PGCM (S4) 03-1

Industrial and Rural Marketing

SEMESTER - 4

MASTER OF COMMERCE
(Marketing Specialisation)

KRISHNA KANTA HANDIQUI STATE OPEN UNIVERSITY

Subject Experts

Prof. Nripendra Narayan Sarma, Maniram Dewan School of Management, KKHSOU.
Prof. U. R Dhar, Retd. Professor, Dept of Business Administration, GU.
Prof. Mukulesh Baruah,Director, Assam Institute of Management.

Course Co-ordinator :	Dr. Smritishikha Choudhury, Asst. Prof., KKHSOU
SLM Preparation Team	Dr. Chayanika Senapati, Asst. Prof., KKHSOU

UNITS	**CONTRIBUTORS**
1-14	Mr. Rajdeep Deb, GIMT
8	Prof. N.N. Sarma, KKHSOU (co-author)

Editorial Team

Content :

1-7	Dr. Smritishikha Choudhury, KKHSOU
8-14	Mr. Rajdeep Deb, GIMT

Language:

1- 14	Prof. Rabin Goswami (Retd. Prof Cotton College)

Structure, Format & Graphics: Dr. Gobinda Deka, KKHSOU
Dr. Smritishikha Choudhury,KKHSOU
Dr. Chayanika Senapati, KKHSOU

March, 2025

ISBN : 978-93-89955-55-2

This Self Learning Material (SLM) of the Krishna Kanta Handiqui State Open University is made available under a Creative Commons Attribution-Non Commercial-Share Alike 4.0 License (international): http://creativecommons.org/licenses/by-nc-sa/4.0/

Printed and published by Registrar on behalf of the Krishna Kanta Handiqui State Open University.

Headquarters: Patgaon, Rani Gate, Guwahati - 781 017
City Campus: Resham Nagar, Khanapara, Guwahati - 781 022; www.kkhsou.in

The University acknowledges with thanks the financial support provided by the Distance Education Bureau, UGC for preparation of this material.

MASTER OF COMMERCE

INDUSTRIAL AND RURAL MARKETING

DETAILED SYLLABUS

UNIT 1: **Introduction to Industrial Marketing:** **Page No. : 7 – 16**

Concept and characteristics of industrial marketing,

UNIT 2: **Types of industrial markets:** **Page No. : 17 – 40**

Industrial buyer behavior. Strategic industrial marketing – marketing research.

UNIT 3: **Classification of industrial products and services** **Page No. : 41 – 61**

ew product development and introduction. Industrial product management – pricing decisions in industrial markets.

UNIT 4: **Formulating channel strategies and physical distribution decisions** **Page No. : 62 – 81**

Promotional strategies for industrial goods/services. Developing marketing strategies and programs for industrial goods/services.

UNIT 5: **Rural Marketing**: **Page No. : 82 – 100**

A Conceptual Framework, Nature & Characteristics of Rural Market. Challenges & Opportunities, An Overview of Indian Rural Market.

UNIT 6: **Rural Consumer Behaviour:** **Page No. : 101 – 109**

Characteristics of Rural, consumer ConsumerBehaviour Roles, Factors influencing Purchase of Products in Rural Market.

UNIT 7: **Rural Marketing Research** **Page No. : 110 – 117**

Process of Research in Rural Markets, Sources and Methods of Data Collection, Data Collection Approaches in Rural Markets.

Unit 8: **Segmenting, targeting and positioning of Rural Markets:** **Page No. : 118 – 130**

Conditions for Effective Market Segmentation, Approaches for Segmenting the Rural Market, Rural Market Segmentation Tools.

Unit 9: **Product , Pricing and Promotion strategy of Rural Markets:** **Page No. : 131-148**

Product mix decisions, competitive product strategies for rural markets. Pricing strategy – pricing policies, innovative pricing methods for rural markets. Promotion strategy – appropriate media and designing right promotion mix.

Unit 10: **Distribution and logistics management:** **Page No. : 149-166**

Selection of appropriate channels – new approach to reach out rural markets.

Unit 11: **Principles of Innovation for Rural Market**: **Page No. : 167-175**

Need for Innovation in Rural Market, Role of Government & NGOs in Rural Marketing.

Unit 12: **Rural and Urban Markets:** **Page No. : 176-182**

A Comparative Analysis, Parameters Differentiating Urban & Rural Markets, Similarities and Differences in Consumer behaviour in Rural & Urban Markets.

Unit 13: **e-Rural Marketing:** **Page No. : 183-210**

e-Choupal Model of ITC, IT for Sustainable Rural Development and E-Governance in rural market Corporate Sector in Agri-business: Cultivation, Processing & Retailing Organized Rural Retailing

Unit 14: **Social Marketing:** **Page No. : 211-226**

Corporate Social Responsibility and Rural Marketing, Consumer Education: Consumer Education and consumer movement in rural India. Role of government in Rural Marketing, Role of NGOs in Rural Marketing

COURSE INTRODUCTION

This is the third course of M.Com. fourth semester Marketing specialisation Programme. This course "Industrial and Rural Marketing" of M.Com. 4th semester will focus on the different aspects of Industrial and Rural Marketing. In this course we have briefly discussed about Industrial or Business marketing, it's various types and marketing strategies. We have also discussed about the concept of Rural Marketing and how it differs from urban marketing and different strategies for rural marketing.

This course consists of fourteen units. This course starts with the unit discussing the concept of the introduction to Industrial marketing. The first seven units deal with the introductory concepts of Industrial Marketing, types of Industrial markets, classification of Industrial products and services, formulating channel strategies and physical distribution decisions. Then we have discussed about Rural marketing, Rural Consumer Behaviour and Rural Marketing Research. **The last seven units** concentrate on marketing strategies for rural marketing, like product, price, promotion strategies, market segmentation and positioning strategies and concepts of e- rural marketing etc.

Each unit includes some along-side boxes to help you know some of the difficult, unseen terms. You may find some boxes marked with: "LET US KNOW". These boxes will provide you with some additional interesting and relevant information. Again, you will get "CHECK YOUR PROGRESS" questions. These have been designed to self-check your progress of study. It will be helpful for you if you solve the problems put in these boxes immediately after you go through the sections of the units and then match your answers with "ANSWERS TO CHECK YOUR PROGRESS" given at the end of each unit. This will help you in making your learning more active and efficient. And, at the end of each section, you will get "CHECK YOUR PROGRESS" questions. These have been designed to self-check your understanding.

