumer behaviour came to the forefront of client demand. So research agencies started adding value by defining what kind of information should be collected rather than merely sticking to the client's brief. For example, a soft drink player today would also look at competition from a category like bottled water. Similarly, a moisturiser would also compete not only with other moisturisers but also with skin lotions and homemade products like malai and so on.

Marketers also agree that the needs are evolving. [22]For example, the new area that HLL has added to its research requirements is the concept of consumer windows. HLL has two consumer windows- one is the traditional view of consumers through market research and the second is direct customer contact. For the latter, a website was set up, where HLL managers across the country can log in and request for an interface with any type of consumer across India. The request is then processed by the research agency, which organises meetings between the managers and the consumers. HLL claims that after this window was set-up, every day, roughly nine managers contact consumers in 20 locations and interface with five consumer groups. [23]For instance, when sales of Lifebuoy, one of HLL's designated 'power' brands, were tapering, the consumer window sessions, especially in rural areas, helped the company change the product composition from carbolic to non-carbolic and reposition the soap from a male market to a family product.

Today the rural market is grappling with the following fundamental issues[24]:

(i) Declining soil productivity

(ii) Mismanagement of water resources

(iii) Increasing pressure of people on land resources

(iv) Lack of efficient market linkages between the producers and the consumers

(v) Globalisation of the commodities markets

The marketer will have to be sensitive to the needs of the rural consumer and especially to consumer behaviour. Market research as a tool will help cut down the uncertainties of the market and help prepare marketers for the transition. The implications of the change that the rural marketer will have to prepared with and where research will be effective[25] are :

(i) The farmer of the future will be a large farmer having scientific methods of being adopted for all aspects of production and marketing.

(ii) The mode should not be of provider of products and services, but to build relationships.

(iii) The company can extend its role from being just a facilitator or rural production system to becoming an influence on product mix decided at stage one itself. This way the identification of the right kind of communication and the product delivery pattern can be worked out for the company.

5.7 SUMMARY

Marketing Research techniques and tools always have had to be adapted to the target group that is being addressed. Rural marketing research is undergoing a major transition as the scope of the research is expanding with the rising size and potential of the rural market. The mostly quantitative approach followed so far is giving way to behavioural and qualitative studies. In view of the illiteracy and lower exposure of rural consumers, however, tools are required to be specifically adapted or designed. This unit addresses the main issues in rural research, introduces you to the major organizations in the field and outlines the routes that rural research is likely to take.

5.8 SELF ASSESSMENT QUESTIONS

1. From your understanding of Market research and its techniques in qualitative research, identify the techniques, which can be used in rural research?

2. What kind of sampling techniques can be used for rural markets while undertaking research?

3. Suggest some possible areas where rural marketing research would find increasing application in India?

5.9 FURTHER READINGS

Rural Marketing by C.S.G. Krishnamacharyulu and Lalitha Ramakrishnan, Pearson Education, 2002

Cases in Rural Marketing by C.S.G. Krishnamacharyulu and Lalitha Ramakrishnan, Pearson Education, 2003

Indian Market Demographics 2002: NCAER, Global Business Press, 2003.

R.K. Swamy/BBDO guide to market planning, 1999.

MICA's Rural Market Ratings, MICA, 1999

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[2] *Source:* Rural Marketing: Targeting the non-urban consumer, Sanal Kumar Velayudhan, Chapter 3, Page 57, 1st Ed., Response Books (Sage Publication)

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[4] *Source:* http://www.mica-india.net/output/output_rural.htm

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[16] *Source:* Source: Rural Marketing by C.S.G. Krishnamacharyulu and Lalitha Ramakrishna, Pearson Education (Singapore) Pte. Ltd., 2002

[17] *Source:* http:/www.blonnet.com/catalyst/2002/04/25/stories/2002042500113020O.htm

[18] *Source:* http:/www.blonnet.com/catalyst/2002/04/25/stories/2002042500113020O.htm

[19] *Source:* http:/www.blonnet.com/catalyst/2002/04/25/stories/2002042500113020O.htm

[20] *Source:* http:/www.blonnet.com/catalyst/2002/04/25/stories/2002042500113020O.htm

[21] *Source:* http:/www.business-standard.com/archives/2003/jan/50280103.067.asp

[22] *Source:* http:/www.business-standard.com/archives/2003/jan/50280103.067.asp

[23] *Source:* http:/www.business-standard.com/archives/2003/jan/50280103.067.asp

[24] *Source:* http:/www.sanver.biz/marketing/

[25] *Source:* http:/www.sanver.biz/marketing/

BLOCK 3 PRODUCT AND PRICING DECISIONS FOR THE RURAL MARKETS

In the first two blocks of this course you have gone through the size and spread of rural markets, the rural environment and the consumer behaviour issues characterizing the rural consumers. Starting with this block, we will explore the marking mix elements as they are applied in the context of the rural markets. This block, focuses on product and pricing decisions. Several key considerations of socioeconomic background, product penetration levels, value proposition of the product in question and that desired by the consumer, costs involved and competitive presence guide product and pricing decisions of marketers when they address their rural market segments. This block comprises 2 units and presents an appendix giving you the recent data made available by NCAER on product penetration levels in rural India.

Unit 6, on product development, adoption process and modification decisions focuses on the differences exhibited by rural consumers in their product acquisition processes. Product adoption rates in rural markets and product modification needed for these markets are discussed, as is the problem of spurious products in rural India.

Unit 7, on pricing decisions explains the various imperatives in rural pricing decisions and covers the theme of pricing strategies, distribution implications on pricing as well promotional pricing as applied in rural marketing.

UNIT 6. PRODUCT DEVELOPMENT, ADOPTION PROCESS AND MODIFICATION DECISIONS

Objectives

After going through this unit you should be able:

- Explain the diversity of product purchase behaviour in rural markets
- Comment upon the hierarchy of durables acquisition
- Discuss the product adoption in the context of rural consumers
- Describe the variables that determine the rate of adoption of product innovation
- Distinguish between the various adopter categories
- Comment upon appropriate product strategies for rural markets
- Understand the underlying considerations in branding decisions for rural markets
- Appreciate the special significance of packaging decisions in the context of rural India
- Assess the problem of spurious products in rural markets

Structure

6.1 INTRODUCTION

Product is at the heart of a marketing programme around which the other components of the marketing mix are designed. Many companies treat the rural markets as the dumping ground for their lower end products that are designed for the urban market. This approach is riddled with several weaknesses. Some times these products succeed in the rural markets and some times not. If the product was not doing well it was unceremoniously withdrawn and forgotten. Today in majority of the product categories, the rural market accounts for more than 60% of market share and is in fact too important to be forgotten. Hence professional marketers have felt the need for developing rural specific products that will satisfy the unique expectations of rural customers. The rural market is not looking for the kind of products that are the rage of the global market. The product attributes, features and price determine value. Rural customers want product of quality; however the parameters of quality differ from one region to other region.

The rural market is not one homogeneous structure. A firm has to segment the market and decide the specific customer groups that it wants to focus on. At the top end of the rural market, we have customers with high disposable income such as the big farmers, trading community and the government officials. The proportion of this segment varies from state to state. In some of the prosperous states like Maharashtra, Gujarat, Western parts of U.P., Punjab, Haryana, Tamilnadu and Andhra Pradesh this segment is significant. A recent study shows that only five states such as Maharashtra, U.P., West

Bengal, Tamilnadu and Andhra Pradesh together account for nearly half of the aggregate domestic product of the Indian states. The per capita income of different states indicates the heterogeneity of the market. The per capita income of India for the year 2000-01 at 1993-94 prices is Rs.10, 254. In well off states like Punjab and Maharashtra the per capita is more than Rs. 15,000 whereas in poorer states it is less than Rs.5, 000. This variation in disposable income needs to be taken into consideration while developing product market strategies. This unit builds up on your exposure to the product management unit studied by you in your basic marketing course, Marketing for Managers (MS-6). An appendix to this block gives an estimate of the product penetration situation in rural markets over the years.

6.2 HIERARCHY OF ACQUISITION OF DURABLES

Marketers have to understand the specific order of acquisition of durables by the households. This acquisition will have interregional variation. In the year 1995-96, the average ownership of durables was 4.27, which increased from 3,72 in 1993.For convenience these products have been grouped into three categories on the basis of price.

Group-I durables	<Rs. 1000
Group-II durables	Rs.1000 – 6000
Group-III durables	>Rs.6000

Out of 705 million units owned by households in 1995-96, the group-I durables accounted for about 73 per cent, group-II durables accounted for 18.20 per cent, the balance 8,95 percent belonged to the most expensive type of durable goods.
Rural households which form 71.7 per cent of total households in the country accounted for only 52.2 per cent of ownership of durable goods. The average number of durable goods owned for rural household was only 3 compared to 7 in urban areas. (NCAER, 1998)

The hierarchy of acquisition in the rural household depends on the location of the village from the urban center, disposable income, educational qualification of the members and the mobility of family members to the nearby urban centres. Studies by NCAER (1998) showed that

- Rural markets for group 1 durables are bigger than urban markets already
- Rural markets for group 2 durables will be bigger than urban markets by 2001-02
- For group 3 durables, rural markets will be smaller than urban ones even in 2006-07
- Rural market growth rates are faster than urban ones, even on larger bases of group 1 and 2. (Table 6.1)

Table 6.1: Classification of Consumer Durable Goods

Group-I	Group-II	Group-III
Pressure Cooker	Television (B&W) Small)	Television (Colour) Small)
Pressure Pan	Television (B&W) (Regular)	Television (Colour) (Regular)
Bicycle	Geyser (Instant)	Video Cassette Recorder (VCR)
Mechanical Wrist Watch	Geyser (Storage)	Video Cassette Player (VCR)
Quartz Wrist Watch	Sewing Machine	Motorized 2-Wheeler (Scooter)
Radio/Transistor	Vacuum Cleaner	Motorized 2-Wheeler (Moped)
Electric Iron	Mixer/Grinder	Motorized 2-Wheeler (Motor Cycle)
Ceiling Fan	2-in-1 (Mono)	Refrigerator
Table Fan	2-in-1 (stereo)	Washing Machine
Walkman		Music System
Mono Cassette Recorder		Car/Jeep

As table 6.2 shows, the share of durable purchase in most categories for the country as a whole is showing an increase over the years.

Table 6.2: Ownership of Consumer Durables (All India)

	Number (millions)				Per cent			
	1986	1990	1994	1996	1986	1990	1994	1996
Group-I	212.9	328.5	447.9	513.7	83.9	79.4	76.5	72.9
Group-II	29.1	59.5	94.6	128.1	11.5	14.4	16.1	18.2
Group-III	11.8	25.8	43.3	63.1	4.6	6.2	7.4	8.9
TOTAL	253.8	413.8	585.8	704.9	100.0	100.0	100.0	100.0

Table 6.3 shows the almost steady transition in ownership shares of durables for rural markets, with rise in rural incomes. A comparison of columns would make it clear how, not only are percentages of ownership rising, the share in higher end purchase is also growing from year to year.

Table 6.3: Rural Share in Market for Consumer Durables.

Rural Share%	1989-90	1992-93	1995-96
Over 75		Bicycle, Radio/Transistor	Bicycle, Radio/Transistor, Mechanical Wrist Watch
50-75	Motor Cycle, Table Fan,Sewing machine Mechanical Wrist Watch	Table Fan, Sewing Machine, Mechanical Wrist Watch, Quartz Wrist Watch	B&W Television, Cassette Recorder, Pressure Cooker, Table Fan, Sewing Machine, Quartz Wrist Watch
30-50	Moped, B&W Television,cassette Recorder,pressure Cooker,Electric Iron,Ceiling Fan,Quartz Wrist watch	Moped, Motor Cycle, B&W Television, Colour Television, Cassette Recorder, Pressure Cooker, Electric Iron, Ceiling Fan	Moped, Motor Cycle, Electric Iron
20-30	Scooter, Mixer/Grinder	Scooter, Mixer/Grinder	Scooter, Colour Television VCR/VCP, Refrigerator, Mixer/Grinder
10-20	Colour Television, Refrigerator	Refrigerator	Washing Machine
5-10	Washing Machine	VCR/VCP, Washing Machine	
Less than 5	VCR/VCP		

A comparison of the rural and urban durables acquisition shows that while the urban households owned an average of 5.22 durables in 1989-90, their rural brethren owned an average of only 2 durables. A decade later, the differential still remains significant. The NCAER Indian Demographic Report 2002 shows that the durable ownership in urban and rural areas at the end of 98-99 was 8.19 and 3.89 goods per household respectively.

These shares of rural markets come with very low levels of penetration in different product categories. You would appreciate that as more companies take up the rural challenge and the rate of penetration go up, in the days to come, the rural share will improve further.

Activity 1

Analyse table 6.2 and 6.3 carefully. What are the implications of the trends in shifts of consumer durable ownerships for marketers of

1. Motorcycles
2. Music systems
3. Colour Television sets

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6.3 PRODUCT ADOPTION PROCESS

Marketers are keenly interested in understanding the process of adoption of a product in a new market. The theory of diffusion developed by E.M. Rogers addresses this vital issue. Rogers carried out extensive research in the late fifties and 1960's to examine the acceptance of new agricultural innovations amongst the rural farming community in U.S. The major findings of this study later held good when similar studies were carried out for other product categories in different countries.

The Rate of Adoption

The rate of adoption is the relative speed with which members of a social system adopt an innovation. It is measured as the number of individuals who adopt a new idea in a specific period such as a year. The perceived attributes of innovation are one important explanation of the rate of adoption. The five major attributes that have direct influence on the rate of adoption are:

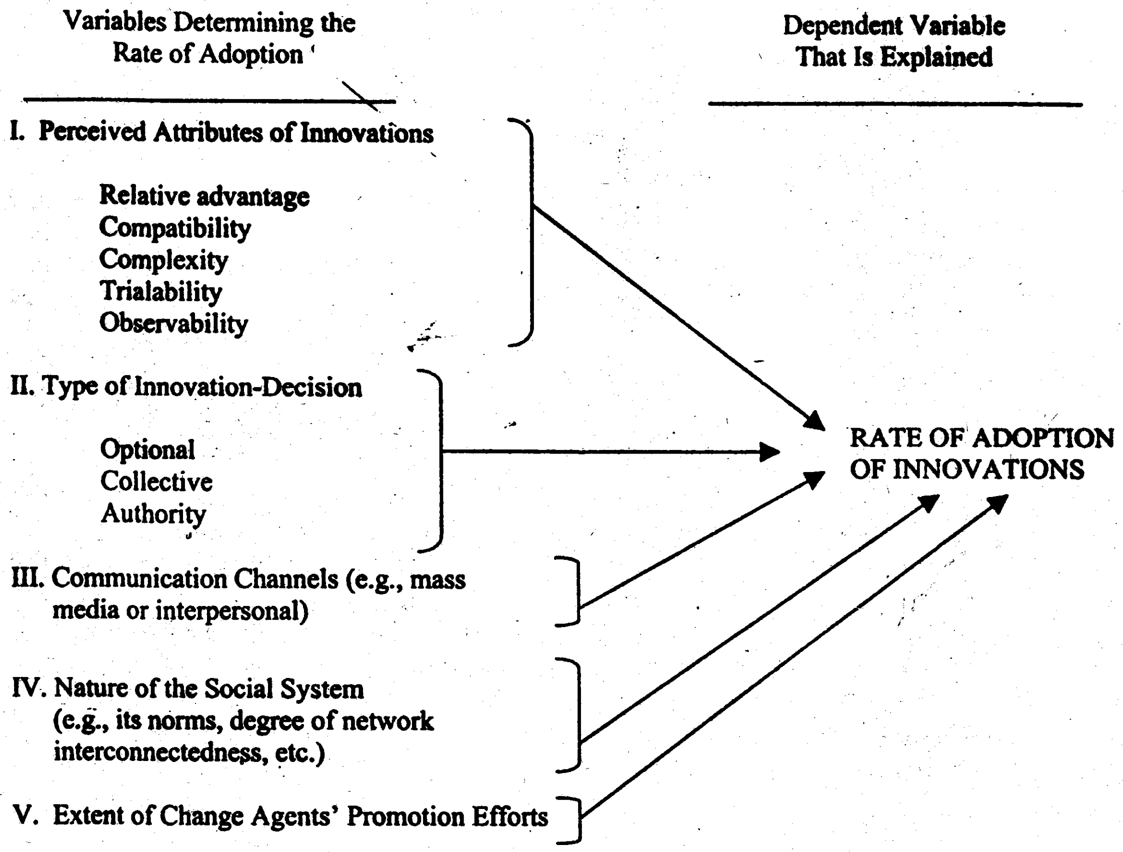
1. Relative advantage
2. Compatibility
3. Complexity
4. Trialability
5. Observability

Besides these other variables such as (1) the type of innovation decision, (2) the nature of communication channels (3) the nature of the social system (4) the extent of change agents' promotion efforts, affect the rate of adoption.

A new product launched in rural areas will have a faster acceptance if it scores high on each of these perceived attributes of innovation. The rural customers primarily want functional utility, thus the products with higher performance to price ratio will have a faster acceptance. Compatibility has several dimensions such as social, cultural and technical compatibility. Certain income generation activities, though highly profitable would not find favour with rural customers if they are not compatible with the cultural religious values.

Figure – 6.1

Variables Determining the Rate of Adoption of Innovations



Innovation resistance exists across product classes. Innovation resistance affects the timing of adoption .The two basic causes of resistance are: the degree of change or discontinuity brought about by the innovation and the extent to which it conflicts with the consumer's belief structure. The products that can be tried out without much of an effort will have a competitive edge over other products that are difficult for trial. Companies dealing with agricultural equipment, fertilizer, pesticide, hybrid seeds etc. have benefited by adopting sampling and demonstration in rural areas. Distribution of free samples compresses the long cycle of awareness to adoption. Hindustan Lever Ltd experimented with the various modes of introducing new products into rural household while fine-tuning "Project Bharat". They bundled small unit packs of four different product categoroies such as Sunsilk shampoo, Pepsodent toothpaste, Fair and Lovely cream and Ponds talcum powder. The cost of this bundled pack to the company was Rs.25. It did experimental research in the district of Kolhapur, Maharashtra to find out the relative rates of interest to purchase at different price levels of Rs.5, Rs.10, Rs.15, Rs.20, and Rs.25. Finally a trade -off between cost and trial was made and the company decided the promotional pricing to be Rs.15 per pack. The post experimental survey showed that about 33% of the sample households went for repeat purchases of at least one of the four bundled items. This demonstrates the power of promotional pricing in converting the non-user segment into regular users.

Observability enhances the rate of adoption of the product. When the potential customers see for themselves the performance of any new gadget or some new hybrid seeds in a demonstration plot they get convinced easily and if they have further queries, they can check out with their peers with less effort.

Activity 2

Consider the following products which are being newly targetted to the rural market. Evaluate them on the adoption criteria just studied by you and evaluate which of them has got the highest potential of getting accepted fast.

1. Multiutility vehicles
2. Frost free refrigerators
3. Stain fighting detergents
4. Battery operated TV sets

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6.4 ADOPTER CATEGORIES AND PRODUCT LIFE CYCLE

Product life cycle analysis shows the stage of a particular product category in a specific market. There are five different stages in the life cycle which are introduction, growth, shake out, maturity and decline. Each of these stages provides distinct opportunities and threats and hence affects the firm's strategy as well as the marketing programmes. A vast majority of durable products in rural markets are actually in the early growth to late growth stage. Even several FMCG products are in the growth stage. PLC analysis is generally done by taking product class as the unit. However if it is done for a category one has to wait for decades to draw inferences. Hence marketers go for PLC analysis for other product levels, such as the product form and product brand. Product form analysis has great relevance for the rural markets of India. For example, if we take wrist watches as the unit of analysis; the PLC will be really long, stretching over decades and being still there in the growth stage. If product form is taken, such as quartz or mechanical watches, distinct preferences for each of the form can be noticed in the rural and urban areas. It is seen that the time taken by customers to graduate to the latest product form takes a very long time, stretching over decades. In the mosquito repellant category, the coexistence of different product forms can be seen. There are coils, mats, liquid and aerosol sprays. The rural markets still seem to be using coil and mats. Lack of electrification and high price of the new variants are some of the reasons for the old product form's popularity. One agricultural pump manufacturer introduced energy efficient lighter pumps in rural areas. He was surprised by the continued preference of rural farmers for the bulky and heavy pumpsets. Cost of energy could not become a decisive criteria since in large parts of the country, power is available either free of cost or at a nominal price.

Marketers have to examine the acceptance level of different product forms in the different regions of the country and accordingly should design market entry strategies for different sub-markets.

6.5 ADOPTER CATEGORIES

Marketers have categorized adopterss using the criteria of "innovativeness." Innovativeness is the degree to which an individual or other unit of adoption is relatively earlier in adopting new ideas than other members of a social system. The different categories of adopters and their distribution in a population are:

Adopter Category	Percentage Distribution
1. Innovators	2.5
2. Early Adopters	13.5
3. Early Majority	34
4. Late Majority	34
5. Laggards	16

The findings of Rogers (1958) with regard to distribution of different classes of adopters in the rural society have held good for many other products. Innovators are venturesome and they have a higher propensity to take risk. The innovator is willing to accept occasional setback. Though he leads some sort of an "isolated elite" life and is not respected much, he plays the important role of launching the new idea into a system and thus plays the role of a gate keeper.

Early adopters are the second group of adopters and they are more integrated into the local rural system than innovators. This category has the greatest degree of opinion leadership. The early adopter is considered by many as "the individual to check with" before using a new idea. The early adopter decreases uncertainty about a new idea by adopting it and then communicating it to peers through interpersonal networks.

Characteristics of Adopter Categories

All characteristics of adopter categories can be summarized under three classes such as: (1) Socioeconomic status (2) Personality Values (3) Communication behaviour. Early adopters have higher social status and they have a greater degree of upward social mobility than later adopters. Early adopters are less dogmatic than later adopters. Dogmatism is the degree to which a individual has a relatively closed belief system. The earlier adopters are better able to cope with uncertainty and risk than later adopters. Earlier adopters have higher aspirations than later adopters. When it comes to communications behaviour, research shows that early adopters are more highly interconnected through interpersonal networks in their social systems than late adopters. They have greater exposure to mass media communication than late adopters and also seek information more actively than late adopters.
These distinctive characteristics can be used for audience segmentation and for designing specific communication programmes. In the rural markets the adoption categories are characterized by both income and education variation as well as by rates of mobility of at least some members of the family, to towns or semiurban areas. Spread of mass media, like television is also making an impact on speed of adoption as product familiarity is built up. Early adopters have been found to be better off socio economically and more aware of product/brand alternatives than late adopters or laggards.

Activity 3

Talk to some rural families to find out trends in their adoption behaviour. Ask them about a few consumer non durables products and gather information on

- When did they first start using the product?
- Who had they first seen using the product around them?
- How did they get information about the product, in the first instance?

Comment on your findings.

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6.6 IMPORTANT PRODUCT STRATEGIES FOR RURAL MARKET AND PRODUCT MODIFICATION DECISIONS

The core product designed has to be rural centric. Product and pricing strategies are closely related and it is more so for the rural markets.There are some basic differences between markets in rural India and in the industrialized nations of the world. Given below are some of the strategies relevant for rural markets:

A. Utility Oriented Products: The basic driver of the product purchase for the rural customers is the functional utility rather than rich features and sophistications. By doing away with the frills, if the cost can be reduced substantially the product will have a higher chance of succeeding.

Philips India Ltd introduced low cost medium receiver sets named Bahadur, which was hugely successful in rural areas.

B. Sturdy Products: The products designed for rural markets should be sturdy enough to withstand rough handling and the rigours of transportation. TI Cycles Limited, Chennai; the makers of Hercules and BSA brands have identified the specific purposes for which the cycles are used. The company has methodically gone about mapping the consumption chain.Here the first step is to map tbe customer's entire experience with a product. Farmers use cycles to carry bags of paddy, cement, fertilizer and some surplus, which they take to the Haats or Mandis. Accordingly, they developed cycles with strong carriers and better frames. With this approach they could increase their market share in the southern states of Tamilnadu, Andra Pradesh and Karnataka.

Philips adopted this strategy and made their radio heavier and louder for the rural markets. It is not enough to design products of good quality, but to undertake certain initiatives to manage perceived quality.

C. Value Engineering: This approach is used to develop cheaper products by substituting certain costly raw materials. Britannia Industries Limited deployed this technique to develop a cheaper Glucose biscuit for the rural market. The new product "Tiger" was introduced in the small towns and rural markets. The company withdrew the previous brands such as Circus and Glucose-D meant for the lower segments and introduced a new brand "Tiger". It was launched at Rs.3.50 per pack. This product did exceptionally well in the rural markets and could reach the Rs.100 crore mark within a year.

Asian Paints, the largest paint-manufacturing firm in the domestic market category, realized the potential of a cheaper distemper for rural markets. It understood that in vast majority of rural areas, people go for white washing at least once a year primarily as a ritual preceding the major festivals of the region. With low disposable incomes, they have to settle for the cheaper modes of white washing that are not of decent quality. This prompted Asian Paints to introduce "Utsav" range of low priced coloured distempers. This low priced brand got a very enthusiastic response from the rural market.

Nirma that offered a value for money detergent powder at the lower end of the price quality spectrum could increase its penetration into rural households and today it is Rs.1500 crore brand. Before Nirma, the lower end of the market was dominated by several unorganized players

In the recent past many companies such as T-series, Ghadi detergent, Anchor Toothpaste, NewPort, Ruf & Tuf jeans from the house of Arvind Garments have used this technique to tap the potential at the lower ends of the market.

This does not mean that only cheap brands or the models in the lowest end of a product-line sell in rural markets. Usha found that in rural markets some of its premier brands like Usha Century are doing better though it is priced 20 per cent higher than the economy models.(Das Gupta and Menon. 1990) Philips also had similar experience with regard to its radio product category.

D. **Low unit packings (LUPs):** The small packs have a better chance of gaining acceptance because of their affordability. Majority of the small and marginal farmers/daily wage labourers do not buy consummables that would last for more than a week. In case of certain products like tea and biscuits; they buy on a daily basis. Marketers have understood the role of LUPs in driving penetration. Brooke Bond decades back launched a 5 paisa pack, Vicks- 5 tin was available at 50 paise. In the early 1980s, Velvette revolutionized the small pack concept through its sachets. Shampoo was seen as a new and novel product by a vast majority of Indians, though the product category had been available in the market for a couple of decades. It was only available in 75ml and 100ml bottles and the price was in the range of Rs.35 to Rs.50; which was a great barrier. People were even skeptical about the efficacy of this new hair care product. By making it available at Rs. 1/-, customers who were in two minds got a chance to try out the product and it gained faster acceptance. Today 60% of shampoo sales come from sachets and 70% of sachet sales come from rural markets. Small unit packs, being priced low induce high levels of trial purchase. Pepsi had launched chhota Pepsi at Rs.5/-. Coke had followed suit with its "Mini Coke" in the rural markets. Recently both the companies have reduced prices of their bottles from Rs. 10/- to Rs. 7/- to increase volume. Today marketers of different FMCGs have gone for adopting small pack route to achieve greater penetration.

E. **Product Adaptations for different regions:** Marketers have understood that the rural market in India is not one homogeneous entity. The social and cultural climate differs from one hinterland to another and so also the customer preferences. Hindustan Lever Limited developed region specific blends for its A1 Kaddakchaap and Red Label tea brands. The agricultural equipment manufacturers make suitable changes to the product features depending upon the topography and soil characteristics of different regions.

Prof. C.K. Prahalad elaborates on the great opportunity and challenge before the Indian marketers. The main challenge is to deploy technology to come out with rural centric products that would be able to create a new consuming class out of the poor people. Low price and functional value being the driving forces, this new category of products would be able to offer higher value than the ones' currently available in rural markets. Firms have the opportunity to go for the real Indian mass markets that want good quality at lower price points, well designed and packaged, branded and well advertised. This focus on low price-quality business model can later help the Indian firms to tap similar price sensitive markets of African and Latin American markets. Now Unilever has initiated a project to tap the lower ends of the Latin American market with the low cost solutions developed by Hindustan Lever.

Activity 4

Study the website of 2 consumer durables manufactures of your choice. Identify the product adaptation they have made for the mass market or the rural market. Also study their growth product segmentwise. What type of growth trends the lower end products show?

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6.7 BRANDING DECISIONS

A look into the extant literature shows that rural customers were not specifically or consciously brand loyal. They were supposed to be content with any brand that was handed over to them by the retailers. The present market data shows clearly that it is no longer so. Many of the recent empirical studies reveal that a rural customer is particular about the brand he/she wants and cannot be easily persuaded to buy anything just because it is so advised by the retailers. The increased exposure to television has resulted in the rural customer getting direct information and life style cues from the advertisements. In the early 80s, Nirma could establish itself as a popular brand through consistent advertising. Today there is lot of advertisement clutter and audience fragmentation. In this context, marketers have to pay greater attention in selecting the brand elements to cut through the clutter. The different brand elements that the rural marketers should pay attention to are:

1. Brand Name
2. Logo/Symbol
3. Brand Character
4. Slogan/one liner
5. Jingle
6. Packaging

Brand name is one of the most important component of the brand. All the investments that are made to enhance awareness and developing the right associations get linked to this name, which finally acts as an anchor. Therefore selection of the right name assumes importance, given the fact there is a high level of diversity amongst the rural pockets of different regions.

Among the different brand elements, the logo or symbol has a special role in building brands in the rural markets. In India, there are 16 official languages and more than 460 dialects. However a well-conceived logo can mean the same thing to diverse groups of customer. MRF Tyre's "Muscular Man Lifts the Tyre" would connote the same meaning to people in different regions. Thus the logo is able to transcend the geographic and linguistic barriers. High levels of illiteracy in rural areas also propel people to use visual cases/pictures to identify brands. Brand characters can be used to add new levels of meaning and appeal to the brand. Amul's "Utterly butterly girl", Gujarat Ambuja's Giant Like Man, all have played important roles in developing right brand associations. Arvind Garments roped in Akshay Kumar to endorse Ruf & Tuf Jeans. The" infilm" brand personality of Akshay Kumar as a tough character helped the brands.

Jingle or musicals can be associated with a brand and thereby giving potential buyers one more cue for easy retrieval from memory. Titan's signature tune, and Liril's "La—La-La", are attempts to surround the brand with interesting and memorable cues.

6.8 PACKAGING DECISIONS

Packaging today is being used as an important marketing tool in addition to its role of protecting the main product during shipment and transportation. Its effective role in attracting the customers' attention at the point of purchase has led to its recognition as a "silent salesman". In rural markets a brand is most often identified on the basis of the packaging of the brand, primarily because of

1. Low literacy levels
2. Availability of few brands
3. Low exposure to other media vehicles

How small fractional packages have resulted in higher trial purchase and regular consumption has been discussed in the previous section. Marketers have observed retailers cutting larger toilet soaps and detergent cakes into two pieces and selling them. (Joshi, 1991) It has showed them the utility of small SKUs (Stock Keeping Units).

Packaging in reusable containers: The rural customer is very price sensitive and feels rewarded when the package can be put to some other use after the consumption of the main product. PET containers are being increasingly used as value added modes of packaging. However, polypacks are used to drive costs to the lowest-ebb.

Packaging Colour and Design: Package becomes a veritable identification tool and helps in brand selection and reinforcement process for rural markets where mass media reinforcement relatively of a lower order as compared to urban markets. Bright colours, bold labeling and recognizable logo, specially those that the consumers can readily identify with are specially useful. The evocative colours of Brooke Bond Red Label tea, Nyle Shampoo, Colgate's red & white recognizable tooth paste, Lifebuoy's familiar package and Brittania's Tiger biscuit packs are the prominent examples which generated brand identification and recall partly on the basis of package colour and logo designs. Similarly, depiction of recognizable logos on the package are positive aids in brand recognition and recall. Successful examples are the Eveready Cat-o-nine lives, Gemini Tea with elephant as the logo, Tortoise mosquito coil etc. These widely understood symbols help the rural customers in making brand associations and generating recall.

Activity 5

Carefully study the packaging modifications made by FMCG companies for rural markets. Comment upon the major variations that you observer in size, colour and information given on the package.

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Product modification decisions have direct implications on the cost structure and finally on pricing .The major product modification strategies that focus on developing rural centric products at affordable prices have been discussed here.

6.9 MENACE OF SPURIOUS PRODUCTS

Marketers of many consummable goods have to encounter the menace of the emergence of a number of fake or spurious products. As soon as a brand becomes popular in rural areas, at least 10-15 imitations or spurious products flood the market. Since a large section of the rural buyers are illiterate and they identify products by their logo and colour scheme of the packs, these unscrupulous producrs exploit the rural buyers' weakness by flooding the market with look alikes. These spurious products are of two types:

1. Complete imitation of brand name and packaging
2. Part imitation of the brand name: They copy the packaging, colour scheme design but alter one or two alphabets in the brand name.Nirma gets imitated as Neerma, Nirman etc.

In all these cases, they pass on a product far below in quality and priced about half of the original brand. These fake counterfeit products create havoc in rural markets. The early users of the product discover the poor quality and in turn loses faith in the genuine brand. Thus the promotional investments of real brands get blunted to some extent. The manufacturers of fake products offer higher margins to both wholesalers and retailers and in many cases it is 100-200 per cent higher than real products.

Marketers have recognized the deleterious impact of a large number of fakes and of late have initiated certain steps to tackle the problem of counterfeits and pass-off products. The Brand Protection Committee (BPC), formed with representation of several corporate houses has urged the Government to do away with hindrances in the implementation of Trademarks Law.

The Brand Protection Committee (BPC) with the assistance of law enforcement agencies, has been initiating raids, taking legal action, creating awareness in the market, to eradicate the problem of counterfeits and pass offs. According to a study conducted by AC Nielsen, the FMCG industry alone suffers an annual loss of Rs 2,600 crore while the Government loses revenue to the tune of Rs 870 crore annually on account of counterfeit and pass-off products. The pharmaceutical industry also loses around Rs 700 crore annually, due to this problem.One study reveals that the States badly affected by counterfeits and pass-offs are Delhi, Punjab, Haryana, and Uttar Pradesh. The other affected states include Maharashtra, Gujarat, Madhya Pradesh, Andhra Pradesh, Tamil Nadu, West Bengal and Bihar.

Apart from the initiatives taken to crack down upon the spurious marketers, firms need to pay attention on packaging and communication. They can go for innovative packaging making it difficult for small players to copy. Usage of holograms on the packs and communicating effectively to distinguish the real brand from fakes need to be undertaken. Companies can organize contests in haats and big villages to distinguish the original products from the counterfeits. This way the villagers sensitivity on this issue can be heightened, benefiting both the marketers and the customers.

6.10 SUMMARY

Product is one of the key elements of the marketing mix and occupies a central position in marketing strategy decisions. Product decisions have to be adapted to the socio economic and usage pattern profile of a given market before a decision to launch the product in a specific market is made. Rural markets with their purchase patterns and buyer aspirations, as well as differential paying capacities present a unique market scenario. There are a series of adaptations and product modifications that the rural marketer may have to make to ensure success in rural markets. This unit tries to explain the product adoption behaviour in rural markets and discusses the various aspects of product strategy in the rural markets. Branding and packaging decisions have been discussed and the menace of spurious products in rural markets is also presented.

6.11 SELF ASSESSMENT QUESTIONS

1. How has the hierarchy of consumer durables ownership in rural markets changed over the years? Explain. What are the implication of such trends for marketers?
2. Explain the factors affecting rate of adoption of innovation in the given market. How would these apply to a service like life insurance or credit cards offered to the rural market?
3. Discuss the product strategies for the rural market. In view of the vast heterogeneity of the market, what would you suggest to a marketer of economy range of personal hygiene products, seeking to enter the rural market, in terms of his product strategy?
4. Is product modification a better course of action than developing a product specifically for the rural market? Critically assess.
5. How would you, as a marketer, address the menace of spurious products? Suggest appropriate measures.

6.12 SUGGESTED READINGS

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UNIT 7 PRICING DECISIONS

Objectives

After going through this unit you should be able to:

- Discuss the imperatives in rural pricing
- Describe the pricing methods and strategies
- Comment upon the rural pricing strategies
- Assess the impact of promotional pricing
- Define the strategic imperatives for rural marketers
- Design appropriate pricing strategies for

Structure

7.1 INTRODUCTION

You have already covered the basics of pricing and its importance in the Marketing Management Course (MS-6) as a part of the marketing mix elements. The fundamentals of pricing theories, objectives of pricing and price setting in practice are not being discussed here afresh. We will build upon your understanding of pricing concepts already covered in the basic course. Some concepts of specific relevance to understanding of rural market will, however, be discussed. Prices of branded goods cannot really vary widely across the rural urban divide. The challenge is, therefore, to create product offering in a size or package that is, view of the lower paying capacity of the mass market in rural India, both affordable to the consumer, and viable for the manufacturer. This unit therefore, discusses in detail the quality and price issue and promotional pricing as well as the interdependence of distribution and pricing. Rural pricing strategies in use today have been explained and the directions as emerging from the buying trends have also been described.

7.2 THE PRICE/QUALITY ISSUE

The rural market presents a marketing situation where the mass market has low paying capacity, though there are pockets of prosperity in most villages. The most basic issue that affects the pricing decision and consequently the product mix selection is determination of the quality and price level acceptable to the rural consumer. Let us look at the nine quality – price strategies to enable you to identify the variety of options one can exercise while seeking to price products targeted at the rural markets. The nine Price Quality strategies are important to understand, as price forms an important component of rural marketing effort.

Table 7.1

Nine Price-Quality Strategies

	Price		
Product Quality	***High***	***Medium***	***Low***
High	*Premium Strategy*	*High Value Strategy*	*Super Value Strategy*
Medium	*Overcharging Strategy*	*Medium Value Strategy*	*Good Value Strategy*
Low	*Rip-off Strategy*	*False Economy Strategy*	*Economy Strategy*

Source: Marketing Management by Philip Kotler, 10th Edition, Chapter 15

In the context of rural markets, quality is always an issue which consumers have looked forward to in their quest of getting value for their hard earned money. On the other hand, the prices have had to be flexible to the extent of the socio-economic class the consumers. If the person is a prosperous farmer with enough land holdings and steady income, possibly he will be seeking a return on value on a higher price. Alternatively, his counterpart, lower on the social class will also seek value but on a lower price scale.

The rural rich may have less exposure to brand but he is willing to pay the extra price for the premium products in the market. Brands like Onida KY Thunder and LG Golden Eye series were the highest selling brands in the rural markets.

Source: Rural Marketing by C.S.G. Krishnamacharyulu and Lalitha Ramakrishnan, Pearson Education, 2002

The rural marketers have for long been thriving on the perception that only low cost, low quality products will survive and if one refers to Table 7.1; the economy strategy has been the most preferred strategy of marketers. However, this is not the case in today's context, as rural markets have been witness to environmental changes, which definitely had implications for the marketers. For instance, TV ownership and viewership (DD and C&S) has gone up over the years. Hence access to information has been definitely been higher as compared to the past, and this has meant impact on the rural lifestyle too. In the earlier units you would have been exposed to various data that reflect on the current rural trends and practices. Most of the data has shown how the rural masses have moved up the value chain. From tooth powders to tooth pastes, electric bulbs to tubes, Amrutanjan to Iodex... are all instances where there are not only brand switches but category switches too.

Added to this, the overall economic prosperity in the region, has increased the purchasing power of the average consumers. It would, therefore, be unfair on the marketer's part to underestimate the potential of the region or even assume that the average spend levels of the region will be low. In most cases in the past, the stripped down version of the core product was sold, but today it would not be a wise decision. Instead, offering relatively similar products like the urban markets but providing necessary value to the product will be the key. For instance, the Pepsi or Coke 300-ml bottle can be marketed to the rural customers, but the 1-½ litre or 2 litre bottles would be difficult. It will not be for lack of need for the product but for fact that irregular electricity supply or absence of electricity will be a problem for product disposition. This also illustrates another issue with respect to the quantity that the rural customer buys at any given point in time. The quantity bought is less in volume and well measured and this where pricing becomes all the more difficult. A rural customer's toilet soap usage is once in five bathing occasions, hence, 5-6 times in a month. This will mean that the soap usage overall is less and the product mix to be offered to such profile of customer will have to be very different than his urban counterpart. Alternatively, the typical offer of buy two get one free in soaps, extremely popular in urban markets, will not be so successful here. So it is not just an issue of quantity alone but pricing too, that has to be offered to the rural consumers. The following sections of this unit give insight into how the right pricing can be developed and offered to the rural customers.

Activity 1

The price/quality issue has for quite some time been a typical dilemma for markets trying to access the rural markets. Used to low paying capacities of the rural consumer, marketers, have typically loaded the retail points with stripped down, lower priced versions of the urban brands, only to find that quite a few rural consumer are flocking the nearby feeder town for the products "like the urban people buy". On the outskirts of your town, visit the retailers who are likely to have a rural clientele as well. Discuss with them to find out if there are

- Changes in the brand buying behavior
- Category switches as explained in the section above
- Any movements up the value chain

Comment upon these shifts

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7.3 PRICING METHODS AND STRATEGIES

Before we discuss the other facets of pricing in rural markets, let us recapitulate on the pricing methods and strategies.