UNIT 1: INTRODUCTION TO INDUSTRIAL MARKETING

UNIT STRUCTURE

1.1 Learning Objectives

1.2 Introduction

1.3 Concept of Industrial Marketing

1.4 Need of Industrial Marketing

1.5 Characteristics of Industrial Markets

1.6 Industrial versus Consumer Marketing

1.7 Trends in Industrial Marketing

1.8 Let Us Sum Up

1.9 Further Reading

1.10 Answers to Check Your Progress

1.11 Model Questions

1.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- define the concept of industrial marketing
- describe the significance of industrial marketing
- differentiate between industrial and consumer marketing
- explain the characteristics of industrial markets
- describe the emerging trends in industrial marketing

1.2 INTRODUCTION

For many of us marketing is all about consumer products, those that we buy and consume on a fairly regularly basis. However, there is also a huge market that is often unnoticed by us. This market is referred to as the industrial market and industrial marketing is concerned with the marketing of products and services that are bought and sold between organizations. In fact, industrial markets involve far more money and items than do consumer markets. Some of the characteristics of industrial marketing are

quite different from those associated with consumer marketing. There exist various reasons for these differences and the way they impact varies among organizations. In this unit, we shall focus mainly on industrial marketing its – definition, need, characteristics, trends, differences with consumer marketing etc.

1.3 CONCEPT OF INDUSTRIAL MARKETING

The term industrial marketing is also sometimes referred to as Business-to-Business Marketing, or Business Marketing, or Organizational Marketing. For example just imagine the large number of business transactions involved in the production and sale of single set of MRF tyres. Various suppliers sell MRF the rubber, steel, equipment, and other goods that it needs to produce the tyres. MRF then distributes the finished tyres to dealers, who in turn sell them to consumers. Thus, many sets of business purchases were made for only one set of consumer or business purchases. This is the industrial market.

The concept of organisational or industrial marketing is used to describe marketing activities targeted at all individuals and organisations – manufacturing companies, government undertakings, private sector organizations, educational institutions, hospitals, distributors, and dealers -.that acquire products and services that are used in the production of other products and services. These products include **capital goods** (e.g. buildings, land and machines), **operational products** (e.g. accessory equipment, supplies, maintenance services), and **output products** (e.g. raw materials, components, production services).Industrial marketing consists of all activities involved in the marketing of products and services to organizations which may be commercial, profit or non profit institutions, government agencies or resellers that use products or services in the production of consumer or industrial good and service, and to facilitate the operations of the enterprise.

According to Haas cited in Nwokoye, N.G. (2004) industrial marketing refers to *"marketing activities that are intended to acquire and sell goods or services to business or other organizations to be used directly or indirectly*

in their own operations. These businesses or organizations may be public or private, and domestic or multinational".

Industrial marketing comprises all activities directed at providing, businesses or organizations with inputs required for production or business operation. The aim of consumer market is to buy for final consumption while industrial market seeks to buy to aid business operations and production.

Viewed from the perspective of "marketing," industrial marketing is, then, human activity directed toward satisfying wants and needs of organizations through the exchange process. The major exchange processess of Industrial Marketing are discussed as follows.

(i) Product Exchange

The characteristics of the product or service involved have a significant effect on the industrial exchange process. The ease of exchange depends upon the ability of the seller to identify the buyer's needs and the product's potential to satisfy those needs.

(ii) Information Exchange

Information exchange often consists of answering technical, economic, and organizational questions regarding pre- and posts sale maintenance and servicing. Products must be planned and designed to serve the customers. To accomplish this, buyers and sellers tend to work together, exchanging product specific information over long periods of time.

(iii) Financial Exchange

Financial Exchange may involve such considerations as the granting of credit or the need to exchange money to one currency from another when dealing with foreign buyers.

(iv) Social Exchange

Social Exchange is important in such areas as reducing uncertainty between buyer and seller, avoiding short-term difficulties, and maintaining the exchange relationship over a lengthy transaction period.

Many aspects of an agreement between buyers and sellers in the marketing field are not fully formalized or based on legal criteria until the end of the transaction period. Rather, much of the process of exchange is based on mutual trust.

1.4 NEED OF INDUSTRIAL MARKETING

Industrial marketing as a specific field of study in marketing derives from the awareness that the market behaviour, which affects the demand and purchases of industrial products and services, is generally quite different from that experienced in consumer markets. One of the distinctive differences between industrial and consumer markets is that the demand for industrial products is a *derived demand*. The purchasing process of industrial products is also relatively more complex, and may be divided into a number of stages taking place over time. The purchase decision making process usually involves many people who are drawn from different departments of the buying organisation, depending on the strategic importance of the products or services being purchased. In contrast to consumer markets, industrial products are funded with organisational resources. That is, the buyers of industrial products do not finance the purchase with their personal money, but rather use organisational funds for the purpose.

Finally, it is assumed that members of the purchase decision making units (buying centre members) act rationally in the decision making process. That is, idiosyncratic considerations scarcely enter the decision making process. This implies that the decision-makers must be provided with substantial "objective" information by vendors on the basis of which their decisions can be made.

1.5 CHARACTERISTICS OF INDUSTRIAL MARKETS

In certain cases, business markets are much similar to consumer markets. Both involve people who assume buying roles and make purchase decisions to satisfy needs. However, business markets differ in many ways from decision making process. Business markets are characterized by a number of factors but the main ones are in market structure and demand, the nature of buying unit, and the types of decisions and the decision process involved, which are discussed as follows.

(i) Market Structure and Demand

The industrial marketer normally deals with very few number of buyers when compared with consumer marketer. For example, when MRF sells replacement tyres to final consumers, its potential market includes the owners of the millions of vehicles presently in use in India and many other countries around the world. But the fate of MRF in the industrial market rests on receiving orders from one of only a few of large auto makers. Even in large industrial markets, majority of the buying is often accounted by a few buyers.

Industrial or business markets are geographically concentrated i.e., industrial buyers are concentrated in certain geographical area because industrial market is determined considering the availability of natural resources, raw materials, labour supply, managerial and technical expertise, capital, transport facilities, cost, etc. Furthermore, industrial demand is derived demand, meaning that the magnitude of demand for these products varies with the demand for the finished products and services based on them. The demand in industrial markets is ultimately derived from consumer goods. For instance, the rate of demand for steel by an automobile company is necessitated by demand for cars. In case, the consumer demand for cars falls, so will the demand for steel and all the other products that are used for making cars. Therefore, in order to increase the business demand, industrial marketers sometimes promote their products directly to the final consumers.

(ii) Nature of the Buying Unit

More decision participants and a more professional purchasing effort are usually involved in industrial purchase compared to consumer purchases. These differences are a reflection of the potential high financial value associated with these transactions, product complexity, the relatively large value of individual orders, and the nature of the risk and uncertainty. Today the customers may have all the information about the company and its products and therefore it is important that industrial marketers must have well-trained salespeople to deal with well-trained buyers.

(iii) International Dimensions

Internationally, industrial marketing is much easier to conduct in comparison to consumer marketing. The reason being the fact that the requirements of the industries across the world are far more homogeneous than the needs of the consumers, whose preferences, tastes, and resources vary. As a result, an increasing number of industrial firms are moving into international markets. In addition to this, industrial firms benefit from a lower variety of product functionality and performance. This convergence in taste and preference is partly because the various trading associations across the world have agreed standards as to content and performance. This means that buying and selling of products and services, wherever located, are relatively simple and the business environment reasonably well regulated and controlled.