Some of the pricing methods as discussed in your basic course were:

i) Markup Pricing
ii) Target Return Pricing
iii) Perceived Value Pricing
iv) Value Pricing
v) Going Rate Pricing
vi) Sealed Bid Pricing

Some of the pricing strategies studied you earlier were:

i) Geographical Pricing (cash, countertrade, barter)
ii) Price Discounts and Allowances
iii) Promotional Pricing
iv) Discriminatory Pricing
v) Product Mix Pricing

Among the most popular pricing strategies adopted by marketers in rural markets are promotional pricing and in the later part of this unit we will discuss how some of the promotional pricing methods are adopted in the rural markets. Some of the promotional pricing methods in use are:

i) Loss-Leader Pricing
ii) Special Event Pricing
iii) Cash Rebates
iv) Low-Interest Financing
v) Longer Payment Terms
vi) Warranties and service contracts
vii) Psychological discounting

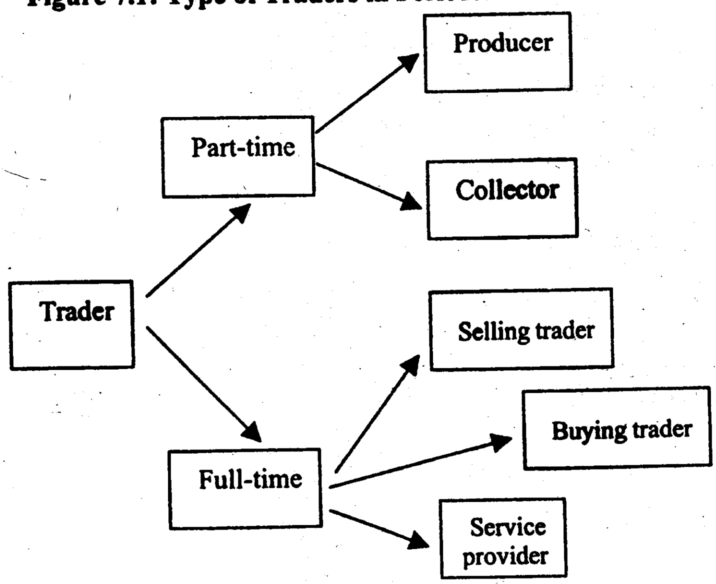
In your unit of pricing in MS-6 you would have already discussed some of the aspects mentioned above. This unit will look at implications from the rural market perspective. One of the factors that the marketers will have to bear in mind, in addition to the seasonality of demand in rural areas on account of primarily agricultural occupation, is the very high degree of volatility of rural earnings. This high volatility of earnings is on account of the unpredictability of monsoon dependent agriculture in India which employs 70% of the populace directly or indirectly. It is evident that this high volatility results in suppression of buying power of the farmer as he is never sure of a sustained source of earnings, were he to squander his earnings on products that are deemed less than absolute necessity. The pricing in all cases therefore, has to clearly define and reflect the value proposition of the products/ services on offer.

7.4 RURAL PRICING STRATEGIES

One of the key aspects of rural pricing is the distribution cost that adds to the overall cost of the product. Marketers on the other hand have felt that the rural markets will fetch them lower prices. Between this dilemma rural marketers have always looked at offering. Those products to the consumers which offer more value at a lower cost. On the other hand, marketers have also being making attempts to help consumers in rural markets switch to their products with better price offer than their competitors or the nearest local version of the product. But before we dwell on this issue further, it will be critical to evaluate some fundamental price structures that exist in rural markets. Rural markets usually work on two different price levels for similar products.

i) When the product is distributed from company sources at the rural retail markets, the price structures include the cost of distributing right at the retail or distributor level.
ii) Alternatively, in other cases, the local retailer also visits the nearest distributor/dealer at the nearest town or district to collect his stocks, and there the retailer adds his own cost of distribution to the product.

Figure 7.1: Type of Traders in Periodic Markets[1]



The above figure 7.1 is a broad indication of the kind of retailers we are referring to in point (ii).

At both these levels the pricing structures are very different owing to the nature and amount of logistics cost incurred being different. In some instances where marketers

[1]Source: Rural Marketing: Targeting the Non-Urban Consumer by Sanal Kumar Velayudhan, Response Books, 2002

Activity 2

On the basis of the section just covered; identify the major difference between pricing strategies for the rural Vs the urban market. How would you address the pricing decision for small villages in India if you were to decide on price of

- Common salt?
- Insurance policies?
- Cold cream?

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7.5 PRICING AND INCOME LEVELS

Another issue critical to the rural markets is the large income disparity that results in the consumption patterns being not so regular. In fact, between the urban and rural consumers the income disparity is fairly large and hence prices for average products remain different. As a result the basic price differentials are fairly large between these markets. Per capita income in rural India (Rs.9481 per annum) is almost half of that of urban India (Rs.19, 407 per annum) indicating the level of income disparity between urban and rural areas[2].

Table 7.3

Income variations in Urban and Rural areas, 1999-2000

State/UT	Per capita Income (Rs./annum)		Ratio of Urban PCI to Rural PCI	Rank
	Urban	Rural		
Delhi	29,364	24,852	1.18	1
Haryana	18,134	14,855	1.22	2
Chandigarh	34,509	27,256	1.27	3
Punjab	21,413	16,540	1.29	4
Pondicherry	18,938	13,215	1.43	5
Rajasthan	15,850	10,693	1.48	6
Assam	17,231	11,109	1.55	7
Gujarat	22,742	14,574	1.56	8
Goa	17,440	11,017	1.58	9
Karnataka	18,394	11,300	1.63	10
Kerala	17,372	10,342	1.68	11
Andhra Pradesh	19,143	11,033	1.74	12
Bihar	12,404	6976	1.78	13
Uttar Pradesh	12,257	6738	1.82	14
Himachal Pradesh	19,881	10,816	1.84	15
Tamil Nadu	24,246	12,888	1.88	16
Maharastra	23,747	11,769	2.02	17
All India	19,407	9481	2.05	-
Madhya Pradesh	14,719	7079	2.08	18
Meghalaya	20,714	9284	2.23	19
West Bengal	23,892	8792	2.72	20
Orissa	15,993	5704	2.80	21

Source: Indian Market Demographics Report 2002, NCAER

[2] Source: Indian Market Demographics Report 2002, NCAER

are not able to approach certain markets for absence of proper infrastructure (primarily roads), the local retailers take the onus of approaching the nearest distributor/dealer/stockist. On the other hand, the local haats and fairs also offer products at the best deal and so the third pricing structure though more a part of promotional pricing strategy, also coexists alongwith the first two.

With different price structures, very often, for the same products rural marketers find it difficult to ensure the sustainability. Sustainability also refers to maintaining similar price levels. If the monsoon season leads to bad road conditions and the local retailer incurs a higher cost of reaching the goods to his village, the final product price will also vary substantially. However, as mentioned earlier, due to usage occasions and usage amount of average FMCG products being less than urban markets, price differences in aggregate terms are not usually varying. Sachets, one of the most successful forays in rural markets are usually low in amount and cost. The price differentials are also at times affordable from the consumer's perspective. The retailing comparison as shown in Table 7.2 explains the differences between urban, semi-urban and village markets with regard to pricing issues.

Table 7.2

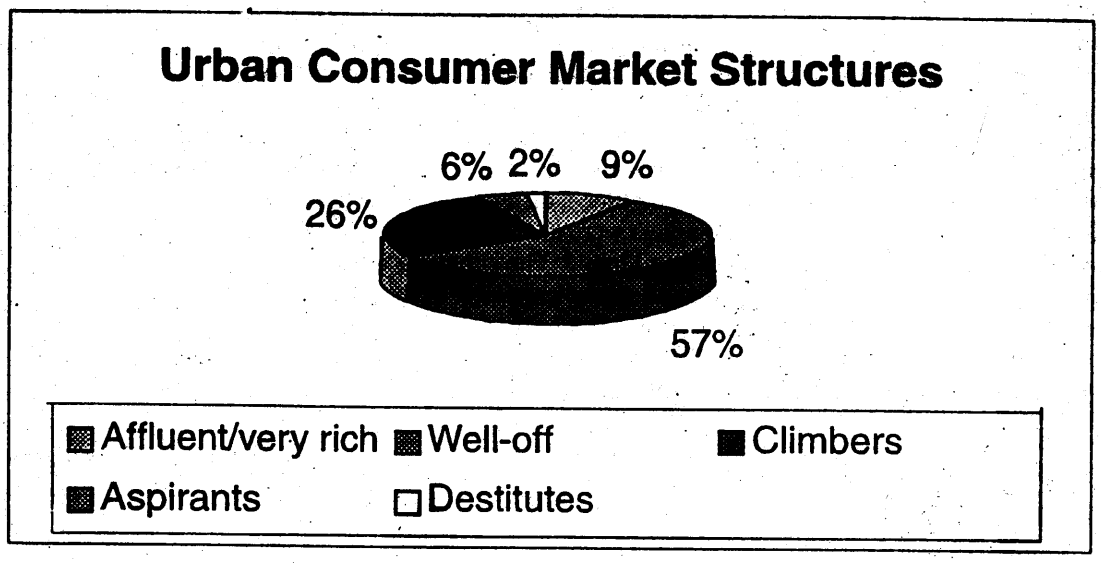
Retailing Comparisons

Retailer	Products	Promotion	Role and Influence	Price
Urban* (city or town)	Global and national brands. Few local brands	Wide range. Intensive	Informative and suggestive. Help identify alternatives	MRP. One price for all. Select discounts at the local retail level usually on informal basis. Packaging, billing and other related issues in place
Semi-urban (small towns) feeder points for villages	National and local brands. Few global brands and large number of unbranded products.	Limited. Mostly POP, discounts and incentive offers.	Informative and suggestive. Help identify alternatives	MRP in case of branded products, improper display of prices for essential commodities. Products sold in local packaging too, referred to as loose sales. Weights and measures less accurate. Selective credit policy.
Rural (village selling points)	Largely local and unbranded products	Marginal. Mostly POP and road signage	Helps in purchase decisions	Mark-up on all items. No display of prices. Different prices to different customers based on customer knowledge and type of purchase (barter or cash). Improper weights, adulteration, loose selling of items. Mostly undocumented billing. Credit prevalent.

Source: Rural Marketing by C.S.G. Krishnamacharyulu and Lalitha Ramakrishnan, Pearson Education, 2002

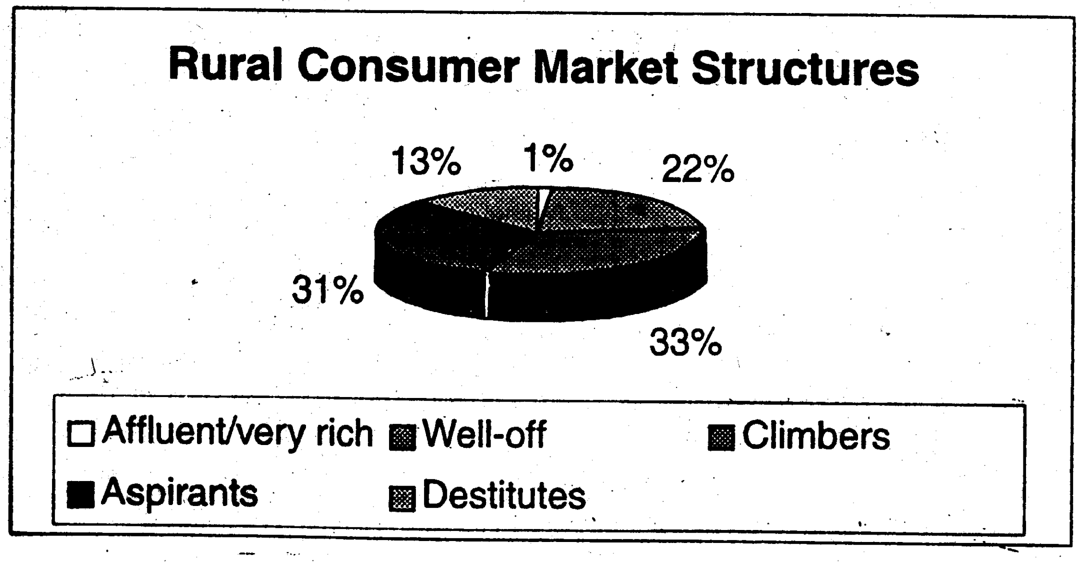
The above table is fairly indicative of the current income levels in the region and how income disparities are more prominent states like Bihar, UP, West Bengal, MP, and Orissa. The disparities have also bearings on the purchase power parity in the region. The figure 7.2 and 7.3 show the NCAER classification on the five-SEC structures for both urban and rural markets and represent a more comprehensive picture of the rural market structures as compared to urban markets.

Figure: 7.2



Source: Indian Market Demographics Report 2002, NCAER

Figure: 7.3



Source: Indian Market Demographics Report 2002, NCAER

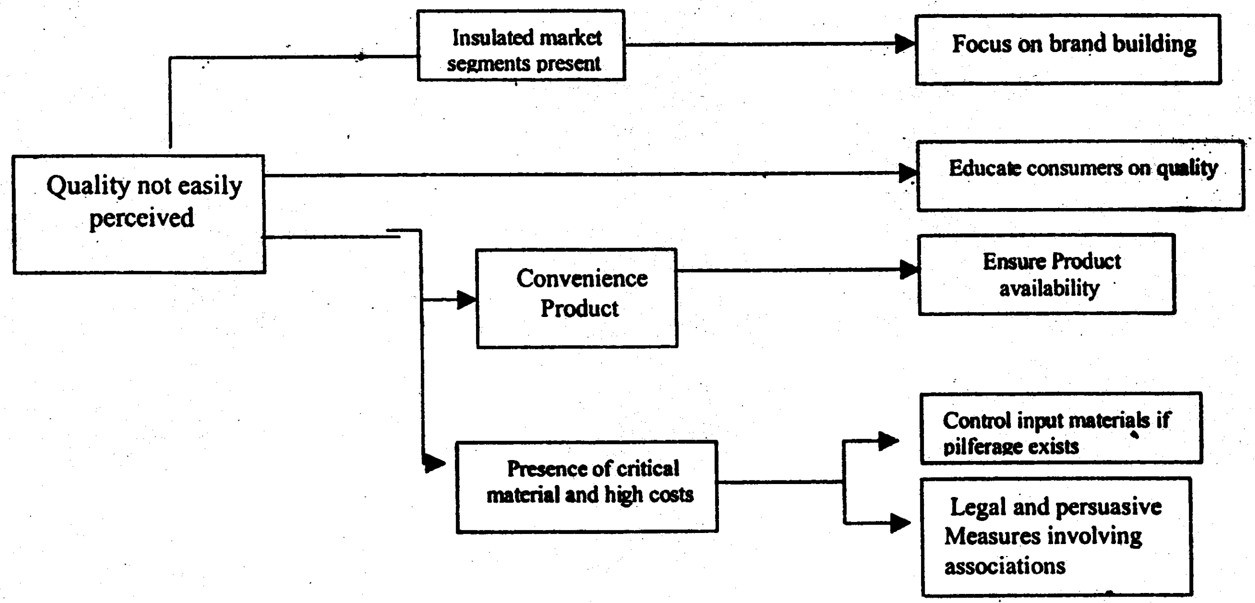
While the highest percentage of aspirants are in the rural sector, the urban sector has the highest number of well-off, which in practical term refers to middle and upper middle. With aspirants and climbers forming a substantial part of the market, the value sought from the product will be higher and marketers need to trudge this path very carefully. It does not have any easy correlation to selling cheap and stripped down versions of the products, but offering the best value. [3]Small pack sizes will get easy

[3] Source: Rural Marketing: Targeting the Non-Urban Consumer by Sanal Kumar Velayudhan, Response Books, 2002

lesser quantity and this is where the marketer's patience and deep-pockets will help him, because of sustenance and specifically on bottom lines being delayed on this kind of product packaging and pricing. As shown by the off quoted examples [4]HLL on finding its Lifebouy 100gm soap being split into smaller sizes by retailer, introduced a small 75gm version to suit local usage patterns.

A key concern facing marketers in respect of rural pricing is issue the branded versus unbranded goods. Rural consumers are aware of the branded product vis-à-vis price as a critical aspect of branded goods consumption. The local and spurious product will continue to exist alongside the branded products. It does become difficult for consumers to choose at times, considering the price disparities and the income scarcities. The spurious products are very common in the rural settings where close imitation of a popular brand, with similar packaging could outsell the original simply because it is sold at a far lower price, sometime a differential of 50%. AC Neilson through a study conducted in rural markets were able to establish that sales of spurious Vicks equaled that of the original brand. The company was able to bring an injunction of sale and the raids conducted on the premises of the stockiest enabled seizure of the stock of look alikes, worth Rs. 3.5 million, with the spurious rub branded as Vikas and the Cough drops as Venus[5].

Figure 7.4: Measures to Counter Duplicates and Imitations



Source: Rural Marketing: Targeting the Non-Urban Consumer by Sanal Kumar Velayudhan, Response Books, 2002

Figure 7.4 is an indication of how to control the counterfeiters and spurious products in the market. However, recent trends have clearly indicated the rural preferences for branded products, which have proved to be superior and long lasting too. A case in point is that of Transistors, a favoured rural product, where there is intense competition between the local-assembled version versus Philips' Bush.

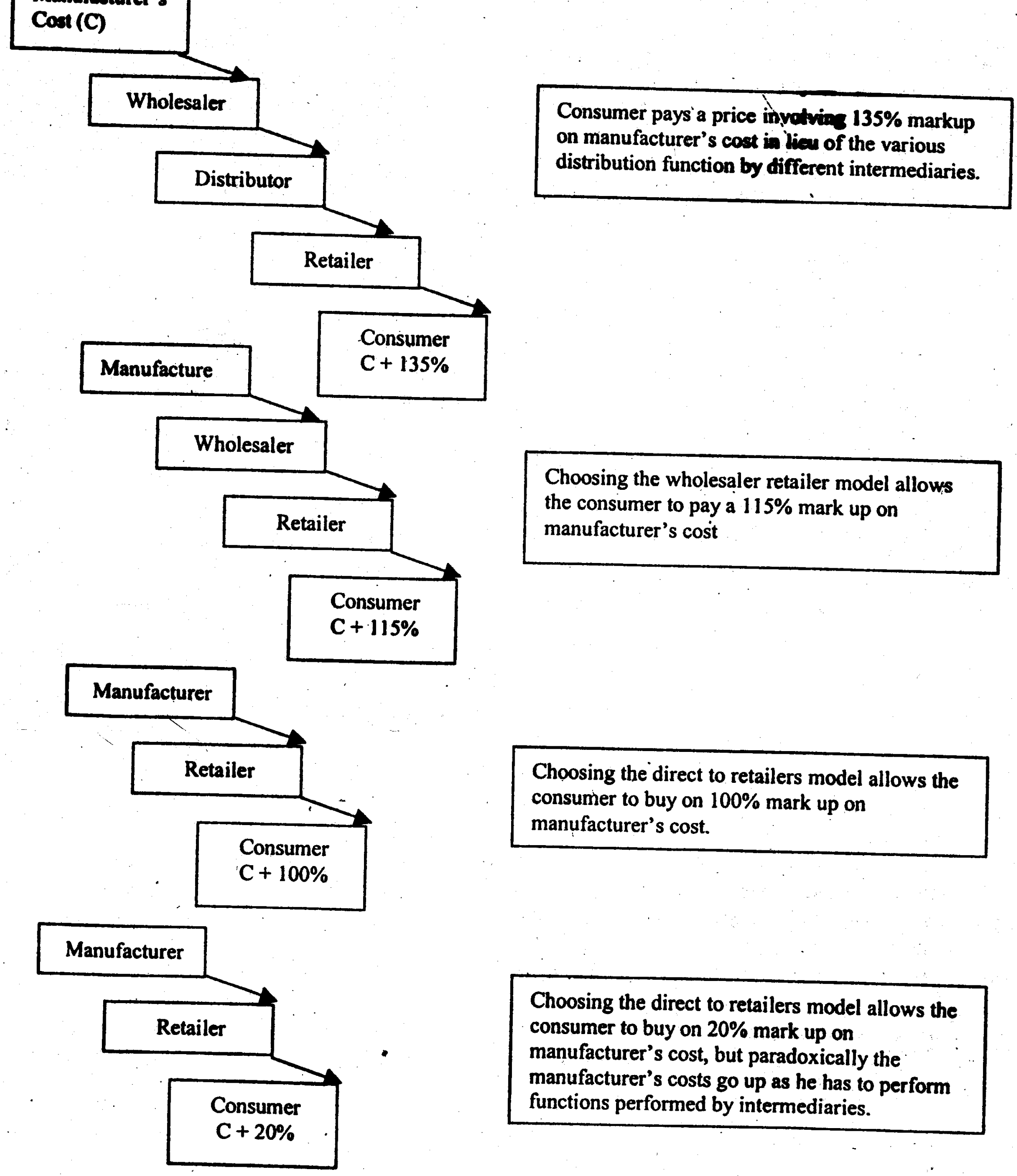
7.6 CHANNEL SELECTION AND PRICING IMPLICATION FOR RURAL MARKETS

[4] Source: Rural Marketing: Targeting the Non-Urban Consumer by Sanal Kumar Velayudhan, Response Books, 2002

[5]The Economic Times, Oct, 19, 2002

and intermediary organizations, familiar with the concept that while the use of intermarries is imperative to gain access to remote and dispersed markets, the increase in the number of levels in the channel, between the producer and the consumer also has a bearing on the final price paid by the consumer (Fig. 7.5). The rural markets present a situation where the products reach the consumer through several layers in the distribution channel comprising, authorized dealers, stockiest, wholesalers, C and F agents, large retailers and the local village retailer. You can appreciate that the greater the number of layers in a channel the larger will be the aggregate total trade margin paid to the distribution network. The final price paid by the consumer thus

Fig. 7.5: Intemediary Channels and Prices

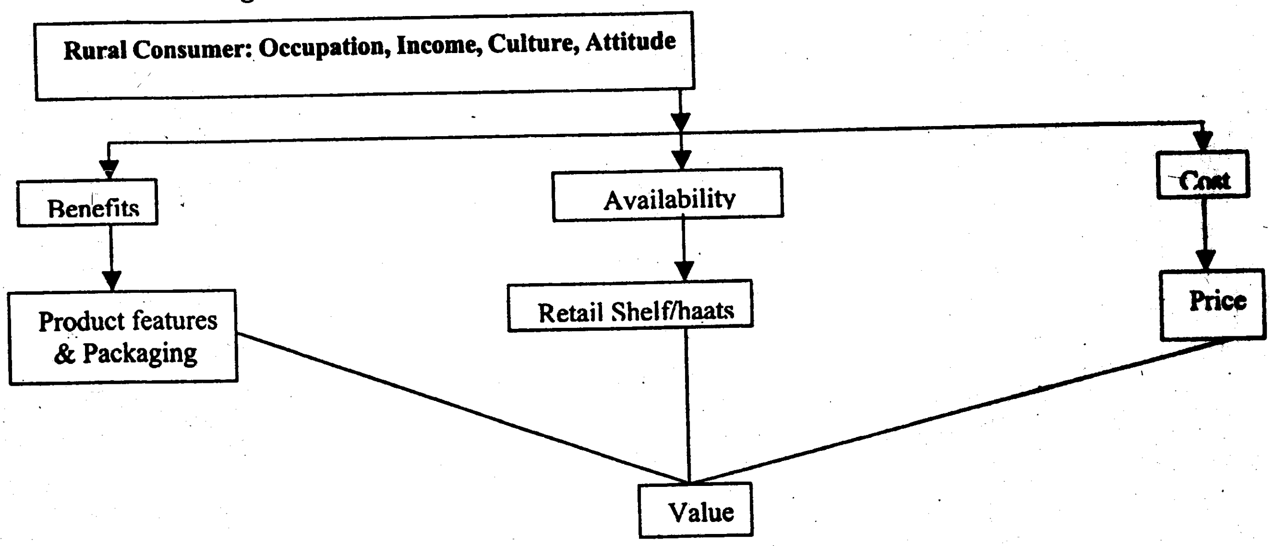


would need to absorb all these margins as well as the cost of goods sold. One way that the marketer can actually offer products at a lower price is to find innovative ways of reaching the rural consumer without involving a large number of intermediaries. A study in the distribution costs resulting overall, in lieu of the various distribution functions performed by different intermediaries is illustrative of the point discussed and is shown in figure (7.5).

7.7 PROMOTIONAL PRICING

Having discussed some of the basic issues in pricing for rural markets, this section looks at some of the pricing strategies actually adopted by marketers, which are usually covered in the rural markets. Though the remaining pricing strategies are also adopted by the rural markets, promotional pricing is usually the preferred route. Geographical pricing and product mix pricing are also adopted by marketers for any given market. LG's Sampoorna range of TV was launched exclusively for the suburban and rural markets, which was a stripped down version of the core product, eventually meeting with little success in the rural markets. The critical point for rural markets are products focusing on needs of the consumers or the other alternative is to look at low-priced products targeted at the price sensitive rural markets. The choice will purely be on the organisation's objective to meet consumer demand effectively.

Figure 7.6 Product and Price as critical factors[6]



The figure above represents the product versus pricing issue, which will be critical to consider for organisations entering rural markets. It is always not be true that only the cheap products will sell in the rural markets. [7]Usha found that the sale of its economy models were falling sharply in rural areas. Farmers preferred Usha's premier Century brand, thought it was priced 20% higher, as they found the value proposition of the latter, more in keeping with their perception of value.

Promotional pricing in the rural markets may involve introductory price offers targeted at promoting trial, free samples or quantity discounts to ward off competition. The following table summarizes the type of prices discounts that are in ususal practice.

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[6] Source: Rural Marketing: Targeting the Non-Urban Consumer by **Sanal Kumar Velayudhan,** R[illegible] books, 2002

[7] [illegible] Rural Mark[illegible]ng: [illegible] nal K[illegible] Books, 2002

Table 7.4: Promotional Pricing: Price Discount

Type of Discount	Objective
1. Volume discounts	To encourage consumer to buy larger volumes and avail of much lower prices. May succeed at post harvest, festival or pre marriage seasons.
2. Trade discounts	To motivate channel members to service customers effectively. Usually given at the time of special schemes or product introduction or new model introduction
3. Seasonal discounts	To stimulate demand in lean periods and to smoothen wide fluctuations in demand. Usually offered in periods preceding and following peak demand periods
4. Promotional discounts	To stimulate channel members to make special efforts to promote demand. Usually for a limited period.

Table adapted from Rural Marketing by CGS Krishamacharylu and Lalita Ramkrishnan, Pearson Education 2002.

A key consideration is also the sources of income in the rural sector, which affect consumption patterns. With harvest season, disposable income goes up and farmers have a tendency to experiment with purchases. The synchronising of price offers and assortment offers to such patterns is referred to as [8]"income stream and consumption basket offering". This in effect means that the price and positioning decision is therefore influenced not just by the income received but also on when it is received and how it is allocated among different needs.

Haats and melas form an integral part of the rural consumer's shopping patterns. Owing to the nature of such fairs and timings purchases are usually varied and even made in bulk. For instance, the Sonepur Cattle Fair, finds buyers and sellers for not just cattle but as a variety of other elements are also dovetailed onto the fair, it witnesses all kinds of purchases and bargains beyond cattle. Naturally, price will be the key differentiator for most purchases. The Kumbh Mela, the annual ritual of the Hindus, also witnesses a large number of visitors from the rural countryside. Marketers encash every opportunity to offer the best deals and product, on such occasions, to take advantage of the heightened purchase intention.

7.8 COMPETITION AND PRICING

You are aware that apart from the costs of a product and the consumers capacity to pay, the third leg of the pricing decision tripod is the competition. In any competitive category, prices need to be responsive to competition's price points as in price elastic and value for money kind of market scenario, small differentials in seemingly similar product offers could see you lose market to your competitors. The rural markets represent situation where competitor presence may be thin at present but as more and more organisations warm to the emerging potential of rural markets, the pricing decisions would need to be very sensitive to what the competition offers. Competitive pricing offer takes the form of price reduction, package size reduction accompanied by price reduction or offering more volume for the same price. Price setting becomes an issue when your competitor either reduces his price or initiates a price increase. While your final decision on price fixation under such situations may rest on an

[8] Source: Rural Marketing: Targeting the Non-Urban Consumer by Sanal Kumar Velayudhan, Response Books,

analysis of the price sensitivity of the consumer and your own costs, certain generalisations can indicate direction towards appropriate strategy. A price rise by the competitor should be matched in a period of growing demand or rising costs. If you can manage to control your costs to existing level, and are in highly price conscious market, market advantage is likely to occur when you maintain your prices while the competition initiates a price increase. If economies of scale or technology enable you to get a clear cost advantage, you could benefit significantly in actually lowering prices even if it means narrower margins because you could preempt or oust competition from the market.

Rural markets have been shown to be highly price conscious markets, specially when the brands are perceived to be more or less similar. When the competition introduces a price reduction on his products, you may need to carefully consider the price maintenance option. Not reducing the price may mean loss of consumer franchise in extremely price conscious markets. On the other hand, if the market is more value conscious and has displayed brand loyal behaviour, reinforcing the value proposition of your brand may allow you to retain your position even in the face of price reduction. Matching the price cut initiated by the competition is indicated when the market is, as noted above, very price conscious and does not display any notable brand preference or loyalty to your brand. A strategy to counter direct price cut is to offer more affordable, but smaller package sizes. Dr. Shiva Kumar, GM, Marketing (Personal) Products, HLL, stressed that while all Ps apply in the hinterland, price is the single most important determinant. Product and package innovations however can be used to gain instant success as value preposition can be built around smaller sized, specially designed offers for the rural market as demonstrated by Brooke Bond's A1, Wheel, Kissan, Lipton Tiger etc. Following the reduction in excise duties for tooth powder, Colgate Palmolive, in a bid to convert rural non users to users, has reduced prices even further and introduced a special 50 gram pouch and even a ten gram pouch, priced at Rs. 6 and Rs. 1.50 respectively. This has been done with an objective of initiating usage of tooth powder among all the members of the family as well as to preempt competition.

Activity 3

Visit the websites of leading FMCG companies like HLL, Proctor and Gamble, Colgate Palmolive and ITC. Look at the products they are offering to the rural markets. Compare their pricing strategies for the rural markets and comment on them.

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Offering quality on a low price or changing price on basis of quality offered will always be critical issues to ponder upon in the context of rural markets and marketers will need to consider a few important factors before deciding on the final price. These include

i) The geographic reach and infrastructure of the region
ii) The income spread in the region and overall agrarian revenues
iii) The presence of local products and players
iv) The retail presence in the region
v) The vicinity to feeder towns/cities
vi) The popular pack sizes available and in demand
vii) The substitutes available for the product
viii) Finally, selection of the right villages

7.9 SUMMARY

Pricing is among the most critical decisions in the rural marketing strategy in view of the prevailing socioeconomic and resource profile of the rural consumer. While the basic determinants of pricing i.e., costs, competition and consumers capacity to pay, remain as valid, it is the wide variation in these variables, that makes pricing a difficult decision for the rural marketer. This unit discuss strategies for the rural markets and familiarises you with the issues involved in promotional pricing, competition related pricing as well as the pricing implication of channel decisions. The impact of factors like volatility of rural earnings and seasonality of demand have also been discussed.

7.10 SELF ASSESSMENT QUESTIONS

1. Explain the concept of promotional pricing in the context of rural markets.
2. Do you agree that stripped down versions for rural markets at a lower cost or similar cost structures but smaller quantity can be effective as alternate strategies? Comment .
3. Visit any nearby village in the vicinity of your town and observe the price differentials across product category if any. Attribute the reasons for the same.

7.11 FURTHER READINGS

1. Rural Marketing by C.S.G. Krishnamacharyulu and Lalitha Ramakrishnan, Pearson Education, 2002
2. Rural Marketing: Targeting the Non-Urban Consumer by Sanal Kumar Velayudhan, Response Books, 2002

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Table: Purchases of Durable Products - Rural Share **Appendix ***

Product	1995-86	1989-90	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Bicycle	82.00	73.82	78.09	77.75	78.95	78.08	78.31	78.01	77.83
Cassette Recorder	47.00	42.77	49.06	53.45	54.75	55.03	63.84	66.79	67.76
Electric Iron	46.00	43.00	34.45	42.18	43.81	43.45	44.14	44.88	45.66
Fan (Ceiling)	46.00	45.00	46.10	48.09	48.97	50.36	53.16	54.93	55.99
Fan (Table)	60.73	58.00	60.78	64.98	64.55	65.89	65.39	65.79	68.23
Geyser (Instant)	--	1.60	0.15	0.87	2.62	2.04	6.05	3.23	2.51
Geyser (Storage)	--	2.58	4.31	0.95	1.49	1.55	3.89	1.65	1.30
Mixer/Grinder	18.00	21.00	23.16	24.57	26.93	27.43	30.43	32.13	33.25
Motorizes 2 Wheeler (Moped)	42.00	42.94	39.59	41.53	42.03	39.27	45.86	46.72	47.31
Motorized 2 Wheeler (Motor cycle)	52.00	51.00	47.66	49.09	47.54	47.87	49.56	51.00	51.12
Motorize 2 wheeler (Scooter)	36.00	27.74	27.83	29.50	32.71	28.56	33.88	34.46	37.50
Pressure Cooker	34.00	37.00	45.14	46.13	51.28	51.51	52.43	49.72	52.08
Pressure Pan	+	+	+	17.98	15.50	19.45	21.97	19.66	19.76
Radio (Portable)	79.00	78.39	79.43	78.61	78.74	79.20	80.31	80.19	80.89
Refrigerator	14.00	15.00	18.07	20.15	24.38	24.30	25.25	26.30	28.19
Sewing Machine	60.00	56.00	63.72	64.29	66.40	64.34	66.79	72.20	73.51
TV (B & W)	26.00	44.00	47.70	57.11	59.44	62.65	65.01	70.43	81.11
TV (Colour)	11.00	19.00	31.10	30.90	31.72	28.77	31.73	34.73	36.68
VCR/VCP	4.85	4.58	7.82	7.98	10.31	24.87	14.34	19.99	8.47
Washing Machine	12.00	7.00	9.93	12.30	14.02	14.64	14.85	15.34	16.99
Wrist Watch (Mechanical)	78.00	71.00	72.14	76.10	76.64	76.59	75.91	82.26	83.19
Wrist Watch (quartz)	59.00	47.00	51.57	50.32	52.08	54.00	55.74	57.82	58.81

* All the tables in this appendix are from Indian Market Demographics Report 2002 NCAER.

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Table: Purchases of Durable Products – Occupational Distribution

Product	Year	Cultivator	Wage Earner	Salary earner	Professional	Artisan	Petty shopkeeper	Business man	Others
Bicycle	1993-94	39.91	16.82	26.68	2.56	1.77	5.28	1.59	5.39
	1994-95	42.95	17.70	21.85	1.69	3.42	5.99	1.59	4.81
	1995-96	40.59	19.21	18.68	2.68	2.51	5.78	5.39	5.16
	1996-97	28.94	21.08	13.74	2.86	4.60	4.90	6.26	17.62
	1997-98	35.55	18.74	24.01	1.94	2.85	6.63	6.05	4.23
	1998-99	32.57	20.18	24.90	1.96	1.79	6.25	6.63	5.74
	1993-94	27.34	9.17	38.61	3.99	3.25	6.97	3.55	7.12
	1994-95	26.73	11.19	39.30	2.58	2.14	6.98	2.96	8.13
	1995-96	21.52	11.25	33.19	5.36	3.65	7.77	9.62	7.65
	1996-97	25.34	21.95	18.73	2.18	3.88	7.18	8.64	12.12
	1997-98	23.70	19.27	31.07	3.30	0.38	8.25	12.26	3.75
	1998-99	19.16	18.42	27.89	5.61	3.89	4.56	5.73	4.75
	1993-94	19.94	7.75	42.08	3.82	2.36	10.26	4.35	9.24
	1994-95	20.40	10.44	42.85	3.46	2.59	7.14	3.03	10.09
	1995-96	16.63	8.65	35.66	5.20	4.83	7.54	12.03	9.44
	1996-97	10.55	14.07	33.01	3.91	5.85	7.55	10.53	14.52
	1997-98	19.06	14.19	36.87	3.53	2.50	5.58	12.75	5.53
	1998-99	19.91	11.73	35.78	4.68	1.64	7.44	11.68	6.95

Fan (Ceiling)	1993-94	23.60	9.04	40.49	4.32	3.28	7.69	2.62	8.96
	1994-95	24.56	12.06	35.79	3.14	4.18	7.42	3.22	9.63
	1995-96	22.23	9.88	31.47	3.70	2.36	7.56	11.77	11.03
	1996-97	16.62	14.86	26.20	4.41	5.18	6.59	14.09	12.06
	1997-98	22.44	13.21	34.59	3.42	2.18	6.72	11.05	6.40
	1998-99	26.63	11.79	31.91	3.37	2.34	6.72	11.05	6.15
Fan (Table)	1993-94	30.75	13.12	31.77	3.42	4.13	7.36	2.36	7.09
	1994-95	33.97	12.61	29.43	2.54	2.35	6.78	2.49	9.83
	1995-96	30.51	10.37	29.57	5.41	3.14	7.69	6.63	6.68
	1996-97	19.28	18.50	21.70	3.62	7.42	4.90	9.32	15.26
	1997-98	28.46	14.60	31.26	2.32	2.40	5.80	7.89	7.26
	1998-99	31.73	16.11	29.95	3.33	1.74	6.15	8.23	2.77
Geyser (Storage)	1993-94	7.00	5.66	47.36	5.71	1.09	7.18	16.24	9.76
	1994-95	15.95	1.09	65.04	1.61	5.13	3.06	3.08	5.04
	1995-96	1.18	0.00	46.91	11.10	0.00	6.09	30.79	3.93
	1996-97	0.86	7.67	29.75	7.83	4.91	13.41	22.38	13.20
	1997-98	0.88	0.95	43.86	7.75	0.00	10.24	30.38	5.94
	1998-99	0.70	0.65	52.55	13.64	1.62	1.29	20.82	8.71
Geyser (Instant)	1993-94	8.33	10.82	37.90	3.08	11.10	12.65	9.44	6.68
	1994-95	23.39	3.08	30.98	1.25	1.38	5.14	9.77	25.01
	1995-96	0.17	0.27	26.60	4.41	2.26	6.23	40.47	19.59
	1996-97	0.44	8.43	25.93	12.21	4.41	2.73	40.99	4.86
	1997-98	2.26	3.73	35.18	4.88	1.09	9.83	35.99	7.03
	1998-99	3.22	2.22	29.60	9.30	0.07	14.79	26.60	14.20

Mixer/Grinder	1993-94	8.96	5.27	58.77	4.28	2.11	8.13	4.63	7.85
	1994-95	11.43	5.68	53.44	5.78	2.46	7.77	5.36	8.08
	1995-96	11.48	4.39	41.64	6.50	2.84	7.84	14.72	10.59
	1996-97	13.29	10.75	37.94	5.36	5.36	5.90	12.29	9.12
	1997-98	13.00	8.18	45.58	3.88	2.92	5.35	13.99	7.10
	1998-99	16.38	6.26	43.39	3.01	1.78	7.99	13.91	7.27
Motorized 2 wheeler (Moped)	1993-94	20.57	6.30	44.26	3.27	3.72	9.41	5.66	6.81
	1994-95	20.54	4.84	44.83	4.39	4.67	9.33	3.38	8.02
	1995-96	13.93	7.00	41.34	5.55	4.42	7.19	12.51	8.06
	1996-97	18.54	10.12	32.19	5.14	5.92	6.59	13.21	8.29
	1997-98	14.78	8.97	40.63	3.98	2.31	5.88	16.03	7.41
	1998-99	18.09	6.16	42.41	4.92	1.23	6.67	17.79	2.72
Motorized 2 wheeler (Motor Cycle)	1993-94	28.01	4.01	33.66	6.74	1.99	9.22	9.06	7.31
	1994-95	27.89	4.98	34.21	7.88	1.65	5.35	8.74	9.30
	1995-96	18.27	4.64	29.20	8.33	1.61	5.64	22.62	9.69
	1996-97	14.12	12.88	23.63	4.99	6.73	6.93	15.98	14.74
	1997-98	21.38	4.81	38.49	4.68	1.43	4.24	19.96	5.01
	1998-99	24.18	2.28	40.26	5.51	0.65	4.05	19.29	3.77

Motorized 2 wheeler (Scooter)	1993-94	18.17	5.01	43.89	7.55	2.38	8.75	8.27	5.98
	1994-95	17.13	4.58	41.17	7.18	3.53	9.79	8.13	8.49
	1995-96	13.89	2.93	29.80	5.58	2.59	11.08	28.23	5.90
	1996-97	14.27	14.49	29.88	6.12	3.87	6.95	15.21	9.20
	1997-98	12.99	2.75	48.56	5.09	2.01	5.42	16.99	6.19
	1998-99	14.17	2.37	47.92	6.62	1.45	7.17	14.81	5.48
Pressure Cooker	1993-94	23.35	8.78	41.04	3.53	2.28	10.90	3.69	6.43
	1994-95	19.70	8.57	41.78	3.02	2.35	9.98	4.38	10.22
	1995-96	22.55	9.31	32.87	4.30	2.47	7.98	12.00	8.52
	1996-97	19.12	14.99	29.93	4.57	4.42	4.56	12.22	10.19
	1997-98	20.77	11.71	36.57	3.70	2.00	7.86	12.09	5.30
	1998-99	18.86	9.91	37.11	5.05	1.66	8.73	12.85	5.82
Pressure Pan	1993-94	5.39	3.43	49.09	13.42	1.31	8.55	6.12	12.69
	1994-95	4.62	3.97	66.87	8.82	1.07	5.58	4.87	4.20
	1995-96	9.02	3.71	47.46	10.95	1.64	4.15	13.49	9.58
	1996-97	9.73	10.50	34.38	7.89	6.17	4.17	19.39	7.79
	1997-98	3.90	16.62	32.93	9.64	0.28	6.98	17.16	12.50
	1998-99	10.79	14.24	48.58	2.99	4.22	7.17	7.31	4.69

Radio (Portable)	1993-94	39.05	25.70	19.71	2.14	3.12	5.39	1.05	3.84
	1994-95	42.83	18.46	22.42	1.67	3.01	5.54	0.63	5.44
	1995-96	38.93	22.57	14.45	1.28	2.90	8.51	4.20	7.16
	1996-97	23.95	32.17	9.99	2.57	4.84	4.05	5.09	17.34
	1997-98	36.34	26.50	16.82	1.72	2.35	6.11	5.04	5.12
	1998-99	35.97	26.17	16.43	1.01	2.14	5.85	5.33	7.10
Refrigerator	1993-94	11.77	6.13	48.04	8.85	1.30	8.62	6.53	8.76
	1994-95	11.85	4.36	47.44	7.19	2.13	7.95	7.64	11.44
	1995-96	6.63	3.72	40.43	6.52	2.63	4.88	25.64	9.5
	1996-97	9.68	9.38	35.70	5.55	2.93	8.15	19.63	8.9
	1997-98	7.33	3.63	52.07	4.93	1.56	5.74	17.20	7.5
	1998-99	11.69	2.05	47.71	4.59	1.61	7.16	18.54	6.6
Sewing Machine	1993-94	31.45	11.65	28.40	4.30	5.27	7.70	2.33	8.9
	1994-95	27.98	15.28	29.66	4.17	3.77	8.98	2.47	7.6
	1995-96	28.32	11.58	24.98	2.92	3.39	9.22	8.23	11.3
	1996-97	18.87	18.72	21.24	3.63	6.02	4.09	10.97	16
	1997-98	25.93	11.32	34.04	2.52	4.06	5.47	11.27	5.
	1998-99	35.34	7.51	31.86	2.08	3.03	6.15	9.50	4.

TV (B & W)	1993-94	24.87	11.60	39.02	3.25	3.72	8.18	2.39	6.97
	1994-95	32.70	10.64	33.57	2.53	3.04	7.20	2.00	8.33
	1995-96	28.84	12.91	30.73	2.33	3.41	7.09	7.55	7.13
	1996-97	21.71	18.59	23.05	2.97	4.97	6.94	7.34	14.43
	1997-98	28.63	17.27	26.60	2.15	2.98	8.97	7.50	5..90
	1998-99	20.87	7.12	41.98	2.62	1.59	6.95	12.15	6.74
TV (Colour)	1993-94	13.38	5.16	49.25	6.93	2.84	6.31	6.44	9.69
	1994-95	17.20	3.55	47.96	6.10	2.13	5.54	6.81	10.70
	1995-96	10.66	3.63	39.91	5.70	3.63	4.14	21.93	10.40
	1996-97	11.76	9.64	35.08	8.65	2.16	6.89	15.55	10.27
	1997-98	11.31	4.15	47.02	5.43	1.73	5.15	18.39	6.83
	1998-99	12.06	2.76	50.81	4.80	0.76	5.44	17.16	6.21
VCR/VCP	1993-94	6.90	9.11	41.41	6.54	1.03	8.12	11.72	15.17
	1994-95	6.44	2.99	41.26	13.47	1.07	11.07	9.26	14.44
	1995-96	7.87	11.41	18.27	11.61	1.26	7.71	36.93	4.94
	1996-97	3.83	4.93	36.34	10.49	4.57	5.81	27.16	6.88
	1997-98	15.02	4.55	42.68	4.66	0.14	3.73	24.66	4.56
	1998-99	2.32	2.87	45.39	7.96	3.34	7.92	25.91	4.28

Washing Machine	1993-94	7.96	2.81	43.95	15.14	3.81	6.38	8.21	11.84
	1994-95	8.95	4.77	49.66	8.69	1.49	6.10	10.38	9.96
	1995-96	4.55	1.10	42.74	6.52	1.93	3.06	31.38	8.72
	1996-97	6.82	4.72	37.49	8.51	3.57	9.66	20.58	8.65
	1997-98	3.07	1.44	50.20	8.64	1.60	3.66	24.82	6.59
	1998-99	6.07	0.99	46.62	9.23	1.27	3.20	25.77	5.84
Wrist Watch (Mechanical)	1993-94	39.25	14.82	29.12	2.56	2.21	7.11	1.58	3.35
	1994-95	43.93	13.17	24.29	1.64	3.40	5.35	2.02	6.20
	1995-96	36.96	19.67	18.80	2.13	2.23	6.31	6.87	7.03
	1996-97	26.99	17.89	21.85	3.71	4.58	5.56	7.01	12.42
	1997-98	36.32	16.72	23.06	3.27	1.32	4.58	7.40	7.33
	1998-99	27.26	20.21	28.21	3.49	0.59	5.04	10.72	4.46
Wrist Watch (Quartz)	1993-94	29.06	9.39	40.36	4.71	1.55	6.87	2.89	5.17
	1994-95	28.63	8.74	37.50	4.30	3.10	5.37	3.75	8.61
	1995-96	25.39	11.97	28.16	4.09	2.40	6.71	11.72	9.56
	1996-97	29.31	14.56	13.66	3.81	6.04	4.68	8.74	9.21
	1997-98	26.34	13.81	31.03	3.90	1.22	5.33	11.87	6.49
	1998-99	25.28	18.27	26.56	2.98	2.41	6.59	12.42	5.49

BLOCK 4 MANAGING THE PROMOTION

The problem of access to rural markets has also been an abiding concern in communication terms. How do you create awareness, brand identification and preference by using marketing communication to a population that is vast, linguistically diverse, dispersed in uneven concentration and very heterogeneous culturally, from one corner of the country to another? If you add to that, the facts of unavailability of propular mass media like print (on account of widespread illiteracy) or television (on account of poor penetration or ownership), you have on your hands a problem of the marketing communication task, with challenges which are very different from those faced in urban markets. This block on Managing the promotion familiarizes you with some of these challenges and explored the alternatives that rural markets use. An attempt has been made to help you understand the media scene in rural India as well as provide you with inputs on message design and various types of promotion. The Block consists of 3 units:

Unit 8 on understanding rural media explains the existing patterns of media usage in rural India, and elaborates upon the emerging forms in advertising media choices.

Unit 9 on Message design and development for rural markets identifies the issues in design and development of rural communication, highlights the relevance of unique selling proposition in a rural setting and brings to you inputs on various elements of message design and development.

Unit 10 focuses primarily on sales promotion in the rural market. It outlines the diversity of the sales promotion tools used, bring you illustrations of the promotional experiments being undertaken by Indian companies and explains the planning process that should be used in developing and implementing the sales promotion effort in rural markets.

UNIT 8 UNDERSTANDING RURAL MEDIA AND CURRENT OPPORTUNITIES

Objectives

After reading the unit you should be able to :

- describe the existing patterns of advertising in the rural context.
- discuss the imperatives in advertising for the rural markets.
- explain the relationship of segmentation and advertising practices
- discuss the variations in advertising across the life cycle stages.
- elaborate upon the various forms of advertising in the rural context
- develop an appreciation of new ways of communicating to rural consumer
- develop appropriate promotional inputs for rural markets

Structure

8.1 INTRODUCTION

The demand for consumer products and agricultural products is consistently growing in the villages, necessitating the development of rural advertising. The principles of advertising are universally applicable, cutting across national and cultural boundaries. But the actual advertising varies from market to market. The issue of focus with respect to advertising content and practice is the target audience. Most manufacturers have aimed exclusively at the urban market without giving adequate importance to exclusive advertising for rural markets. As the rural consumer has acquired the means to spend on consumer and agricultural products, companies need to focus on exclusive advertising for rural markets.

It is important to inform rural customers regarding products and services that could upgrade their living standards and also improve productivity of their enterprises. Advertising could also help in changing their attitudes, habits and lifestyles regarding literacy, family planning, hygiene, education etc. Villagers, like all customers do not buy products. They wish to buy solution to problems. Like the urbanites, they are also buying benefits, satisfactions and fulfillment of needs. Hence a successful advertisement will be one that shows problem-resolution.

8.2 ADVERTISING STRATEGIES FOR RURAL MARKETS

Irrespective of the media used the following directions have been seen to work well for rural markets. You would need to back up your promotional efforts in the rural markets very strongly with an understanding of the behavioral dimensions of rural consumers. This unit is strongly dependant upon your understanding of blocks 1 and 2 of this course.

8.2.1 Positioning and Segmentation

Advertising in the rural areas is expensive as the villages are far flung, mostly inaccessible and the target audience is mostly illiterate. Hence advertising strategy, message and media differ with respect of positioning of the product and the segment targeted.

In India if the segmentation of population is done based on income, the very rich constitute nearly 6 million people, the consuming class about 150 million, the new market segment of climbers 275 million and the aspirants another 275 million. The trend here is an increase in population of the consuming class, and climbers. At the same time there will be a decrease in aspirants and destitutes.

The ORG population breakdown indicates there are 3 different classes in the rural market as follows :

Class I	Population over 5,000
Class II	Population between 1000 and 5000 and
Class III	Population below 1000

Mainly the consumer goods and durable product marketers today are targeting class I villages for their products. The changes that the rural market has undergone are to be kept in mind while taking decisions regarding the communication strategy for rural markets. For example, in segmentation based on age, let us consider the rural youth in the villages. They no longer wear traditional Indian attire. Their dress code is made up of trousers, shirts and T-shirts. Jeans is another upcoming favorite. They prefer sober shades of colours. The youth do not play marbles, gilli danda or Kho-kho. Cricket is the craze of every age group. A large number of them consume cold drinks and chew gum (big babool and center fresh). Pepsi, Thumbs-up, coke and Mirinda have replaced lassi and nimboo pani. Tooth paste is purchased by the youth from local stationery store. The traditional datun and toothpower are replaced fast by pepsodent and colgate pastes. Brand choice for motorcycles and scooters depend on durability, speed, style and fuel efficiency. The purchase is a major decision however, involving the father. Youngsters get to suggest the brand and colour. The youth know about all the dream machines such as Suzuki, Yamaha, Hero Honda, Bajaj, Enfield, Rajdoot, etc. The bullet represents tough, rough machines for them. Youngsters in rural areas know about leading TV brands such as BPL, Philips, Onida, Akai, etc. Hence if the marketers is to target this segment of rural youth, his positioning of the product has to satisfy this brand savvy young consumer who is very much like his urban counterpart.

The behavioural insights of the rural population could be the backbone of many a rural marketing strategy that is hampered by myths and lack of incisive information. Hence the need for a very clear appreciation of the positioning of the product and the present profile of the potential consumers.

Activity I

You are aware of the demographic basis of segmentation of markets. Identify the products that would be most suitable for launch, looking at the demographic segmentation of the rural markets in India. You may refer back to Unit I for attempting this activity.

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8.2.2 Product Life Cycle

The advertisers must be clear about the precise stage of the product, in its life-cycle. Advertising can be pioneering, competitive or retentive, depending on stage of product-life cycle in the rural context.

The pioneering advertising for LPG (Liquid Petroleum Gas) should explain to the rural dwellers the availability of clean and convenient cooking fuel (LPG) who have hitherto remained largely dependent on traditional fuel for cooking. Public sector oil companies have chalked out new marketing plans for LPG to reach smaller towns and villages with a population of about 10,000. The pioneering stage of advertising aimed at building up primary demand is expensive, as it has to be build a market, generate primary demand, overcome psychological barriers, explain usage of product, increase coverage etc. The key advantage however, is that the company is the first to enter the market and has better chances of establishing market leadership and consumer confidence. Public sector oil companies have also developed an innovative rural LPG marketing vehicle to fill domestic cylinders on the spot for customers, emphasizing convenience of usage.

In the competitive stage of advertising in the village, a number of brands are in the race for consumer's attention and money. Products like batteries, refrigerators, motor bikes, televisions, tooth paste, skin cream, washing powders etc. are in a competitive stage in rural market. Exide Industries Ltd., the country's largest battery manufacturer, has launched an ad blitz in the remote interiors of Punjab and Haryana under the slogan "Exide ki Kasam" as part of it's Kisan project. The aim is to sell batteries to owners of tractors and heavy commercial vehicles in the farm sector. The marketing drive is expected to stonewall foreign competition in this sector. The promotional efforts include sponsoring "kisan melas", adopting dhabas and putting up hoardings, giving discounts and operating groups or nodes of 10-12 villages under one or two officials. Here the marketer has to emphasize specific and strong reasons for purchasing a brand in order to build consumer franchise.

In the retentive or reminder stage advertising, a manufacture tries to maintain his market leadership or share. He has to retain current customers base and also increase his total market size. Very few brands can hope to hold their leadership position for long. The rural audience tendency to recall brands based on their colours, numbers, etc. has helped brands like Lifebuoy (Lal-sabun), 501 detergent soap et cetra to retain their leadership for long, on the basis of clear colour based and number based differentiation. Of course, the fact that these were the first ones to get into the market, and enjoy a long history of usage has also helped.

8.2.3 Social Value System

The typical rural value systems are marked by conservatism, respect for elders, belief in social hierarchy, hard work, frugality etc. Hence for an advertisement to be successful the social value systems and lifestyles of villagers have to be clearly understood and analysed. Any promotional inputs disruptive of the social mores are likely to be rejected.

Carrying out promotions in rural areas is no mean task. As technology is not used extensively here, knowledge base is more critical. Traveling to distant rural locations and overcoming language barriers are other constraints. Researchers of O & M have found that strategies effective in urban areas are not accepted in rural areas. *"Rural People associate a brand image with what they think of themselves. Therefore, using pictures of sexy, underdressed women would amount to asking them not to use the product at all." - Jha.*

8.2.4 Benefits of the Product

It is imperative to highlight the beneficial results of using a particular product. An advertisement which shows problem-resolution, will have better receptivity. As per a HLL survey, India is set to witness these consumer mega trends – self-denial to affordable; indulgence resulting from changing values and higher income ; desire for quality time which will result in need for convenience ; increased awareness about personal health and vitality, including in rural India. Besides the three mega trends, socio economic driver will have influence on "inflexion point in rural consumption" in the next decade.

The use of quality engine oil for trucks and tractors to reduce wear and ear of mechanical parts, use of sturdy two-wheelers to keep up and save time in traveling : All the above refer to product benefits which need to be emphasized. For a tooth paste advertisement, in urban areas shiny white teeth as a factor in impressing friends or being close may be shown to be attractive but for the rural areas, a tooth paste ad should emphasize the derived strength for the teeth rather than it's potential in enabling proximity, or impressing girl friends.

Activity 2

Based on the above inputs, what appeals would you like to focus on, while developing advertising messages for the rural markets for the following products and services

1. Life Insurance
2. Tea
3. Cold drinks
4. Automobile lubricant
5. Hair Oil

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8.3 ADVERTISING THROUGH CONVENTIONAL MEDIA

The product purpose and benefit should be stated as directly as possible, in rural advertisements. Sophisticated or symbolic advertising on account on loss in translation to the given context, may not seem relevant to rural dwellers. Hence communication has to be direct and straight forward. The ad should clearly state what the product is, it's benefits, directions for use, purpose served, etc. If it is a face cream, visuals must show a girl/woman applying it on her face in upward gentle motions. The recent advertisements of Fairever cream shows a man being boxed in the eye by two ladies for giving the purchased cream to one lady and the free gift, a pair of earrings to the other. Here product details are omitted. The ad may be humorous, but as you can imagine in rural markets, it may not sell the product, as nothing about the product benefits, real or perceived is mentioned in the message content.

8.3.1 Limited Reach of Media

The limited reach of other traditional media like T.V., radio, press and cinema in the rural areas, impedes the rapid growth of the rural markets. Studies conducted by the National Readership Survey and ORG MARG reveal that only 9 per cent of the rural adult population reads any newspaper or magazine, 31 per cent watch TV regularly, 36 per cent watch cinema and 32 per cent listen to radio. As the literacy level in rural areas is very low, the reach of the print media is relatively limited. The maximum reach of cinema, TV and radio is about 30-36 per cent of the rural adult population thereby making the task of creating awareness regarding consumer products an arduous one. You must appreciate that all mass media options that one takes for granted in the urban context have limitations in the rural context. Let us discuss these choices, and understand the implication for an appropriate rural media mix.

8.3.2 Print Media

The reach of the print medium is very low in rural India due to the high percentage of illiteracy. Kerala is the only exception with over half the rural population (64 per cent) exposed to press. In rural Kerala, press reach is higher than TV reach. Punjab, Maharashtra, Goa, Tamil nadu and Pondichery are the other states with press reach above the all India average. As the reach of press in Kerala is high, the top publications in rural India are Malyalam publications. Less than 10 per cent rural households are exposed to press in states of UP, MP, Bihar and Rajasthan . Press readership is around 18 per cent in Orissa, WB, Karnataka and AP.

Secondary readership is the common scene with household press subscription virtually non-existent. Newspaper subscribers are the banks, grocers or tea shops or guests. Tea shops and other small retail outlets have the headlines printed in bold black letters on old newspapers and hang them in their stalls. A total of 25 copies of the popular newspapers, usually in the regional language, reaches the villages by 8 a.m. on weekdays and Sunday newspapers is delivered with the Monday edition. The onset of monsoons effectively stems this tide of newsprint. A pattern of group readership is seen in banks, tea stalls, and grocery shops. Usually one person - the literate, reads while the rest listen and discuss. Magazines are not read. There are several newspapers published from district towns, such as Hira Times, Meerut Samachar in Merrut, Hina Thanthi edition of Madurai, Dhina Mani from Trichy. These editions reach the urban readers in the district town and readers in satellite rural settlements. But the interior penetration levels are negligible and circulation are not controllable in rural markets. The urban press advertisement persuade prospective buyers to write for literature or call up for information or rush and buy. Lack of telecom facilities, intended lead time of postal services and remote reader locations render this form of advertising redundant in the rural context, unless the company contact point is within reach. The advertisements that most frequently appear in regional language dailies are that of lottery tickets with the results, locally manufactured soaps, local readymade garment shops, cement, fertilizers, chappals etc, and announcement of local sale or promotional events.

Activity 3

A. Try to get copies of local dailies which also have a circulation in the rural area surrounding your city/district town. Analyse the marketing communication that you think are attempting to reach the rural customers. Briefly comment upon the same.

B. Study the Hoardings and Banners used by retailers and advertisers in the rural areas surrounding your town. How do these differ from the same in an urban setting?

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8.3.3 Radio

In spite of the fast changing media scene in rural India, All India Radio (AIR) still appeals to a large population of about 32 per cent. It could serve as an effective, low cost reminder medium.

In rural Assam, North East Karnataka, Kerala and Bihar, more people listen to radio than watch TV. Film song programmes are the most popular. Small transistors follow the farmer wherever he goes, hanging on the handlebar of his cycle. Whether he is cycling or working in the fields, the transistor continues to play. It is a common sight to see labourers working in the fields with music in the background. Previously they themselves used to sing folk songs while working. The farmer also drifts off to sleep listening to music from the transistor. If at all he owns a B and W 14 inch TV, he views it before and during dinner. Across all states compared to viewer ship of TV, secondary listenership of radio is higher in smaller villages.

8.3.4 Television

Rapid expansion of television in the last decade has significantly increased the awareness levels regarding availability of convenience products to the rural dwellers. The population per TV set ratio in India is very high compared to other developing and developed countries. About 20 per cent of the rural population is not yet exposed to TV and radio, hence making these items households products is still a long way ahead. Only then advertising for other products can be successfully launched in the audio/visual media to reach rural areas.

An ORG/MARG study reveals that readership/viewership of various communication media is as follows :

Medium	Percentage of Rural Adult population
Press	9
Radio	32
TV	31
Cinema	36

The above figures show that the traditional media is limited in its use for advertising various products. Television reaches a fairly large numbers of viewers (1414.6 lakhs) in rural India. Next comes radio at the all India level. Statewise differences occur, for example in Andhra Pradesh, Tamil Nadu and Pondichery, cinema is preferred to radio.

Since television as a medium has great reach in parts of rural India, advertising on TV gives maximum exposure to product/brand. This is made use of by manufactures of fertilizers, cement, engine oils, tractors, light vehicles etch with the visuals and filmed in rural locations. Analysis indicates that rural Punjab, Himachal pradesh, Maharashtra and Goa have over 50 per cent TV viewership, while rural Bihar has the lowest of only 10 per cent.
Cable and Satellite (C & S) reaches only 9 per cent of TV viewers in rural India. In rural Gujrat and Madhya Pradesh, the viewership of Cable and Satellite channels is much higher. Tamil Nadu and Pondicherry, Rajasthan, Maharashtra and Goa are the other states with good C & S reach. Films and Film based programmes are the most preferred programmes in rural India. Serials come next. The rural Kerala viewers are more news and current affairs conscious than his counterparts in the rest of India. Some of the most popular programmes are chitrahaar, and the Hindi feature film in the northern India. In the others states the regional language films and film song sequences are the favorites. The above data allows the planner to gauge viewer ship patterns and hence time their product advertisements. There seems to be relatively less differences in viewership patterns between the rural and urban population.

Some TV manufacturers have made sure that their TV is bought even in village with no electricity by adapting them such that they run on batteries. Companies that create advertisements specifically for rural markets turn off the urban consumer, hence it is sensible to use different media vehicles for rural campaigns. One such option is the regional TV channel. They could be the regional Doordarshan channel or other private channels. E.g. Sun TV, Raj TV for TN Asianet for Kerala, Udaya TV for Karnataka etc. Nowadays it is felt that TV is flooded with commercials, hence some of the newer entrants in the rural markets are designing their rural promotion strategy without the TV option altogether.

8.3.5 Timing of Rural Advertising

You would have noted the seasonality of demand as a pattern in rural buying from your exposure to Block 2 of this course. Purchases of consumer non-durables and durable peak in the rural markets during the post-harvest, festival, marriage and pre-sowing periods. In the post-harvest period the farmers have received their earnings and their mind indulges in new purchases. Festival time results in increase of sales for clothes and cosmetics. Fairs and melas sell more of snacks and toys. The marriage season sees sales of consumer durables like scooters, fans, cookers, utensils, and other gifts for grooms increasing.

Also sales of hybrid seeds, fertilizers, growth nutrients increase during post-sowing period. Hence it is better to focus advertising in the rural areas during these specific seasons. Advertising before festivals, advertisements of urea and other fertilizers during crop planting season, advertisement by wall paints during Pongal in south India and Diwali in North India are examples correctly timed advertisement campaigns.

Announcer advertisement and Repeat advertising – When a new product is launched, announcement advertisement is undertaken. The brand name, key promise, usage benefits etc, are informed to the customers. In urban areas announcer advertisement is undertaken for 2-3 months. But as the media exposure in rural areas are limited, the period has been found to as long as six months, to generate adequate awareness.

The various uses of Vicco Cream as a cosmetic, medicine, after shave applicant etc. may be easily understood by urbanities. But the ad campaign has been created made with explicit visuals, and slow audio track for the benefit of villagers and is televised frequently for the first few months, of the product launch in a given area.

Later the commercial is cut short showing may be one usage at a time and they are also spaced. Repeat advertising reinforces the product message especially when they are new concepts. Product recalls have been shown to be reasonably good.

Activity 4

Scan through the regional channel and identify the advertisements directed at rural consumers. Comment upon the following aspect of these advertisements.

i. Timing of advertising

ii. Appeals used

iii. Message execution

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8.4 PROMOTION AND DEMONSTRATION

As in the urban market, companies in the rural context run consumer promotions in the form of a free gift or a price-off to increase the consumption of the product. The most common promotion are of the following types – buy one, take one free'(Emami talcum powder), 20%-40% discounts, extra quantity at the same price, (Babool toothpaste) cost free gifts (Soap box with Rin soap) usually of plastic or steel.

It is not enough just to promote a product, adequate stocks have to be maintained during the promotion cycle. Consumers may visit a retailer to buy a particular product on seeing it's attractive advertisement or promotion, , if that item is not available, they end up buying the next best alternative available. Here a customer is lost as they are being exposed to a competition product at the expense of your promotion and there is a chance that they being satisfied with the other product may become loyal to that brand. According to Rajiv Mongo, MD of Rural Communications and Marketing – (RC&M)- Promotion in rural areas need to be carried out very carefully, as the people are very brand loyal. It has been observed that often only one brand is dominant in one village. This is not due to lack of supply of the other competing brands, but simply because that brand entered the market first and got endorsed through good word of mouth. But if that brand is not available or turns out faulty for one customer, the whole village would get to know if it and develop suspicion about the brand inhibiting repeat purchase.

Demonstrations of products like pressure cookers, mixer grinders, etc. is a must as the majority of the villagers have low literacy levels and following the written instructions in the booklets is not possible. The latest items gaining popularity in the rural markets which need demonstrations are washing machines, cellular phones, frost-free refrigerators and credit cards. Demonstration have been shown to be more effective in group situations.. It has been observed that gathering groups of potential customer through a prior announcement in a common place like a chaupal or a school or community development office and then holding the demonstration is a very effective approach.

8.4.1 Publicity and Word of Mouth Communication

The advertisement campaign should lead to some discussion among the villagers. This gives word of mouth publicity. Rural dwellers depend substantially on the recommendations and views of their friends, neighbors relatives and retailers in deciding which product or brand to buy. An ideal advertisement should generate positive word of mouth publicity among the villagers. The authentic and credible recommendations come from the actual users. An "appeal advertisement" aimed at the rural consumers, can generate a lot of positive discussion about the product which increases the chances of a trial. The advertisement for TVS 50 mopeds shows the vehicle, bouncing over rough roads moving easily through shallow water bodies, carrying large, heavy loads, by educated village youth and above all resulting in saving time . The visuals are shot in villages with folk music in the background. The ad has been found to generate good viewer interest in rural segments. A farmer or village teacher who sees the commercial must be motivated to discuss it with his friends. If there is one satisfied customer, more are sure to follow. Other ways of generating good word of mouth are through contacting opinion leaders in the village and getting them exposed to the product samples. HLL plans to conduct promotional campaigns to promote its AIM tooth paste in village schools, primary health centers and other rural bodies to spread its brands especially to make the villagers move from the use of tooth powder to tooth paste.

8.5 EXPLORATION OF NEW OPPORTUNITIES

While approaching rural segments, you would realize that classical advertising as taught in text-books may not apply to the rural market. The layout and format principles teach that an ad should have a headline, a visual, copy of the names of the brand, manufactures etc. in a fixed layout. Most villagers cannot read, hence lengthy ads with too many words are useless in the rural context. A colourful picture of the product, it's key benefit, the brand name in an attractive colour and font, a short, apt slogan are enough in the rural advertisement campaign whether it is billbroad, wall posters, banners, hand outs, or point-of-sales danglers.

The rural dwellers may not know English, may not wear designer clothes, but they are as bright and intelligent as their city counterparts. The only draw back is inadequate access to information and lack of knowledge. Even that is fast diminishing as villagers in number of states are entering the cyber arena. In Rajasthan, this came to light during former U.S. president Bill Clinton's visit to India. Rural women were found using the Internet for health queries and dairy farming. The basic guiding principle in any advertising is the target consumer and his/her characteristics. The end result must be to convince the villagers to purchase the product and maintain his brand loyalty.

Rural India offers a formidable challenge to marketers for two crucial reasons. First, the lack of retail infrastructure to reach the interior villages and secondly the absence of enough knowledge about the buying patterns of rural consumers make the decision making for effective marketing communication a difficult process. To get a better understanding of the above factors the country's oldest tradition of haats and melas should be observed. On certain days of the week, buyers and sellers meet to trade and barter, buy and sell at make shift markets that appear overnight and disappear the next night. Although infrastructure and investment are minimum, the accessibility of products and services offered to villagers is very high. The Haats are generally for a day. If the haats are linked to an important event it continues for several days or even weeks, acquiring the status of a mela. The major melas include Sonepur Cattle Bazar in Bihar, Pushkar mela in Rajasthan, and Adipeunklu in Tamil Nadu. The Maha Kumbh Mela at Allahabad which occurs only once in 12 years was held during 2000-2001 for 3 months. Every consumer product and consumer durable products company was fighting for space there. Several companies gave away discount coupons and a large number of people did indeed make purchases using these coupons. Some marketers made use of huge TV screens that flashed in addition to promotional advertisements, the precautions the devotees ought to make.

District fairs also are preferred by marketers as they allow greater visibility and capture the attention of target audience for longer span of time. The fairs at Pushkar, Ujjaain, Gwalior, Kota, Meerut and Bulandshahar are some examples. Over 47,000 haats and 25,000 melas are held annually. The average daily sale at a haat is about Rs.2.25 lakhs. Annual sales at melas amount to Rs 3,500 crores. Over half the shoppers at haats have shopping lists. More than 10,000 melas draw visitors from all over India. Nearly half the outlets at melas are for manufactured goods. You would read more about the statistical profile of these haats and melas in Block 5 of this course.

8.5.1 Melas

Melas are a prominent feature of Indian rural life, held periodically or annually to commemorate important events or to honour a deity. Melas can be classified on the basis of their nature into commodity fairs, cattle fairs, combinations of the both, exhibition and religious fairs and on the basis of their periodicity into one day fairs, short (between 2 to 7 days) fairs, and long (over a week) fairs, or depending on region their importance, their area of influence stretches over a locality, a region or the entire country. Melas work best for fast moving consumer goods, as buyers are more favourably disposed towards new brands of non durables, specially since more women and children are present.

The advantages of selling through melas are the large visitor turnout, high sale of factory-made products, high sales volumes as melas are held during festive seasons, favourable response from visitors, as they intend to buy specific products which are not available in their own villages.

These melas serve as major sources of information about new products to villagers, as manufacturers put up stalls at vantage points. Almost 25 per cent of the space in any fair is occupied by stalls selling local snacks, 25 per cent of the space is devoted to amusement part for children. The remaining 50 per cent of the space consists of stalls selling consumer products. The factors taken into consideration by marketers to use the mela as a marketing tool are as follows:

A list of melas, is made at the beginning of the year in which the company wishes to participate. The mela selected depends on its location with respect to brand presence. The duration of the fairs, target audience for the product and number of expected visitors all play a key role in selection. As for the precise location of the stall in the fair, the layout is studied and the stall is placed near food stalls or the centre of the fair. Care should be taken to avoid promixity to other stall selling similar products.

An important aspect of a mela is that it gives the opportunity for the company to demonstrate it's products which gives great confidence to villagers to buy the product. The advantages of mixer-grinder, pressure cooker etc. can be demonstrated. The stall are required to be richly, brightly, colourfully decorated with banners, posters, dummies, danglers, mannequins etc, and attractive enough to pull maximum crowd especially women and children. Discounts or a free gift have often been shown to help in clinching a sale.

8.5.2 Haats

Haats are periodic markets and offer a major rural marketing infrastructure in India. In spite of the development of permanent shops, these temporary markets play a vital role in the rural economy. It is the oldest trading institution in existence. These markets provide an opportunity not only to sell consumer goods, but also to sell surplus agricultural and allied product. They play a vital role in the lives of villagers, as they provide a first contact point for villagers with market, a means for distributing local products and exchanging rural surplus, an opportunity for buying daily necessities, supplies and equipment and a place for socio-political-cultural contact.

Since most agricultural labourers get their wages once a week, haats are also held on a weekly basis. Sunday markets are most popular. On an average a haat caters to customers in 16 villages, nearly two thirds of all haats are held at a distances of at least 15 kms from the nearest town. Another 27 per cent are held at distances between 6 km and 15 km while only 5 percent are held within 5 km of a town. The average number of outlets at a haat is 314. The importance of haats for villagers is quite high, as 81 per cent of buyers are regular visitors. The reasons for buying from haats are quality and lower price. The villagers reach the haats on foot, by cycle, tractor or bus.

The haat is a better opportunity for promotion than for brand building. Visiting rural buyers are more likely to remember the products for the price off than for the image or positioning. Demonstrations are essential to convert consumers at haats since their attitudes are far more utilitarian than that of visitors to melas. Haats also offer opportunity for sampling, thus enabling the product to make inroads into a new buyer's home.

Let us briefly look at a comparative picture of haats and melas. At haats, the percentage of agricultural product outlets is large, upto 39.5 per cent. It is only 56 per cent in melas. Hence we see haats satisfy essential needs of people. Manufactured goods forms only 24.3 per cent in haats while they were found to occupy 42 per cent of the goods put up for sale in melas. This is because melas cater to a much larger population including rural and urban. Processed foods, tea and snacks, restaurants etc. are available both in haats and melas, but more so in melas as melas provide good entertainment. Forest products sell well at haats.

As rural customers use melas and haats for many of their daily necessities in terms of both products and services, these markets offer a perfect platform for promoting new product concepts. Smart marketers can use the occasion not just to sell their products, but also to listen closely to the problems of rural consumers in order to build relationships by offering solutions, and develop customized products. Both haats and melas provide the rural marketers an opportunity to get a good insight in rural buyer behavior and observe the purchase process fist hand.

8.5.3 Cinema

Cinema is most popular among the rural masses of South India. It does not seem to dominate life in the rest of rural India. In rural Andhra Pradesh, Tamil Nadu and Pondichery, cinema seems to be an integral part of their life and is next only to TV. Rural Karnataka has higher cinema reach than TV reach.

The frequency of cinema viewing is also high, 60 per cent of the cinema going population do so atleast once a month. In states with low cinema reach, only 35 per cent of cinema viewers go once a month or more.

Cinema halls and video parlors present an exciting audio visual media option for the rural market. Advertisement screened before the movie starts and those during the intervals are enjoyed more than the actual movie itself. But monitoring is not so cost effective. To check proper screening of a cinema advertisement takes a disproportionate amount of time. Absence of control allows cinema operators intent on conserving power bills, to override the screening of advertisement sequences completely.

8.5.4 Wall Painting

Travelling by train or bus through sub urban and rural areas, one is sure to come across colourful paintings on walls of buildings, compound walls, railway staircases, tank, wall, fly-overs, public walls etc. They advertise a whole lot of products from detergents, soft drinks, biscuits to electronic goods like TV, washing machine, fridge etc. Geoffrey Manners painted 1,50,000 sq. ft. of walls in UP. It also used tin posters and glow signs at bus stops.

Wall paintings, while limited to visual impact, present a viable reminder medium for rural coverage. Rates of Rs. 3 to Rs. 4 per square foot give the user high visibility at low cost. Dabur India has exploited this medium resulting in high coverage through wall paintings. This along with strong distribution network has establishing its rural presence. As with cinema, monitoring is a problem here. Field sales force can be used to conduct checks, with limitations. Wall paintings have a wide geographical spread. In case of consumer durables the size of the sales team limits monitoring even in small towns. Wall paintings are often used in smaller villages which are visited by the sales force once in a fortnight or month. Sometimes these villages are not visited at all. Unchecked messages are often over painted. This outdoor medium has to be used with care as even the field sales force report to the higher ups by sending different photos of the same wall taken from various angles, trying to impress that many walls have been used and maintained well. The person, who is benefited however, is the villager who owns the site, and gets his wall painted and an additional income.

HLL is promoting its new tooth paste AIM in rural areas. Apart from TV commercials it is using posters, wall and bus paintings on a large scale. This shows that even the big marketers use this medium which is generally used by local bidi manufactuers, local garments shops, and the like. The general characteristic of wall paintings is that they are loud and colourful increasing recall levels.

The rural consumer is less affluent and less discerning than his urban counterpart. Although he needs the same products used by the urbanities he may not be able to afford them or his life style may not allow him to use them. Hence marketers have come up with small packages which makes them affordable, as has been the case for shampoos, tooth pastes etc. Electronic goods like TV, Mixer-grinders may be needed but the problem of electricity dissuades their purchase. Power supply if available is too erratic leading to breakdown of the electronic goods. After creating rural specific products, developing rural specific messages becomes an important issue. As the regional languages are many, the words have to be selected with great care, as the meaning may be hilarious or ridiculous or even rude in one language while quite apt in another. The visuals should also depict rural life. Women and children may not the decision makers in villages. Men are often the major decision makers hence it is a waste to target only women and children in the advertisements. If the advertisements are not designed with the rural consumer in mind, the advertisement could do more damage to the product than good.

8.5.5 Mobile Vans

Reckett and Coleman India Ltd. For instance had decided to use TV exclusively as urban advertising medium. In villages the company used video vans to reach its new commercials to rural audiences. Hindustan Lever Ltd. had early success with video vans, which also doubled as video van and mobile retail outlets. However, these are good for short term promotion campaign but too expensive. A crucial prerequisite is the need of a network of roads to connect the villages to towns. The absence of adequate all weather roads makes it impossible for vans to cover the interior villages either for advertising or replenishing the stock in retail outlets. Rural market is a mass market which has to be constantly probed, developed and encouraged with the help of support systems which are novel, unique, and radically unlike what is used in urban agglomerates.

Hence we see that non-conventional media is a better bet. GIC's Suraksha policy was promoted by sending vans and mobiles into the hinterland to the taluka level. Mobile vans have proved to be a key strategic tool to spread the message, combining both flexibility and focuses access.

The promotion vans help in deeper penetration of the area, interaction with the audience through games and audio-video exposure. These trucks also act as a branded sales counter. Video vans have also used. As promotional vehicles Information booths in melas and haats are effective. HLL used STD booths, which are hubs of activity. Visuals, symbols, pictures and music are often used. HLL used the strategy of sampling and simultaneously selling a range of personal products like Fair and Lovely, Clinic and Pepsodent by penetration through education.

Saanskruti Entertainment, started by the ex-executives of Amitabh Bachhan Corporation Ltd. made use of Ramanand Sagar's mega mythological Ramayana. It was screened for 45 days during the Maha Kumbh Mela (which comes only once in 12 years) in 1998 in Haridwar and Rishikesh. The big screen attracted nearly 65 lakhs and people. Advertisers followed, they included Colgate Palmolive, Godraj soaps, Coca cola. Mobile shows on vans pulls in men and women in large numbers. The festival gathering that could be targeted are Pushkar, Ayodhya, Dussehra Nauchandi and Deepawali melas of Rajasthan, UP, and the Ambaji Mela in Gujarat.

During the Maha Kumbh Mela, O & M appointed several sales people within an area of 52 km. Announcements offering discounts that kept increasing as the main bathing area approached. Several purchases were made using the discount coupons. O & M in addition to other promotional methods, used 4 huge TV screens which flashed promotional advertisements alongwith the precautions the devotees had to take. A sample survey of the target audience indicated 100 per cent brand recall. Titan adopted the entire railway station during the mela for communication, which generated a higher brand recall.

Activity 5

You have just read above the interesting mix of media options that is available for the rural markets. You are planning to launch following new products in small villages. What are the media vehicles just studied by you would you like to use and why?

A. A bicycle
   [illegible]

C. Tractors with power steering and multiple post harvest functions

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8.6 SOME INNOVATIVE METHODS IN RURAL PROMOTION

On the creative front, it is necessary that a campaign is grounded in local reality, so that issue of comprehensive identification and memorability can be effectively addressed. The rural compaign costs can be minimized by developing special tools for planning and implementation. Point-of-contact should be successfully converted into point-of sale by using attractive danglers, small posters, attractive arrangement of products by renting glass show cases open to the road, appointing enthusiastic sales persons to introduce product etc.

Companies can also use popular form of entertainment such as puppetry, nautanki, ragini, bhangra, quawali and other dance shows to increase the brand experience. A story line can be developed relating to the brand and the characters shown using the brands to their advantage. The dresses could be in colours of the brand's packaging. Corporations and advertising agencies have started working in this area. The puppet shows in Punjab and Ragini in Haryana used for communicating qualities of Virat cement, Pala and Daskathia in Orissa for promoting safe electricity consumption and Colgate Palmolive toothpaste – Baul songs of West Bengal to advertise insecticide are some examples.

Even the extensive network of postal and medical workers throughout the country can be used as an alternative vehicle for brand promotion in the rural areas. The post box, post office walls and the post man's uniform will carry the logo and the brand names of companies like the sports costumes of sportsmen.

Haats, Melas and other festivals, fairs etc. are no doubt suitable platforms for promotional activities, but they do not occur every day. Hence one has to coordinate his communication with the "Conveyance points" of a village, for day-to-day contact with the potential consumers. For instance, a well would be the point of convergence for the women folk in Maharashtra, while a pond is where the village belles of Bengal meet. To involve men, tea-stalls act as an effective sound board. Here the well walls, trees near ponds, bill-boards near the stalls can be used to advertise a product. Based on the social behaviour of different states in India, the communication strategy needs to vary. Television viewing is a family affair in Punjab, while in Bihar it becomes a community affair where neighbors get together to watch a favourite programme. Accordingly a company can decide if it's direct marketing effort is to be a door-to-door programme or of a community kind (like fairs and festivals gatherings).