(iv) Relationships

One of the major characteristics that separate industrial marketing from consumer marketing is the focus on maintaining relationships. In industrial marketing, the interaction between buyers, sellers, and other stakeholders is of major significance. The development, maintenance and continuation of relationships between the buying and the selling organizations is primary to success. Interdependence, collaboration, and, in few cases, partnership, over the development, supply, and support of products and services, is considered a core element of industrial marketing.

1.6 DIFFERENCES BETWEEN INDUSTRIAL & CONSUMER MARKETING

Although the principles of consumer marketing are applicable to industrial marketing but still the work of industrial marketer is quite different from that of consumer marketer as industrial firms encounter marketing situations that are generally not faced in consumer markets. Table 1.1 shows the differences between industrial and consumer marketing.

Table 1.1: Differences between industrial and consumer marketing

Sr No.	Bases	Industrial Markets	Consumer Markets
1	Market structure	Very few buyers, Geographically concentrated	Large buyers, Geographically dispersed
2	Buying unit	Large decision participants, more professional purchasing effort	Few decision participants, less professional purchasing effort
3	Product characteristics	Technical complexity, customized	Less technical complexity, standardized
4	Channel characteristics	Shorter, direct, fewer intermediaries/middlemen	Indirect, multiple linkages
5	Promotional characteristics	More focus on personal selling	Focus on advertising
6	Price characteristics	Competitive bidding, negotiated prices	List prices or Maximum Retail Price (MRP)

After going through the comparison above, we can see that it is not only the factors like size of the market, the geographic concentrations & competitive nature of the markets will differ but also the factors as mentioned below will cause the difference between Industrial marketing and Consumer marketing.

1. Characteristics of the products
2. The type of buyers
3. The channel characteristics
4. The promotional characteristics
5. The price characteristics

In situations when a consumer marketing man is shifted to industrial marketing he/she takes time to fix their mindset and apply their cultivated knowledge.

1.7 TRENDS IN INDUSTRIAL MARKETING

(i) The education and experience of management industrial firms emphasizes technical and production considerations, which result in

a strong product orientation. In addition, much of the information industrial marketing managers have to work with is classified on the basis of product, process or material rather than markets.

(ii) The demand for industrial goods and services is a derived demand, whereby creating a customer often Involves satisfying his direct and indirect needs. Thus, the distance between the industrial marketer, and those who are the ultimate consumers is often so great that relevant needs and competition are obscured. The conflicting interests of the direct customer further restrain the ability to take effective action on indirect customer.

(iii) Four developments, which have significant-current momentum, appear to be of particular importance and provide the basis for expected trends in industrial marketing. They are

(a) the significant changes in the pattern of final demands

(b) the rapid pace of technological change

(c) the increasing size and complexity of the industrial firm and its customers and

(d) the growing impact of the computer and the management sciences.

These developments result in —

- more effective coordination, direction and control and spacing
  - new directions in marketing research.
  - increased marketing involvement in R&D and acquisitions
  - increased use of formal marketing planning
  - emphasis on systems in all aspects of marketing



CHECK YOUR PROGRESS:

Q.1: Define “Capital goods”.

_____

_____

_____

_____

Q.2: Mention the four different types of exchanges in industrial marketing.

_____

_____

_____

_____



1.8 LET US SUM UP

In this unit, we have discussed the concept of industrial marketing, its characteristics and differences with consumer marketing.

In all, the concept of industrial marketing may be referred as marketing of goods and services to business organisations: manufacturing companies, service organisations, institutions and middlemen in private and public sector organisations, and Government undertakings. The differences between industrial and consumer marketing exist in certain characteristics such as market, product, buyer behavior, channel, promotional, and price. The demand for industrial products is derived from the ultimate demand for consumer goods and services. It is, therefore, called as derived demand.



1.9 FURTHER READING

1) Havaldar Krishna K (2005), *Industrial marketing* 1st ed., TATA McGraw Hill Publishing Company Limited, New Delhi.

2) C Krishnamacharyulu & R Lalitha (2008), *Industrial Marketing: A Process of Creating and Maintaining Exchange* ,Jaico Book House.

3) Govindarajan M. (2003), *Industrial Marketing Management* , Vikas Publishing House Pvt Ltd.

4) Ghosh P.K. (2005), *Industrial Marketing*, Oxford University Press.



1.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: *Capital goods* are long-lasting goods that facilitate developing or managing the finished product. For example, buildings. Land, machines etc.

Ans to Q No 2: The four different types of exchange in industrial marketing are product exchange, information exchange, financial exchange and social exchange.



1.11 MODEL QUESTIONS

1. What is industrial marketing?
2. What are the different characteristics of industrial market?
3. Discuss the differences between consumer and industrial marketing.
4. What are the emerging trends in industrial marketing?
5. Industrial marketing is more complex than consumer marketing. Do you agree to this statement? Explain.

*** ***** ***

UNIT 2: TYPES OF INDUSTRIAL MARKETS

UNIT STRUCTURE

2.1 Learning Objectives

2.2 Introduction

2.3 Types of Industrial Customers

2.4 Industrial Buyer Behaviour

- 2.4.1 Definition
- 2.4.2 Major Types of Buying Situations
- 2.4.3 Participants in the business Buying Process
- 2.4.4 Major Influences on Business Buyers
- 2.4.5 The Business Buying Process
- 2.4.6 Models of Industrial Buying Behaviour

2.5 Strategic Industrial Marketing

- 2.5.1 Strategic Planning in the Industrial Market
- 2.5.2 Developing Marketing Strategy In Industrial Marketing

2.6 Marketing Research

- 2.6.1 Steps in Marketing Research Process

2.7 Let Us Sum Up

2.8 Further Reading

2.9 Answers to Check Your Progress

2.10 Model Questions

2.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- know the types of industrial markets
- gain an insight into the industrial buyer behavior
- explain the main processes and stages associated with industrial buying
- identify decision making units
- discuss the models of industrial buying behaviour
- learn about the importance of strategic planning in the industrial market

- discuss the concept of marketing research

2.2 INTRODUCTION

To develop an effective marketing plan, an industrial marketer needs to understand industrial markets. The industrial market is composed of commercial enterprises, governmental organisations, public or private institutions and cooperative societies, whose purchasing decisions vary with the type of industrial good or service under consideration. Effective marketing programs, thus, depend upon a thorough understanding of how marketing strategy should differ with the type of organisation being targeted and the products being sold.

The industrial market is characterised by diversity both in the customers served and the products sold. Component parts, spare parts, accessory equipment, and services are example of the types of products purchased by the variety of customers in the industrial market. Industrial distributors or dealers who in turn sell to other industrial customers, commercial businesses, government, and institutions buy a variety of products that, in one way or another, are important to the functioning of their own business endeavours. Knowing how this immense array of industrial customers purchase and use products and what criteria are important in their purchasing decision is an important aspect of industrial marketing strategy. For the purpose, industrial sellers understand the types of industrial buyers.

2.3 TYPES OF INDUSTRIAL CUSTOMERS

Industrial customers are normally classified into four groups:

(i) Commercial Enterprises,

(ii) Governmental Agencies,

(iii) Institutions, and

(iv) Co-operative Societies.