The task of educating the rural consumers and creating a want for a particular product is the first step in promotion of the product. Here the assistance of some important persons of the village such as the village Patel or Sarpanch, the village Hakim, the local Munshi and the village teacher (on whom the villages have confidence and towards whom they looked for guidance, advice and leadership) are very useful in creating awareness to the consumers. Even the village shopkeepers are guided in their buying decision by them. This is true especially for health and hygiene related products. The above mentioned opinion leaders could be selected and given exposure to the usefulness of a product through video shows or demonstrations and given samples of the product. They in turn could pass on the message to their friends, families, relatives or to those interested. Opinion leader could also be ordinary, uneducated housewives who could influence her neighbors, friends etc. Her house could be used as the site for the demonstration, as it is difficult to draw women away from their homes to the community halls or such other place.

In rural areas billboards, hoardings and posters are used in advertising, as in urban areas. The differences are, however, many. Generally cars, sleek mobiles, beauty products, movies, hotels designer furniture and garments are advertised through hoardings which is supportive to other forms of advertising to create recall in urbanities. In rural areas, the products would be tractors, cement, fertilizers, pesticides., hygiene products and social awareness message. 3–D effects and illumination which are common in cities are not necessary for the rural hoardings. As the network of roads is good in cities there are several vantage points like flyovers bus stops, main roads, road turnings, near traffic light, on top of buildings etc. The locations are very few in rural areas and are seen by the people only during day time. Market areas, near cinema halls, bus stops, railway stations, near the fields are some of the locations that could be used. To have a longer life span and to protect them from rain, outdoor boards are generally paintings on metal boards.

8.7 SUMMARY

It is important and necessary to communicate with rural consumers for increasing their consumption levels and making it possible for companies to generate sales.. Though the fundamentals of marketing communication do not differ for urban and rural markets, there is a need to implement the strategies differently to meet the realities. Some of the distinguishing factors of rural markets from that of urban markets are geographical spread. ,conservative consumer, lower literacy rates, poor distribution infrastructure, higher seasonal demand patterns etc. Traditional media channels do have a reach in the rural markets but the effectiveness may not be comparable with that of urban markets. There are number of opportunities available like melas, haats, cinema halls and so on. Many companies are experimenting with innovative usage of mobile vans, wall painting, point of purchase promotion etc. Lack of accurate data and understanding about the rural markets continue to pose tremendous challenge to the marketing managers.

8.8 SELF ASSESSMENT QUESTIONS

1 What in your view are the important challenges for effective marketing communication for the rural markets ? How can these challenges be overcome?

2 Critically assess the effectiveness of mass media in rural markets. What are the limitations of using

   a. print

   b. television

   as media for promotion for FMCG products in the rural markets?

3 What are the important considerations to be borne in mind while undertaking the message design activity for rural consumers? Respond with respect to the following products and services.

   a. wrist watches

b. detergents
c. healthcare services

4 Suggest suitable media stragegy for

a. Mopeds
b. Motorcycle
c. Generator sets

Give reasons for your choice

8.9 FURTHER READINGS

Aneja, R.K. (1992) *Advertising Principles and Strategies for Rural Markets*, The Economic Times, Management Section of Midweek Review, Sept 17, 1992.

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UNIT 9 MESSAGE DESIGN AND DEVELOPMENT FOR RURAL MARKETS

Objectives

After studying this unit, you should be able to :

- develop an understanding of issues in design and development of communication strategies for rural markets
- describe how communication objectives are set
- explain the components of message decision
- elaborate upon the importance of unique selling propositions for rural communication
- comment upon the use of symbols and pictures
- apply the consideration of colour, music, celebrities and story line
- understand the relevance of the occasion in designing rural communication strategy
- help develop suitable rural promotions.

Structure

9.1 INTRODUCTION

For the rural marketer, communication with the rural consumers and channel members is an absolute necessity. It is important to communicate about the products and services that may help in the rural consumers' production activities like, agriculture, animal husbandry, or it may be of use in their daily chores, like durables and non durables for improving their life style. Advertisement can play a major role in changing the behaviour, attitudes and in turn the life style of rural consumers. Though the task of communication is important there are number of factors which make it an ardous task. Universalized common message and channels are out of question because of extreme heterogeneity of rural markets. On the other hand various media channels also have limitations in terms of reach and comprehensibility. Number of other issues like wide spread illiteracy, socio-cultural values which are generally conservative and others, impose challenges in developing common communication strategies for the rural markets. In this unit, a discussion about the factors which need to be considered in designing and developing rural advertisements and other communication messages is presented. You can develop an appreciation of problems and opportunites in development and execution of communication strategies. Though the basic principles of advertising are applicable for rural markets, the actual implementation has to be focused on the ground realities of the specific market for which the strategies are being developed. Hence, you are strongly advised to refer back to advertising units of your basic marketing course, MS-6.

9.2 SETTING COMMUNICATION OBJECTIVES

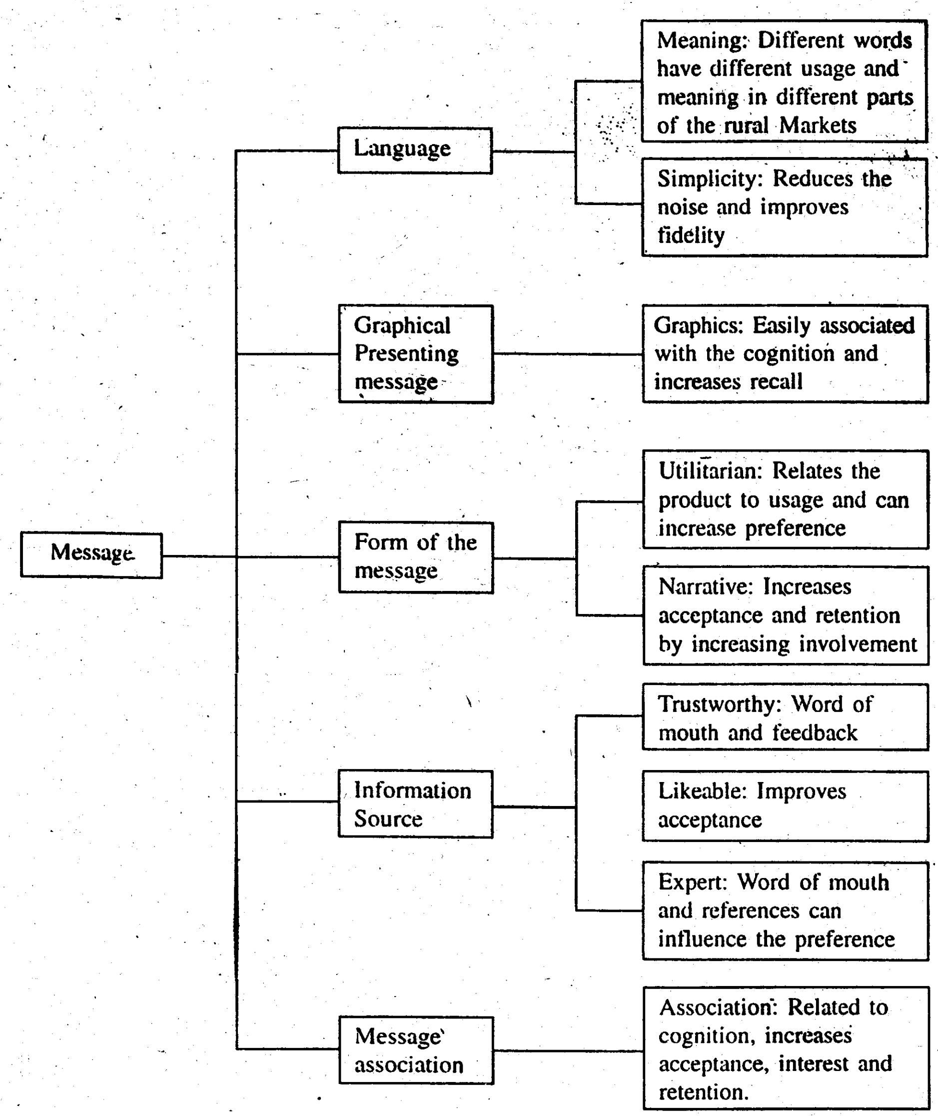
Based on thorough analysis of the market and the internal organizational factors, the marketing manager has to decide the specific objectives for communication. The communication objectives are guided by the corporate mission, strategy, product market strategy, and the product *per se* on the one hand and the target market conditions on the other hand. In the rural marketing context, the communication objectives can be of wide range. For example, creating awareness, informing about the product for sale, persuading the consumers to try, persuading them to buy and use it in a sustained manner, helping the conumers to use the product effectively, etc Once the objectives are specifically defined, the further steps in the rural communication process are to be decided.

- What to communicate?
- How to communicate?
- When to communicate?
- Where to communicate?
- What channels to use?
- How to evaluate the communication effectiveness, etc.

The answer for the question 'what to communicate?' would determine the message development and execution process.

In Figure 9.1, number of rural communication message decisions and the factors that may have to be considered by the decision makers are presented. A typical advertisement copy or television commercial would have all these components, and the manager has to judicially decide the message strategy by considering all these factors for effective and efficient rural marketing communication strategy.

Figure 9.1 : Components of Communication Message Decision Making and the Factors to be Considered



Source : Adapted from Sanal Kumar : Rural Marketing, Response Book (2002) P102

Activity 1

Look at the advertisements for fertilizers or some consumer product advertisements targetted at the rural market. For any two of the campaigns identified by you, comment upon the

- language of the commercial
- association sought to be built
- presentation of the message

What are the key differences you observe with reference to the above, between the rural communication and an urban mass media communication.

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9.3 COMMUNICATION CONCEPTS RELEVANT TO THE RURAL CONTEXT

India has traditionally been an oral collectivistic culture. In a rural society, communication is primarily oral. According to McInnis, any form of media/technology attempts to control space or time, when introduced in a society must fit into a cultural context. In traditional India, forms of media have always been time-binding and not space-binding, as made clear by the ever pervading sculptures, temples and monuments. Time-binding cultures tend to be taditional, religious and hierarchical. Social class structures are rigfid and formalised. We may appreciate the fact that feudal systems are still prevalent in rural India, based on the above and word of mouth, on account of predominance of oral communication over written is a more powerful medium.

In an urban individualistic society, literacy rates are higher due to the rapid industrialisation provided by mechanised means. The Urban Man is therefore passive, individualistic in nature, being brought up on technology, primarily print, i.e., books. The linear nature of print technology therefore brings in pasive, rational thinking on the part of the Urban Man.

In a largely illiterate collectivistic culture, affiliation needs are stronger, therefore a villager's highest priority is to identify himself with his tribe. There is a feeling of collective identity felt by the village. The rural culture is by nature, non-linear and collectivistic unlike a linear, sequential and rational urban culture. Articulation of the rural villager's motivations and attitudes is difficult when exposed to rational tool bound means of testing.

Oral collectivistic cultures are participative in nature. The rural man indulges in a sort of ritual along with his class. Stage shows, plays, puppet shows have always been popular in rural India, owing to their participatory nature. NGOs have been able to appreciate the above fact, which is witnessed by their increading usage o role plays and puppet shows.

Games can be used as effective marketing research tools, which involve collective participation of the tribe. Typical 5-point, 7-point scales used in the urban marke are not effective in the rural context because they involve complex understanding on the part of the rural consumer. The rural consumer is not spatially well-equipped. Pictorial scales may be used in their place. Scales can also be simplified to three-pointers, which involve less complex processing of informatic required.

A photograph/painting is highly visual and supplies more informtion than that can be processed by the rural consumer (hot media). In their place, cartoons or caricatures, which lack information, are message formats which provide a participatory role of all the five senses.

These need to be thought in extreme strategic detail before such message desigi are carried out. A lot depends on what must be conveyed and to whom, what th target group's current perceptions are and whether speical media attributes such as interactivity would be of help (significant enough to outweigh the additional cost). Then come the questions of the scale of media usage, the precise creative formulation and packaging of the message.

Starting with advertising, this last bit needs intense understanding. An agency scripted travelling puppet show, for example, could convey the message far better than age old wall paintings, but it would make a world of difference if the performers are empowered to conduct the shows on an interactive basis – with live inputs from the specific audience. The trouble is that the brand's image must get through and the show must not be allowed to meander. It calls for intensive training. Wrong voice intonation, for example could shift empahsis from the brand proposition to something totally irrelevant. These performances offer great scope for making intimate contact with India's rural masses.

Of couse, it's all a matter of keeping a finger on the village pulse. Anecdots usually prevalent in rural society suggest, for instance, that villagers are far more open to mildly blasphemous humour than city slickers imagine. It's just that they don't always let strangers in on this. Novelty, however, is a critical aspect. Over-exposure of any medium leads to boredom. So, inventive minds have to keep thinking of something to keep the interest alive.

At the end, brand recognition and sales is what most of the clients want. So, relevance is everything. This is exactly what O&M did in the case of *Breeze*, a Hindustan Lever soap brand that has a rose as its symbol (it's under attack from *Nirma's Nima* Rose). It contains the essence of rose. But roses on the wall paintings rarely resembled roses (it's not easy to paint a realistic rose). So people had all sorts of opinion of the soap. To counter this and to explicitly show that the soap was made of roses, the company employed a simple but effective routine. In the interval of a folk performance, it wheeled in an outsized 'bar' of Breeze (made of thermocol or some such material). Once on stage, the 'bar' was smashed, and a heap of roses fell out, thus signifying that the soap was indeed 'filled' with roses. The message went through and that too very well.

Marketers who have managed to cut through to the rural consumer and make the right connection feel that the biggest mistake that urbanites often make is to stay unaware of the 'invisible patterns' along which rural society is ordered. This could have a bearing on the permissions to be sought for staging a performance, where it must be held, who all should attend it and who's perceptually 'qualified' to serve the tea. With a little sensitivity to local concerns and some persuasion, it's possible to chalk out a plan that actually maximises village attendance.

The modern village is a lot richer and a lot more aware of choices than most people imagine. But being aware of the choices does not make him a prospective consumer. Research shows that it could be perilous to base marketing decisions and the brand message on the census data. Often as trivial a factor as the distance from a highwy may change the emphasis of the brand, giving it a whole new dynamism.

Rural marketers need to ask a few questions before designing the brand communication. The first step in designing an effective message for the rural consumer is an analysis of their daily routines and immediate environment. Question such as 'Who buys the brand?' 'Who uses the brand?' and 'Who decides which brand is to be bought? must be answered.

Even though men and children actually go out and buy the product, it is increasingly actually the women who make the brand decision. Of course, children sometimes influence the brand decision, especially when they are sent to do the household 'shopping'. It may, thus, be the children who are the early adopters. By using a message and medium which appeals to this segment, marketers can initiate first-time use, which is half the battle won.

A word of caution here may not come amiss. Rural societies of India, while not simple pastoral extensions of urban India, are no longer culturally isolated hamlets that media images would seem to portray. The advent of satellite television, increased rural mobility and frequent visits home by migrant labour and education seekers make incremental changes to the rural fabric. Political awareness and spread of education are also notable influences. Statistically, nearly 36% of all adult learners graduating from colleges are from a rural background and are important change agents in the media exposure and decision making patterns in rural India. The question that marketers are today confronted with are: Should we look on both sides of the rural urban devide or are we today confronted with a urban rural continuum where variables only differ in intensity. The India of the future is defintely moving towards the latter. Of late, therefore, message formats which show an intersting representation of a rural urban mix, in the use of the celebrity icon, the format and the language have shown impressive acceptance and/retention levels. A point in the case are the recent Coca Cola commercials showing Aamir Khan in a rural setting, interacting with urban visitors, and treating them with 'Thanda', immersed in a cool well. (Gori, Thanda Peene ke Bahane Aayi ... Thanda Matlab ...) or the one showing him in a rural setting taking on the retailer overcharging for the small sized Coke (Paanch ... Matlab Chota Coke). The language and format straddle the rural urban divide and "reach" both segments.

Research even says that the behaviour pattern of the rural consumers is also starkly different from region to region. For marketers to understand it, it becomes imperative for them to visit and survey the prospective market. By conducting a research, the basic marketing strategies can be modified if needed.

As a general rule, rural marketing involves more intensive personal selling efforts compared to urban marketing. Marketers need to understand the psyche of the rural consumers and then act accordingly. To effectively tap the rural market a brand must associate it with the same things that are relevant to the everyday linves of rural people.*

9.4 UNIQUE SELLING PROPOSITION

Message is the core idea or information that the rural marketer wants to convey to the consumers. Hence, message is the central component of communication design. Once, the advertising stalwart, Ogilvy said that "my original magic lantern started with the assertiuon that positioning and promise were more than half the battle". But, it is a difficult task to identify a unique proposition for the product and winning the place in the minds of rural consumers.

The USP of a product is the core appeal of the product which has to be identified and emphasized, keeping in view the characteristics and lifestyles of the rural consumers. The USP which is relevant for urbanites may not impress a rural dweller hence making the advertisement campaign a failure. An advertisement for a toothpaste featuring a lady with attractive shiny, white teeth may be impressive for the urban market. But in the rural context it is wise to show the resulting strong teeth and more number of brushings per tube. Hence the USP for the paste should be economy and resulting tougher teeth in the rural advertising campaign.

As most media like TV, radion, print, etc. are the same for the urban and rural markets it is difficult to identify two different USPs for the same product. Hence marketers and advertisers have to identify broad based, common USPs which appeal to the urban and the rural consumers. As the media provides greater opportunities to appeal directly to the rural consumer also, e.g. advertisements for fertilizers and pesticides.

The print media may be targeted to have exclusive advertisement for the rural market. Similarly programmes on radio and TV which are specially aired for the farmers relating to agriculture and farming could be punctuated with such advertisements.

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* This section is based strongly on a Postgraduate Research Project study by Aparna Shrivastav, submitted to the Indian Institute of Foreign Trade, 2003.

Basic Message

The central product benefit should form the basic message of the advertisement aimed at the rural consumer. Cluttering should be avoided to prevent confusion. If the product is engine oil, trouble free long life of engine should be the basic message. In an advertisement for the fertilizers, higher yield should be the key point.

Product-in-Use

If the advertisement is on TV it is useful to have shots of how to use the product. Demonstrations for products like pressure cookers, mixer-grinders etc. (which are common in urban areas) are a must in rural advertisements. The recent advertisement of Prtti mixie show the fancy jars, nominal price factor, speed etc. with continuous commentary from the model. This would not be understood by rural consumers. For them the advertisement should show the mixie actually grinding idli batter, coconut chutney, or tough turmeric at the turning of a knob. Even the way to secure the lid has to be shown. Such an ad helps the rural consumer to "relate" the product to his/her own life situation, and influences him to try the product for the first time. Once the consumer is satisfied he spreads the message.

Activity 2

For the following products targetted at the rural consumers, suggest suitable USPs

1. Shampoo
2. Toilet soap
3. Shoes
4. Tyres

Give reasons for selecting the suggested USP in each case.

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9.5 USAGE OF SYMBOLS AND PICTURES

Usage of pictures and symbols can be a powerful way to communicate with the rural consumers. As old Chinese proverb states that "a picture is worth thousand words". Especially where the larger population of the rural market are illiterate, use of language has considerable limitation. Pictures and symbols can overcome this barrier. For understanding pictures there is no need for special training as in the case of words and language. Pictures were one of the primary means of communication with one another from time immemorial. Advertisers should ask some of the relevant questions like, what kind of pictures can be used in communication? Which one would be more effective? What are the regulatory restrictions in using the pictures? and so on before deciding the communication strategy.

In spite of several programmes to make education compulsory, most villages remain illiterate. They cannot read brand names. Most national brands are in English. Education in English is very much limited. Due to this drawback rural consumers identify a brand by its logo. They ask for the product by the name of logo in the local language. Eveready, for example, got to be known as Lal Billi or Neeli Billi depending upon the variant demanded, tobacco as Baba Chap and toothpaste as Bandsar Chap. This has been possible as brands in rural markets have typically had low levels of competition and the brand logo gets excessively reinforced.

Cycle brand agarbathis may come in different names, like 3 roses, dandalum etc. but the picture of the cycle on the carton identifies the product. In any advertisement, aimed at the rural consumer, the logo has to be emphasised as he remembers to refer to the product, by its logo, rather than the brand name.

9.6 USE OF COLOUR IN RURAL COMMUNICATION

Colours can be used in conveying the messages, emotions and illustrate the themes powerfully. Colour can invoke responses from subconscious mind. The effect of colour can be perceived at atleast three levels. They may be working independently or in combination with other factors. They are:

Visual effect : Objective – Immediately obvious level

Expressive : Emotional – Evokes sensation that are often subjective and non-visual.

Symbolic : Cultural – Certain colours and combinations are associated with occasions, contexts and evoke cultural meanings.

The major problem of the decision maker is that the colours may have distinctively different meanings and evoke different emotions among various rural customers. Villagers like bright colours like red, yellow, green etc. Hence the rural publicity media whether TV, wall paintings, posters, banners or handouts should be in bright colours. Black seems to be fashionable in urban areas as seen from the success of advertisements like De Beers diamonds (Nakshatra) and Lux soap both featuring Aishwaya Rai, but not so for villagers. The colourful turbans, mojdis, ghagras, cholies and bangles of rural dwellers show their interest in bright colours like orange, pink purple etc. Before giving the advertisement message it is better to attract the probable consumers. Colour is one such tool for attracting the rural consumers. Some of the advertisements like, Finolex Pipes and Asian paints use the rural setting effectively. They use rural events, folk dancers with colourful constumes for getting attention and creating meaningful association which may ultimately increase the retention and recall.

Acivity 3

From your perusal of media efforts directed at the rural consumers, comment upon the use of colour in the print advertisements, as well as audio vidual advertisements. Which are the colour schemes that get used most frequently in

(a) Advertisements for fertilizer?

(b) Advertisements for farm equipment?

(c) Advertisements for paints?

(d) Advertisements for consumer durables like motor cycles?

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9.7 USE OF RHYTHM AND MUSIC

Music is an integral part of rural life. The rural societies have songs for every occasion from birth of a baby, engagements, marriage, and even grief. Apart from this, each part of the country boasts of its own folk music and dance with special constumes. Use of familiar beats or music forms creates a special identification with the rural audience. If these could be incorporated in the rural ad campaign, it is sure to succeed. Most jingles are adapted from the traditional sources of music. Also film music seems to attract the rural consumer more and effectively. "Kaho na pyar hai" forms the background music of Coca-Cola advertisements featuring the rural folk of Rajasthan, who are not even exposed to Television or cinema. Puppet Shows carrying an advertisement message interspersed with film music reaches villages where electronic channels are absent.

9.8 USE OF LANGUAGE

Advertisement campaigns for rural areas should necessarily be in the regional language and not English. In South India, even Hindi would not sell, as each state has its own language with further variations in different regions within the state. Now-a-days visuals are shot and later dubbed into several regional languages taking care that the lip movements match the words in the audio track.

For most health drink advertisements, and for other consumer goods this method is followed. Some advertisements may be exactly have the same theme and location but are developed separately for different languages. Asian Paint's Tractor emulsion's advertisement shows the same cast of ladies in the South Indian language advertisement as in the Hindi advertisements except that they are made to pin flowers in their hair and wear saree.

Activity 4

Sift through some local vernacular press to analyse the message content of the advertisements, specially those that you feel are targetted to the rural audience. Comment upon the use of language and symbols that are different. In your view, how can be message quality be improved? Remember that the messages have to be seen in the context of the rural consumers.

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9.9 USE OF MODELS AND CELEBRITIES

Film stars are often role models in villages. Some of the film personalities have very strong image like the hero, Robin hood, a man of honesty and bravery. These established images can be used effectively to communicate with rural consumers. The Ruf and Tuf jeans priced at the lower end and advertised by Akshay Kumar indicates machismo not only for urban youth, but also for the rural lad. Rajnikanth, the super star of the south, has not endorsed any product but his look-alikes enacting his famous stunts are good enough to sell products from Sunsilk shampoo to biscuits to even sarees.

Activity 5

Analyse some rural promotions to analyse the use of celebrity endorsement in rural advertising. Comment upon the following:

(a) What are the types of celebrities used?

(b) What is the form of influence used – endorsement, roleplay, the celebrity as an actor or a testimonial?

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9.10 DEVELOPING STORY LINE

The story line on which the advertisement is designed should be relevant to the rural life style. An advertisement with a story line usually is more attractive and increases recall for the product. The rural consumer must be able to identify himself with the rural background as shown in the advertisement and hence, with the product advertised. A village setting with women carrying pots and dressed in mirror work lehnga cholies, as shown in Hero bycycles is one good example. The young man rescues the girl from distress. This advertisement portrays an adventurous village lad and motivates to look at the product with a more positive association.

A fertiliser advertisement on TV shows sibling rivalry between 2 brothers, one prosperous and the other not so due to poor crop yield. Disguised as a scare crow the latter finds the secret of success of the former who uses a particular fertiliser. This story is a common situation found in several families in the villages and is therefore likely to strike a responsive chord in the target audience.

Understanding the rural tendency to be more receptive to messages in an entertainment backed group setting, advertising agencies are carefully looking at the possibility of using interactive message formats utilising folk performances. Applied to a fairly large extent in social marketing for causes like adult litercy, group savings and the girl child, participative message formats are also being experimented with for consumer goods.

9.11 SPECIFIC OCCASIONS FOR COMMUNICATION

Festivals like Holi, Dussehra, Diwali, Id etc. have tremendous appeal in villages. The throwing of colours during Holi is used quite often in ad appeals. Festivals are used to create a mood for purchases regarding clothes, ornaments, vehicles etc. Pongal season in Tamil Nadu which falls in mid January is the time to white-wash houses hence a good time to advertise wall paints. Post harvest period in the North coincides with the Dussehra Diwali season, when as a ritualistic practice houses are cleaned and white-washed. Wall paints, outdoor paints, construction material, anti-seepage products can all be targetted to the rural consumers at such occasions. Marriage scenes as background are used in several advertisements from Pan Parag to Chocolates to even cameras. The caparisoned elephants lined up during the "Tiruchur Puram" festival in Kerala, appears in number of advertisements for creating a festive setting in the minds of the consumer.

9.12 UTILISING EXISTING RURAL ENTERTAINMENT FORMATS

To reach this vast rural audience, it is very important to understand the established and traditional rural communiction process such as the folk culture. The most commonly used theory of rural communication is the two-step flow of communication.

It is believed that the illiteracy of the farmer and the poor reach of traditional media till recently, have strengthened the role of intermediaries who receive messages and pass them on to the farmers. Also known as interpersonal communication, the two-step flow of communication accounts for over 80 percent of the rural communiction process in India.

The intermediaries who act as interpersonal communicators are generally village-level workers, village leaders and extension officers. To this list can be added the dealer who has begun playing a significant role in influencing the purchase decisions of farmers.

If some of the marketers/advertisers are still trying to crack that right marketing strategy to reach the rural consumers, a recent study by Marketing and Research Team (MART) sheds some light on how you should approach them.

According to the MART study, folk media is an effective vehicle to communicate and advertise in the rural markets. People are drawn to this because it is a source of entertainment and information, especially in places where the exposure to mass media is negligible, and the level of literacy is low.

However, this suggestion comes with a note of caution. MART feels folk media can be effective provided the campaign is designed meticulously. Special care should be taken to ensure that the campaign provides 'edutainment' and is not used for preaching. The folk media campaign should reach out and touch the hearts of the rural masses, not just their minds.

The MART study delves into the varied forms of folk media that have evolved from the tradition and culture of the land. In the process of surveying folk media campaigns, MART found it was being used in conjunction with other below-the-line activities to leave an impact in the rural markets. These activities usually consisted of video-van campaigns, which included screening of product commercials and Hindi films. This was supported by interactive games like Wheel of Fortune, Pick The Ball and other activities like product demonstrations and influencer and retailer contact.

MART has analysed a few folk media campaigns that were coordinated by some major advertising and specialised rural marketing agencies. The campaigns were chosen to study a sample across the two main sectors, the corporate and the development sector. Within the corporate sector too, a spread across different product categories was surveyed. This was done to see if there was a trend in the use/effectiveness of certain folk forms across different products.

Onida's advertisements showing it's TV screen being shattered by 'Neighbour's envy' may be understood by urbanites but the rural dweller will think that the screen is of inferior quality. Hence negative advertising are generally avoided. The storyline should be straight forward and comprehensible.

The presence of a fevicol box on top of the TV set prevents the hero in the telecasted movie from falling into the river from a bridge. Comparatively in the other TV set without a fevicol box on top, the hero loses grip from the heroine's hand and falls down. The spectators are carpenters. The above Fevicol advertisement can be understood by everyone and is also humorous.

9.13 SUMMARY

In this unit the focus was on understanding the decision making process for message design and development. Number of important factors like usage of unique selling proposition, language, celebrity, storyline etc., were presented. It is important to recognize that the basic principles of developing message design have not altered. It is strongly argued that the market context in terms of spread, differences in language, culture, literacy etc., have to be borne in mind while preparing a communication strategy for rural markets. There are limitations due to poor development of communication infrastructure in rural markets, hence, the strategy has to be dovetailed with the available media channels.

9.14 SELF ASSESSMENT QUESTIONS

1 How would you set communication objectives for the rural market if you were a product manager in a consumer goods company, seeking to extend your market reach to your existing product line of common salt, toileteries and economy range of detergents? Your want to target the below 2000+ population villages as they represent a market very thinly occupied by competitive presence.

2 What are the communication concepts that must be borne in mind while communicating to the rural audience? Illustrate with examples.

3 Why is USP an important concept in a rural setting?

4 Explain the relevance of symbols, pictorial representations, music and rhythm for designing rural promotion.

5 What do you understand by interactive message formats? How do you think they would work in the rural setting? Give reasons for your answer.

6 Discuss 'language' as a variable in message development in view of the multilingual multiethnic nature of rural India.

9.15 FURTHER READINGS

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UNIT 10 RURAL SALES PROMOTION EFFORT

Objectives

After going through this unit you should be able to

- develop an understanding of the role of promotional strategies in rural marketing context
- become familiar with some of the promotional strategies used in rural marketing.
- describe the various methods of sales promotion
- frame suitable sales promotion objectives for the rural setting
- discuss the various sales promotion experiments being undertaken in the rural markets in India
- identify the steps in planning an effective sales promotion programme
- describe the key success factors in rural sales promotion
- help develop effective sales promotions for rural markets

Structure

10.1 INTRODUCTION

The primary elements of marketing mix are product, price, place and promotion. Among these, the promotion mix has four component. The most visible among them are paid mass media communication – or advertising and sales promotion which deals with components that are used for creating direct inducement for customers, channel members and sales force. Personal selling is more direct face to face interaction between the seller and the buyer. The fourth element of the promotion mix, public relations is more passive and indirect persuasion of consumers. Both consumer goods and durable product manufacturers use promotion tools for inducing consumers for increasing their sales. Use of these tools in the urban markets are quite common, however, while developing promotion mechanisms for the rural markets, it is necessary to incorporate the peculiarities and distinguishing characteristics of the target market in the planning and implementation. In the last two units you have studied about developing advertise messages for rural audience. This unit focusses specifically on sales promotion. Carrying out promotion programmes in rural areas is no mean task. As a number of infrastructure facilities are like roads, power supply etc are not in place, the knowledge base of the managers assumes utmost importance in the decision making. In this unit we will be discussing various issues related to developing and implementing promotion mechanisms in the rural markets. As you are already exposed to the compulsory course in Marketing, this unit to a large extent draws the content from the Marketing for Managers (MS 6). A number of real life examples from the field and published materials are used for developing an appreciation of opportunities and problems associated with sales promotion in rural markets.

10.2 SALES PROMOTION : DEFINITION, NATURE AND SCOPE

Of all the methods of promotion that constitute the promotion mix, sales promotion is the only method that makes use of incentives to complete the 'push-pull' promotional process of motivating the sales force, the dealer and the consumer in transacting a sale. There is no single universally accepted definition of sales promotion. One can, however, gather its essence by perusing a few definitions. Let us look at some of the popular definitions of sales promotion.

According to American Marketing Association, sales promotion refers to those activities other than personal selling, advertising and publicity, that stimulate consumer purchasing and dealer effectiveness, such as display shows and exhibitions, demonstrations, and various other non-recurrent selling efforts not in ordinary routine.

This definition suggests that sales promotion is a catch-all for all those promotion activities which do not fall clearly into advertising, personal selling or publicity.

Roger A. Strang offers a simpler definition :

> Sales promotion are short term incentives to encourage purchase or sale of a product or service.

Yet another definition that seems fairly exhaustive, and hence, will be used in this unit is the one given by Stanley M. Ulanoff in his Handbook on Sales Promotion. Stanley defines sales promotion as:

All the marketing and promotion activities, other than advertising, personal selling, and publicity, that motivate and encourage the consumer to purchase by means of such inducements as premiums, advertising specialties, samples, discount coupons, sweepstakes, contests, games, trading stamps, refunds, rebates, exhibits, displays, and demonstrations. It is employed as well, to motivate retailers, wholesalers; the manufacturer's sales force to sell through the use of such incentives as awards or prizes (merchandise, cash and travel), direct payments and allowances, cooperative advertising, and trade shows.

It offers a direct inducement to act by providing extra worth over and above what is built into the product as its normal price. These temporary inducements are offered usually at the time and place where buying decision is made.

Summing up, Sales promotion deals with promotion of sales by the offer of incentives which are essentially non-recurring in nature. It is also known by the names of Extra-Purchase-Value (EPV) and Below-the-line selling.

Like in other market economies, the use of sales promotion is catching on in India. In terms of volume. the number of sales promotion schemes offered to the consumers alone grew by over seven times in the first three years of .the eighties as against the average in the seventies. The schemes offered at the dealer level also nearly doubled during the period 1978-79 and 1982-83. In terms of the expenditure incurred, the large size companies are stated to be spending between 40 and 50 per cent of their advertising and sales promotion budget on this activity.

Product group-wise, the major users of sales promotion are: tea, coffee and beverages, soaps, toiletries, detergents and washing soaps; toothpaste; textiles; food products and baby foods; household remedies; and consumer durables like fans, refrigerators, sound systems, television and household appliances.

Among the various types of sales promotion schemes used price offs, quantity discounts, contests at the consumer, dealer and sales force levels have made a significant headway.
If you look around yourself, or scan through any form of mass media, you would find umpteen instances of sales promotion messages being offered for all kinds of products and services. Sale and discount advertisement abound with special loyalty schemes vying for consumer attention, in every paper or prime time programme. Have you ever wondered at the rapid growth and upsurge of sales promotion? There are several reasons why this tool has enjoyed a rapid growth.

A perusal of the list of the product groups which emerged as the major users of sales promotion, and the market feel, make it clear that a transformation from the seller's to the buyers' market is taking place and marketing has become more competitive in these product markets. In addition to increasing competition, other reasons for rapid growth of sales promotion in India, as pointed out by ninety five large sized cooperating companies in a survey are summarized below:

- sales promotion makes an immediate effect on sales
- measurement of the effectiveness of sales promotion is easier as against the other promotional methods.
- channels of distribution are emerging as powerful entities and demand greater use of incentives to get desired results
- products are becoming standardized and similar, and so need increased support of non-price factors of which sales promotion is an important one
- impulse buying is on the increase, and so is the rise in the number of marginal customers. With virtually no brand loyalty, offer of attractive schemes help manufacturers to induce such customers to choose their product.

Activity 1

From your exposure to the buyer behaviour of the rural customer, what do you think would be the best form of sales promotion to

a. launch a new detergent?

b. get the rural consumer to switch to LPG?

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10.3 SALES PROMOTION OBJECTIVES

As a powerful method of promotion with a capability to complement and supplement the advertising function of marketing, sales promotion helps marketers realise a variety of objectives. These objectives could relate to the promotion of sales in general, or to a specific activity at a particular level i.e. consumer dealer or salesforce. Some of the commonly attempted objectives are to:

- Increase sales (in general, and focusing on new uses, increased usage, upgrading unit of purchase, winning sales of fading brands etc.)
- Make the sale of slow-moving products faster
- Stabilise a fluctuating sales pattern
- Identify and attract new customers.
- Launch a new product quickly
- Educate customers regarding product improvements.
- Reduce the perception of risk associated with the purchase of a product.
- Motivate dealers to stock and sell more (including complete product line)
- Attract dealers to participate in manufacturer's dealer display and sales contests.
- Obtain more and better shelf space and displays.
- Bring more customers to dealer stores.
- Make goods move faster through dealers
- Improve manufacturer-dealer relationship.
- Motivate salesforce to take the sales achievement higher than targets.
- Attract salesforce to give desired emphasis on new accounts, latent accounts, new products, and difficult territories.
- Reward salesforce for active market surveillance and for rendering superior customer service.
- Put power into the sales-presentation.
- Counter competitors sales-promotion and marketing efforts.
- Provide punch to the company's advertising efforts
- Build goodwill.

Companies may use any one or a combination of the above objectives in varying form to suit the market needs of their product. What is of significance is that the sales promotion objectives set to be accomplished must be integrated with the promotion and marketing objectives pursued by the company.

Activity 2

Collect information on 3 sales promotion programmes directed at the rural customers. Analyse the promotion programmes. In your view what are the objectives of the sales promotion programme in each case. List the same.

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10.4 SALES PROMOTION METHODS

Many methods of sales promotion are used by marketers. Depending upon the creativity level of their sponsors, their variety seems very large. We refer here to some of the most commonly used methods of sales promotion in both rural and urban settings.

As noted above, the accomplishments of the desired promotion and marketing objectives ultimately depend on the extent of the desired response received from (I) consumers, (2) dealers and (3) members of the salesforce. Hence, various sales promotion methods are built around these three target groups. Further, in terms of the impact desired, the variety of sales promotion schemes offered are grouped into two i.e. immediate impact schemes and those carrying on the impact over a period of time. Immediate impact schemes are those schemes where the consumer, dealer or sales person gets the incentive on first contact, purchase or on performing a one-time act. On the other hand, under the delayed impact schemes, the consumer, a dealer or sales force is called upon to comply with the scheme over a period of time before receiving the full benefit of the scheme. Price discounts, free samples or large quantity packs are the popular examples of immediate impact schemes, whereas coupons, trading stamps, and contests are examples of delayed impact category of sales promotion schemes. Table10.1 presents the variety of sales promotion schemes directed at the consumer, dealer and sales force levels according to their grouping under immediate impact or delayed impact categories.

Table 10.1: Sales Promotion: Immediate and Delayed Impact tools

Impact	Directed at			
	Users	**Non-users**	**Trade/Suppliers**	**Sales force**
Immediate	*Price-off *Quantity plus *Over-the counter *Package Premium *Branded Premium *Container Premium	*Price-off *Sampling *Over-the-counter	*Discounts *Shelf space allowance *Gifts *Push Money	*Perquisities & allowances *Gifts
Delayed/over A period of Time Times	*In Product Coupons *Personality Premiums	*Media *Coupons *Return/Refund *Return/Refund Offers *Trading Stamps *Self-liquidators *Contests/ Lucky Draw	*Posting of Sales force *Merchandise Deals *Coupons *Display *Display Contests *Co-op Allowance *Sales Contest Training Sales Force Privileges	*Sales Contests *Honors and *Honors and Recognitions *Customer Service Awards

The format of this table is based on Donald W.Cowell's article on Sales Promotion and the Marketing of Local government Recreation and Leisure Services, European Journal of marketing,

To help you understand the wide variety of sales promotion schemes, the terms used in trade and the intended objective of each are given below (Table 10.2)

Table 10.2: Sales prmotions: Meaning and Objectives

	Sales Promotions	Meaning	Objectives
1.	Price discount offers	Offering product at lower than the normal price	To encourage immediate sales, attract non-users, induce new product trial, counter competition, inventory clearance at the retail level, inventory build-up at the trade level.
2.	Extra product quantity offers	Offering more quantity of the same product at no extra cost or with a very nominal increase in the price of the larger quantity packs.	To encourage more/longer duration consumption, higher or excess quantity movement from the factory, trade up consumer for higher quantity pack size.
3.	Free gift	Offer of an article of merchandise as an incentive in order to sell product or service. Its forms are:	To encourage purchase, stimulate loyalty, off-season sales promotion, induce trial of new product, ensures reach of premium to the consumer.
	Free gift inside the package	When the incentive article is packed (inserted) inside the package of the product.	To encourage purchase, creating a surprise.
	Free gift tied to the package	Where the premium article is banded to the package of the product say with cello tape etc.	Sampling new products, adding speed to slow moving products.
	Over-the-Counter	When the premium article is neither inserted inside nor banded to the product package but is given away to the consumer over the counter along with the product package	To counter competition, improve inventory clearance at the trade level
	Container offer	When the product itself is placed in an attractive and reusable container which serves as a gift.	As a durable reminder at home.
	Self- Liquidating Gifts	Where the consumer usually is asked to pay a specified amount to liquidate or offset a part or full cost of the premium article or the scheme administration costs.	To induce consumer to appropriate premium article, reinforce brand image, encourage more consumption, enables sponsor to offer better quality premium
	(a) Personality	Where the consumer is required to redeem a specified proof-of-purchase for the gift article. Proof-of-purchase may be labels, pack tops, bottle tops, corks, etc.	To build loyalty and reward the consumer for that to counter competitive offers.

4.	Coupons	When the consumer is entitled to redeem a specific standard certificate for a product /article free or in part payment. Coupons are used by both the manufacturer and the dealers for sales promotion. Coupons may be distributed by mail, b media advertisements, door-to-door, inside product package or by dealers on purchase	To encourage product trial, build loyalty, trade-up regular users, stimulate re-purchase rate, solicit enquiries.
5.	Refund offers	Offer of a refund of money to consumer for mailing in a proof-of-purchase of a particular product(s)	To induce trial from primary users, motivate several product purchases, obtain displays at the retailers, help retailers tie-in with other products, switch competing brand users to sponsor's brand, loading dealers with increased stock.
6.	Trading stamps	Organised by Trading Stamp companies or large retailers. Trading stamps are a kind of discount coupons offered to consumers linked with the quantum of their purchase. On enough accumulation these are redeemable for various kinds of merchandise.	
7.	Consumer contests and Lucky draws	Where individuals are invited to compete on the basis of creative skills. The latter is based on the chance or luck factor.	To create brand awareness and stimulate interest in the brand, acquaint consumers with brand usage and benefits, build traffic at the store, precipitate brand purchase, obtain consumer feedback, promote advertising theme of the company.
8.	Dealer stock Display contests	It is a type of point-of-purchase advertising which uses the show windows of the dealers for providing exposure to the sponsor's products. Dealers participating enthusiastically and creatively are awarded.	To provide product exposure at the point of purchase, generate traffic at the store, infuse enthusiasm among dealers.
9.	Dealer Sales contests	Where participating dealers are invited to compete in terms of the sales performance	To increase sales, buy dealers' loyalty, motivate dealers' staff to sell more
10	Discounts	Other than normal trade and cash discounts	To push more sales to trade, early cash recovery.
11.	Trade Allowances	These are temporary price reductions/reimbursement of expenses incurred by dealers-in full or in part, its varied types are as under:	
	(a) Trade or Buying allowance	Offer of price reduction on purchase of specified quantity of a product.	To load the trade.

(b)	Buy-back allowance	A secondary incentive which offers a certain sum of money to trade for each additional unit bought over and above the deal.	To encourage trade co-operation and stimulate repurchase.
(c)	Count and Recount allowance	When a specific amount of money is offered after ascertaining the number of units sold during a specified period.	To move stocks faster, reward on sale only.
(d)	Merchandise (display) allowance	An allowance to trade for providing desired sales promotion and product displays.	To create enthusiasm in trade, improve traffic and exposure at the point-of-purchase, gain larger space/effort of the trade in the promotion of sponsor's product as against the competitors.
(e)	Co-operative advertising and Promotion allowance	Where in a manufacture shares at an agreed rate the advertising and promotional cost incurred by the dealer in the promotion of manufacturer's product.	To gain product and retail identity, motivate dealers to promote manufacturer's product, obtain local advertising and promotion.
12.	Dealer gifts	Offer of useful articles and attractive gifts to dealers for his personal, family or office use.	To improve dealer relations, make impact on consumer scheme/contest offered
13.	Premium or Push money	When an additional compensation is offered to trade or sales force for pushing additionally a specific product or product line.	To push a specific product or product line.
14.	Trade Discount	Wherein additional quantity of the same or the same manufacturers another product is offered to trade. May be offered jointly by non-competing manufacturers.	To load dealers with inventory, expose other products of the sponsor, encouraging dealers to sell more and early to realize their incentive.
15.	Point-of-Purchase (POP)	Those special displays, racks, banners, exhibits, that are placed in the retail store to support the sale of a brand.	To attract traffic at retail store, remind customers, encourage impulse buying, ensure additional visibility to the advertising campaign.

Though ideal for consumer goods, sales promotions are also used for promoting industrial goods. The difference in the use lies in the types of schemes offered, and in the frequency of their offer. Sales promotion schemes offered to industrial customers, besides the usual gifts, price-off coupons and contests, include product demonstration, training to customer staff, offer of interest-free installment payment plan, ready and regular availability of repairs and spares, and posting of trained staff to assist/supervise in the working of the equipment in the client's premises, at the manufacturer's cost. The sales promotion schemes offered at the level of industrial distributors are: provisions of extended credit , and provision of specialized sales/technical staff at the manufacturer's cost, besides the usual cooperative advertising and sales promotion, gifts, and organization of distributors contests. The sales promotion schemes popularly used to motivate industrial sales force are prizes and awards on special achievements, sales contests, new accounts contests and prompt service awards.

Activity 3

Contact some authorized dealers in your town. Identify the type of trade promotion that is utilized for consumer goods in order to

a. promote them to sell more
b. ensure their loyalty
c. maintain good channel relations

Discuss with the dealers to collect information on which of these trade promotion are passed on right up to the level of the rural retailer.

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10.5 SALES PROMOTION EXPERIMENTS IN THE RURAL MARKETS

Price Discounts: In the Indian rural markets number of companies are experimenting with various sales promotion options. For increasing the penetration levels of table fans and ceiling fans, Usha International has designed a equipment that can function under severe conditions of voltage fluctuations. The price of these models are thirty percent less than the original models developed for the urban markets. FMCG giant Hindustan Lever wanted to extend the products to rural markets from its successful urban market brands. Direct price discounts to rural markets might undermine the brands, and the consumers also attach less importance if there is a price cut. HLL bundled four different products from its portfolio like tooth paste, talcum powder, shampoo, and vanishing cream by putting all of them in a single pack, with a name 'Bharat pack' and the prices were discounted by twenty percent.

Free Gifts and Distribution of Samples: Free gifts and sampling are used effectively in inducing new product or new brand trials and increase awareness. Sampling persuades the consumer to use the product in their normal usage context. JK tyre, in coordination with Vikrant tyre, unveiled a rural consumer education programme. The primary objective was to educate the farmers about its farm tyre brands – Sona and Vikrant. At selected 25 villages in Punjab and UP, JK organized rural events with number of activities like workshops, demonstrations, and quizzes. The campaign was implemented by Rural Communication Agency. The programme was titled 'Dhol Bajne Laga, Sona Lagne Laga'. Colgate Palmolive has supply vans which offer free samples and screen video films on oral care in the rural areas to promote the concept of oral hygiene and simultaneously promote its products. Dabur, manufacturer of various consumer products and drugs, added freebies like, distribution of 'Hanuman Chalisa' and 'Ramchartimanas' or calendars with religious themes with their ayurvedic products for promoting their presence in rural areas.

Demonstration: Hindustan Lever's Brooke Bond had set up stalls in local fairs and melas for creating an opportunity to interact with the users directly. Brooke Bond distributes cups of tea to consumers for free and elicit response from them. On the other hand, HLL advertises detergents by focusing on the benefits, for convincing the customers and inducing trials it uses demonstrations by sales people actually washing the villagers' clothes free. Some of the villagers' are requested by the salesmen to give their dirty and soiled clothes on the spot and laundered in front of them. These demonstrations are not only used for brand awareness and promoting products, HLL also uses it as an opportunity to educate the rural consumers about the usage and ultimately help in converting them to detergents from ordinary washing soaps.

Free Trials: In the villages of Maharashtra, Asian Paints distributed trail tins of paints for promoting their brands in rural markets. Asian Paints Organized bullock-cart races and distributed prize for the winners. This promotion has been well entrenched in the culture of rural consumers. The normal practice in villages are to give a nice bath to the bullocks and paint horns with bright colours. A leading sewing machine manufacturer, Usha International ran sewing classes for women in villages to induce the need for sewing machines. The promotion not only aimed at creating awareness but simultaneously building a strong relationship. Customers who start using Usha sewing machines during the training got accustomed to the equipment and they are more likely to buy the same brand.

Consumer Contests: Consumer contests are effectively used to increase the involvement of consumers. Consumer awareness and trials are induced effectively. GTC had designed and implemented a contest for rural youth for promoting cigarettes. Consumers were requested to smoke four to five cigarettes with out revealing the brand names. Then they were requested to identify the GTC brand. The blind test helped them in understating the brand personality and develop better communication strategy. Number of innovative contests like, building towers with cigarette packs, small treasure hunt exercises including the GTC brands in it were successfully used for inducing trials.

Sales promotion through Personal Selling: Opposite to advertising, this involves one-to-one relationship with a customer. It is "the oral presentation of a tangible and intangible product by a seller to a prospect for the purpose of completing an exchange". The sales person can vary his message according to the reactions of his customers, or make sure that the villager really understood him. This mode is not suited to mass-distributed consumer products of FMCG. Some companies may deploy demonstrators to show the right way of using goods. E.g. Tea bags. Colgate Palmolive started its rural market sales promotion by sending bicycle vendors in to hamlets that beyond the reach of vans. The village haat and shandies provide opportunity for personal contact and number of companies send their salesmen to setup small booths for selling, promotion and demonstration.

Free Items and Discount Coupons: A coupon is defined as a "direct inducement" which offers an extra value and incentive for the product to the sales force, distributors or the consumers. It stimulates a quick and immediate response from people. Coupons, cassettes, free products, are some examples. Price-off is the latest method, so also 10% to 50% extra at same cost or "Buy one get one free".

For example. "Buy one Emami telcum powder get another free." Similar examples could be

(i) Buy Horlicks biscuit at same cost with 50 gms free in a big pack

(ii) 30% more coffee powder in Nescafe Sunrise at same cost.

(iii) Free items like plastic clips, bindis, earnings with shampoo sachets. e.g. Sunsilk, Arogya milk packets.

Point of Purchase Promotion: Innovative point of purchase promotions are also used by some players. Lonester Communications has a network of audio – visuals in rural markets serving the rural distribution outlets. The audio – visual unit includes a colour television, and video cassette player. These equipments are used for showing entertainment content and advertising materials in the rural retail outlet or to focus a particular sales promotion offer.

Packaging: It is an important promotional tool. New packaging technology has revolutionalised the concept, for example polypack and tetrapack. Packaging not only protects and retains the product, it also promotes the product.

In the rural context, the illiterate villagers are more likely to ask for the dish wash bar with a green colour pack for Vim. The very name Tiger biscuits comes in an unmistakable red colour pack. Smaller packs or sachets can prove product quality and easy usage leading to subsequent purchases. There are instances of ladies asking for "the Ladikiwali cream" after seeing an advertisement with a young girl being portrayed on the pack. Hence packaging makes a great impact on purchases, whether rural or urban.

FMCG used by rural consumers are classified into 4 groups.

1. Necessity products: tea, toilet soap, washing materials.
2. Popular Products: Not an immediate necessity. They may have substitutes. E.g. toothpaste, shampoo.
3. Premium Products: Not used widely as highly priced. E.g. : skin cream, hair oil, talcum powder.
4. Super Premium Products: luxury items. e.g. antiseptic cream, shaving cream, mosquito repellents, insecticide, etc.

Packaging criteria need to be carefully applied looking at the essential nature of the product and their perception vis a vis the rural consumer.

10.6 NEED FOR ORDERLY MANAGEMENT

In spite of the growth in the Sales promotion activity, one of the surveys of the company practices revealed that the managerial efforts put in to manage this function were unsatisfactory. Use of ad hoc approaches, neglect of sales promotion research, and lack of formal systems and procedures were found to be more prevalent in the case of 95 companies surveyed. Consequently, larger number of companies experienced less than expected success of their schemes. When asked specifically about forty percent of the companies surveyed, it was admitted that one or more of their sales promotion schemes misfired during the last three years due to causes which could be categorized as:

- Faulty administration
- Failure to match the scheme to the objective
- Lack of proper planning
- Poor dealer relations
- Lack of creativity

This clearly points to lack of adequate planning as well as insufficient in depth understanding of the rural markets. Marketers should be careful not to blindly extend a scheme that succeeded with a primarily urban market without making suitable adaptation.

10.7 PLANNING SALES PROMOTION

With growing competition at the marketplace and the need to realise full benefits of this unique method of promotion, it is required that the perfunctory approach used in its management is stopped forthwith and the sales promotion function is managed professionally. Systematic planning of this function should initiate the managerial process. The following steps are suggested for effective planning and management of the sales promotion function.

The first step is to assess and analyse the present situation of the brand in terms of market share, major competitors, and brand performance of brand users, non-users and lapsed users. The benchmark should then be related to the market size and the potential estimated. It will now pave the way for determining the role of sales promotion in effecting the desired change in the market share of the brand. The outcome of this exercise will be the availability of desired information to set measurable and attainable goals.

After the goals for sales promotion of the brand are set, the second step deals with the identification of the alternative schemes, and the selection of the most appropriate sales promotion scheme(s), capable of accomplishing the goal set, within the available budget.

The third step relates to incorporating creativity into the scheme to be offered. This is making the scheme novel, attractive, and challenging from the viewpoint of its target group i.e. consumer, trade or sales force.

The fourth step relates to legal validity of the sales promotion scheme to be offered. For example, before a consumer contest can be offered permission from the licensing authority of a State, usually, the Collector of the District is required under the Prize Competition Act, 1955. Similarly, with the amendment of MRPT Act and incorporation of Unfair Trade Practices therein, the sponsor must ensure that their schemes do not attract the provisions of the Act. The recent judgments of the MRTPC against the Sales Promotion Schemes offered (by a leading footwear company of India relating to children footwear; and of a popular fan company relating to announcement of special off-season reduction in price) point to the strong determination of the commission to protect consumers from unfair trade practices.

The fifth step covers primary decisions relating to timing and duration of the schemes to be offered, location-wise selection of dealers, and conviction of the trade and sales force about the appropriateness of the scheme. It will be useful to quote here the findings of a recent study of Kenneth G. Hardy on key success factors for manufacturer's sales promotions. The major findings are given in a tabular form below:

	Sales Promotion Objectives	Key success factors: Consumer Promotions	Key success factors: Trade Promotions
1.	Short-term volume objective	*Dual promotions (offer of trade promotions simultaneous with consumer promotions) *Sales force (trade) support	*Trade support *Short promotion period *Offer of high level of incentives
2.	Long-term market share objectives	*Sales force support	*Dual promotions *Trade support
3.	Building trade inventory objective	*Avoid competitive promotion *Sales force (trade) support *Offer of high level of incentives to the consumer (and to the trade in case of dual promotions).	*Absence of competitive promotions *Trade support *Shorter-promotion period
4.	Increase consumer Trial	*Sales force (trade) support *Longer promotion period *Offer of higher level of incentives	*Dual promotions
5.	Load the consumer objective (Situational)	*Sales force (trade) support *High promotion cost-special advertising, POP., etc.	

Other important decisions relate to scheduling for procurement of scheme related premiums, production of the brand, advertising, P.O.P. materials and other logistics related aspects.

The Sixth step covers the development of the evaluation criteria in relation to the sales promotion goals set. The decision areas include what to measure, when to measure, how to measure and for how long to measure.

Effectiveness of Sales promotions is usually measured in references to sales achieved, cost effectiveness, redemption rate of coupons and trading stamps, turnover of special packs or special liquidators, number of entries received to the contest, etc. To do a good job special focus must be laid on measuring the incremental sales arising out of sales promotions. Before proceeding to the last two steps involved in management of sales promotions, let us take note of the select findings from the literature survey relating to the effectiveness of sales promotion. These are:

- Incremental sales are harder to get for high market share brands.
- A coupon with a sample can be almost twice as effective as a coupon alone
- High redemption rates can be very costly
- The earliest redemptions are the incremental sales
- Short purchase cycles mean shorter term effects.

As the sales promotion offer commences, the seventh step relates to monitoring the offer and collecting the relevant data and experience for future use as well as mid-period corrections.

The eighth and last step relates to evaluating the effectiveness of sales promotions in the context of their goals. Efforts must also be put in to perfect the measurement methodologies, and in conducting research on aspects like deal prone consumer, incentive scheme and gift selection factors, attitudes of trade and consumers towards the use of sales promotion schemes. Documentation of corporate experiences on sales promotions, the pitfalls in the existing systems and procedures, and the mishaps that occurred, etc. ultimately help in improving the state of the art of managing the sales promotion function professionally.

10.8 SUMMARY

In this unit we tried to develop a perspective on the use of promotion tools in the rural markets. A working definition of promotion was shared based on the literature. Tools used by the marketer to induce customers, channel members and sales force by other than advertising were discussed. The objectives and the scope of various promotion mechanisms were also presented for subsequent decision making. Number of real life examples from the field and literature were shared for illustration. These would provide you with an understanding of the usage of promotion mechanisms in the rural markets. A section emphasizing the need for systematic development and implementation of this tools for better results in achieving the marketing goals, was also presented.

10.9 SELF-ASSESSMENT QUESTIONS

Q.1 Why is sales promotion important ? Discuss its relevance to the rural markets.

Q.2 What are the major objectives of sales promotion? Cite some example of trade promotion objectives.

Q.3 What are the commonly used methods of sales promotion directed at the consumer. Identify and describe some rural sales promotion effort aimed at

a. generating trial.

b. promoting loyalty.

Q.4 What are the problems that may lead a sales promotion scheme to flounder? What considerations with your exposure to rural markets, would you suggest should be kept in mind while planning rural promotions.

Q.5 Describe the steps in planning a sales promotion effort for the rural markets. How would you design a rural sales promotion programme for

1. cycle tyres?

2. iodized salt?

10.10 FURTHER READINGS

Anu Chawla (2001) The Market in the Villages, Business India. July 9.

T.P. Gopalaswamy (1997) *Rural Marketing: Environement, Problems and Strategies,* Wheeler Publication, New Delhi.

Sanalkumar Velayudhan (2001) *Rural Marketing; Targeting the Non-urban Consumer*, Response Books, New Delhi.

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Shehla Raza (2000) Exide Charges up fot the Rural Market, Business Standard May 26.

BLOCK 5 ACCESSING RURAL MARKETS

Distribution to the vast multitudes of our widely dispersed rural consumers has always been a difficult challenge for companies. The problems arise on account of poor physical infrastructure, seasonality of rural demand, very small stock positions needing to be maintained in individual markets, and lack of adequate levels of consumer awareness about product alternatives. The task of the intermediary therefore, also includes primary demand cultivation and brand building. Opportunities also abound, as a large number of villages represent situations where competition is still low. With the rise in rural incomes and consequent upsurge in consumption, it is becoming apparent to the corporate sector that those who penetrate these markets early would have the primary advantage. Existing intermediary institutions therefore need to be understood and new ones identified if the company's value chain is to effectively extend the last mile to the rural customer.

This block discusses the issues in distribution and brings you face to face with challenges and opportunities that lie in facilitating transfer of ownership and physical possession of goods from the point of production to the point of consumption.

The Block consists of three units each looking at differential aspect of the rural distribution puzzle.

Unit 11, on the theme of physical infrastructure and dynamics of distribution, discusses the rural infrastructure in terms of road and transport, connectivity and explains the variables involved in the distribution process and how they interact with each other, to create marketing implications for those intending to extend then supply chain to rural India.

Unit 12, on participants in the distribution process, discusses the various types of intermediaries that characterise the rural market, with their roles and functions.

Unit 13 outlines the physical distribution processes in rural markets and brings to you actua illustrations from the large body of corporate efforts that are today being made to facilitate physical movement of goods down the channels of distribution.

UNIT 11 PHYSICAL INFRASTRUCTURE AND DYNAMICS OF DISTRIBUTION

Objectives

After going through this Unit you should be able to

- Describe the variables involved in the process of physical distribution
- Explain the interactions among these variables as they affect the physical distribution outcome.
- Appreciate the scope and nature of the physical distribution activity in rural India
- Discuss the various indices and ratings of use to market planners in outlining their distribution strategy
- Describe the rural infrastructure for physical distribution in terms of road and transportation connectivity
- Comment upon the impact of seasonality of demand on the stocking patterns.

Structure

11.1 INTRODUCTION

Rural markets in India have presented a typical challenge of access, both in physical and communication terms to the marketers of goods and services. Although nearly three quarters of the country's population resides in the local areas, their dispersion is so wide and vast that is presents a unique challenge of access. Added to that is the poor infrastructure in terms of road connectivity and transport linkages which make the reach to these markets even more arduous. However the recognition that these markets represent untapped potential and that the first brands to capture the interiors would have a natural advantage has focussed corporate attention to solve the distribution rubric. This unit familiarses you with the challenges involve in the physical movement of goods in the rural context. Issues of warehousing, inventory control and transportation take unique dimensions in view of the physical infrastructure available and in terms of their implication for customer service. An attempt has been made to expose you to the road network available as well as the measures of market potential in a village cluster, to enable you to identify your physical distribution decision alternatives.

11.2 DYNAMICS OF PHYSICAL DISTRIBUTION

The physical distribution job involves a large number of independent variables. Stock and Lambert (1987) have identified the following:

- **Customer Service:** The customer service here relates to the effectiveness in creating time and place utility. The level of customer service provided by the supplier has direct impact on the cost, market share and profitability.
- **Order Processing**: Order processing triggers the logistics process and directs activities necessary to deliver products to the customer. Speed and accuracy of order processing affect costs and customer service levels.
- **Logistics Communication:** Information is exchanged in the distribution process in order to guide the activities of the system. It is a vital link between the firm's logistics system and its customers.
- **Transportation:** The physical movement of products from the source of supply and production to customers is the most significant cost area in logistics and it involves selecting modes and specific carriers as well as routing.

- **Warehousing:** Providing storage space serves as a buffer between production and use. Warehousing may be used to enhance service and to lower transportation costs.
- **Inventory Control:** Inventory is used to make products available to customers and to ensure the correct mix of products at the proper location at the right time.
- **Packaging:** The role of packaging is to provide protection to the products, to maintain product identity throughout logistics process and to create effective product density.
- **Material Handling:** Efficient materials handling increases the speed of, and reduces the cost of, picking orders in the warehouse and of moving products between storage and transportation carriers. It is a cost generating activity and that must be controlled.
- **Production Planning:** Utilised in conjunction with logistics planning, production planning ensures that products are available for inventory in the correct assortment and quantity.
- **Warehouse Locations:** Strategic placement of warehouses increases customer service and reduces cost of transportation.

The efficiency of an individual function, examined in isolation, may be quite different from the effectiveness of the same function considered as part of the total physical distribution process. Therefore, in order to achieve a better cost-efficiency balance of the system as a whole, it is imperative that compromises are made among the functions.

Cutting cost, while at the same time improving efficiency, is the primary aim in organising a physical distribution system. Costs have to be cut, but within the constraints of uncontrollable variables (rural environment). By cutting costs, the speed of delivery may be affected; the reliability and service may be affected. Costs will have to be reduced, but the process should not result in these undesirable consequences. It is necessary to evolve and implement a physical distribution system that is best suited to the rural environment, the object being minimization of distribution cost, as well as, guaranteeing at a minimum desired level of service.

Activity 1

From your exposure to the Indian rural markets through Units 1 and 2, draw out a possible physical distribution scenario for a consumer durable product and an FMCG product in terms of what form the following variables would take

1. Transportation
2. Warehousing
3. Inventory Control
4. Customer Service

You make like to talk to an organisation which you are familiar with to have a first hand insight into these variables and then complete this activity.

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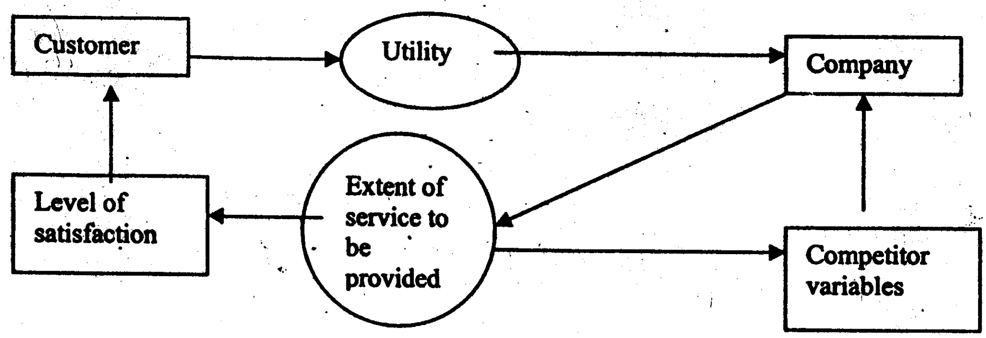
11.3 EXTENT OF CUSTOMER SERVICE

While it would be ideal for a company (manufacturer) to provide the most speedy delivery to the customers, it may not be cost effective for the company. There is therefore a need to decide on the extent of service to be provided to the customers.

The extent of service to be provided would depend on three entities. They are the customers, the competitors and the company. While the customer would demand a certain level of utility, the company would wish to provide the least possible service as it would entail costs. However, the competitors would determine the minimum level of service that should be provided to the customers. The interaction between the three entities would therefore be as under:

Extent of Customer Service



The physical distribution system is thus measured by:

- The speed with which an item can be made available to a consumer
- The reliability of service.
- The extent of availability of the item.

The physical distribution system is, however, a function of many uncontrollable variables. For example, the poorly developed physical infrastructure is the major constraint at present. Many parts of rural India are still inaccessible through roadways. The problem gets aggravated during the monsoons. All these result in:

- Extension of lead time between production and consumption resulting in substantially higher level of stocks in the pipeline.
- Increase in inventory and inventory carrying costs.
- Increase in transportation and storage costs
- Risk of deterioration, damage, theft, pilferage.
- Increase in the number of middlemen, resulting in increased cost of distribution and selling.

The prime objective, therefore, will be to design and implement a system that is most suited to the patterns of the marketing activity as well as the physical distribution system of the rural markets. Developing an effective distribution system in the rural areas poses further problems and challenges on the side of the dealer organizations as well, since the right type of dealers and stockists are not readily available in the rural areas.
All these problems get further aggravated on account of the large size and the scattered nature of the market.
The importance of the different elements of rural marketing strategy have been highlighted by two studies undertaken on the subject of factors affecting success in rural markets. The findings are summarised below.

Element	Study 1		Study 2	
	Score in %	Rank	Score in %	Rank
Pricing factor	10	V	15.65	V
Sales factor	20	IV	23.15	II
Distribution factor	23	II	20.76	III
Product effort factor	22	III	23.59	I
Communication factor	25	I	16.85	IV

Activity 2

Get in touch with either an FMCG company office or a fertilizer/seed products company office. In respect of the problems mentioned above, discuss with the company, how they have sought solutions to these problems. Describe the solutions used.

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11.4 SCOPE OF THE DISTRIBUTION TASK : DISPERSAL OF VILLAGES IN INDIA

As you have already seen through Unit 1 and 2 of Block one. India's rural market comprising of over 600,000 villages with a total population exceeding 700 million is characterized by its vast spread. Over a lakh (about 18%) of the total villages have population less than 200. Another 1,41,143 (24%) villages have population between 200 and 500. A total of 13, 376 villages have population over 5,000 (refer table 1). Of these nearly 10,000 villages (nearly 75%) are in the seven states of Uttar Pradesh, Bihar, West Bengal, Maharashtra, Andhra Pradesh, Kerala and Tamil Nadu.

Table 11.1 Distribution of Villages in India

Village Class	No. of villages	Percentage	Pop (in lakhs)	Percentage
Less than 200	103952	17.9	105.32	1.69
201-499	141143	24.3	484.62	7.78
500-999	144998	24.97	1043.57	16.76
1000-1999	114395	19.70	1602.94	25.74
2000-4999	62915	10.83	1855.73	29.8
5000-9999	10597	1.82	698.39	11.21
10000 & above	2779	0.48	437.57	7.03
Total	580779	100	6228.12	100

Source: RK Swamy/ BBDO (1999) Guide to Market Planning, RK Swamy/ BBDO

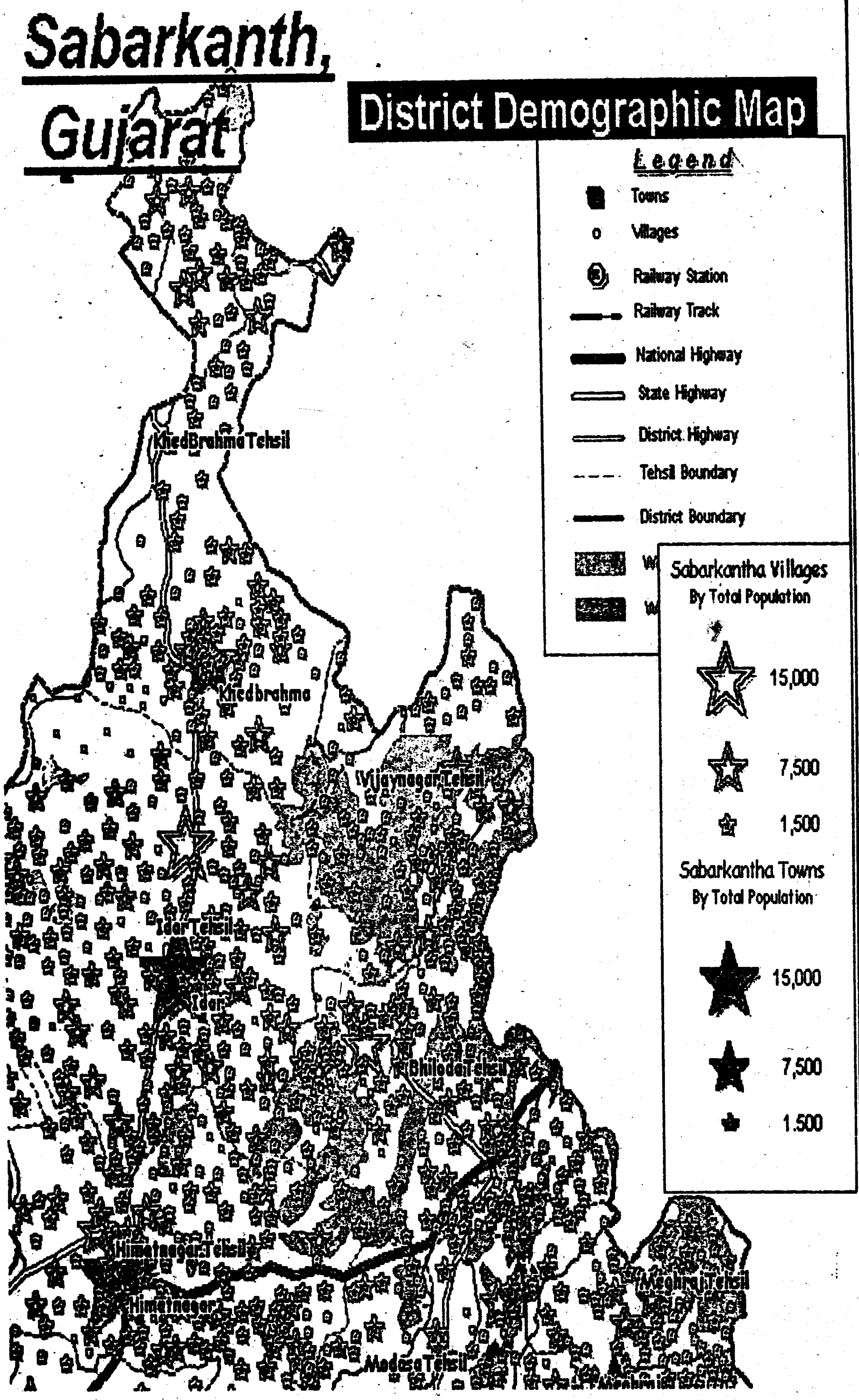
A number of measures have been developed by different agencies to help the rural marketer in conceptualizing the physical and infrastructure situations in rural India and help plan his marketing strategies specially the distribution function. Some of the important measures are discussed in the following section to help you get an idea about the type of information you would require for the distribution planning and implementation exercise.

Location of villages: MICA Rural Market Ratings (MRMR) provides digital maps of all the districts in the country including those of Jammu & Kashmir (J&K).

Digital Maps cover:

- Boundary of the district
- Location of tehsil headquarters
- National highways
- State highways
- Metalled roads
- Railway lines along with railway stations
- All the urban centres
- Names of all the 41,888 places where haats are held
- Days of the week when haats are held
- Distance from the nearest town

A sample map is provided in figure 1. We will read further about MRMR and the way it is being used in the next section.



http://www.mappls.com/mapstore/map_store_dataware_house/product_list.asp?page=ms&link=dm

Figure 11.1

11.5 MARKET SIZE ACROSS RURAL INDIA

A detailed analysis of poverty statistics suggest that during the reforms period not only was there no secular decline in poverty but actually there was an addition of 70 million people to the poverty category between 1989–90 and 1997. Importantly, during the 1980s, when between 1983 and 1990–1 the incidence of poverty declined by 3.1 per cent per annum, the GDP growth per annum was 5.6 per cent. Almost as a reversal of the situation, between 1990–1 and 1997 the incidence of poverty increased by 1 per cent annually, although the GDP growth had accelerated during the same period (table 11.2).

Table 11.2: Dimensions of Poverty and Inequality in Rural India, 1973–2000 (million) Index.

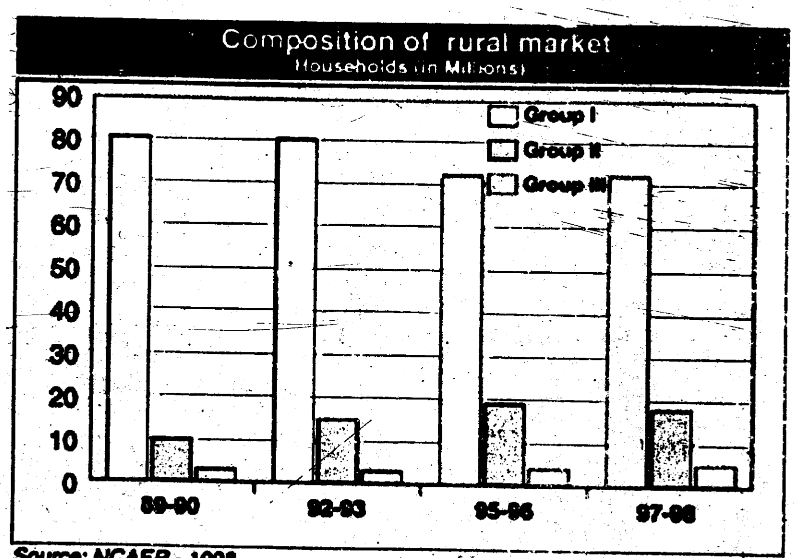
Year	Poverty Ratio	No. of Poor million	Poverty Gap	Lorenz Ratio Index	No. of Rural and Urban Poor (million)
1973–4	56.4	261.3	16.56	0.27581	32[illegible]
1977–8	53.[illegible]	264.3	15.73*	0.33861	3[illegible]
1983	45.7	252.0	12.32	0.29759	322.[illegible]
1987–8	39.1	231.9	9.11	0.29826	307.[illegible]
1993–4	37.3	244.0	8.45	0.28190	320.3
1999–2000	27.1* 24.0**				

* Based on 30 day recall; ** Based on 7 day recall.

Source: Ninth Plan (1997–2002): Institutional Development at *http://planningcommission.nic.in* and Economic Survey 2000–2001 at *http://www.nic.in.*

However, the market size for products priced over Rs. 1000 has been increasing. A study done by NCAER is given in figure 11.3. Tables 11.3 and 11.4 also provide a glimpse the market size.

Table 11.3



Source: NCAER - 1998
Group I = Products priced below Rs 1,000
Group II = Products priced between Rs 1,000 and Rs 10,000
Group III = Products priced above Rs 10,000

Table 11.4

Estimated households by annual income		Structure of the Indian consumer market (1995-96)				
Annual income (in Rupees) at 1994-95 prices	No. of households (in million)	Annual income (in Rupees) at 1994-95 prices	Classification	Number of households (in million)		
				Urban	Rural	Total
<25,000	80.7	<16,000	Destitutes	5.3	27.7	33.0
25,001-50,000	50.4	16,001-22,000	Aspirants	7.1	36.9	44.0
50,001-77,000	19.7	22,001-45,000	Climbers	16.8	37.3	54.1
77,001-106,000	8.2	45,001-215,000	Consumers	16.6	15.9	32.5
>106,000	5.8	>215,000	The rich	0.8	0.4	1.2
Total no. of households: 164.9 million		Total no. of households		46.6	118.2	164.8

Source: National Council of Applied Economic Research (NCAER).

While it is important to know the size of the market it is also important to know how to plan based on the market size of specific markets. Several agencies have been providing information about specific markets.

11.5.1 Thompson Rural Market Index

A successful attempt in the direction of assessing the potential of rural markets has been made by Hindustan Thompson Associates Limited. They have developed the 'Thompson Rural Market Index' as a guide to the rural marketing effort. The first attempt was made by them in the year 1972. They collected the data available at district level for 334 districts. Then they identified 11 factors and assigned a weightage to each of them to assess the potential. This was not considered satisfactory and hence, another attempt was made. In the second 26 factors were considered for constructing the rural market index. This has been published under the name *Thompson Rural Market Index* in 1986. Herein HTA covered 383 of the 412 districts in the country, since data was available for only these districts and the Rural Market Index was ultimately worked out for 335 districts. The districts not taken into account either do not constitute rural areas or have very small rural population. The data on the following indicators was taken for constructing the Rural Market Index.

Indicators Considered for Rural Market Index

1. Area of the district in Sq. Kms.
   Demographics
2. Population: Rural — No.
3. Males — No.
4. Females — No.
5. Density per sq km.
6. Percentage distribution of population by population strata.
7. Number of Villages.
8. Percentage distribution of villages by population strata.
9. Literate – Rural — No.
10. Per cent of literacy.
11. Literate Males.
12. Literate Females.
    Occupation Pattern
13. Cultivators — No.
14. Agricultural labourers.
15. Non-agricultural labourers.
    Agriculture Related Data
16. Gross cropped area in hectares.
17. Gross irrigated area in hectares.
18. Area under non-food crops in hectares.
19. Average size of operational holdings in hectares.
    Agricultural Inputs Data
20. Pump sets and tube wells — No.

21. Fertilizer consumption in metric tones.
22. No. of tractors.
    Rural Electrification Data
23. Percentage of villages electrified.
    Commercial Banks Data
24. No. of rural branches.
25. Deposits in Rs. Lakh.
26. Advances in Rs. Lakh.

In addition, HTA also collected the value of agricultural output for each district from the Centre for Monitoring Indian Economy, which was to be the overall indicator of rural market potential, since the major occupation in rural areas is agriculture. To validate this assumption that the value of agricultural output is a holistic indicator of rural market potential, a statistical correlation analysis was conducted with 10 selected variables related to agriculture with the value of agricultural production. The selected ten agriculture-related variables were

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

It was found that these ten variables had a very high correlation with the value of agricultural output ranging from 0.52 to 0.79. The index also presents the data for each district on the 26 variables chosen. What is needed now is to update the data chosen to know the potential. Rural marketers intending to use the index apply updated information.

Based on the index number, the districts have been classified as A, B, C, D and E class markets. Table 11.5 summarises the classification of the districts and the proportion of rural market they account for.

Table 11.5: Classification of Markets.

Class of Markets	Index Range	No. of Districts	Percentage of Market
A	60.00 to 100.00	22	17.8
B	40.00 to 59.99	39	20.5
C	30.00 to 39.99	54	20.4
D	20.00 to 29.99	86	23.0
E	below 20.00	154	18.3
	Total	355	100.00

It is significant to note that the index relies on the ten factors related to agriculture, which have been chosen for the correlation analysis. Any change in these variables like, increase in irrigated area or increase in area under commercial crops will have a positive impact on the potential. In other words, any change in these factors on the positive side will increase the value of agricultural output, thus the income of the rural people.

One can probably add other factors like road length per sq km in the district, railway lines per sq km, number of post offices, number of Television sets, number of two wheelers, etc. to have further validation of the potential given by the index. To summarise, the rural demand has peculiar characteristics in terms of its spread, literacy rate, hierarchy of markets, per capita income, etc. which differentiate it from urban demand. Since nearly 70 to 75 per cent of income generation in rural areas is through agriculture and agriculture-related activities, the variables related to agriculture can be safely assumed to be the indicator of the potential of rural market. The Rural Market Index prepared by Hindustan Thompson Associates, has proved very useful in evaluating the potential of the rural markets.

Market Information Survey of Households (MISH) is another comprehensive primary database developed out of annual surveys conducted covering a massive sample size of 300,000 households drawn from each district **of India.** MISH tracks consumer demographics and consumption patterns across a wide variety of product categories by collecting data on manufactured goods.

Each MISH Product Category Report gives detailed information on both consumables and consumer durables according to·

- The number of households owning/using the product by income group.
- The income group, town size and the occupation of the household head's occupation (purchase data for the product is cross-tabulated against the above parameters).
- The key influencer of purchase, details on the mode of finance of purchase for durables.
- Product purchase by price range across different income groups.
- The brand-wise penetration figures across income groups.
- Distribution of purchases by price range and by income class.
- Overall purchase broken down by type of purchase - first time, additional, replacement, gifting and second hand

Table 11.6: Classification of Districts based on MISH studies.

Class of Market	Ratings Range	No. of Districts	Ratings Score	% of all India
A	60.00-100.00	33	2418.67	19.13
B	40.00-59.99	75	3656.55	28.93
C	30.00-39.99	76	2656.91	21.02
D	20.00-29.99	89	2130.83	16.86
E	Below 20.00	172	1778.50	14.07
All India		445	12641.46	100.00

Mica Rural Market Rating (MRMR): MICA Rural Market Rating is a comprehensive guide which is designed to serve Industry's needs. Data has been collected based on the 1991 census reports. All the 459 districts of the country have been covered. A total of 42 socioeconomic indicators have been included to cater to the diverse needs of a large number of companies. Districts have been taken as units and the rating denotes the relative market potential of the respective districts (Table 11.7). MICA Rural Market Rating is presented in a comprehensive, interconnected and actionable database to provide better understanding of the rural markets. This study is presented on a CD-ROM. Using these databases it is possible for marketers to have a fairly comprehensive idea of the market potential and related infrastructural variables defining a rural market, so that the physical distribution effort can be suitably planned. The MRMR is a useful and comprehensive aid to rural marketing planning.