(i) Commercial Enterprises

Commercial enterprises are private sector, profit-seeking organisations

such as IBM, General Motors, Computer Land, and Raven Company, which purchase industrial goods and/or services for purposes other than selling directly to ultimate consumers. However, since they purchase products for different uses, it is more useful from a marketing point of view to define them in such a way as to understand their purchasing needs at the time of examination of the varieties of products they purchase and how marketing strategy can be developed to meet their needs.

Thus, it is more logical to look at commercial enterprises as:

(i) Industrial distributors or dealers,

(ii) Original equipment manufacturers (OEMs), and

(iii) Users.

Sometimes, these categories tend to overlap. However, it is useful for the industrial marketer because one is able to understand the ways of the use of products and services in buying firms.

(ii) Government Customers

In India, the largest purchasers of industrial products are Central and State Govern¬ment departments, undertakings, and agencies, such as Railways, Department of telecommunication, Defence, Director General of Supplies and Disposal (DGS&D), state transport undertakings, state electricity boards, and so on. These Government units purchase almost all kinds of industrial products and services and they represent a huge market.

(iii) Institutions

Public and private institutions such as hospitals, schools, colleges, and universities are termed as institutional customers. Some of these institutions have rigid purchasing rules and others have more flexible rules.

An industrial marketing person needs to understand the purchasing practice of each institute so as to be effective in marketing the products or services.

(iv) Cooperative Societies

An association of persons forms a cooperative society. It can be manufacturing units (e.g. Cooperative Sugar Mills) or non-manufacturing organisations (e.g. Cooperative Banks, Cooperative Housing Societies). They are also the industrial customers.

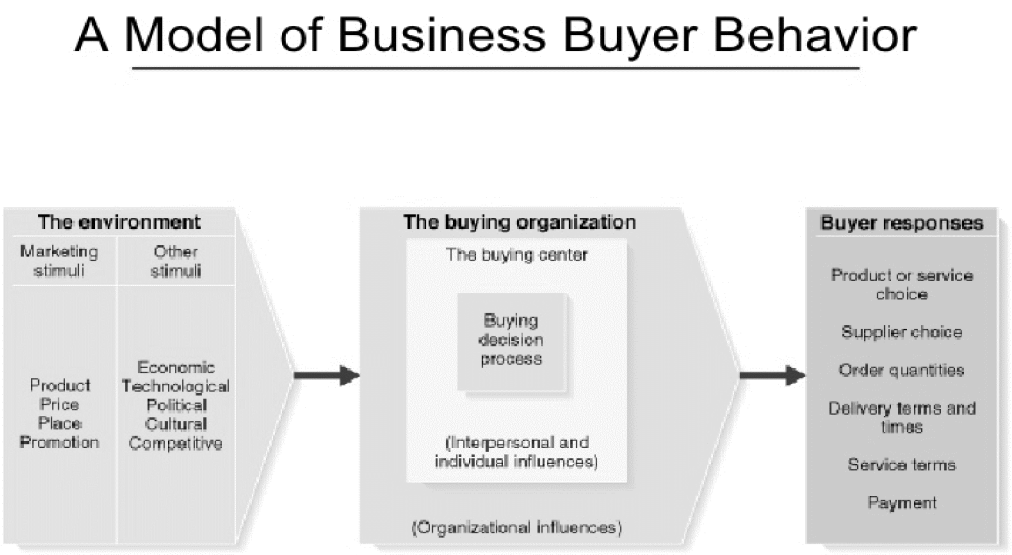
2.4 INDUSTRIAL BUYER BEHAVIOUR

Only by appreciating the particular behavior, purchasing systems, people, and policies used by an organization can suitable marketing and selling strategies be implemented. At the most basic level, marketers want to know how industrial or business buyers will take marketing stimuli. Fig. 2.1 shows a model of business buyer behavior. In this model, marketing and other stimuli affect the buying organization and produce certain buyer responses. As with consumer buying, the marketing stimuli for business buying consist of the four Ps: product, price, place, and promotion. Other stimuli include major forces in the environment: economic, technological, political, cultural, and competitive. These stimuli enter the organization and are turned into buyer responses: product or service choice; supplier choice; order quantities; and delivery, service, and payment terms.

Within the organization, buying activity consists of two major parts: the buying center, made up of all the people involved in the buying decision, and the buying-decision process. The model shows that the buying center and the buying decision process are influenced by internal organizational, interpersonal, and individual factors as well as by external environmental factors.

The model in Fig. 2.1 suggests four questions about business buyer behavior:

- What buying decisions do business buyers make?
- Who participates in the buying process?
- What are the major influences on buyers?
- How do business buyers make their buying decisions?



***Source**:* Adapted from Armstrong & Kotler (2007).

Figure 2.1: A Model of Business Buyer Behaviour

2.4.1 Definitions

Industrial or business buyer behavior refers to the buying behavior of the organizations that buy goods and services for use in the production of other products and services that are sold, rented, or supplied to others. It also includes the behavior of retailing and wholesaling firms that acquire goods for the purpose of reselling or renting them to others at a profit. Also two definitions of industrial or business buyer behavior reveal important aspects of this subject. First, **Webster and Wind (1972)** defined organizational or business buying as *'the decision making process by which formal organizations establish the need for purchased products and services and identify, evaluate, and choose among alternative brands and suppliers'*. This adopts a buying organization's perspective and highlights the important point that organizational buying behavior involves processes rather than a single, static, one-

off event. A second definition, by **Parkinson and Baker** (1994), cited by **Ulkuniemi** (2003), states that industrial or organizational buying behavior concerns 'the purchase of a product or service to satisfy organizational rather than individual goals'. This takes a neutral perspective but makes the point that industrial buyer behavior is about satisfying organization-wide needs, and hence requires marketers to adopt processes that take into account the needs of different people, not a single individual.

Industrial buying behavior is about three key issues:

- The functions and the processes the buyers move through when purchasing products for use in business markets.
- Strategy, where purchasing is designed to assist value creation and competitive advantage, and to influence supply chain activities.
- The network of relationships that the organizations are part of when purchasing. The placement of orders and contracts between organizations can confirm a current trading relationship, initiate a new set of relationships, or may even signal the demise of a relationship.

What should be clear is that industrial or business buying behavior is not just about the purchase of goods or services. In addition to this fundamental task, it is concerned with the strategic development of the organization, creating value, and the management of inter-organizational relationships all key issues in B2B marketing.

2.4.2 Major Types of Buying Situations

There are three major types of buying situations. At one extreme is the *straight rebuy*, which is a fairly routine decision. At the other extreme is the *new task*, which may call for thorough research. In the middle is the *modified rebuy*, which requires some research.

In a straight rebuy, the buyer reorders something without any modifications. It is usually handled on a routine basis by the

purchasing department. Based on past buying satisfaction, the buyer simply chooses from the various suppliers on its list

In a modified rebuy, the buyer wants to modify product specifications, prices, terms, or suppliers. The modified rebuy usually involves more decision participants than does the straight rebuy.

A company buying a product or service for the first time faces a *new-task* situation. In such cases, the greater the cost or risk, the larger the number of decision participants and the greater their efforts to collect information will be. The new-task situation is the marketer's greatest opportunity and challenge.