Table 11.7: Top 20 districts as per Mica Rural Market Rating (MRMR)

District	State	Market Ratings
Medinipur	West Bengal	100.00
South Arcot	Tamil Nadu	95.91
Ganganagar	Rajasthan	94.1
Sangrur	Punjab	91.33
Guntur	Andhra Pradesh	89.3
Firozpur	Punjab	86.15
Raipur	Madhya Pradesh	85.48
Faridkot	Punjab	81.69
Moradabad	Uttar Pradesh	80.98
Begaum	Karnataka	79.2
Deoria	Uttar Pradesh	74.96
Ludhiana	Punjab	74.91
Thanjavur	Tamil Nadu	71.07
Hisar	Haryana	70.24
Gonda	Uttar Pradesh	69.82
Tiruchirapalli	Tamil Nadu	69.09
Jalagaon	Maharashtra	68.99
West Godavari	Andhra Pradesh	68.91
Cuttack	Orissa	68.72
Bhatinda	Punjab	68.52

Activity 3

Based on your understanding of the rural market index, and the classification given in Table 11.5, assess the market potential for any one consumer product of your choice for your own district. How do you think this index can be applied by marketers to predict their inventory and warehousing positions in a given district.

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However, the widespread dispersal of rural markets and rural population creates significant problems in terms of logistics, transportation, and distribution of stocks and coverage of retailers. Let us look at some of the infrastructural variables that define the distribution situation in rural India.

Roads

A crucial pre-requisite for the development of rural markets is a network of roads, to connect the villages to towns, to transport products to the rural households. A good part of Kerala's development achievements must be attributed to well-developed road and transport links throughout the state, transforming the urban-rural divide into a continuum. Absence of all weather roads makes it impossible for lorries or vans to cover interior villages, to serve the retailers there.

- Just about 48 % of the villages are connected with all weather roads (Table 11.8).
- At an all India level 209,360 villages or 33% of total villages are connected by pucca roads. This proportion is maximum at 57% in south zone and minimum at 20% in east zone. Pucca roads connect almost all villages in Punjab, Kerala and Pondicherry.
- There are only 7,271 villages with railway stations. This forms 1.2% of total villages. Kerala is the best state in this regard with 8% of villages having a railway station.
- About 36% of the villages in the country do not have road connections. Inaccessibility of villages makes it difficult and uneconomical in serving the villages with goods.

Table 11.8: Road Coverage

Roads by type and characteristics	India
National (km) Municipality (km) Rural road length (km)	144 832 143 537 1 555 051
Total road length (km)	1 843 420
Percentage surfaced Percentage of rural to total road length	48 % 84 %

Source: http://www.partners.panasia.org.sg/nird/ind_market.htm

Recently, the Government of India launched a special programme known as "Pradhan Mantri Gram Sadak Vikas Yojana" (Prime Minister's Rural Road Project) to provide full connectivity to villages in the country. Under this scheme, all the villages having 1000 and above population will be connected by the year 2003 and settlements having 500 and above will be connected by the year 2007 by all -weather roads.

The road network can facilitate systemised product distribution to terminal village networks. In deciding the system of transportation, many factors like rural roads network and types of roads, modes of transport, nature of product, distance to be covered, speed with which the goods are transported, cost of transportation, etc. must be taken into account.

Where accessibility is a problem, companies have to rely on trickle down of stocks to the village-based buyer; then it is the village retailer who visits a bigger retailer in the nearest tehsil level town, who in turn obtains the product from district headquarters which is the terminal point of the company distribution channel. This has also been one of the reasons for some companies not shifting their sights to the rural market. "Our logic is that if we are well distributed up to the urban areas, surrounded by villages with a lot of untapped potential for our products, the products will find their way into the rural areas also through the rural retailers," said an executive from Gillette.

Generally, retailers in remote villages buy their requirements from wholesalers in large feeder markets. They then carry the goods themselves, or on a bullock cart. Due to this, they are unable to buy the goods in large quantities to avail the bulk discounts. Moreover, they have to travel frequently to feeder markets to replenish their stocks. In case the retailer is unable to travel for some reason, then he will face stock out situations. And this is common during agricultural seasons when he could be busy with the work in his own fields. Retailers in small villages, which have a population up to 500 to 1000, do not carry a large range of consumer products. These village retailers cannot afford to visit feeder markets or small towns. Such villages are generally catered by the weekly shandies/ haats which we will discuss in the next unit.

Activity 4

In terms of available infrastructure, how does the availability of road network affect the other related physical distribution variables like transportation, warehousing and customer service ? Taking the example of products like detergent, seeds and fertilizers, comment upon the interaction.

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11.6 SEASONAL DEMAND AND DISTRIBUTION IMPLICATIONS

The distribution of any product in the rural areas, agricultural inputs, consumables or durables should necessarily follow a seasonal pattern. Since 75 per cent of the rural income is generated through agricultural operation, which is seasonal, the demand pattern is also seasonal. A typical example is that of fertilizers. The demand for fertilizer is always high during the start of Kharif and Rabi seasons. The fertilizer manufacturers have evolved a distribution pattern, so that the seasonal demand can be met. Likewise, the demand for consumables and durables will be high during the peak crop harvesting and marketing seasons. This is the time at which the rural people have substantial cash inflows. Hence, the distribution should be fairly intensive during peak crop harvesting and marketing seasons. This arrangement would result in adequate sales realizations. During summer months, in places that lack irrigation facilities, the demand will be very minimal. Thus the distribution system has to gear itself to the seasonal pattern of demand. In addition, festival seasons like Sankaranthi or Pongal in Southern regions as opposed to Baisaki or Deepavali in North are also demand seasons. The festivals also coincide with the harvest seasons like Sankarnathi during Kharif harvest and Baisaki during Rabi harvest. So the distribution for rural areas should be more and frequent during harvest and festival seasons, as opposed to a fairly uniform demand pattern in urban areas.

You would appreciate that such seasonality would have important implication of or the inventory and transportation decisions. As the seasonality causes demand to fluctuate around predictable time lines, transient market structure like haats and melas, have typically been found to characterise the rural market situation. Melas or fairs often coincide with important harvest or festival seasons and enable the marketer to time his distribution patterns with surge in purchase behaviour of the rural customer. These structure are an important participant in the rural markets and will be the theme of the next unit.

11.7 SUMMARY

The physical distribution function, is one of the most complex marketing functions as it involves a lot of variables, quite a few of which the are result of extra corporate arrangements. Variables like physical infrastructure of roads, warehouses and transportation modes are important variable which affect the rural distribution decision. In this unit, an effort has been made to acquaint you with the variables that affect the rural distribution function, several measures developed to measure market potential and their utility to distribution decisions has been discussed. The road network as exits today has been outlined to enable you to get an idea of the constraints which the distribution function has to operate.

11.8 SELF ASSESSMENT QUESTIONS

1) How does physical infrastructure affect the distribution choices available to marketer?
2) It has been said that 3Ds impede the marketing function in rural India, these are distance dispersion and diversity. What are the ways in which some of these constraints can be overcome? Suggest solution for
   a) marketers of consumer goods
   b) marketers of life insurance
3) How would the Thomson Market Index enable a marketer to take appropriate marketing decisions? Critically comment upon the utility of the tool.
4) The MRMR combines a wealth of data and seeks to create an "almost alive" representation of a village cluster, do you agree ? How would it be useful to marketers ?
5) Are rural markets simply extensions of the urban market in more difficult terrain with consumers a little more spread out and transportation a little more 'dicey'? From a distribution perspective, clearly outline the key differences between urban and rural market scenario.

11.9 SUGGESTED READINGS

1. Dr. Y.R. S. Moorthy, "We're like this only, "April 10, 2002 www.indiatimes.com
2. Venkatesh Parthasarathy, "Does the rural market like it hot or cold "April 25,2002 www.blonnet.com
3. Lahari Chakravarthy Sanat, "A peek into the rural market, www.estralegicmarketing.com July,8,2002
4. Pradeep K, "Rural People look to Urbanities, Advertising and Marketing, January 15, 2000.

UNIT 12 PARTICIPANTS IN THE RURAL DISTRIBUTION PROCESS

Objectives

After going through this unit you should be able to

- describe the hierarchy of intermediaries in the rural markets
- comment upon the various types of intermediaries that characterise this market
- comment upon the role played by retailers in the rural markets
- elaborate upon the extent and function of regulated markets in rural India
- discuss the extent and function of cooperative societies in rural distribution
- comment upon the role of transient, periodic markets like haats and melas
- appreciate the role of retailers and wholesalers in rural distribution
- comment upon the recent distribution efforts by corporates to create access
- explain the behavioural aspects of intermediaries by looking at existing patterns and emerging trends.

Structure

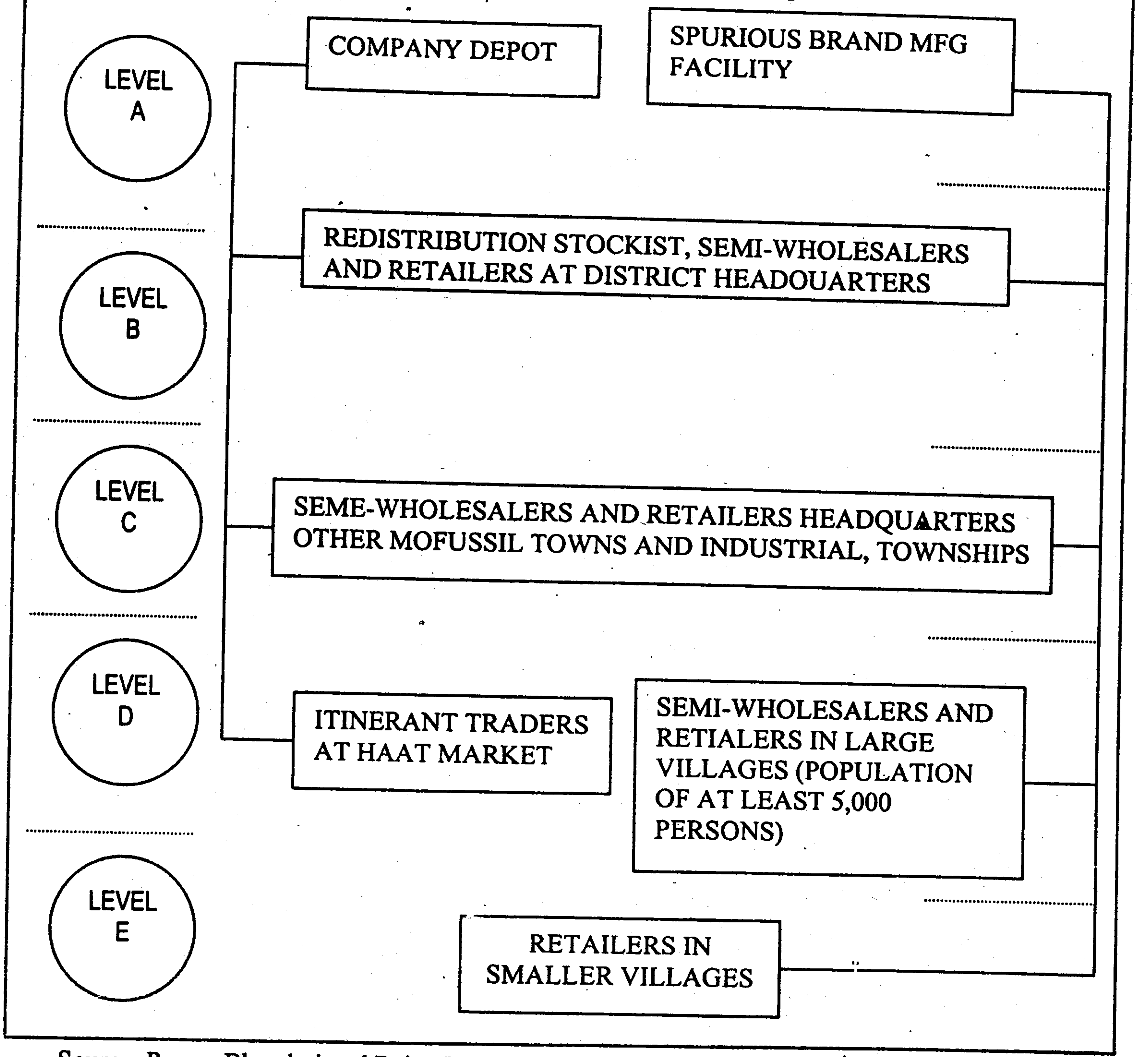
12.1 INTRODUCTION

"The enormity of the rural market, which constitutes over six lakh villages spread over 3,28,7263 sq km, calls for substantial allocation for distribution," said Nirma's executive director Kalpesh Patel. Companies would also do well to have a proper distribution network and make sure that the prices of products are not pushed up because of a channel of middlemen who are neither required nor add any value to the product. You would find that companies intending to develop market shares in the rural market are increasingly getting preoccupied by the concern that widely location and inaccessibility of their rural consumers should not translate into higher prices and become detrimental to the growth of markets; specially in view of the paying capacities of the rural customers. In this unit, you will go through the different types of intermediaries that characterise the rural market, their roles and spheres of influence. We would also look at emerging trends and the recent corporate efforts to create access and delivery, in an exercise of improving their market share through better reach.

12.2 HIERARCHY OF MARKETS FOR RURAL CONSUMERS

The rural marketing structure is not uniform in all parts of the country. The type of structure prevalent in a particular state or region depends on various factors like the state of development of agriculture, condition of transport and communication facilities, as well as purchasing power of the population. In the northeastern states and far-flung areas of the country where agricultural production and levels of income are low and communications and transport facilities are not available, the marketing structure comprises predominantly of haats which are weekly, transient markets . On the other hand, the areas in Northwest like Punjab and Haryana where agriculture and other facilities are developed, the market comprises of permanent rural retailers. The hierarchy that may exist in rural markets may be understood by looking at the following figure.

Figure 12.1: Product Movement Routes Through Interior



Source: Pawan Bhandari and Rajan Iyer, Advertising and Marketing, 15th January, 1995 pp25.

A large number of companies have direct representation in the form authorised redistribution stockist at level B and C, Generally, Level C in a district comprising of several towns represents sufficient consumer population to justify market development efforts, resulting in economies of scale through regular use of sales vans. Level D is approached by preselecting village clusters and haats or retailers in these locations contacting level C for stocking.

The intermediaries catering to the rural consumers in general, are discussed below.

12.3 RETAILERS

Retail-network enjoys a significant position in the entire rural marketing system. It serves as last link in distribution system. Wide range of activities are performed by the retailer such as determining consumer need, finding suppliers, buying, transporting, pricing and promotion. The company either services the retail outlets or the retailer himself purchases his requirements from the feeder markets. Today an increasing number of companies are trying to directly service village markets connected by roads, the modus operandi being delivery cum promotion vans covering 8 to 10 villages a day with fortnightly or monthly repeats.

There are a total of 3,697,527 shops (retail outlets) in the rural sector, leading to an average of 5.85 shops per village. Number of shops per village is lowest, around 1.5 – in Himachal Pradesh, Arunachal Pradesh and Meghalaya. On the other extreme, Kerala has the largest number of shops -- 192 per village. In Punjab, West Bengal, Goa, Gujarat, Andhra Pradesh, Tamil Nadu and Pondicherry there are 7 or more shops per village.

Approximately 2 million retail shops in rural India sell consumer goods. The scale of operations of these retailers is usually small with their inability to carry the stocks without adequate credit facility. On an average, the outlet caters to six times the number of customers its urban counterpart would be catering to. Moreover, the availability of the retail outlet depends on the economic prosperity of the village, purchasing power of the village and the population of the village and the awareness of consumer goods. IMRB's rural market probe found that more than 25 percent of the 310000 villages having a population below 500 do not have any shop and another 56 percent have one to four corner shop kiosks (selling limited quantities of soap, kerosene, tea etc). The availability of shops is a little better in the villages with a population of 501-2000. In these villages there are about 250000 outlets, but most of these are part time outlets. The retailer's primary occupation still remaining agriculture. The shops are located in the front of their houses and are operated for few hours.

A majority of rural retailers have grown without any plan or programme. Most of them entered the business not for marketing reasons but were started for reasons such as absence of employment opportunities, compulsions to continue family business and willingness to lead an independent life. These were started with little capital, training and experience.

The rural retailer is able to exercise significance power over his customers on account of

- proximity and continuity of relationship
- credibility on account of perceived knowledge of products and brands
- frequent credit needing to be advanced to buyers
- being a source of information about various alternatives that he stocks

To the producer, his value emanates from the influence that he possess as well as the access that he provides to the rural markets. He functions as an opinion leader and brand promoter, sometimes enabling spurious brands to gain a market as the latter provide him with better margins and better returns.

In the rural outlets the percentage number of branded products stocked to the total product range stocked is inversely proportional to its proximity to the urban area. Interior retail outlets are found to stock fewer branded products as compared to their counterparts in the villages closer to the towns. This is because of the degree of urban orientation[1] the villagers possess. The average value of the stocks of the packaged goods in the interior villages was found to be a third of that in the villages close to the urban centers.

Activity 1

From your exposure to the section above and what you have experienced in respect of the role of retailer in urban situation, comment upon how does the role differ in the rural and urban contexts. What implications do these differences create for a company seeking to market the following:

a. Bicycles
b. Branded footwear
c. Biscuits

Outline, in each case, the kind of retailer role that would need to be performed.

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[1] Urban orientation is defined as the degree to which a rural consumer would like to replicate the urban lifestyle. The higher the urban orientation the higher will be the requirements for goods and services consumed in the urban India and vice versa.

12.4 REGULATED MARKETS

They are several regulated markets or "Mandis" (refer tables 12.1 and 12.2) for commodities and agriculture produce, which operate in rural India. The regulated markets are governed by the following:

a. An elected market committee is constituted to administer these markets. It consists of representatives from all interests like farmer-producers, commission agents, wholesalers, and some government nominees like Registrar of Cooperative Societies, Director of State Agricultural Marketing Board and others. This committee is constituted in such a way that the farmer-producer members are in majority in the committee. This helps in any arbitration being decided in favour of farmer-producers.

b. All the functionaries in the market (commission agents, wholesalers, auctioneers, weighmen, loaders and unloaders) have to obtain a licence from the market committee to operate.

c. The charges to be collected for the services rendered by the functionaries in the market are fixed by the market committee. Any violation is dealt with seriously by a sub-committee called as Arbitration Committee.

d. The sale proceeds have to be paid to the farmer-producers on the day of sale itself.

e. The sales have to be conducted very transparently, generally by open auction. No secret deals are allowed.

Table 12.1: Distribution of Wholesale Assembling, Primary and Regulated Markets

(As On 31.3.2001)

	Number of markets			Regulated markets		
	Wholesale markets	Periodic markets	Total	Principal	Sub-yards	Total
Andhra Pradesh	861	290	1151	294	567	861
Arunachal Pradesh	-	50	50	-	-	-
Assam	172	650	822	16	19	35
Jharkhand	443	7000	7443	122	691	813
Goa	11	8	19	1	7	8
Gujarat	396	137	533	161	235	396
Haryana	284	157	441	105	179	284
Himachal Pradesh	35	30	65	8	27	35
Jammu & Kashmir	26	47	73			
Karnataka	473	941	1414	140	333	473
Kerala	351	2000	2351			
Chhatisgarh	633	3000	3633	300	316	616
Maharashtra	857	3500	4357	266	591	857
Manipur	20	49	69			
Meghalaya	101	82	183	-	-	-
Mizoram	8	35	43	-	-	-
Nagaland	16	80	96	-	-	-
Orissa	163	1150	1313	57	87	144
Punjab	675	-	675	143	532	675
Rajasthan	412	558	970	125	287	412
Sikkim	10	30	40	-	-	-
Tamil Nadu	300	677	977	270	-	270
Tripura	84	554	638	21	-	21
Uttar Pradesh	645	3322	3967	265	380	645
West Bengal	279	2925	3204	46	541	587
Chandigarh	2	-	2	1	1	2
D & N Haveli	-	6	6			
Delhi	30	7	37	9	12	21
Pondicherry	6	9	15	4	2	6
		[illegible]	[illegible]	[illegible]	[illegible]	7161

f. The market charges incurred in effecting the sales have to be borne either by sellers or buyers or shared equally between the sellers and the buyers.
This varies from state to state. While in some states the market charges like commission, weighment charges, loading/unloading charges, etc. are totally borne by the farmer-producers, in some others by the buyers and in yet others equally between the sellers and buyers.
g. Any dispute arising during the process of sale has to be referred to the arbitration committee whose decision shall be final.
h. The market-intelligence has been strengthened. The licensed functionaries are required to submit complete details of all transaction-taking place each day. This enables the committee to know the exact quantity of arrivals, sale, stocks, and the prices of different commodities which are published or exhibited on notice boards everyday. This information is further disseminated to the hinterland villages of the market, which helps the farmer in judging the best time to go to the market when he can obtain best possible prices.

Activity 2

Try to get in touch with at least one regulated market in your district, study the market (mandi) and try to get information on the size of rural population it serves and the daily turnover. Discuss with the sellers in the Mandi to get an understanding of the rural purchase patterns and preferences. Describe the same below.

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12.5 UTILISATION OF COOPERATIVE SOCIETIES

Over three lakh Cooperative Societies operate in rural areas for different purposes like, marketing cooperatives, dairy cooperatives, credit cooperatives, farmers service cooperative societies, consumer cooperatives and other multipurpose cooperatives. Given the number of such societies, there is at least one cooperative society of one form or the other for every two o three villages. These societies are linked with higher level societies at taluk, district or state evel. Thus, these cooperatives have an arrangement for centralized procurement and istribution through their respective state level federations. Such state level federations can be motivated to procure and distribute consumable items and low value durable items to the member societies for selling to the rural consumers. Many of the societies extend credit to their members for purchases. This not only strengthens the societies in terms of sales and turnover but also in earning profits for viability. For example, the Farmers Service Cooperative Societies (FSCS), supply their members a passbook indicating their credit limits depending upon the land holding. The members are allowed to purchase their requirements from the society on the strength of the pre-fixed credit limits which are adjusted at the time of sales of crops harvested. The products stocked and sold by FSCS are wide ranging e.g. controlled cloth, soaps, detergents, fertilizers, pesticides, seeds and other items. Where organized well, these FSCS function like a mini super market for rural consumers since they sell a variety of goods at reasonable prices. It is an option worth considering for marketers in their bid to access rural markets. This suggestion of involving the cooperatives is made, since they have the necessary infrastructure for bulk purchases and distribution to their member societies in even remote rural areas.

12.6 UTILISATION OF PUBLIC DISTRIBUTION SYSTEM

The Public Distribution System (PDS) in the country is fairly well organized. The revamped PDS places more emphasis on reaching remote rural areas like hills and tribals. The purpose of the PDS is to make available essential commodities like food grains, sugar, edible oils, kerosene, and others to the consumers at a reasonable price. The shops which distribute these commodities are called Fair Price Shops. These Fair Price Shops are run by State Civil Supplies Corporations, Cooperatives as well as private entrepreneurs. Here again there is an arrangement for centralized procurement and distribution. Since the PDS outlets cover the entire country, both urban and rural areas, these can be utilized for marketing consumable items and low value durable items in rural areas. Effective utilization of the PDS system should be explored by the manufacturing and marketing men, since they already have a distribution set-up.

Activity 3

Cooperative societies have played a key role in rural life, and have been more active in some states than the others. Comment upon how they help in creating place and time utility both for rural producer and the rural consumer.

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Activity 4

You are aware, from your exposure to MS-6 of the problems associated with public distribution system. Yet in the rural setting, the system represents an existing infrastructure with deep penetration and reach. Discuss with some FMCG managers with whom you are familiar, to gather their views on the opportunities they see in utilising these outlets and also the problems that they foresee.

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12.7 PERIODIC MARKETS

Periodic markets are an important characteristic feature of rural marketing in India (refer table 12.2). Two institutions viz., fairs or Melas and shandies or Haats perform the periodic marketing function, and are of major significance for distribution.

12.7.1 Fairs or Melas

Several fairs (Melas) owe their origin to religious background, while there are some fairs organised primarily for economic reasons (Sonepur cattle fair). Fairs/ melas draw people from distant places also. Melas are generally organized after harvest season, so the villager has enough money which he will be ready to spend. Annual sales at melas amount to Rs.3,500 crore. Nearly half the outlets at melas are for manufactured goods.

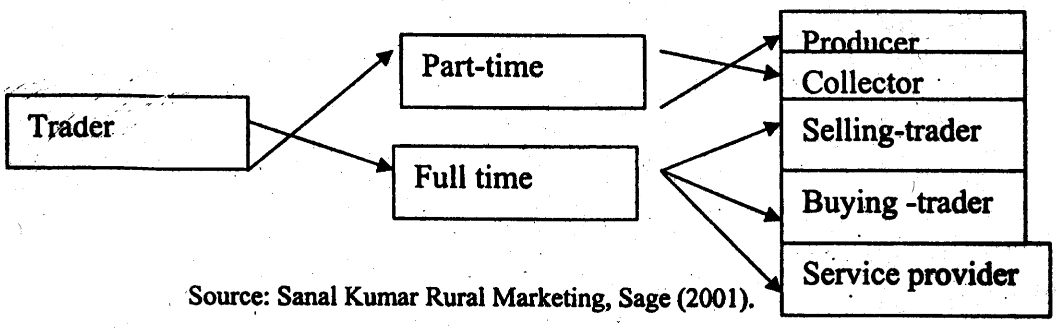
Melas represent a vital institution catering to the rural markets. To enable you to appreciate the extent of the population served by these melas, which incidentally cater to both rural and urban populations, the statistics of top 100 fairs in India are given in the Appendix 1 of this unit.

12.7.2 Haats

Haats provide a very useful mechanism of reaching the interior rural markets. The importance of haats is greater in the interior, less prosperous villages. In the more fertile tracts, permanently located shops are more important as outlet of goods.

Haats, Shandies are different names used to designate periodical markets held once a week. A periodic market is a public gathering of buyers and sellers meeting at a customary location at regular intervals. Most of the haats serve an area within a radius of 12-15 kms. Haats can cater to about 4000 people spread over 10-15 villages. The importance of the haat is based on the number of stalls selling "urban" products. They may vary in their intensity of transactions depending upon the season. Higher transactions take place after the harvest season. Nearly 47,000 haats and 25,000 melas are held annually. 45% of the villages with haats are in the east, 27% in north, 20% in west and 8% in south. At the national level, Uttar Pradesh and Bihar have the maximum number of haats, i.e., 25% and 18% respectively. In Uttar Pradesh, Bihar, West Bengal and Maharashtra, 10% of total villages hold haats. The data indicates that with establishment of (permanent) shops, haats are moving out. The average daily sale at a Haat is about Rs.2.25 Lacs. Figure 12.2 below gives a representation of the various participants at a typical 'haat'.

Figure 12.2 Types of traders in Haats



Source: Sanal Kumar Rural Marketing, Sage (2001).

The significance of these haats and melas can be understood by the fact that they are a part of the regular purchase behaviour of the rural customers. You would also appreciate the extent of these markets by looking at the following table showing the number the various haats in India.

Table 12.2: Haats in India

47,000 periodic markets (haats are held in the country annually week in most parts of India. The number exceeds stores of all retail chains in the US put together.

Rural people prefer to purchase their daily needs from haats because of variety of goods and bargains available at one place.

Basic Facts:

- Total Number of haats : 47,000
- Average sale per haat day : Rs. 2.25 lakhs
- Number of sales outlets/haat : 300+
- Average sale per outlet : Rs. 900
- Villages catered by each haat : 20-50

Sl. No.	State/U.T.	No. of Haats	Sl. No.	State/U.T.	No. of Haats
1.	Andhra Pradesh	NA	17	Nagaland	46
2	Arunachal Pradesh	0	18	Orissa	3887
3	Assam	4044	19	Punjab	16
4	Bihar	10681	20	Rajasthan	261
5	Goa	8	21	Sikkim	19
6	Gujarat	NA	22	Tamil Nadu	1169
7	Haryana	0	23	Tripura	736
8	HP	10	24	U.P.	14121
9	J & K	NA	25	West Bengal	456
10	Karnataka	1241	26	A & N Islands	0
11	Kerala	670	27	Chandigarh	0
12	Madhya Pradesh	NA	28	D & N Haveli	6
13	Maharashtra	3758	29	Daman & Diu	0
14	Manipur	7	30	Delhi rural	28
15	Meghalaya	319	31	Lakshdweep	0
16	Mizoram	49	32	Pondicherry	0

Total No of Haats = 46,127

Source: Background paper presented by Pradeep Kashyap, MART and by the Rural Network at FICCI Rural Marketing and Communication Conference, April 24, 2003, New Delhi.

Let us now take a look at the various elemets of these important distribution institution.

a) Traders and their products: The two major types of traders that have been observed in the periodic markets are the part time and full time traders (figure 12.2). The part time traders can be further sub divided into two classes: the producer-sellers and the collector-sellers. The full time traders can be categorized further into three classes; the selling-traders, the buying traders and those engaged in services.

- The producer-sellers deal in the following products: earthenware, bamboo ware, brooms, vegetables, fruits, puffed rice, paddy, rice, pulses, chicken, eggs, dry fish, meat etc.
- The collector-sellers deals in leaves, firewood, grass for fodder, berries, tamarind etc.
- The selling-traders deal in aluminum ware, brassware, cloth, ready-made garments, footwear, cosmetics, toiletries, stationery, plastic and rubber goods, biscuits, chocolates, provisions, etc.
- The buying-traders deal in fruits, vegetables, chicken, lac, etc.
- There are others who provide services.

b) Trading locations: The location of the stalls in the periodic market (haats) follows a pattern which is functionally organised. The various traders are allotted space in a manner such that traders trading in a particular type of goods are placed at one place. The location of the trader is based on the following factors:

- Specialization by goods
- Perishability of goods
- Goods those are likely to break

The buying-traders dealing in fruits and vegetables are found in the periphery of the market. Vendors selling earthenware are away from the main market center in order to avoid the breakage of their goods.

c) Trading system: Almost all the selling-traders obtain their goods from wholesalers in large markets in towns. They obtain the goods on "kalam" system, which involves the selling–traders obtaining goods of a given value for a given period of time. At the end of the period, which is usually a week or a fortnight, the selling-traders are expected to return the total value of the goods obtained initially to the merchants. The additional margin that the selling-traders are able to charge in the haat becomes their profit.

Selling-traders dealing in soaps, general provisions and fancy goods travel up to six markets a week. Those selling goods, which are used less frequently such as aluminum utensils, footwear, clothes and readymade garments, visit haats away from feeder towns.

The selling-traders also take advantage of the space-time sequence of haats to facilitate movement from one market to another without any economic or spatial conflict. The smaller selling-traders were found to prefer haats in interior places to avoid competition from large players.

d) Measures used and trade margins: Local measures made of wood of the karanj tree, and leaf containers of various types act as standard measures for commodities. Barter, as a form of exchange is also prevalent in some markets. It is not uncommon to exchange a leaf full of salt with a leaf full of tobacco, the leaf sizes in question being different to accommodate the differences in the intrinsic values of the two commodities.

e) Mark-up: The selling-traders have a mark up on the wholesale price. The mark up could vary from product to product. It could be about 20-25% for aluminum utensils, cloth and ready made garments, 15-20% for footwear and general provisions.

Hawkers: Hawkers play an important role in satisfying the needs of several rural consumers who do not have access to the retail outlets. Hawkers trade in goods like vegetables, fruits, clothes, utensils, cosmetics, etc. and move from door to door at a defined periodicity from village to village.

Activity 5

Take a visit to a district fair in your own district and discuss with some large sellers in the fair to understand their experience of the rural consumers. Collect information upon

a. The village clusters that they get their customers from
b. Average expenditure that would be made by rural customers
c. The percentage share of business they get from rural consumers

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12.8 SELF HELP GROUPS

Over time, self help groups, which have typically been running micro credit operations in rural locations have started being utilised by companies as important direct selling institution, providing direct access and feedback vis a vis rural consumers. One successful example of using the SHG is the Hindustan Lever model.
SHG: Hindustan Lever, the direct-sales model was a huge departure from stratified distribution channels and highly trained sales representatatives.

HLL initiated Shakti which aims at involving the self-help groups (SHG that ran micro credit operations) to sell FMCG products. Objectives of the SHGs are to encourage members to save from the daily wages or crop sales of the members and to find ways to make their collective savings grow. Adopting the direct marketing model of Amway and Avon, HLL's Shakti aims at involving SHGs to buy the company's products at cost, which they can sell to their friends and to other community groups and earn a profit.

"It's not enough to give people access to money," says Pratik Pota, a marketing manager on the new-ventures team at HLL. "We have to give them opportunities and train them in what to do with their savings. Our growth prospects are inextricablv linked to these women's income generation."
Shakti represents a huge cultural challenge in India. And in many places, the model faces tough going. For example, in the village of Pochampally, Anjamma, is blunt. "It is hard to sell products to local villagers", she says, pointing to the boxes of soap bars and shampoo sachets stacked in the corner of her living room. Though accustomed to charging interest on her group's loans, she's struggling with how to sell the products at a margin.

But in the next village, Ravenpalli, in their spare time, a group of women weavers have taken to selling soaps and detergents to their neighbours. "I thought that we could sell the products for less than at the store and still make a profit," says Maheshwari, a SHG member. Though she's never sold before and has just a second-grade education, her billing book is perfectly organized. You will get to know more about the Operation Shakti through a case study on the same in Block 6 of this course.

12.9 ONE-STOP SHOPS

The concept of the one-stop shops, which seemed unlikely to take off in a major way, has now been accepted as an area of major growth for the future. Indeed, retail chains are on the rise regionally, and a major influx is expected to take place in the future. A clear trend, therefore, is the shift from intermediation to disintermediation. As organised retail chains come into vogue, traditional intermediaries would start to dwindle. The value will begin to shift and retail chains will demand higher margins and their share of profits. This would, in turn, make it imperative for companies to evolve a new set of retail policies that would be radically different from traditional retail policies of companies. Some interesting trends that have recently emerged are shown by way of the following illustrations.

12.9.1 Mahindra Shublabh Services

MSSL is a virtual marketplace where farmers and traders of agricultural commodities can sell their produce, obtain finance, buy seeds and fertilisers, rent farm equipment, and check the latest weather information. The company functions with agri-service centres (ASCs) — in the form of subsidiaries or franchisees — as the basic service module. Under each ASC are three types of operations — retailing of agricultural inputs with guidance on application; renting out farm machinery (essentially such machines which the farmer uses only sparingly and thereby the individual ownership of which is unviable) and commercial agricultural extension services. The site provides constantly updated market information to enable procurement of quality inputs at competitive prices.

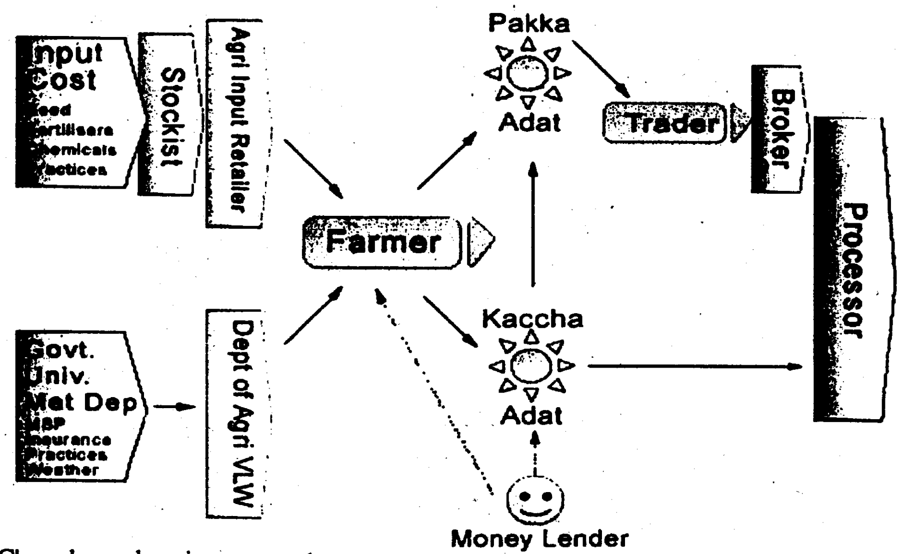
Currently, MSSL has operations in 26 districts (M&M's 2001-2002 annual report credits the company with having 12 ASCs) in Tamil Nadu, Andhra Pradesh, Karnataka, Maharashtra, Madhya Pradesh, Chhattisgarh, Gujarat, Uttar Pradesh and Uttaranchal.

12.9.2 e-Choupal : The ITC Experiment

The unique web based initiative of ITC's International Business Division, offers the Farmers of India all the information, products and services they need to enhance farm productivity, improve farm-gate price realisation and cut transaction costs (refer figure 12.3 for the traditional model for marketing agricultural output). Farmers can access latest local and global information on weather, scientific farming practices as well as market prices at the village itself through this web portal - all in Hindi. Choupal also facilitates supply of high quality farm inputs as well as purchase of commodities at their doorstep.

Given the literacy and infrastructure constraints at village level, this model is designed to provide physical service support through a Choupal Sanchalak - himself a lead farmer - who acts as the interface between computer terminal and the farmers.

Figure 12.3: Traditional Marketing Model for Agricultural Output



ITC's e-choupal project currently covers over 6,000 villages in Uttar Pradesh, Madhya Pradesh, Karnataka and Andhra Pradesh.

The company also has plans to market wheat flour and sugar through the choupal network. It has begun distribution of life insurance products of ICICI Prudential through its rural network in 100 villages of Madhya Pradesh on a pilot basis.

The company was also set to launch branded and packaged salt through rural marketing platform in December, 2002. It has already launched its first product - a branded vegetable oil called `choupal' - in late September for the rural market.

12.10 BEHAVIOURAL ASPECTS IN RURAL DISTRIBUTION

It is important to understand the behavioural aspects and the type of relationships that a rural intermediary is likely to have with his customers in order for you to have fuller appreciation of the rural distribution scene. The dimensions include:

- Credit facilities to customers
- Pricing of the channel
- Reason for stocking Product/brand
- Information source and influencer on the retailer
- Channel conflict
- Channel promotion
- Frequency of purchasing
- Stocking
- Promotion by the retailer

a) **Credit Facilities:** The extension of credit facilities to the customers varies by location and by product. In a study by ICICI it was observed that the extension of credit to consumers is practically non-existent in towns but in the interior villages it is common. In another study, variations were also observed according to the product. Credit facilities were given on essential commodities like rice, oil, etc., but not for packaged goods.

b) **Pricing:** Some retailers in interior villages charge more than the maximum retail price. They justify overcharging by pointing out that they spend time and money to fetch the products from wholesalers. This in turn suggests that channel members in the rural areas seek higher margins.

c) **Reason for Stocking a Product or Brand:** Rural retailers stock a particular item usually because consumers request it or the margins are attractive and to a lesser extent because of the wholesalers' push or because the competitors stock them, primarily because competition is thin

d) **Information Source and Influence:** A study covering 25 retailers in seven villages in Deoria district of Uttar Pradesh brought out the importance of the wholesaler. According to the study, the wholesaler is the most important source of information for the retailer. The wholesaler is also the most important influence on the retailer on account to trade credit policies that may be followed. The retailer in turn is an opinion builder and strong influence of brand patronage to the rural customer

e) **Frequency of Purchase:** In order to maintain regular stocks, 30% retailers visit market (feeder center) daily, 40% visits market weekly for replenishing the stock, 20% visit bi-weekly and rest as per need.

It's not compulsory that retailer himself will go for purchases, he may ask favor of fellow retailer, relatives or even neighbors. This not only saves his time but also turns up to be economical.

f) **Stocking:** The ICICI study indicates the average value of stocks per product category in the interior villages is about a third of that in the feeder village. The average value of stocks of all packaged goods in interior villages was about a fourth of that in the feeder village. The monthly off-take for packaged products was only slightly more in feeder villages as compared to interior villages. The variation is in the composition with a lager off-take of packaged foodstuffs and tobacco compared to other products in the interior villages; while the feeder villages toiletries had a higher off-take as compared to other product categories. The stock turnover ratio (stock level to monthly off-take) for toiletries in interior villages was much less than that in feeder villages, less again than that observed for shops in town.

The low off-take, low stocks and lower stock turnover ratio reinforces the earlier observation that the number of products and items stocked is low in the interior villages. This effectively locks up the retail shelf space by the existing products and brands leaving no room for new products and brands. This added to the attitudinal barrier of the retailer for anything unknown, makes it imperative for special efforts to back up the launch of new product/brand offerings to rural markets. Mere mass media directed push simply does not help.

g) **Channel Promotion:** Retailers in interior villages do not avail of discount schemes as they prefer not to stock more, while this may not be so for retailers in the feeder markets. They are thus unable to take the advantages of bulk buying and pass the same to their consumers.

h) **Purchase Source:** Retailers in the interior areas are not visited by agents of distributors, they go to towns or feeder villages once or twice a month to buy the stock. Retailers in feeder villages purchase items like cosmetics, toiletries, detergents, and packaged foodstuffs from agents of distributors who visit their shop at regular intervals and deliver these items. Retailers prefer big retailers in trade centers (feeder market). Reasonable price is preferred by 60% of retailers, followed by variety of products offered, credit facility etc. It's strange to find that credit facility is desired only by few retailers, as others believe they end up paying more when they purchase on credit.

i) **Retailer-Consumer Reinfo. cing Behaviour:** Store patronage : high in the rural areas. **While ever 60% of the consumers have been found to be patror zing the same shop, about '5% of the consumers have been patronizing the same shop fo: over 10 years. This is in tuations where the consumer has several shops to choose from.**

Activity 6

What in your view are the marketing implication of these behavio. il aspects for marketers of

a. High power batteries
b. Insurance policies
c. Cold drinks

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12.11 SUMMARY

In this Unit, you have been familiarised with the type of and functic of various intermediaries that characterise the rural market today. The rural m ets in today scenario, present a very interesting montage where, in response to the conditio s operating these markets, several structure have got created, to cater to the consumptic a needs of rural consumers. Jaxtraposed with the traditional stockiest or the Lala as he is colloquially called, you would find newer, bolder initiates by companies to establish dire linkages using existing and innovative agencies so as to gain access to these markets. Exam es like e-chaupal and the SHG experience are changing the face of rural distribution, perhaps eversibly, while the retailer still wields enormous influence, alternatives are beginning to increase for the rural consumer. The unit also provides you detailed information of existin, scope and status of regulated markets, village fairs and haats. You may also like to go th ough the appendix with thus unit to get a comprehensive view of the powerful institution fairs which in terms of the sheer volume of trade they transact are an important consideration in any rural marketer's distribution strategy.

12.12 SELF ASSESSMENT QUESTIONS

1. Identify the challenges that a marketer seeking rural markets wo ld face in selecting his channel participants. Comment upon why certain intermediaries should./should not be included in the final chain of distribution.
2. Comment upon the role of Melas and Haats in rural distributio. How have marketers of consumer goods tried to utilise these institutions ?
3. 'Cooperative societies as a form of organisation have generally been effective in the rural set up'. Can the same be said vis-à-vis their role in distribution ? Collect relevant information to answer this question.
4. Can self help groups be utilised in an organised manner by manufacturers ? What problems and opportunities do you see in this relationship?
5. "The retailer is perhaps the most important link in going the last mile in rural markets." Do you agree ? Comment upon the role and significance of the retailer, also indicating the newer trends towards direct marketing being developed by Indian manufactures

12.13 SUGGESTED READINGS

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Veluyadan Sanalkumar, "Rural Marketing : Targetting the Non Urban Consumer, Response Books, New Delhi, 2001
David,Robin, "TV, Transforming the Rural India : Study, The Times of India, February 3,2000.
Iyer, K. Sriram, "Henkel to Charm Rural India via economy packs : the Economic times, September 28, 2000.

Look into the following sites for regular updates on rural distribution

1. www.anugrahmadison.com
2. www.martrural.com
3. www.indiaruralmarket.8k.com
4. www.indiainfoline.com
5. www.amul.com
6. www.indev.nic.in

Appendix I

TOP 100 FAIRS OF INDIA

SL No.	STATE	MELA/FAIR	LOCATION	DISTRICT	MONTH	DURATION (DAYS)	VISITOR (IN LACS)
1	ASSAM	RAASMELA	BILASIPARA	DHUBRI	NOVEMBER	30	NA
2		NETAGI MELA	KARIMGANJ	KARIMGANJ	JANUARY	15	NA
3		RASHMAHOTSAV	HARIMANDIR	NALBARI	NOVEMBER	11	NA
4	ANDHRA	BRAHAMOTSAVAM	TIRUPATI	CHITOOR	SEPT.OCT	10	NA
5		NETAJI MELA	KARIMGANJ	KARIMGANJ	JAN	15	NA
6		PANIMAYA MATHA FESTIVAL	TUTICORIN	TUTICORIN	AUGUST	10	NA
7		PYDITTHALLAMMA UTSAVAM	VIZIANAGRAM	VIZIANAGRAM	APRIL/MAY	NA	2 LACS
8	BIHAR	SONEPUR MELA	SONEPUR	PATNA	NOVEMBER	30	10 LACS
9		SORATH MELA	SORATH	MADHUBANI	JUNE	15	NA
10		CHATAR YATRA	KALAHANDI	KALAHANDI	OCT	2	8 LACS
11		VAISAKH PURNIMA MELA	BODH GAYA	GAYA	APR/MAY	15	NA
[illegible]		SHIVRATRI MELA	SAYAL	HAZARIBAGH	FEBRUARY	15	7 LACS
13	GUJARAT	VAUTHA FAIR	VAUTHA	AHMEDABAD	NOVEMBER	6	2 LACS
14		SOMNATH FAIR	PATAN	JUNAGARH	NOV	4	1 LAC
15		NARSINGHJI FAIR	GOMITPUR	AHMEDABAD	NOVEMBER	1	1 LAC
16		BHAVNATH FAIR	JUNAGARH	JUNAGARH	FEBRUARY	1	1 LAC
17		NAVRATRI FAIR	AMBAJI	BANSAKANTHA	SEPTEMBER	10	1.5 LAC
18		LILIPARI KRAMA FAIR	JUNAGARH	JUNAGARH	NOVEMBER	5	1 LAC
19		MANEKTHARI POONAM FAIR	DAKOR.	KHEDA	SEPTEMBER	1	1.25 LAC
20		GADADHAR FAIR	SHYAMLAJI	SABARKANTHA	NOVEMBER	7	1.5 LAC
21		GOKULASTHAMI FAIR	SURAT	SURAT	AUGUST	7	1.5 LAC
22	HARYANA	PIHOWA MELA	PIHOWA	KURUKSHETRA	MARCH	30	NA
23		PATHRI MATA KA MELA	PATHRI	PANIPAT	MARCH/JULY	30	NA
24		GANGOR MELA	SIRSA	SIRSA	APRIL	3	NA
25		KAPALMOCHAN MELA	BILASPUR	YAMUNNAGAR	NOVEMBER	5	2
26		SURAJFUND MELA	SURAJKUND	FARIDABAD	FEB	NA	15
27		KISAN MELA	KARNAL	KARNAL	SEPT	9	NA
28		DEHATI MELA	LADANA	KARNAL	OCT	7	NA
29	HIMACHAL	MINJAR FAIR	CHAMBA	CHAMBA	JULY	9	4 LACS
30		DUSSHERRA	KULLU	KULLU	OCTOBER	10	10 LACS
31	KARNATAKA	DASSARA	MYSORE	MYSORE	OCTOBER	10	5 LACS
32		SANGAMESWARA JATRA	HARIHAR	CHITRADURGA	MARCH	7	NA
33		MAHADESHWARA MELA	KOLLEGAL	MYSORE	NOVEMBER	5	2 LACS
34		HAVANOOR MELA	HAVANOOR	DHARWAD	JANUARY	3	3 LACS
35	KERALA	POORAM FESTIVAL	TRICHUR	TRICHUR	APRIL	21	7 LAC
36		ONAM	TRIVANDRUM	TRIVANDURM	AUGUST	10	10 LACS
37		MAKARA VILAKKU	MALAPPURAM	MALAPPURAM	MARCH	NA	10 LACS
38		CHIRAPPU	KOTAYYAM	KOTTAYAM	NOV/DEC	NA	2 LACS
39		FEAST OF ST SEBASTLAN	CHETALA	ERNAKULAM	JAN	NA	4 LACS
40		SHIVRATRI VILAKKU	ALUVA	ERNAKULAM	FEB/MARCH	NA	5 LACS
41		OMALLOOR FAIR	OMALLOOR	ERNAKULAM	MARCH	NA	4 LACS
42		MAGARA JYOTI	SABARIMALA	IDUKKI	JANUARY	10	NA
43		SRI SUNDRESWAR	KANNAUR	KANNAUR	APRIL	NA	2 LACS
44		UTSAVAM	VADAKKEKARA	MALAPPURAM	MARCH	NA	10 LACS
45	M.P.	KARTIK MELA	UJJAIN	UJJAIN	NOVEMBER	30	20 LACS
46		KADAM MELA	KHARGAAPUR	TIKAMGARH	NOV/KARTIK	15	0.6 LAC
47		RAJIM MELA	RAJIM	RAIPUR	FEB	30	NA
48		DASSERA MELA	JAGDALPUR	BASTAR	OCT	7	0.8 LAC
49		GWALIOR TRADE FAIR	GWALIOR	GWALIOR	JANUARY	30	10 LACS
50		MAKAR SANKRANTI	BARMAN	UJJAIN	JANUARY	NA	10 LACS

(Cont.)

TOP 100 FAIRS OF INDIA

SL No.	STATE	MELA/FAIR	LOCATION	DISTRICT	MONTH	DURATION (DAYS)	VISITOR (IN LACS)
51	MAHARASHTRA	KUMBH MELA	NASHIK	NASHIK	ONCE IN 12 YRS	NA	NA
52		SHARDA UTSAV	NAGPUR	NAGPUR	OCT/NOV	10	NA
53		GANESH FESTIVAL	SANGLI	SANGLI	AUG/SEPT	NA	NA
54	ORISSA	RATHA YATRA	PURI	PURI	JULY	7	10 LACS
55		JORANDA MELA	JORANDA	DHENKANAL	FEB	11	NA
56		DHANU JATRA	BARGARH	BARGARH	JANUARY	5	2.5 LACS
57		BALI YATRA	CUTTACK	CUTTACK	OCTOBER	7	10 LACS
58	PUNJAB	RURAL OLYMPICS	QUILA RAIPUR	LUDHIANA	JAN/FEB	5	3 LACS
59		HOLLAH MOHLLAH	ANAND PUR SAHIB	ROPAR	MARCH	7	3 LACS
60		BAISAKHI	TALVANDI SAHIB	BHATINDA	APRIL	5	3 LACS
61		SODAL MELA	JHALLANDAR	JHALLANDAR	SEPTEMBER	5	8 LACS
62		MAG MELA	KALER	FAIRDKOT	JANUARY	2	5 LACS
63		RAMTEERTH MELA	PURNIMA	AMRITSAR	NOVEMBER	3	1.5 LACS
64		SAHIDI JOD MELA	FATEGARH SAHIB	PATIALA	JANUARY FEBRUARY	5	4 LACS
65		CHAPPAR MELA	CHAPPAR	LUDHIANA	SEPTEMBER	4	5 LACS
66	RAJASTHAN	KHATU SHYAM JI	SIKAR	SIKAR	JANUARY	5	5 LACS
67		URS	AJMER	AJMER	OCTOBER	5	10 LACS
68		PUSHKAR FAIR	PUSHKAR	AJMER	NOVEMBER	10	7 LACS
69		RAMDEVRA	RAMDEORA	JAISELMER	OCTOBER	10	10 LACS
70		DUSSHERRA	KOTA	KOTA	OCTOBER	10	10 LACS
71		BENESHWAR FAIR	DUNGERPUR	DUNGERPUR	FEBRUARY	5	5 LACS
72		CHANDERBAGA FAIR	JHALAWAR	JHALAWAR	NOVEMBER	5	3 LACS
75		GOPINATHJIKA GARA MELA	GOPINATHJIKA GARA	BANAWARA	SEPTEMBER	1	4 LACS
76		KAILA DEVI	KAILA	SAWAI MADHOPUR	MARCH	15	25 LACS
77		KAILDA DEVI FAIR	KARAULI	SAWAI MADHOPUR	MARCH	3	2 LACS
78	TAMIL NADU	PERIA KIRTHIGAL	TRUPPARAN KUNDRAM	TRUPPARAN KUNDRAM	OCT/NOV	NA	10 LACS
79		EALLAZHAGAR	BANNARAL	BANNARAL	APRIL/MAY	NA	3 LACS
80		KUNDAM	CHIKKARA SAMPALAYAAM	CHIKKARA SAMPALAYAAM	MARCH/APRIL	NA	3 LACS
81	U.P.	BEMOLI KATRA MELA	BEMOLI KATRA	AGRA	AUG	1	5 LACS
82		KAILASH MELA	KAILASH	AGRA	AUG	30	6 LACS
83		MAKAR SANKRANTI	ALLAHABAD	ALLAHABAD	JAN/FEB	7	6 LACS
84		KUMBH MELA	ALLAHABAD	ALLAHABAD	JAN/FEB	7	6 LACS
85		BARABANKI MELA	BARABANKI	BARABANKI	FEB/AUG	4	4 LACS
86		AYODHYA MELA	AYODHYA	FAIZABAD	NOVEMBER	4	4 LACS
87		RAMNAVAMI MELA	AYODHYA	FAIZABAD	APRIL	4	4 LACS
88		SHARVAN JHOOLA	AYODHYA	FAIZABAD	JULY/AUG	7	5 LACS
89		NAUCHANDI MELA	MEERUT	MEERUT	MARCH/APRIL	30	30 LACS
90		RAMLILA MELA	VARANASI	VARANASI	OCT/NOV	10	5 LACS
91		CHITRAKOOT RAMLILA	CHITRAKOOT	CHITRAKOOT	MARCH	7	3 LACS
92		RAMLILA	RAMNAGAR		SEPTEMBER	15	5 LACS
93		SHIVARATRI MELA	KALAHASTI	KALAHASTI	FEBRUARY	4	3 LACS
94		MAHAUTSAV	LUCKNOW	LUCKNOW	NOVEMBER	10	5 LACS
95		NAUCHANDI MELA	MUZAFFAR NAGAR	MUZAFFAR NAGAR	APRIL	30	7 LACS
96		NAUCHANDI MELA	ALIGARH	ALIGARH	JANUARY	30	10 LACS
97	WEST BENGAL	GOKULANAND MELA	GOKULPUR	MEDINIPUR	DEC/JAN	5	1.2 LACS
98		SANKRANTI MELA	GANGA NAGAR	NORTH	JAN	NA	4 LACS
99		GOKULANAND MELA	GOKULPUR	MEDINIPUR	JAN/FEB	5	1.2 LACS
100		SHIVARATRI MELA	TARKESHWAR	HUGLI	FEBRUARY	2	1 LAC

Source: Background paper presented by Pradeep Kashyap, MART and prepared by the FICCI Rural Network at Rural Marketing and Communication Conference, April 24, 2003, New Delhi.

UNIT 13 PHYSICAL DISTRIBUTION PROCESS

Objectives

After going through this unit you should be able to

- describe the physical distribution process in the rural markets
- explain the variations in the point of purchase
- comment upon the concept of place utility
- describe the store choice criteria and brand evaluation criteria for the rural consumer
- describe the criteria considered critical in the rural distribution strategy
- comment upon the marketing implication of the existing infrastructure for the physical distribution function
- Draw insights into rural physical distribution process as followed by leading FMCG companies in India

Structure

13.1 INTRODUCTION

Physical distribution, as you are already aware from your exposure to MS-6, entails physical movement of goods from point of production to the point of consumption. The process involves decisions on transportation choices, warehousing, inventory maintenance and control, materials handling and selling standards of customer service. The rural markets with their attendant infrastructural characteristics of road network and limited choices of modes of transport, present unique challenges to physical distribution planners.
You went through the physical infrastructure scenario in the first unit of this block (Unit 11). Against that backdrop, let us look at the various stages in the physical distribution process. A situation typical to villages distribution is that significant amount of purchases get made not by goods moving to consumption locations but by aspiring consumers moving to nearby urban markets to buy them; and it is more than mere lack of availability that motivates such behaviour. A good percentage of rural consumers show a preference of shopping from urban locations on account of wider assortments available, perception of quality or just for the shopping experience. Rural markets show significant point of purchase variation. Consider the following : Ninety percent of consumer durables today are purchased from nearby small towns with 20,000 + population as per the recent IMRB study. The case of FMCG is characterised by direct supply to the feeder towns from where each distributor in turn maintains a supply network of a hundred plus outlets which can penetrate all villages in the 2000 + population strata. While these villages (85,000 of them) account for nearly 40.5% of the rural population, they are responsible for over 60% of all rural consumption. Taking the supply chain network further than these villages is something that corporations would like to consider in terms of incremental costs and incremental returns on account of hightened access. The access, however, has to be qualified by the variable of capacity to pay, which as you have seen through inputs given in Block I may not be uniformly distributed. Let us in this unit, go through the process of creation of place utility, the place of purchase variations and the marketing implication emanating from the same. The unit also brings to you interesting case illustrations of Indian companies trying to solve the rural distribution puzzle.

13.2 PLACE OF PURCHASE VARIATIONS

We all as urban consumers have this vision of the rural consumer relying almost exclusively to the village retailer for most of his consumption needs. The reality, however, is changing. Not all rural consumers buy from the same location. It is also true that the same consumer buys from different locations depending on the product and the need.

Distribution is clearly the key to rural marketing. But it's wrong to imagine that it's all that matters. Rural consumers aren't cocooned off from the urban world. As urban areas spread, rural consumers are increasingly getting at least occasional access to markets in towns -- either directly, or through friends and relatives. Rural shopkeepers are also increasing the range of products they buy from urban wholesalers, or even other small retailers. There are itinerant retail formats like weekly hats and mantis, or traveling retailers. Whatever the means, rural consumers are eager to consume -- and if marketers won't help them, they'll find other ways.

There are a few categories where rural distribution is still comparatively low -- or as in the case of toilet soaps and washing powder where, even more interestingly, the range in villages may be too limited for the consumers -- but which is being made up for by consumption sourced from urban areas.

A study on *haats* indicates that, despite the same product being available in the village shop, 58 percent of the rural consumers visiting the *haats* preferred to buy these from the *haat* because of better prices, quality and variety.

Rural consumers do not rely on the local outlets and *haats* alone, as some of the purchases are made in the urban areas (table 3). This is because there are a few product categories where rural distribution is still comparatively low and therefore the consumer buys from towns. In certain cases, the consumer seeks variety. In the case of toilet soaps and washing powders, the range in villages may be perceived as limited by the consumers.

Table 13.1: Percentage of Products bought from Nearby Towns

Category	Percentage Share from Urban Purchase
Shaving preparations	36.6
Bulbs and balms	32.0
Toilets soaps	24.0
Washing powders/liquids	23.4
Iodized salt	14.4

Source: Business World, April 1999.

Activity 1

Visit some urban market at the outskirts of your town, where there is a possibility of contacting rural buyers. Identify the purchases made by these buyers and discuss with them to gently probe

1) The reasons for their buying from an urban market
2) General frequency of their visit to the market
3) The proportion of their consumption requirements that they visit the urban market for.
4) The average expenditure per visit

•What are the implications of such purchase processes for the marketer of consumers durables and FMCG products, seeking to extend their reach to small villages.

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13.3 PHYSICAL DISTRIBUTION STRATEGY

In order to plan the physical distribution strategy the companies need to study the place utility for different products.

A typical customer has a clear-cut identification of market places for different requirements. A small to medium farmer would visit these markets for different products. For example, the village shop would be used for purchases of goods like tea, beedi, provisions, kerosene, etc. Purchases of cloth, cosmetics, soaps, utensils etc are made at shandies/ haats or melas. Purchases like cycle, radios, ornaments are purchased from primary, wholesale assembling markets. This consumer may not visit the other markets in the hierarchy (refer figure 13.1), whereas a landlord would have a different pattern of purchasing. The understanding of where the consumers wishes to buy his goods (place utility) would provide important directions for distribution functions.

Figure 13.1: Hierarchy of Markets for Rural consumers

Village Shop → Shandies, Haats → Primary Wholesale Assembling Markets → Secondary Wholesale assembling markets → Terminal Markets → Cities

Activity 2

Contact 2 manufactures/managers of consumer goods or seeds or fertilizers. Collect information from them to find out

- What are the indirect distribution choices used by them
- Are they considering direct distribution right up to village level? Would you advise them to go ahead? Advise appropriately

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13.2.1 Place Utility

Place utility aims at providing the product at the right time (time utility), at the right place (place utility) and in the right quantity (possession utility). Place utility deals with the extent of reach to be provided for the product. The place utility decision needs to be based on the consumer requirements, company capability and competition.

a) Consumers: A consumer may not buy a product even if it is available next door, he may prefer to buy from a market, which is further away. For each product a consumer has certain requirements and to fulfill these, the consumer would be willing to travel to a certain distance. A study found that fifty- percent of the consumption of soaps and 70% of the consumption of face creams in rural India is through purchases made in the towns. This trend is not only for consumer products, another study found similar pattern with agricultural inputs. The study showed that 60% of the pesticide purchases are made in towns, though there are outlets selling pesticides in their villages.

The decision to travel to a distant market is governed by (i) the store decision process and (ii) the evaluation criteria used by the consumer in the brand decision process.

i) **Store decisions:** Studies in consumer behaviour have shown that consumers use specific criteria for selecting retail stores. Studies have identified eight major dimensions, which determine the choice of the retail outlet. They are:

   a) Location.
   b) Reputation of the store.
   c) Physical characteristics of store.
   d) Products offered (range, quality, etc).
   e) Prices charged.
   f) Store personnel service (courteous, friendly, helpful).
   g) Advertising by the store.
   h) Friend's perception of the store.

A study of rural consumers found that the stores perceived to be selling quality products were preferred though they were far away. This could explain the reason for a large percent of people from rural areas purchasing consumer goods in towns. Credit facilities and the prices charged were found to influence the choice of the retailer outlet after the quality related attributes.

ii) **Evaluation criteria used by consumers during the brand decision process:** During the brand decision process if the consumer wishes to compare different products/ brands he/she would be willing to travel to another market, which will allow him to compare the brands. This is a typical situation in a white goods market where no other competitor is present. A single outlet in a market may not be providing any benefit to the consumer, as the consumer would be denied the opportunity of comparison. So the consumer may still travel to a market, which has other brands to satisfy his requirement of comparison. Textiles provide another situation where the consumer looking for variety would be willing to travel to a market, which provides variety.
Thus, a consumer would be willing to travel to a distant market if it would help him to evaluate the brands better and make a "better" choice.

iii) Who buys where? For consumer goods the choice of the store would vary with the rural segment. The choice for different segments is summarized in table 13.2.

Table 13.2: Choice of Store for different Rural Segments

Direct factors / **Indirect factors**	*Villages within a radius of 10kms. from urban center*	*Villages connected by public transport*	*Remote village (not connected by public transport)*
Traditional landlords	Super premium / premium products of consumer durables and non durables from towns	Consumer Durable brands promising value for money from towns and premium consumer non durable brands from village outlets.	Cheap varieties of Consumer durables from the towns and premium to moderately priced consumer non durables from village outlets.
Neo rich	Consumer Durable brands promising value for money from towns and premium consumer non durable brands from village outlets.	Cheap varieties of Consumer durables from the towns and premium to moderately priced consumer non durables from village outlets.	A market for small packs of national brands of consumer non durables and 'look alikes' (duplicates). Purchases are mainly from the haats.
Other farmers and agricultural labour	Cheap varieties of Consumer durables and premium to moderately priced consumer non durables from village outlets.	A market for small packs of national brands of consumer non durables and 'look alikes' (duplicates). Purchases are mainly from the haats.	Not a market for the consumer goods manufactured in the organised sector.

b) **Company:** From the company perspective, reduction in transportation expenses would be essential especially in the context of rural markets. Direct delivery of goods to even the top one percent of villages costs twice as much as servicing urban markets. "It is physically impossible for a company to cover all the three million outlets in the country," said Sachin Gopal, Vice-President, marketing, Gillette India Limited. "At best a company can cover 700,000 outlets, which is barely around 20 per cent of the rural market."

Lack of proper communication and distribution facilities, logistics, storage, transport and handling in smaller villages complicate the situation further. It therefore makes economic sense to reduce the locations to which the manufacturer should be directly involved in ensuring supply of material.

In this context the company should explore the possibility of taking advantage of the "natural flow of goods". If the company could ensure that the goods could move to interior markets without the intervention of the company then it would save a lot of expenses.

The natural flow of goods does benefit a lot of FMCG companies, which are marketing in the rural markets. If demand were created for a brand then the rural retailers would themselves ensure that the brand is available in the village to satisfy the consumers demand.

c) **Competition:** The extent of reach provided by the competitors need not be the only guiding factor to determine the place utility. The level of differentiation between the competing brands would determine whether to follow the competitors or not. As seen above acts of individual competitors need not be replicated in a highly differentiated market as the consumer may wish to visit a distant market. On the other hand, if the products are not differentiated then the extent of reach attained by the competitors would determine the reach to be attained.

Activity 3

Looking at the store choice patterns of rural population, what segmentation strategies for physical distribution would you suggest for

a. Manufactures of white goods
b. Nationaller sold brands of detergents, target soaps and toothpaste
c. Oral rehydration therapy packs

Refer to the table above to attempt this activity.

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13.4 MARKETING IMPLICATIONS

In view of the physical distribution scenario and the type of indirect distribution possibilities available, the following marketing implications seem to emerge for rural distribution;

1. Proper selection criteria for intermediaries should be developed so that outlets with good image are selected and the company does not loose due to stocks being present in stores, which would not be patronized by the customers.
2. Build brand pull to reduce the evaluation criteria during brand decisions. In such situations the companies would gain even if the competitors open an outlet in a new market.
3. Create a demand in the rural markets and try to take the benefit of the natural flow of goods.
4. Reach should match the competitors if the products cannot be differentiated. In case the product can be differentiated then the companies should increase the pull for their brand (in other words reduce the criteria during decision making).

Physical distribution: A summary

Criteria	Non durables	Durables
Consumer – maximum distance the consumer is willing to travel for the product.	Not willing to travel far	Willing to travel for a longer distance
Company – Natural flow of goods	Present	Absent
Competitor – Extent of differentiation.	Low	High
	Implications	Implications
	Differentiate the product by developing a unique positioning. Then the company should create a demand and take advantage of the natural flow of goods.	Availability of the product/ brand can be restricted to important markets as the consumers would be willing to travel to these markets.

13.5 EXISTING DISTRIBUTION PATTERN

The existing pattern of marketing activity in the rural market consists of stock points in the feeder towns, and the retail points at the village level. The stock points may belong to the manufacturer himself, or of a stockist appointed to cover specific areas. In all cases, the feeder town is the key to distribution in the rural market.

Under this system, stockists are appointed by the manufacturers in feeder towns, and entrusted with the task of financing, warehousing and sub-distribution of goods. Retailers, residing in and around the feeder towns are also appointed and are attached to the stockists. Over a period of time, some of the retailers grow in stature and get elevated as stockists of the second generation. The main advantage of this system is that penetration in the rural market becomes easier as the manufacturer is not required to open direct stock points.

13.6 PHYSICAL DISTRIBUTION STRATEGY: CASE EXAMPLES

Physical Distribution Strategy of HLL

Hindustan Lever Limited (HLL) initiated a scheme called 'Operation Harvest' to extend their distribution system to smaller villages also, which offer a sales of at least Rs. 2,00 per visit. This sales volume has probably been fixed by taking into account the distribution costs.

HLL have one or two Carrying and Forwarding Agents (C&FAs) in each state, depending upon the size of the state. C&FAs are assisted by Redistribution Stockists (RS), who are actually responsible for physical distribution of HLL products. Each RS is allotted a specific area for distribution of HLL products. Most of the RSs have vans for physical distribution of the products. These vans also cover the rural areas around the location of the RS. The coverage of rural areas by a RSs is called Indirect Coverage (IDC). The IDC is taken up by the RS with a view to increase the sales volume and consequently their incomes. Presently the villages which give substantial business to extent of about Rs. 15,000 per visit are covered every week and others once in a month. It should be mentioned that the RSs do not get any special assistance from the Company for covering rural areas under IDC. While this is the normal practice, a new experiment was initiated in IDC. This was called as 'Operation Harvest' meaning Harmonise All Resources in Villages to Enhance Sales and Turnover. Under this scheme, HLL assisted the RSs in extending their distribution network beyond the Villages already covered. A van was sent out to villages hitherto not covered on a fixed itinerary. The van covered six villages a day, 36 villages a week or 144 villages in a month. This cycle was repeated a couple of times in ~~the same~~ villages. The villages covered under this scheme were ~~those with~~ a population of at ~~least 2,000~~ people and connected by all weather roads. These ~~vans had~~ a public address system, so that this can be used for promotion work also. Among the villages covered under the scheme, those villages which generated a consistent sales of at least 2,000 during the visits were included in the regular distribution programme under IDC. Thus, HLL was able to identify and select villages with potential and include them in their regular distribution network.

~~In villages~~ beyond the reach of the distribution system, the shopkeepers make their own arrangements for procurement. Most of them commute to the nearby town to get their supplies. But the expenses incurred resulted in the village shopkeepers charging the consumers more than the maximum retail price. Generally, the rural shopkeepers invest their funds in purchases and rarely ever get credit facilities, which if made available are for a very short duration only. Since the quantum of purchases by the village shopkeepers is very small, the margins are also very meager. The ultimate consumer price of the product reflects the lack of distribution network. The prices are normally higher by 5 to 10 per cent in these village shops. If distribution system can take care of such small villages also, the sales will increase.

Operation Streamline

Operation Streamline is one of the major initiatives undertaken by HLL in recent times to penetrate the rural markets. In the case of Operation Streamline, the goods are distributed from the C & F Agents to the Redistributors, who in turn pass it on to the Star Sellers. Being a cross-functional initiative, the Star Seller sells everything from detergents to personal products, etc. You will read further on operation streamline through the case study on HLL included in Block 5.

Strategy of Colgate

Operation Jagruti, which is a consumer awakening programme undertaken by the company to highlight the benefits of better oral care habits, is a three-pronged programme.

The company is reaching out to millions of households across the villages, to also generate product trials and seed products in village outlets. The company has exploited shandies/haats and unconventional rural media to maximise impact of this rural promotional drive.

The company, which was also experimenting with non-compete competing so as to increase its penetration in one rural area, is taking this move forward to other areas as well. The idea is to restrain the cost from going higher as the actual distribution cost is shared between the companies.

This initiative is being conducted for the under-2000 population areas in rural India. The company was servicing this strata through van operations, haats and shandis. Out of 2.8 million outlets, Colgate is present in about 2.4 million outlets, which makes the brand one of the deeply penetrated ones.

13.7 SUMMARY

This unit presents to you, against the background of the rural physical infrastructure, the imperatives of creating place utility in the context of the purchase behaviour of the rural population. You are now aware of the seasonality of purchase behaviour of rural consumers. The marketing implications of this seasonal purchase behaviour create variability in stocking pattern and make the rural retailer a key participant in stock turnover patterns. This unit also provides you an exposure to two case illustrations to help you understand fully the physical distribution process in the rural market.

13.8 SELF ASSESSMENT QUESTIONS

1) What are the different place utility preferences that rural consumers display? Do these preferences vary across product classes? Discuss the implications for their preferences for marketers.
2) How so socio economic profiles of rural consumers affect these shopper behaviour. . Discuss in detail.
3) Explain operation harvest and operation streamline, the physical distribution processes followed by Hindustan Lever Limited. What are the lessons that you would derive from these illustrations.

13.9 SUGGESTED READINGS

1. Rajshekhar M, "Quest for the rural rest, Advertising and Marketing, March 31, 1999
2. Vijayraghavan Kala and Rath, Anmika, "FMCGs find rural treasures trove tough, 'The Economic times December 15,2000.
3. Jha, M. (1999), "Rural marketing : Some Conceptual Issues, Rural Scan vol 1, no. 2 April, 1999.

BLOCK 6 CASE STUDIES

This last block of your course on Rural Marketing brings to you four case studies on different aspect of Rural Marketing effort and buying behaviour. An attempt has been made to enable you to apply your exposure to the course to the situations presented in the cases, so that you can test the learning acquired in a specific situation. The block comprises four case studies:

Case Study 1: on **Rural Communication** is a case study on rural communication efforts of the consumer electronics division of Philips India Limited. The case outlines the differential communication effort that is required in the vastly different scenario presented by the rural markets in terms of reach of mass media, literacy and awareness levels.

Case Study 2: on **Mass Media and Social Advertising** is also focuses on mass communication but in relation to social marketing. Through the case illustrations of social marketing campaigns, an attempt is made to enable you to identify issues and problems in socially relevant marketing communication. This case study also contains a media note to enable you to address issues in rural communication.

Case Study 3: on **Distribution in the FMCG Sector** is a case study of rural distribution efforts of Hindustan Lever Limited, one of the most prominent players in the rural markets. The case traces the evolution of the distribution strategy of HLL and out lines the rural effort through three different 'Operations' as carried out by HLL.

Case Study 4: on **Rural Buying Behaviour** is a primary research study on rural consumers from two villages in Jammu and illustrates some of the ways in which variables influencing buying behaviour and buying processes differ in the rural context.

CASE 1 RURAL COMMUNICATION: A CASE STUDY OF PHILIPS CONSUMER ELECTRONICS*

Objectives

This case has been designed to help you:

- develop suitable communication objectives for a rural promotion effort,
- identify the nature of the communication task in view of the situation presented,
- develop an appreciation of the appropriateness of the message concept and media strategy chosen in the situation described,
- use the learning from the case in applying rural promotion concepts.

The Company

Philips India Limited is a subsidiary of global electronics giant Philips and a leading player in the consumer electronics and electrical lighting segments backed by superior design and technology. It also makes domestic appliances, electronic components, telecom equipment etc. The parent company Koninklike Philips Electronics N.V. (KPENV) has acquired 91.5% stake in the company through 2 open offers.

A major portion of Philip's revenue (86%) is derived from consumer electronics and electrical lighting divisions. Domestic appliances, electronic components, industrial electronics etc. contribute the rest. Share of the various dimension in total sales is as given below:-

Division	Rs. mn	% contribution to Turnover
Lighting	6812	45
Consumer Electronics	6213	41
Domestic Appliances & Persona Care	661	4
Semiconductors & Components	146	1
Enabling Technologies Group	471	3
Others	952	6
Total sales	**15255**	

One of the most important characteristics of the Indian market is that it is highly price sensitive. Opening up of the economy has attracted a host of global majors, who have launched the latest technology products. Increased pressure due to competition and overzealous capacity creations has resulted in lower margins.

The Consumer Electronics Market

In 2001 the **Indian television market** was valued at Rs 39 bn. Colour televisions remain the largest segment of the industry accounting for about 70% of the market. In value terms, during 2001 the colour television (CTV) market did not grow at all, while black & white television (MTV) declined by 15%. The flat screen segment registered a strong growth on the low base. The CTV market in India was estimated at 5.4 mn units in 2001 and was expected to touch 6mn units in 2002. Philips has improved its market share in the CTV segment to 5.2% in 2001 up from 3.7% in 2000. The company plans to cease marketing black & white televisions in the country in 2002, as a result of declining volume sales for the product in India. It also planned to make a determined bed for the rural market in phases.

* This case is prepared on the basis of inputs provided by Mr. R.V. Rajan, MD Anugrah Madison, the agency which handled the rural promotion efforts for Philips. The background details about the company and its consumer electronics market were included by taking inputs from the Philips India page on www.indiainfoline.com by the Course Coordinator.

In the **audio equipment market**, PIL is a market leader. In a market characterised by intensifying competition from both overseas and domestic players, the major players are Philips (market share-37%) Sony (14.5%), Aiwa (7%) and Panasonic (6%). The Rs.16 billion audio industry in India recorded a decline of 10% in 2001. The product segment wise analysis however showed interesting trends. The market for traditional analogue based products sales has been declining while CD based product sales has been growing. Radio sales are riding high on the back of the launch of several FM channels during 2002.However cheap (Rs. 60 – Rs. 120) imported pen-sized radios are freely available in the market and ~~were~~ expected to impact Philip's radio sales in 2002.

In Audio systems as the domestic leader. Philips integrated operations make it a low cost producer. It manufactures the entire range – from pocket radios to Hi-Fi CD systems with VCS and MPS playback capabilities. Philip's market share in the audio segment increased from 27% in December 2000 to 37% in December 2001. CD based products witnessed rapid growth in 2001. However, the decline in audio analogue products was not fully compensated by the increased in CD based audio products. Philips launched FW V250 Mini Hi-Fi MP3 CD Playback compatible Systems, Lifestyle Micro Music System MC 70 and Light Weight Headphones Range during 2001. Sizable market share gains were achieved in the Mini Systems and Portable Audio Systems category. Mini-systems with VCD now constitute about 30% of the audio market Philips in 2001 had a 33% share in this segment as against 8.5% in 2000.

Philips Television sets are sold under the Powervision series of 14" 20", 21", 25" and 29" sizes and the Matchline series of 29" and 32". Widescreen 32" CTV is the product from its international range of pro-logic controls and Dolby sound system. In 2001 the company revamped the product portfolio according to market requirements, strengthening its presence in the 14" and 20" segments. Appropriate price positioning and integrated trade and consumer marketing programs also enabled the company to improve market share. Philips launched a 32" High Definition Plasma Flat TV, a 15" LCD TV Pc Monitor with PIP (Picture in Picture), a 21PT3462D CTV, a 43" rear-projection DVD system and DVD Recorder DVDR100 during 2001.

The Rural Initiative

In view of the rising income levels in the rural market strengthening the market potential for audio visual products in rural India, the company planned to promote its audio visual range in the rural markets.

The Consumer Electronics Division, with and objective of promoting Philips audio visual range of products in rural Tamil Nadu assigned Anugrah Madison the responsibility designing and executing the promotional effort. It was decided that the promotional efforts will be first initiates in rural Tamil Nadu.

Anugrah Madison, an agency specializing in rural promotion based in Chennai has been involved for the last 15 years in Rural Communication. The agency has the ability to develop communications including creatives in all South Indian languages a well as Hindi, and has the capacity and plan and manage rural events.

Anugrah Madison and the PIL rural communication effort : Looking at the brief of promoting the Philips audio visual range of products in rural Tamil Nadu, the agency decided to, first of all, conduct an external research study in Tamil Nadu villages to get an insight into the prevailing knowledge, practices and attitudes towards the brand and the product category.

The findings of the research study revealed the following:

- Philips was perceived to be a "quality' brand even "super" for its audio products.
- It was, however, not well known for its TV range.
- Brand choices for purchase of TV in the rural households were made by the head of the family in consultation with neighbours, relatives, local youth, cable operators and dealers.
- The actual purchase of the TV, however would be made from a nearby big town as rural dealers felt alienated from Philips.

On an analysis of the above findings the agency defined its communication task was two fold.

1. To convert brand awareness and preference for Philips audio equipment into brand preference for Philips TVs.
2. To build rural dealers confidence so that they would promote Philips products.

Concept and Concept Testing

The agency decided to pretest three concepts in the poster format in the proposed market in rural Tamil Nadu. The concepts were:

- Concept 1: "Philips : A trusted brand for generations"
- Concept 2: "Philips: A super company whose products are like stars"
- Concept 3: "Philips: Sachin's Choice – My Choice"

The pretest results showed that there was no comprehension of Sachin endorsing the brand among. The other two concepts elicited fairly enthusiastic response. Thus, the two concepts short listed were:

- "Superstar of my home – Philips"
- "Philips – always a superstar in the audio visual world"

The Promotion Plan: Reaching Dealers and Consumers

The agency developed a two pronged media campaign targeting dealers and opinion leader as well as consumers.

In order to educate dealers and opinion leaders about Philips' plans for the rural markets, five Philips Super Shows were held in hotels in towns in Tamil Nadu. The activities included special invitation cards with lucky dip numbers, a special dealer motivation song, a telefilm, a skit by a leading comedian and distribution of prizes. An exhibition with the latest innovative products of Philips from the world over (like the flat screen TV, home theatre, DVD, etc.) was opened to the general public for the following two days and was heavily promoted in the local media (regional press, van announcements, banners, hoardings, etc.). A special contest was also held to generate a database of potential customers.

As a result of the above, Philips as a company was being talked about. Opinion Leaders has a favourable image of the company and its products, enquiries for Philips TV brands were generated, and dealers were happy that the company was at last caring for them.

To target the rural masses, an extensive campaign consisting of the regional press, radio, rural cinema and wall paintings was implemented. In addition, an extensive audio-visual van operation across 2,000 villages was devised. Here activities included a karaoke contest with prizes, a theatre commercial, a telefilm, a painting contest for children, as well as distribution of prizes such as audio cassettes, t-shirts and chocolates for children. Other activities conducted in the village for residual impact were the distribution of audio cassettes in teashops/ grocery shops. etc., the pasting of posters in important outlets, and the distribution of perpetual calendars to panchayat chiefs. In addition, a database of 12 opinion leaders from each village was collected for follow-up action.

The whole exercise generated a very high level of word-of-mouth publicity for the Philips brand.

As a result of the complete media campaign, in recessionary market situation, Philips was able to enjoy substantial sales growth for both its b/w TV and colour TV brands, and a high level of audio sales were maintained. A follow-up campaign using cinema, radio and the regional press in following year helped maintain these growth levels.

The company is now considering rolling out the rural promotion activity on a national scale.

Discussion Questions

1. Critically evaluate the communication strategy utilized. Comment upon both dealer and consumer promotion giving your views of the media used in each case.
2. Can the same plan be scaled at national levels? Why and why not?
3. If you think variations in communication strategy would be needed region wise, suggests what these variations are likely to be in the case of

    1. Rural Haryana
    2. Rural MP
    3. Rural Orissa

CASE 2 MASS MEDIA AND SOCIAL ADVERTISING*

Objectives

This case presents to you three illustrations of social advertising, to enable you to:

- appreciate the utility of mass media for socially relevant objectives,
- evaluate the media strategy used in case,
- analyse present use of media and suggest alternative media mix, looking at the rural audience.