Many business buyers prefer to buy a packaged solution to a problem from a single seller. Instead of buying and putting all the components together, the buyer may ask sellers to supply the components and assemble the package or system. The sale often goes to the firm that provides the most complete system meeting the customer's needs. Thus, a system selling is often a key business marketing strategy for winning and holding accounts.

2.4.3 Participants in the Business Buying Process

Although organizations usually designate a 'buyer' who is responsible for the purchase of a range of products and services, in reality a range of people are involved in the purchasing process. The purchasing process is a means by which an organization creates value. It is, therefore, an integral part of an organization's value at some point in the future. This group of people is referred to as either the decision-making unit (DMU) or the buying centre.

The buying center is not a fixed and formally identified unit within the buying organization. It is a set of buying roles assumed by different people for different purchases. Webster and Wind (1972) identified a number of people who undertake different roles within buying centres and they are;

Initiators start the whole process by requesting the purchase of an item. They may also assume other roles within the DMU or wider

organization.

Users literally use the product once it has been acquired and they will also evaluate its performance. Users may not only initiate the purchase process but are sometimes involved in the specification process.

Influencers very often help set the technical specifications for the proposed purchase and assist the evaluation of alternative offerings by potential suppliers. These may be consultants hired to a particular project.

Deciders are those who make purchasing decisions and they are the most difficult to identify. This is because they may not have formal authority to make a purchase decision, yet are sufficiently influential internally that their decision carries the most weight.

Buyers or purchasing managers select suppliers and manage the process whereby the required products are procured. Buyers may not decide which product is to be purchased but they influence the frame work within which the decision is made.

Gatekeepers have the potential to control the type and flow of information to the organization and the members of the business centre. These gatekeepers may be assistants, technical personnel, secretaries, or telephone switchboard operators.

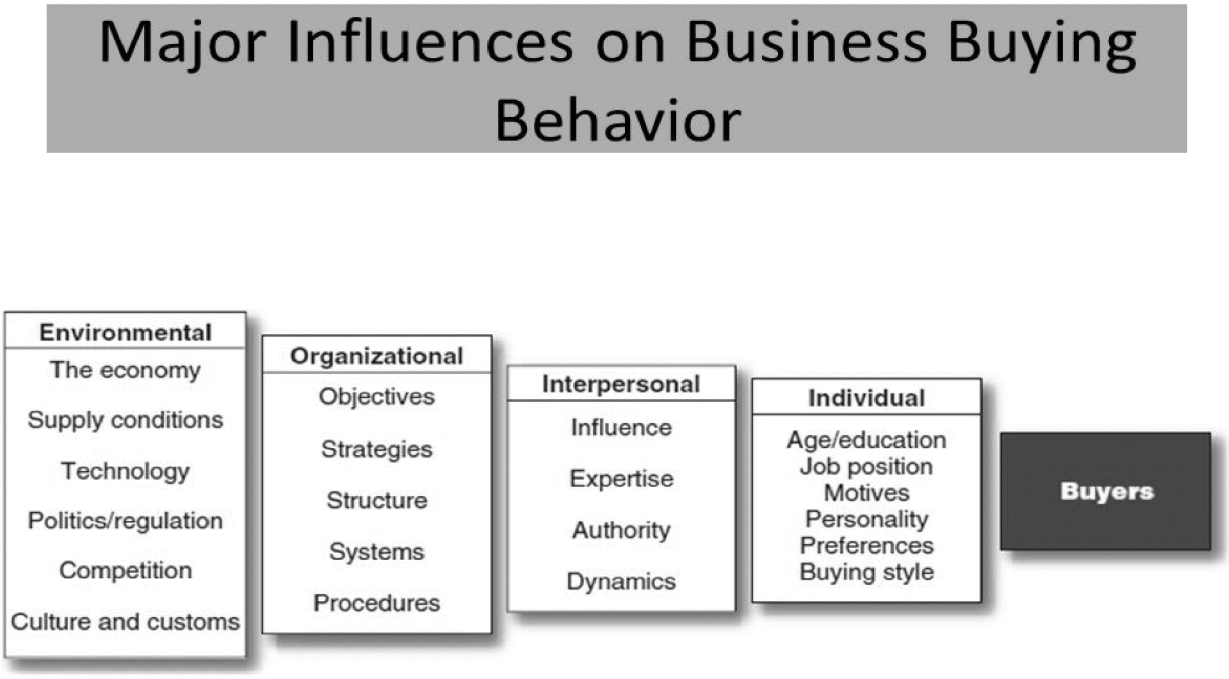
2.4.4 Major Influences on Business Buyers

Business buyers are subject to many influences when they make their buying decisions. Some marketers assume that the major influences are economic. They think buyers will favour the supplier who offers the lowest price or the best product or the most service. They concentrate on offering strong economic benefits to buyers. However, business buyers actually respond to both economic and personal factors. Far from being cold, calculating, and impersonal, business buyers are human and social as well. They react to both reason and emotion.

Today, most business-to-business marketers recognize that

emotion plays an important role in business buying decisions.

Fig. 2.2 lists various groups of influences on business buyers –



Source: Adapted from Armstrong & Kotler (2007).

Figure 2.2 Major Influences on Business Buyer Behaviour

Environmental factors play a major role. For example, buyer behavior is heavily influenced by factors in the current and expected economic environment, such as the level of primary demand, the economic outlook, and the cost of money. Another environmental factor is shortages in key materials.

Industrial or business buyer is also influenced strongly by *organizational factors*. Each buying organization has its own objectives, policies, procedures, structure, and systems, and the business marketer must understand these factors well.

The buying centre usually includes many participants who influence each other, so *interpersonal factors* also influence the business buying process. However, it is often difficult to assess such interpersonal factors and group dynamics.

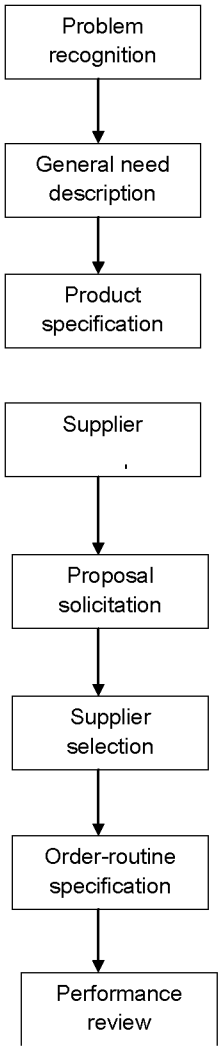
Finally, business buyers are influenced by *individual factors*. Each participant in the business buying decision process brings in personal

motives, perceptions, and preferences. These individual factors are affected by personal characteristics such as age, income, education, professional identification, personality, and attitudes toward risk. Also buyers have different buying styles.

2.4.5 The Business Buying Process

Fig. 2.3 outlines the eight stages of the business buying process. Buyers who face a new-task buying situation usually go through all stages of the buying process. Buyers making modified or straight rebuys may skip some of the stages. We will examine these steps for the typical new-task buying situation.