This case is followed by a brief media note on rural advertising to helps you appreciate some of the media choice criteria applied in the case.

Introduction

There is large scope for social advertising in the rural India. The Directorate of Advertising and Visual Publicity (DAVP) under the Ministry of Information and Broadcasting on behalf of various ministries and departments is in charge of releasing campaigns on a vast array of social issues that include immunization, girl child, women empowerment, health and family welfare, conservation of energy and national integration *et al.*

The DAVP has on its panel more than 24000 newspapers and journals. In the year 2001, the DAVP released 1,60,000 press advertisements in various newspapers in Hindi, English and various other regional languages. It also put up 400 exhibitions in different parts of the country on themes like national integration, communal harmony, family welfare and other developmental issues. Nearly 700 publications with a print run of around 20 million copies was also achieved. It also put up nearly 350 billboards, 2,500 kiosks and equal number of wall writings, over 9000 bus panels and five series of cinema slides each comprising 9000 slides in 13 regional languages. During the year under reference, DAVP produced nearly 4,500 audio and 150 video programs in Hindi, English and regional languages. Its mass mailing wing has an address bank of over 16 lakh addresses comprising nearly 560 categories of audience. During the year 2001, about 16 million people were reached through the direct mail medium.[1]

Social Campaigns for Rural India: Some Case Studies

- **Multi-media Campaign on Women Empowerment- 2001-2002**

The Department of Women and Child Welfare launched an intensive publicity campaign in the year 2001-2002 through the Directorate of Advertising & Visual Publicity (DAVP). The objective of the campaign was to *"create a general awareness of women's rights to build an environment which can impact positively on women's lives to empower them"*.

The media included press, outdoor, audio-visual/electronic, and print (posters, pamphlets, flyers etc.) The campaign was aimed at the entire population, especially the women covering the length and breadth of the country.

* The case studies and the media notes provided along with the case are developed by Professor Jaishri Jethwaney, Professor of Advertising and Communication, Indian Institute of Mass Communication, New Delhi.

[1] India 2002, Ibid.

The media strategy in this kind of campaign was to inform, educate and communicate with the target audience about the various schemes for beneficiaries, their rights, government policies and programs etc. It has been seen that such campaigns are spread over a period of time- from a few months to a year or more. The publicity is intensive in the beginning, than on special occasions and later at the end of the program, generally to enlist achievements, especially when the government spearheads the campaign.

Press ads on special occasions like Women's Empowerment Year, International Women's Year, National Nutritional Week, Breast Feeding Week, Children's day, Swadeshi Mela, Perfect Health Mela, were released. These were supplemented by ad for nomination for Stree Shakti Puruskar, Kishori Shakti Yojana, Constitutional Guarantee for women including some ads on women's education, rights, health, nutrition and maternity benefits.

The campaign also had ads against domestic violence, exploitation of girl child etc. A special logo was designed to provide a distinct identity to the campaign. The advertisements were released in all major languages in various newspapers. Some of the themes in the press ads are reflected below to provide glimpses.

One of the press advertisement had a graphic of the entire family eating together (the ad had a visual of a family comprising husband, wife and two children eating their meal together. The ad had minimal copy which said: *khushhaali ka yehi aadhar; milkar khay sara parivar:* prosperity comes when the entire family eats together. This presumably was to break the custom in rural area wherein the men and boys eat first, to be followed by women).

Another ad was on domestic violence (the ad had the visual of a group of women talking with a policeman, who also had a woman police official sitting by his side. The copy read: *Aab na ham chupchap sahenge; gharelu hinsa par baat karenge*: Now we shall not keep quit. We shall speak on domestic violence.

These ads were basically aimed at rural women. As the campaign was all-India, there were many ads that were aimed at urban women also. In commemorative ads, one generally found pictures of the Prime Minister and concerned ministers.

Thirty-six radio jingles, four spots and 14 episodes of a Tele-serial were also produced. A radio program titled; '*Aakash Hamara hai'* especially made for the North-East region was also launched during the year. A number of exhibitions on the theme of women empowerment were organized in different parts of the country.[2]

- **Sarv Shiksha Abhiyan Campaign- 2001-2002**

An extensive publicity campaign on 'Sarv shiksha abhiyan was launched by the DAVP on behalf of the Department of Elementary Education, Ministry of Human Resource Development. The objective of the campaign EDUCATION FOR ALL was to inform and educate the target audience about the government's plan to make education accessible to all children under a time bound program.

The punch line of the campaign was: *Let us join hands to ensure that each and every child is in school.*

[2] Although, exact expenditure details could not be accessed, but on a rough estimation, appreciating the various media mix, over Rs. Ten crores must have been spent on this campaign.

He campaign enlisted the goals of the program through various press ads that included the following:

2002: All distficts in the country to be covered by the program.
2003: Bring all children to schools, Education guarantee centers, alternative schools or back to back camps.
2007: All children complete five years of education.
2010: All children complete eight years of quality elementary education and achieve universal retention.
The bus panels carried the message: *har bachhe ko shiksha aur gyan dega sarv shiksha abhiyan* (Every child will receive education and knowledge through the 'Education for all' program)

In total, 3870 broadcast of various spots were made through the national network of AIR and 30 CBS centers and FM channels. 700 buses in Jharkand, Bihar, Uttar Pradesh and Delhi carried the bus panels. Over 45 insertions of five advertisements projecting various facilities were released in various newspapers all over the country in English, Hindi and other regional languages. The media list comprised various editions of mainstream newspapers brought out from various parts of the country, small and medium newspapers in regional languages.

- **Sarv Shiksha Abhiyan Campaign for the Year 2003-2004**

The Ministry of Human Resource Development plans to re-launch media campaign during the year 2003-2004 also. Some of the focus areas for the ensuing campaign will be launched in districts with poor child literacy in the Hindi belt, Orrisa, West Bengal and Andhra Pradesh. This time the girl child will be the focus area of publicity. An overall 2198 select gender backward blocks in the above mentioned states would be covered to give special focus to scheduled castes, tribal and urban deprived children, working children and minorities.

A budget of 20.24 crore rupees has been recommended by the DAVP to the Ministry for one year. The DAVP proposes to avail of special bonus schemes of Doordarshan and All India Radio to get 'maximum value for money' spent. The DAVP has also suggested to the Ministry to include some private television channels to enhance the over all reach of the campaign.
The proposed media mix includes, electronic media, interpersonal media (shows, programs by the department of field publicity and song & Drama Division), outdoor, press, and print media. The DAVP maintains a mass mailing list for sending publicity literature and posters. The list includes broadly, opinion makers, Panchayat offices, Members of State assemblies, municipalities' etc. The sponsoring ministries of various campaigns also handle distribution on their own.
Media sensitization is also part of the proposed campaign. The Ministry of HRD may also consider printing the campaign logo on the postal stationery and bring out commemorative coins and stamps during the campaign period.

- **Multi-Media Campaign on Social Justice & Empowerment**

The Ministry of Welfare constituted on 1985 was renamed as the Ministry of Social Justice and Empowerment in 1998.The 'areas of concern to the Ministry are all those where a major role is played by the states.[3] The Central government is responsible for formulating the related policies and programs besides coordinating and promoting implementation of services by various states. The programs aim at covering scheduled castes and other disadvantaged people, weaker sections, people with disabilities, helpless children etc. The campaign launched by the Ministry through DAVP and other media units of the I&B in 2002-2003 aimed at informing and educating the

[3] India,2002, Ministry of I&B

target audience about various schemes, especially relating to various scholarships available to students of the weaker sections, coaching assistance for examinations, assistance for purchase of appliances, announcement of child helpline etc. Six states, viz., Karnataka, Andhra Pradesh, Rajasthan, Uttar Pradesh and Madhya Pradesh were covered.

The media mix included, press, electronic media, print (pamphlets, posters etc), exhibitions, outdoor publicity, bus panels, interpersonal communication, song & drama programs, film shows, book exhibitions etc.

In order to gauge the impact of the campaign, the Indian Institute of Mass Communication was commissioned to conduct a research study immediately after major the exposure of the campaign to the target audience. A purposive sample of 2000 respondents was drawn from all the six states. Some of findings throw interesting insights about various media. Despite the claim of increasing media penetration in the rural areas, more than 55 per cent knew about the social justice and empowerment schemes through friends and relatives. Twenty six per cent knew them from the concerned offices and institutions. Opinion leaders accounted for being eight per cent resource of information. Television, newspapers and outdoor media accounted for only three to four percent resources each.

Information through the song and drama was considered most effective. As many as 42 per cent vouched for it, followed by 18 per cent respondents who were exposed through the outdoor media like hoardings, wall writings and bus panels. Doordarshan was considered effective by six per cent and radio by only 0.5 per cent. More than 29 per cent respondents across six states felt the campaign was largely effective; while about 35 per cent felt it was only 'somewhat effective'.

The government most of the time is under scrutiny for its tilt towards urban and English newspapers at the cost of the regional newspapers. The readers of such newspapers may not be the real target audience for that particular social product. The argument in favour could be that in order to bring about social change, it is important to involve various sections of the society and educate them about the rights of the their less privileged countrymen and also to elicit their support in bringing about change. (The campaign: *Each One Teach One* involved a lot of people from the urban area, so much so that the agency in charge of providing kits to the volunteers could not cope up with the tremendous response).

Discussion Questions

1. Critically evaluate whether the media used in each of the cases above was suitable to the objectives of the social campaign.
2. In your view, and from a study of the illustrations above, how different is social advertising in the rural context to social advertising in the urban context. Take any one illustration of urban social advertising (safe driving, safe driving water, AIDS prevention, anti smoking campaign, etc) and compare it with the illustration above to identify differences between the two.
3. What alternative media or advertising approaches would you suggest in each of the illustration above? Justify your choice.

A Media Note for Rural Advertising

Dynamics of Rural Advertising

India, the largest democracy in the world is also the second largest populated country. It provides an interesting kaleidoscope for communicators.

The country abounds in myriad languages and dialects, which are so different from each other that it is almost a Herculean task to speak to the whole country with one voice and style that can be deciphered by a great majority of people.

India is a multi-cultural, multi-ethnic and multi-religious country posing a great challenge to communicators in understanding the currents and the undercurrents that continuously happen in a developing society.

Despite the media revolution that came about in the early Nineties, it is a long way to go as far as reaching out to a huge population is concerned. Media reach often does not get translated into media accessibility. The satellite television channels are slowly but surely making headway in reaching out to the hinterland. The latest *India readership Survey 2001* bears this out:

Media reach

	Press	TV	Radio	Internet	Cinema
Urban+ rural	33.3	50.6	15.1	0.8	8.7
Urban	56.7	78.7	14.4	2.6	14.1
Rural	24.3	39.8	15.4	0.1	6.9

(Figures in %)

There are a certain myths about the rural market vis-à-vis the use of mass media, which an advertiser needs to understand.

One of the myths is that 'upmarket' means urban India. The reality, however, is that if monthly Household Income (MHI) is taken, as a parameter to segment 'upmarket' audience and MHI of Rs. 5000+ as the benchmark, then it is a fact that 40 per cent of this audience comes from the rural India.

There is another myth that the rural audience can't be reached through the mass media, which may also not be true. As per the media resource book, we can reach more than 50 per cent of rural population through the mass media (TV/ press/ radio/cinema) and 59 per cent of the 'upmarket' through the television.
DK Bose an expert social marketer with Thomson Social, and later with Ogilvy Rural also feels that brand recall is just not existent in the rural India. People may ask for '*lal sabun*' to denote Lifebouy but don't understand if some other brand is given to them. Conversion, in rural areas in his view needs product demos. Levers 'went the wise way; it created familiarity with the brands first; then sources', in his view.[4]
Rajkumar Jha, Head of Rural O&M is of the view that in the rural market the benchmarking about success is not yet sales, but creating awareness, brand salience, trial generation and participation.[5]

Rural Marketing and Advertising Strategies

In the context of rural advertising, one has to understand that because of very peculiar nature and challenges as reflected in the above paragraphs, the marketers generally go

[4] Brand Equity, Economic Times, 6-12 October 1999.
[5] Response based on a questionnaire emailed to the expert.

in for integrated marketing and communication strategies, that would encompass product innovation, pricing, promotion (of which advertising is only one part), distribution etc. Hence, in the following paragraphs emphasis has been made to provide a holistic picture and not just advertising, which is mediated communication through the mass media alone.

The dynamics of rural marketing and communication requires acquiring deep insights and innovative strategies, some of which may include the following:

- Keep low-priced and small unit packages. The shampoo sachets are a great success story in the rural markets. Brook Bond tea sells its low-end package at 25 paise a unit. When people sustain their lives on a day to day basis, especially the manual labourers, selling products in packages that are for one time use make a better sense.
- Build imagery around products. It has been seen that the rural audience has its way of recognizing and referring the products. Double Haathi brand of rice with a graphic of two elephants, Panghat Vanaspati, with a graphic of lady with a water pitcher on the head are referred by the picture when purchased.
- Pack products in dispensers that can be used by the rural buyers to store small necessity items. Such things help in reminder value.
- Rural India has a great potential for second hand goods. Many wholesalers are cashing in on it. When a television manufactures gives a promotional scheme to exchange an old TV with a new one at an excellent discount in a Metro, one wonders what happens to the old one. After a bit of repairs here and there, the set straight away lands up into the rural market.
- For the service sector, especially the banks and insurance, it would be in the interest of the companies to reach out to the people, if they don't. One has witnessed tremendous spurt in small savings over a period of time. Many banks have reached out to petty shopkeepers and other workers at the time of the closure of shops or end of a workday to collect money for their saving schemes.
- Personal insurance and insurance of crops is also catching up. Some state governments have also come forward in lending a helping hand in it.

As for ad insights, the AP Lintas's field survey in 1999 throws some interesting postulates:

Larger than life and entertainment values work better than slice of life or real life situation. Celebrities must be used with caution. Familiar yet aspiration role models work well. ' Govinda leads the pack across rural markets since his hits and idiom are more non-metro. Shahrukh Khan comes a distant second in the cow belt'.

TV viewing is still largely community viewing and hence rural audience are not comfortable with sensuality or sexuality (*aka* Lux spot with Urmilla Matondkar)[6]

Media utilized for reaching out to the rural consumers

The ad spend on rural markets according to industry sources is less to Rs. 100 Crores, which is an abysmal percentage of more than Rs.10, 000 Crore ad pie per annum. However, if we take in to account various social campaigns launched by the central and various state governments, we can safely add another Rs. 50-75 Crores ad spend on advertising aimed at the rural audience.

Marketers use both above and below the line media to woo the rural audience for sale of commercial ware. Some of the frequently used media comprise the following:

[6] Ibid.

Advertisers have been making use of mass media also to reach out to a disparate rural audience for promoting products that have a rural potential.

The ads for fertilizers, motorcycles and mo-peds, tea, soaps, *bidis* etc. are packaged in such a manner so as to attract the rural folks. The '*Chal meri Luna*' (let's go my Luna) mission statement almost became a national line when Luna mo-ped was very popular in the rural areas in the eighties. Similarly, Brook Bond tea's *karak chhap chai* (strong taste tea) message found instant favour with the audience.

Outdoor Media

The outdoor media generally encompass large billboards, kiosks, bus panels, bus stands, wall writing and tinplates etc. It is not uncommon to see larger than life messages painted on these media as you enter an average village. Multinational companies like the Pepsi and the Coca-Cola seem to be everywhere. They even go to the extent of painting the entire roadside eateries known as *dabhas* especially on the highways with their colour schemes and product display. This is also true of the places that lead to tourist destinations, which often meander through villages. One wonders looking at them whether the entire rural population is hooked on to the colas.

This however may not be true. The message is more often for the tourists, who pass by these areas. It is not out of place here to mention that both the Cola giants viz., Pepsi and Coca-Cola got into the eye of the storm for painting the age old rocks with their slogans at the world famous Rohtang pass in 2002. The matter came under Public Interest Litigation (PIL). The Supreme Court ordered huge fines on both the erring parties for playing with the eco system.
Wall writing was also very common both in rural and urban India during the election times leaving the entire country defaced. It took an election commissioner like T.N. Seshan in the early nineties to make it a cognizable offence, if messages were painted on government property. This has since ended. However, many companies continue to paint the corner houses, especially villages on the highways after taking permission from the owners. Many studies suggest very high exposure and recall of ad messages on walls.

Special Campaigns

As more and more companies see marketing potential in Rural India, they in order to woo the dealers and consumers launch special promotion schemes. It is not uncommon to see dealer meets and dealer promotion schemes, which dole out attractive prizes that, may even include holidays in some exotic overseas destination. Brook Bond tea often organizes road shows, which include painted vehicles, painted elephants carrying the brand messages amidst music and dancing.
Fairs, *Haats* and *Melas* are ideal spots to promote a variety of products. The Maha Kumbh congregation held at Allahabad in January-February 2001which attracted more than 70 million people witnessed great promotional schemes at site. Air balloons carrying messages of companies like Dabur and Colgate herbal could be seen filling the skyline. These companies alongwith many more distributed free product samples at site. In the exhibition grounds, companies like the Hindustan Lever, Dabur, Nestle, HMT, Eicher and Mahindra & Mahindra among others made their presence felt. As per media reports, the UP government gave exclusive rights to Pepsi to sell its products at the Kumbh mela. According to the study conducted by the present author, the State government's Web site listed rates for various kinds of outdoor publicity media including banners, balloons, billboards and tree guards. The site exhorted thus:

"This will be a rare occasion for the purpose of making your products and organizations popular among the rural as well as urban masses of India"[7]

Allahabad, although is a bustling city, but the expectation of the rural audience made companies address their messages to them also.

The emergence of a new medium for rural India

Video vans known as Video *Raths* (Chariot) and later as Video on Wheels (VOW) came about in the late Eighties around the election time. Devi Lal presumably was the first one to make use of the medium during his run for chief ministership in Haryana. Looking at its roaring success, there has been no looking back in the use of this medium by various political parties, especially the BJP, which made an immense use of this revolutionary medium. Dr. Jain of the Jain satellite TV is supposed to be the father of the VOW concept. The marketers soon saw a great potential in reaching out to the rural area with their brands. As the vans were lying idle after the elections, Dr. Jain's company started renting them out to the companies.

Over a period of time there have been innovations in the VOW making it the 'magic' medium as some analysts put it. It has been characterized as the rural cable or satellite TV with a capacity 'to receive Jain satellite television in rural settings and projecting programs on a giant 100 to 300 inches screen with state-of-art audio systems'.[8]

A VOW make its journey from village to village with a program that is announced a day in advance. Because of its novelty, it often becomes a media issue, hence vigorously covered by local newspapers, giving it a multiplier impact.

Advertisers, though late in catching its potential, now seem to be using it whole hog. Many companies like the Hindustan Lever, Brooke Bond, ITC, Proctor and Gamble, Larson and Tubro, Godrej and Pepsi have successfully made use of this medium in promoting their products. Vow offers advertisers a complete communication solution that includes *demonstration of the product, promotion, market research, retailer motivation, instant reaction and opportunity to sale.*

Godfrey Philip supposedly has made good use of the medium when it ventured to change the bidi-smoking people to cigarette smoking.

According to industry sources, a twenty-six day itinerary of one van with two stops each day could cover fifty-two villages. Assuming an average of 3000 viewers per show, it amounts to 1.5 lakh viewers a month.[9]

Looking at the success of the medium, many rivals have ventured into the VOW field.

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[7] Jethwaney J et al, *Media influence on MahaKumbh Visitors- an IIMC Research Study*, IIMC2001.
[8] Bhatia Tej K Advertising in Rural India, Institute for the study of languages and cultures of Asia and Africa, Tokyo University, 2000.
[9] Rawala Bharti, Marketing goes rural, The economic times, 6th March 1996 as quoted by Bhatia Tej ibd.
The present author however feels the figures are a bit too optimistic. 3000 is a large number. Many villages may not have as many inhabitants.

CASE 3 RURAL DISTRIBUTION FOR THE FMCG SECTOR – A CASE STUDY OF HLL

Objectives

The case study presented below should:

- help you appreciate the distribution complexities involved in fast moving, low unit value products in rural India,
- enable you to identify challenges specific to rural markets via-a-vis the distribution function,
- enable you to evaluate various distribution options available to FMCG companies,
- lead you to critically analyse the effectiveness of the distribution efforts of the company.

Responding to the Challenge

HLL is perhaps one of the few if not the only FMCG company, which has identified the challenges of the rural markets, and devised strategies to meet them head on. However, the task is so daunting that it will take considerable time and resources to fully develop the rural market.

The Distribution Reach

Particulars	HLL	Colgate	Britannia
Retail outlets Services	1,000,000	2,500,000	4000,000
Cities/Towns/villages	50,000	20,000	2,200
Distributors	7,500	2,000	2,500
Rural turnover	50.0%	35.0%	30.0%

Source: **NCEAR**

The objective: The goal of the distribution effort is to reach 2,35,000 villages up from the current 85,000; 75% of the rural population up from 43% today; and a messages reach of 65% up from the current TV reach of 33%. The aim is to increase access, influence attitudes, create a channel to raise awareness of its brands and catalyze affluence in rural India.

At the Cutting Edge of Competitiveness

To meet the ever-changing needs of the consumer, HLL has set up a distribution network that ensures availability of all their products, in all outlets, at all items. This includes, maintaining favourable trade relations, providing, innovative incentives to retailers and organizing demand generation activities among a host of other things. Furthermore, although the distribution system is common across most businesses, each of the businesses have, over the years, fine-tuned the system to meet their objectives. The differences, therefore, lie in the manner businesses use an existing distribution network, and the channel players involved therein, to improve their reach and service to their customers and end users. For instance, the distribution model for detergents, personal products and beverages are quite different from each other due to various factors.

This case study is the outcome of the PGP Dissertation of Lalit Sharma prepared under the supervision of Mr. O.P Wali, Faculty IIFT, and submitted to the Indian Instituted of Foreign Trade. The contribution is gratefully acknowledged.

Similarly, the success stories of urban markets cannot necessarily be replicate in rural markets.

In the future a lot of trends are expected to change across the various markets. Companies will have to constantly grapple with these changes and align their distribution systems to stay ahead in the race.

The evolution of HLL's distribution network: HLL has followed a strategy of building its distribution channels in a transitional manner; and in different successive phases of the evolution of its distribution system, has penetrated well into the rural market.

Phase I

The first phase of the HLL distribution network had wholesalers placing bulk orders directly with the company. Large retailers also place direct orders, which comprised almost 30 percent of the total orders collected.

The company salesman grouped all these orders and placed an indent with the Head Office. Goods were sent to these markets, with the company salesman as the consignee, The salesman then collected and distributed the products to the respective wholesalers, against cash payment, and the money was remitted to the company.

Phase II

The focus of the second phase, which spanned the decades of the 40s, was to provide desired products and quality service to the company's customers. In order to achieve this, one wholesaler in each market was appointed as a "Registered Wholesaler," a stock point for the company's products in that market. The company salesman still covered the market, canvassing for orders from the rest of the trade. He would then distribute stocks from the Registered Wholesaler through distribution units maintained by the company. The Registered Wholesaler was given a margin of 1 per cent to cover the cost of warehousing and financing the stocks held by him. The Registered Wholesaler system, therefore, increased the distribution reach of the company to a larger number of customers.

Phase III

The highlight of the third phase was the concept of "Redistribution Stockiest" (RS) who replaced the RWs. The RS was required to provide the distribution units to the company salesman. The RS financed his stocks and provided warehousing facilities to store them. The RS also undertook demand stimulation activities on behalf of the company.

The second characteristic of this period was the changes brought in as the company realised that the RS would be able to provide customer service only if he was serviced well. This knowledge led to the establishment of the "Company Depots" system. This system helped in transshipment, bulk breaking, and acted as a stockpoint to minimise stock-outs at the RS level.

In the recent past, significant change has been the replacement of the Company Depot by a system of third party; the Carrying and Forwarding Agents (C&FAs). The C&FAs act as buffer stock-points to ensure that stock-outs did not take place. The C&FA system has also resulted in cost savings in terms of direct transportation and reduced time lag in delivery. The most important benefit has been improved customer service to the RS.

The role performed by the Redistribution Stockist has also undergone changes over the years. Financing stocks, providing manpower, providing service to retailers, implementing promotional activities, extending indirect coverage, reporting sales and stock data, screening for transit damages are some of the functions performed by the RS today.

HLL has grown manifold over the years. In the process, the number of factories and the number of SKUs too have increased. In order to rationalise the logistics and planning task, an innovative step has been the formation of the Mother Depot and Just in Time System (MD-JIT). Certain C&F as were selected across the country to act as mother depots. Each of them has a minimum number of JIT depots attached for stock requirements. All brands and packs required for the set of markets which the MD and JITs service in a given area are sent to the mother depot by all manufacturing units. The JITs draw their re requirements from the MD on a weekly or bi-weekly basis. This system has reduced inventories and stock-outs to a remarkable level.

Operation Bharat – HLL's Rural Distribution Effort

Since December 1997, HLL has reached out to 35,000 villages, 16 million households, and spent Rs.20 crore. The nuts and bolts of one of the largest sampling exercises in recent times are discussed below.

It's about nine in the morning at Ambevadi, a little-known village in Kolhapur district of Maharashtra. A small crowd has gathered around a van. A gray-haired, sixty-something Shyambhau mutters a Sanskrit sholka and breaks a coconut. Sweetmeats are distributed. A man prances ahead to decorate the van with a marigold garland. There is loud applause and a cheer as the crowd gets aboard the van. After a bit of a starting problem the van dissolves into the dust clouds. Shyambhau is one of the 1,000 odd promoters recruited by HLL to etch its logo on every country-woman's heart through Operation Bharat.

Like all big ideas, this one too had humble origins. It grew out of HLL's desire to up the sub-ten per cent rural penetration of Fair & Lovely. For that to happen, trials were a must.

Yet a one-product charge would have cost too much. To spread costs, the Rs.1,526 crore Personal Products Division (PPD) added a few more goodies. In came hair-care (Clinic shampoo), dental (Pepsodent toothpaste), skin-care (Fair & Lovely) and body-care (Pond's Dreamflower talc) products. And thus was born the Bharat Pack. All the four chosen brands had one thing in common; they were urban hits but rural misses.

HLL toyed with the idea of region-specific packs. For instance, a cold cream could be considered instead of Fair & Lovely in packs meant for the north. Bharat Packs came in eight languages (spoken in the states being covered). The four products came from Chennai (Tamil Nadu) and Silvassa (Daman and Diu). Adding region-specific products would have made an already complicated logistical situation worse.

Another driver for such a massive push was the need to impact the topline. This was exercise was conducted in eight states, which accounted for 65 per cent of sales growth.

Market research available in-house pointed out three barriers these brands faced in the countryside: lack of brand awareness, ignorance of product benefits and complete absence of any first-hand experience of usage. The last, coupled with an aversion to spend money, even on trials, came across as the main obstacle.

Freebies too didn't help. Even give-away – like a free Fair & Lovely pack with soap/detergent brands – did little. The message was clear: any trial inducement should cost as little as possible.

With Rs.20 crore at stake, HLL needed to know more. A pilot was carried in the Kolhapur district of Maharashtra. Detailing was an integral part of the project.

Significantly, the Kolhapur pilot provided framework for arriving at the right price. The pack was sampled at four price points: Rs.5, Rs.10, Rs.15 and Rs.20 over four weeks. At Rs.5 and Rs.10, everyone tried the pack. At Rs.15 and Rs.80 per cent of the villagers bought the pack. The figure dropped to 60 per cent at Rs.20. Roughly 30 per cent of those who bought the pack, came back to buy one (one more) of the sampled brands.

There were two imperatives driving the costing. One, since the repeat purchase was 30 per cent, the absolute number of people buying the pack should be large enough to make the number of repeat users meaningful. Two, the price point-volumes ratio should be as close to the break-even point as possible. The 80 per cent productivity at Rs.15 achieved both objectives. So Lever settled for that price.

The following three alternatives were tried out by the company:

- The company did not conduct sampling on an individual consumer basis in the first instance.
- The company conducted community sampling using a bus.
- The company conducted home-to-home sampling using a van coupling these efforts with movie screenings.

In the first case (without sampling), only one per cent showed any intention to buy, which grew to three per cent with community sampling. When approached individually, (as in the third case) 20 per cent appeared keen. Naturally, the team chose the third method.

Also, during the Kolhapur pilot, few women came to the screenings. To attract the women folk, HLL came up with a scheme. With the pack came a lucky coupon for a draw held during the screenings. It was made mandatory for the winner to personally collect the prize (a male member could not collect the gift for her).

With these findings with them the final blueprint was drawn. Starting December, the regional offices (north, south, east and west) would have to be ready to carry out Operation Bharat in the states falling in their regions. The Rs.15 Bharat Pack was sold from door to door. This was accompanied by screenings of film songs and mythological serials interspersed with ads of Lever products. Close to 160 vans and over 1,000 promoters (sales staff of the distributors or some other private operators) were pressed into operation. The cost: roughly Rs.13 crore. Each van, equipped with a TV and VCR, had six 'promoters'.

Out of the six promoters, one was a driver, four were salesmen and the sixth was the supervisor hired from another agency to keep a tab on the rest of the team. The supervisor was rotated every two months to prevent any liaison between him and the sales staff.

Creak!!!! Screech!!!! After a rickety ride along dusty roads, the van halts near a house. Shyambhau instructs one of his boys to explain the scheme to a lady in the house. "Is madam there?" asks Shiv the salesman. "Why" asks an apprehensive Vithalrao, the head of the family. "We have this pack for her. We would like her to have a look and see if she would like to buy it." Say Shiv (trying to look his best, *smoothing out the creases in his uniform). He goes on to explain to Vithalrao about the contents of the pack before telling him that he will be getting it for Rs.15 as against Rs.25 if every item was bought separately. Vithalrao looks at the pack and reads the Marathi instructions on it.*

A sugarcane farmer, he has managed a good crop for the past two years thanks to timely monsoons. Just last year, he had bought a black and white TV, thanks to which the brands on the pack are not altogether alien to him. He buys the pack for his wife and accepts the lucky dip coupon.

It satisfied, HLL hopes, Vithalrao's wife will come back for more.

The rollout, which began in January 1998, was to be carried out at a furious pace. As many as 140 villages (with roughly 400-500 households) were being sampled every day. At this frenzied pace, it took HLL one-and-a-half years to cover the targeted 35,000 villages.

While the overall distribution remained intact, some minor changes/ improvisations had to be made based on the feedback.

For instance, to avoid glitches pulling down the tight schedule, the company had to introduce a Best Practices docket. This was a compilation of simple dos and don'ts. Simple instructions like 'Check the generators regularly' formed a part of the booklet.

Another modification needed was in the type of programmes that were being shown at the evening get-togethers. The idea behind the screenings was to expose viewers to product ads, which interspersed the programmes. This was to build a high brand recall to drive repeat purchase. But in areas with high TV penetration, response to film songs was lukewarm. As against 400 viewers that a screening could draw in a state like Bihar (Which lags in TV penetration), states like Maharashtra and Andhra Pradesh drew only around 75 viewers. That promoted a switch in programming, from film songs to mythological serials.

The progress of the project was monitored in two states: Bihar and Maharashtra. The two states chosen represent two different regions (north and south) and have contrasting prosperity levels.

These sampling exercises were conducted between the months of December 1997 to June 1998, and then again from September 1998 to March 1999.

Operation Streamline

Operation Streamline is one of the major initiatives undertaken by HLL in recent times to penetrate the rural markets. In the case of Operation Streamline, the goods are distributed from the C & F Agents to the Re-distributors, who in turn pass it on to the Star Sellers. Being a cross-functional initiative, the Star Seller sells everything from detergents to personal products, etc.

Operation Streamline opened up a new distribution channel beyond the territories that were covered by HLL's 7,500 odd distributors. In less than two years, it has doubled the company's reach in rural India. Lever's distribution network now covers 60 per cent of the villages (with population greater than 2,000, and having motorable roads.)

Their aim to double penetration levels for their personal care products in the next three years in these markets. The outcome, if its test marketing experience in Maharashtra is anything to go by, is a foregone conclusion. To take one example from that pilot project: penetration levels for its Fair & Lovely cream shot up nearly three times in just three months of launch of project. Interestingly, there appears to be a convergence around the prescription that HLL has created to crack opens the rural markets.

For the additional 30,000 villages that HLL wanted to reach, it created a superstockist-sub-stockiest structure.

The super-stockiest in the bigger towns service these sub-stockiest, who are paid 1-2 per cent more margins that the retailers. This is to cover the sub-stockest's costs in servicing retailers in his area. Since the distributor cannot cover these retailers regularly, these sub-stockiest are essentially stock points. Then, once dealers do the necessary demand creation exercises and as such off takes increases.

Indirect Coverage

Under the Indirect Coverage (IDC) method, company vans were replaced by vans belonging to distribution Stockiest, which serviced a select group of neighbouring markets.

Operation Harvest

The reach of conventional media and, therefore, awareness of different products in rural markets in weak. It was also not always feasible for the distribution Stockiest to cover all these markets due to high costs involved. Yet, these markets are important since growth opportunities are high. The company decided to initiate mobile van operations in a focused manner to create both awareness and point of purchase access.

Operation harvest endeavoured to supplement the role of conventional media in rural India and, in the process, forge relationships and loyalty with rural consumers. Operation Harvest also involved conducting product awareness programmes on vans.

There are 1.2 million urban retail outlets, and another 3.6 million shops in rural areas. Depending on their business objectives, marketer's use varying definitions for what is rural. Whatever be the case, to extend their reach, marketers begin by 'seeding' the new territory, mostly through a brand awareness exercise. As HLL demonstrated with Operation Harvest, this exercise is best done through van operations. During this exercise, vans from HLL and its distributors did the rounds of 30,000 villages giving promotional packs, showing products ads and identifying key retail and distribution points.

Cinema Van Operations

The Redistribution Stockiest typically funds these. Cinema Van Operations have films and audio cassettes with song and dance sequences from popular films, also comprising advertisements of HLL products.

But over a period of time, van operations (usually run by the distributor or a third party) have also been used to regularly service retailers in these smaller markets rather than only making contract with the end consumer.

These successive 'Operations' have enabled the company far deeper penetration levels than other companies. HLL recognized early in its rural distribution initiative that market share would be created only when demand is built up through awareness, trial and consistent availability. The company literally had to 'build up' the market village by village in its rural initiative.

Cost-effective distribution solutions were as first attempted by HLL, and many other companies are veering around to that option today. It has been working well for HLL, so others are beginning to experiment with it.

Discussion Questions

1. How did the marketing objectives affect the design of the distribution system in the above case?
2. The Company is following what it calls a 'transitional' evolution of its distribution system. Critically evaluate the effectiveness of the transitions.
3. What are the differences in the distribution efforts in Operation Bharat and Operation Streamline?
4. How effective in your view has been the rural distribution initiative by HLL? What suggestion would you like to make to the company, based on your understanding the rural markets in India?

CASE 4 RURAL BUYING BEHAVIOUR: A CASE STUDY OF CONSUMER IN JAMMU*

Objectives

This case study is presented to enable you to:

- get an idea of the influences on buying in rural India,
- appreciate the diversity of buying behaviour across rural and urban customers and possibly across different regions,
- discuss the impact of culture on buying behaviour,
- identify the kind of effort needed to approach the rural consumer.

Introduction

Most of us having been schooled in the occidental mode of thinking have managed to apply our learnt paradigms to urban markets with reasonable success, weaving in minor modifications to "Suit Indian Conditions" (The Eco-Times, Brand Equity, 1994). After all, there is not much difference between a consumer in cosmopolitan Bombay to one in London. However, the next logical step of extending our bag of tricks to rural areas has not met with the same level of success simply because the rural setting is fundamentally different from the urban. Like the products themselves, most advertisements that are created for urban audience often leave villagers cold. For instance, the members of some rural communities in Rajasthan were put off by the Halo Shampoo spot, featuring female models with beautiful bouncy hair. Reason, in those parts, it is considered 'indecent' for women to flaunt their tresses for all to see. The same villagers were bemused by the strepsil's "Bahut Mazaa Aya" advertisement. In their dialect, the word mazaa has a strong sexual connotation and they couldn't understand how any one could get corporeal pleasure from a cough lozenge (Business World, 1994).

Marketers trying to venture in the rural markets must understand the rural culture and treat it on priority if they want to tap the potential in this up coming market of India.

In a bid to understand impact of rural culture on buying behaviour, the following study was conducted in some villages in Jammu and Kashmir.

The study mainly aimed to examine:

i) that the rural customer is different from the urban customer,
ii) the factors that determine the buying decision making process of the rural customers, and
iii) as to who makes the buying decisions in a rural family?

The study was confined to two villages in Jammu district of J&K i.e. Nagrota which is about 12 kilometers north of Jammu city and Rattian which is about 15 kilometers south of Jammu city. In both these villages, people are engaged in agriculture, own shops or are in the government service. The profile of the respondents is given in Table 1 (a, b, c, d)

* This study, prepared by Keshav Sharma, Deepak Gupta and Parikshat Singh Manhas, was published in Third Anniversary issue of Delhi Business Review Vol. 4 No.1 Jan.-June 2003, New Delhi. Reprinted with the permission of publisher and the copyright holder (The Society for Human Transformation and Research) with some editorial changes

Table – 1(a): Sample Profile

Age	Male	Female
15-35	35	10
35-55	18	12
55-75	14	06
75-95	05	-
Total	72	**28**
Grand Total=100		

Table – 1(b): Educational Profile of the Respondents

	Male	Female
Illiterate	05	25
Under-Matric	27	03
Matric	15	-
Higher Secondary	10	-
Graduate	09	-
Post graduate	06	-
Total	72	**28**
Grand Total=100		

Table – 1(c): Occupational Profile of the Respondents

Agriculture		62
Shopkeepers		12
Service:	Doctor	01
	Engineer	01
	Bankers	04
	Army Personnel	02
	Teachers	05
	Other Services	13
	Total	**100**

Table – 1(d): Income Profile of the Respondents

Income (Rs. per Month)	No. of Respondents
1000-3000	52
3001-5000	36
above 5000	12
Total	**100**

Research Methodology

The Information for the purpose of the present study was obtained by interviewing the respondents through structured and unstructured questionnaire. Keeping in view the time and availability of the respondents, group interviews at the individual level were also conducted. The observation method was also used whereever conditions were favourable for the same.

Information was sought from the respondents on the buying decision process based on such factors as impact of religion, customs and traditions, participation of women in buying decisions, impact of advertisements, impact of reference groups and the validity of the communication process. All respondents were forthcoming in their response to the various aspects of the study.

Findings

Buying Decisions

The respondents believed in joint buying decision making in consultation with the elders and the ladies of the house. Views of the females in the family were being given due respect and consideration. The lady i.e. the grahini was being considered as a protector and a strong pillar in the family life. The younger lot too, endorsed unanimously, the respect for the ladies in their families, it being a part of their culture. The youngsters, however, for purchasing items of their personal use like clothes etc. made their own independent buying decisions.

Fifty five percent respondents in the age group of above 35 years made buying decisions keeping in with the religious beliefs, especially for the consumer durable items. The advice of the village pandit was being sought in the matter. No purchase of consumer durables was made during *Pausha* i.e. the inauspicious month according to the Hindu mythology. For the daily use items like Ghee and Oil etc., these were not being bought on Tuesdays. As a matter of belief, haircuts were avoided on Tuesdays and Thursdays. Similarly, clothes too were not being washed on Tuesdays and Thursdays. Ten percent of the respondents, however, in the age group of 15 to 35 years, did not subscribe to these beliefs. They were in a way, the educated lot in the sample.

Role of Women

The respondents agreed on the participation of the women in the buying decision-making. In the age group, 15 to 35 years, the respondents remarked that for the female items, the females made their own independent decisions. This made the females more confident and satisfied. They expressed that this acted as a motivator for them. The exercise was not restricted to decsion-making only but the women actually visited the market and bought the items of their use. The elders in the family supported this. To quote in their local Dogri language, they remarked: "Kolu Dein Bel thorian n, Bar Janae ch ke ae" (Women are not slaves. They have the right to liberty and can go out).

Advertisement

About ninety percent of the respondents in the different age groups remarked that they were not interested in advertisement on the television. The moment the advertisements appeared on the television, they preferred to switch the TV off because they were not interested in the same. The popular programmes, with them were – Krishi darshan and religious serials like Om Nama Shivai, Mahabharat and Jai Hanuman. They pointed towards the vulgarity of advertisements. Vulgar for two reasons – one, girls with obscenity were exhibited in the advertisements and second these did not augur with culture i.e. there was a cultural contradiction between the serials like Jai Hanuman and advertisements like the Liril soap and Lux Supreme etc. Any communication through their culture was easily acceptable because they could understand it well. Ten percent of the younger respondents, though liked to see the advertisements admitted that they disapproved them because they found them to be quite indecent. They opined, that they did not like to buy a product relating to these advertisements.

Advertisements with rural culture and regional/local language attracted the audience. The respondents believed that the westernized style of communication was spoiling the younger generation and was responsible for the stress and strain in their families. Seventy percent of the respondents said that they bought television to see Krishi Darshan and religious programmes and that they hardly saw any other programme. "We have specified the time to watch the television i.e. for religious programmes or some good serials when, the whole family sits together. The television is either switched off at the time of the obscene advertisements or the channel is changed because some of the advertisements were vulgar, unethical and against our culture" says Captain (Retd.) Yash Paul of the Nagrota village.