Problem recognition



Source: Adapted from Armstrong & Kotler (2007).

Fig. 2.3: Stages of the Business Buying Process

The steps involved in business buying behaviour are discussed as follows —

Stage 1: Problem Recognition

The buying process begins when someone in the company recognizes a problem or need that can be met by acquiring a specific product or service. Problem recognition can result from internal or external stimuli. Internally, the company may decide to launch a new product that requires new production equipment and materials. Externally, the buyer may get some new ideas at a trade show, see an ad, or receive a call from a salesperson who offers a better product or a lower price.

Stage 2: General Need Description

Having recognized a need, the buyer next prepares a general need description that describes the characteristics and quantity of the needed item. The alert business marketer can help the buyers define their needs and provide information about the value of different product characteristics.

Stage 3: Product Specification

The buying organization next develops the item's technical product specifications, often with the help of a value analysis engineering team. The team decided on the best product characteristics and specifies them accordingly. By showing buyers a better way to make an object, outside sellers can turn straight rebuy situations into new task situations that give them a chance to obtain new business.

Stage 4: Supplier Search

The buyer now conducts a supplier search to find the best vendors. The buyer can compile a small list of qualified suppliers by reviewing trade directories, doing a computer search, or phoning other companies for recommendations. Today, many companies are viewing supplier search more as *supplier development*.

The newer the buying task, and the more complex and costly the item, the greater the amount of time the buyer will spend searching

for suppliers.

Stage 5: Proposal Solicitation

In the proposal-solicitation stage of the business buying-process, the buyer invites qualified suppliers to submit proposals. In response, some suppliers will send only a catalog or a salesperson. However, when the item is complex or expensive, the buyer will usually require detailed written proposals or formal presentations from each potential supplier.

Business marketers must be skilled in researching, writing, and presenting proposals in response to buyer proposal solicitations. Proposals should be marketing documents, not just technical documents.

Stage 5: Supplier Selection

The members of the buying centre now review the proposals and select a supplier or suppliers. During supplier selection, the buying centre often will draw up a list of the desired supplier attributes and their relevant importance. The members of the buying centre will rate suppliers against some specified attributes and identify the best suppliers.

Buyers may attempt to negotiate with the preferred suppliers for better prices and terms before making the final selections.

Stage 6: Order-Routine Specification

The buyer now prepares an order-routine specification. It includes the final order with the chosen supplier or suppliers and lists items such as technical specifications., quantity needed, expected time of delivery, return policies, and warranties. In the case of maintenance, repair, and operating items, buyers may use blanket contracts rather than periodic purchase orders.

Stage 7: Performance Review

In this stage, the buyer reviews supplier performance. The buyer may contact users and ask them to rate their satisfaction. The performance review may lead the buyer to continue, modify, or drop the arrangement. The seller's job is to monitor the same factors used by the buyer to make sure that the seller is giving the expected

satisfaction.

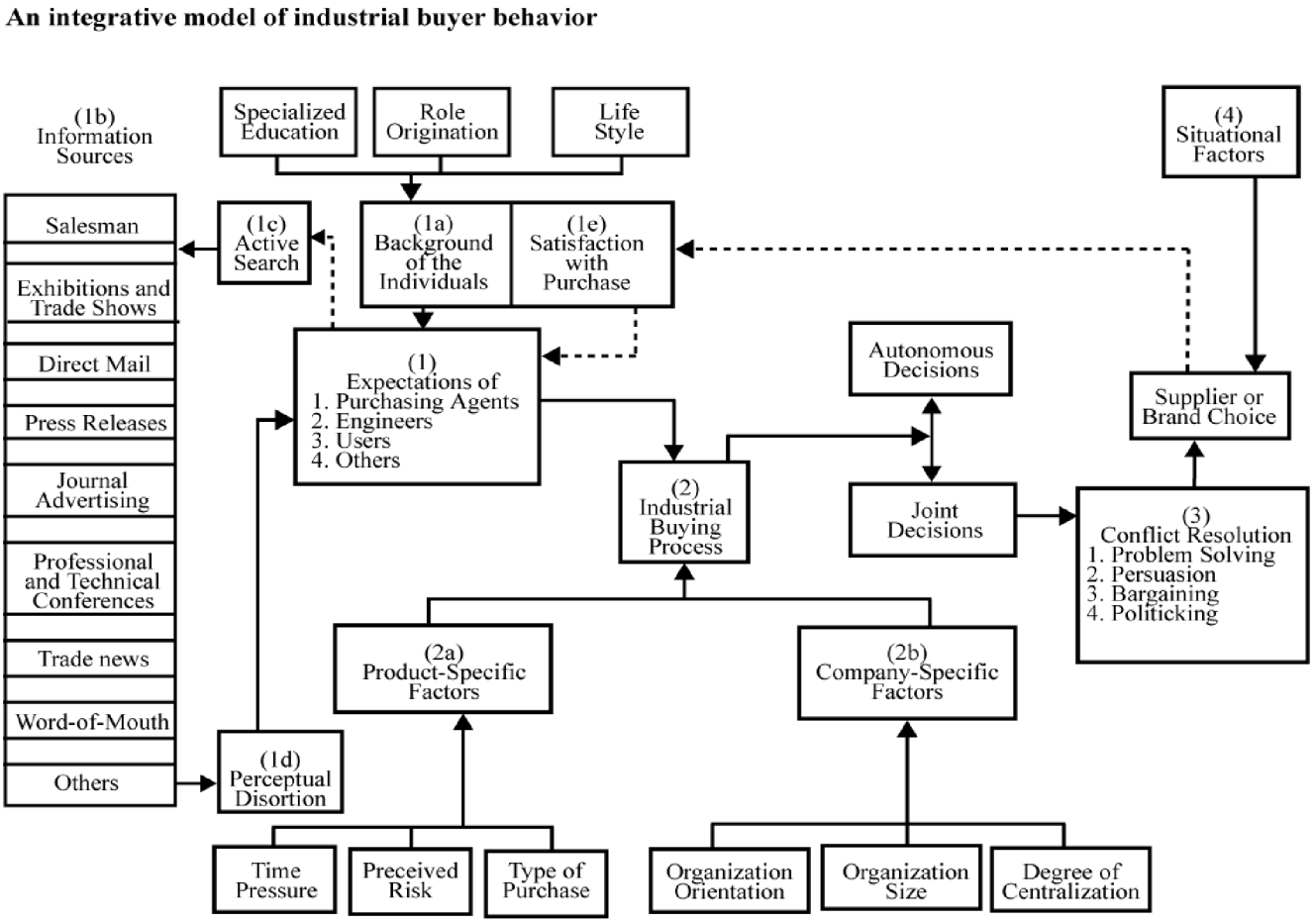
This eight-stage model provides a simple view of the business buying decision process.

2.4.6 Models of Industrial Buying Behaviour

The buying decisions of industrial buyers are influenced by many factors. Usually, these are influenced by organizational factors or task oriented objectives viz. best product quality, or dependable delivery, or lowest price and personal factors or non-task objectives viz. like promotion, increments, job security, personal treatment, or favour. In this section we will discuss two models which explains Industrial byuing beheviour.

(i) The Sheth Model

The model of industrial buyer behavior is shown in Fig. 2.3. Although this illustrative presentation looks complex due to the large number of variables and complicated relationships among them, this is because it is a generic model which attempts to describe and explain all types of industrial buying decisions. One can, however, simplify the actual application of the model in a specific study in at least two ways. First, several variables are included as conditions to hold constant differences among types of products to be purchased (product-specific factors) and differences among types of purchasing organizations. These exogenous factors will not be necessary if the objective of a study is to describe the process of buying behavior for a specific product or service. Second, some of the decision-process variables can also be ignored if the interest is strictly to conduct a survey of static measurement of the psychology of the organizational buyers. For example, perceptual bias and active search variables may be eliminated if the interest is not in the process of communication to the organizational buyers.



Source: Adapted from Sheth (1973)

Fig 2.3: The Sheth Model

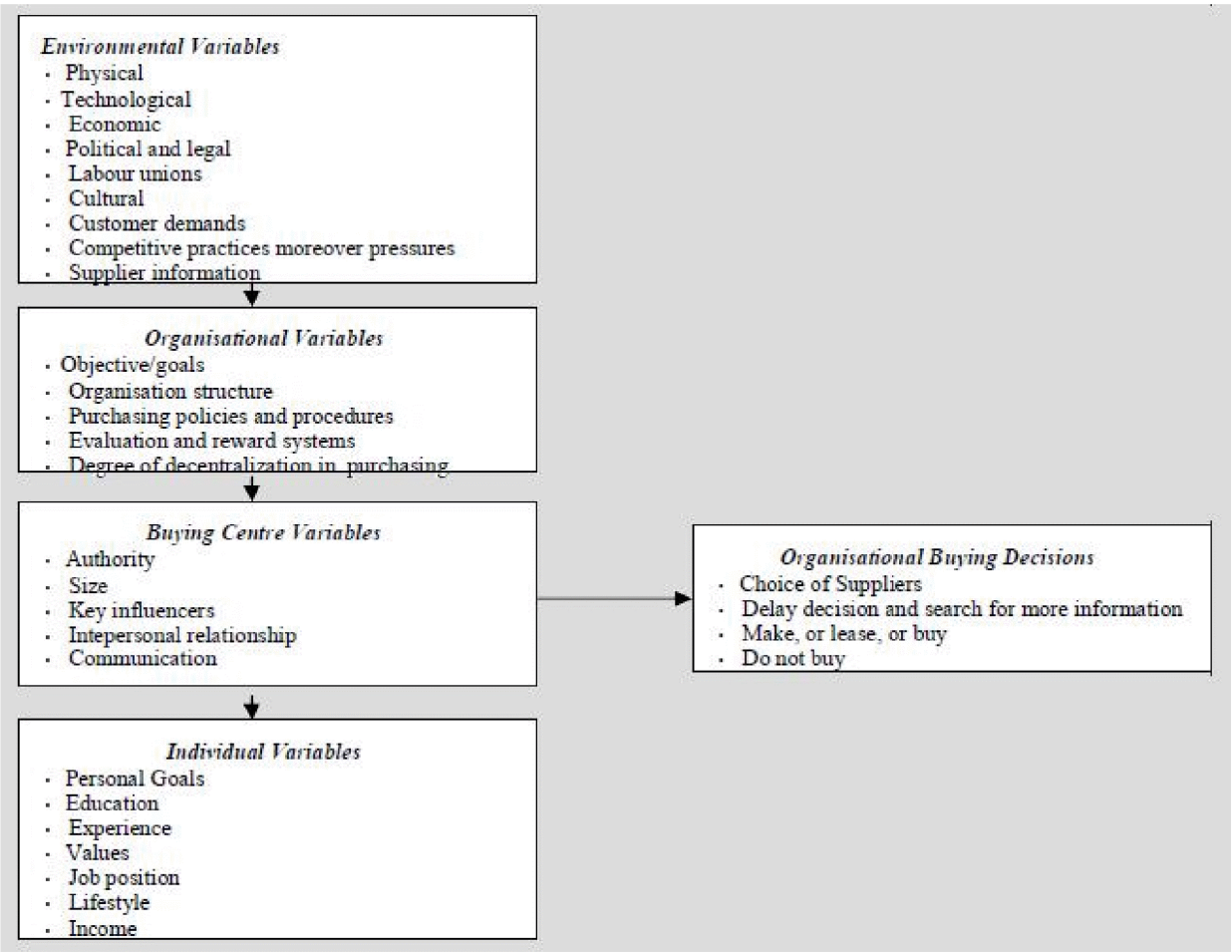
This model is similar to the Howard-Sheth model of buyer behavior in format and classification of variables. However, there are several significant differences. First, while the Howard-Sheth model is more general and probably more useful in consumer behavior, the model described in this article is limited to organizational buying alone. Second, the Howard-Sheth model is limited to the individual decision-making process, whereas this model explicitly describes the joint decision-making process. Finally, there are fewer variables in this model than in the Howard-Sheth model of buyer behavior.

Organizational buyer behavior consists of three distinct aspects. The first aspect is the psychological world of the individuals involved

in organizational buying decisions. The second aspect relates to the conditions which precipitate joint decisions among these individuals. The final aspect is the process of joint decision making with the inevitable conflict among the decision makers and its resolution by resorting to a variety of tactics.

(ii) The Webster and Wind Model

The Webster and Wind model of organizational buying behavior (Fig.2.4) is quite a comprehensive model. It considers four sets of variables: environmental, organizational, buying centre, and individual which affect the buying-decision making process in a firm.



Source: Adapted from Webster & Wind (1972)

Fig 2.4 The Webster and Wind Model

The environmental variables include physical, technological, economic, political, legal, labour unions, cultural, customer demands, competition and supplier information. For example, in a recessionary economic condition, industrial firms minimize the quantity of items purchased. The environmental factors influence the buying decisions of individual organisations. The organizational variables include objectives, goals, organisation structure, purchasing policies and procedures, degree of centralization in purchasing, and evaluation and reward system. These variables particularly influence the composition and functioning of the buying center, and also, the degree of centralization or decentralisation in the purchasing function in the buying organisation.

The functioning of buying center is influenced by the organisational variables the environmental variables, and the individual variables. The output of the group decision-making process of the buying center includes solutions to the buying problems of the organisation and also the satisfaction of personal goals of individual members of the buying centre. The strengths of the model, developed in 1972, are that it is comprehensive, generally applicable, analytical, and that it identifies many key variables which could be considered while developing marketing strategies by industrial marketers. However, the model is weak in explaining the specific influence of the key variables.

2.5 STRATEGIC INDUSTRIAL MARKETING

To place marketing planning in perspective, we need first to understand the strategic planning task which firms carry out at the corporate level. Marketing planning, which takes place at the business unit level of the firm, does not start abruptly; it has an intimate chord with the strategic planning of the firm as a whole. Marketing planning differs from Strategic market planning in three ways: time horizon, responsibility, and details. The components of marketing planning are executive summary, current

marketing situation, threats and opportunities, objectives and issues, marketing strategies, action plans and control measures.

Strategic planning is the management task concerned with the growth and future of a business enterprise. It can be viewed as a stream of decisions and actions that guides the firm's long-term growth and shapes the strategies needed for achieving them. It involves a thorough appraisal of the external environment in which the corporation operates and an internal appraisal of the corporation, and its businesses.

The need for a lengthy time frame in industrial marketing can arise from a variety of reasons, like long lead times, long life cycles of many existing industrial products and alternative sources of resources on a long term basis. The selection of a suitable forecasting technique depends on (a) identification of new opportunities or threats (b) identification of potential markets and (c) market estimation and product specification.

2.5.1 Strategic Planning in the Industrial Market

While the basic principles of planning apply in both consumer and industrial markets, many organizations have found that what works well in the consumer market fails to do so in the industrial market. Two significant differences between these markets appear to account for this phenomenon. First, unlike the consumer market where products are normally marketed through one or two channels, most industrial marketers face diverse markets that must be reached through a multiplicity of channels each requiring a different marketing approach. A producer of communication equipment, for example, may market to such diverse segments as the commercial, institutional, and governmental market, each of which will require a unique marketing plan. Second, in contrast to consumer marketing, successful industrial marketing strategy depends more on other functional areas. Where the elements of planning in consumer marketing can often be contained within specific areas of marketing, such as advertising, selling, and product management, planning in the industrial market is largely dependent on, or constrained by, the

activities of other functional areas. For example, engineering, manufacturing, and technical services. When marketing emphasizes tailor-made products and fast deliveries, for instance, manufacturing must be prepared to follow through with product output. Planning, then, in the industrial marketing arena requires a higher degree of integrated effort across functional areas and a closer relationship with overall corporate strategy than in the consumer market.

- **Functional Isolation**

While planning in the industrial market is as sophisticated as it is in the consumer arena, too often industrial firms concentrate on the planning efforts in the marketing department, failing to recognize the interdependency between marketing and other functional areas. Perhaps this is due to what may be referred to as "functional isolation".

- **Functional Conflict**

While successful planning depends on cooperation between the different functional areas, whenever tasks and objectives are different or unclear between two or more departments a strong tendency for disharmony exists. Potential areas of conflict between marketing and engineering exist in such basic matters as new product development, product quality, and technical services. Potentials conflict also exists between marketing and manufacturing in such areas as sales casting and production planning, and between marketing and R&D in the new product development

2.5.2 Developing Marketing Strategy in Industrial Marketing

Once strategic alternatives have been decided upon, the development of marketing strategy rests on

(1) Market segmentation analysis

(2) Target market(s) selection and

(3) The development of the marketing mix strategies, which are discussed as follows:

(i) Market Segmentation and Target Marketing

Market segmentation analysis is fairly well recognized by most marketing managers and can be thought of as a process of dividing a larger market into sub markets each having different demand pattern needs, buying styles, and responses to various suppliers' marketing strategies. Market segments must be assessed, however, in terms of their market potential, competition, customer profiles, and the company's -capability in serving them. The important point is that marketing planning cannot be undertaken until the firm has carefully chosen those markets it is capable of serving. Assessment of potential target markets must be based on the following aspects:

(i) their current size-which must be sufficient if marketing objectives in terms of sales volume, market share, profitability, or return on investment are to be achieved.

(ii) their potential for future growth that is if the firm is to realize a sufficient return for its efforts to serve a particular market.

(iil) whether they are owned or over occupied by existing competition if the firm is to assess realistically its capability of penetrating a particular market.

(iv) whether there exists a relatively unsatisfied need that the firm can satisfy better than its competitors

(ii) Formulating Marketing Mix Strategy

Once a target market has been identified, marketing strategy can address the components of product, place, price, and promotion. Decisions with respect to how product lines, features, quality levels, services, and new product development will be used to satisfy customer needs must be clearly formulated and integrated with manufacturing, R&D, and technical services. Since products or services must be delivered to customers when and where they are wanted, distribution strategy is primarily concerned with developing the right combination of factors (e.g., inventory levels, storage facilities, and transportation modes) to ensure consistency with the total marketing strategy. Promotion strategy defines the manner in

which the firm will communicate with its target market and provides the bases for formulating personal selling, advertising, sales promotion, an media selection plans.

2.6 MARKETING RSEARCH

Before embarking on a description of market research techniques it is useful to clarify the differences in emphasis between industrial and consumer market research as this influences the importance of the techniques used. These differences are adequately described by both Gordon and Hutchison, and the most important points can be summarized as follows:

1. Consumer goods are purchased by members of the public whereas industrial goods are purchased on behalf of an organization.
2. The industrial market researcher tends to require knowledge of product technology.
3. The consumer population tends to be normally distributed and thus subject to sophisticated statistical analysis.

Marketing Research usually involves formal studies that are undertaken either to solve a particular problem or to discover an opportunity. It specifies the information needed to address specific marketing areas, the appropriate data collection techniques, data analysis and supporting of the research findings and implications.

2.6.1 Steps in Marketing Research Process

There are four steps in marketing research process. These are:

i. Defining the problem and research objectives.
ii. Developing research plan
iii. Implementing the research plan and
iv. Interpreting and reporting the findings.

(i) Defining the Problem and Research Objectives

This forms the first activity of any research process. This sounds very simple but many research problems go wrong because people do not clearly decide what information they need from the research

they commission. Before any external research starts one should make sure that the information does not already exist.

(ii) Developing a Research Plan

Specific information needs must be determined according to the stated research objectives. Information collected can be either secondary or primary data. Secondary data is the data that already exists e.g., journals, magazines and reports. Primary data is data collected for specific purpose e.g., by distributing questionnaires.

Researchers would normally exhaust secondary data sources before commencing with primary data collection. In certain situations, secondary data may be sufficient to meet the researcher's information needs.

(iii) Implementing the Research Plan

If an external agency is asked to conduct the research, it needs to be ensured that the agency is provided with a proper brief, showing in detail the information required. The organisation must also make sure that the research agency is aware of all the information that it already has so that there is no wastage of money finding things that are already known.

(iv) Analyzing, Interpretation and Reporting of Findings

Interpretation should be conducted not only by the researcher but also by the marketing manager. Today, computer software has made quantitative analysis very easy and faster as they are capable of storing and analysing large amounts of data. For example, multidimensional data are easily captured and analysed using cross tabulations and provided to the manager in a readable format.

Information has no value unless it assists managers in better decision-making. Traditionally companies have relied on centralised MIS (Marketing Information System) to provide managers with routine information. They also have direct and quick access to data and information and are able to tailor it to meet their own needs.



CHECK YOUR PROGRESS:

Q.1: Define "Commercial Enterprises".

_____

_____

_____

_____

Q.2: Define "Industrial Buyer Behaviour".

_____

_____

_____

_____

Q.3: How does marketing planning differ from strategic market planning?

_____

_____

_____

_____

Q.4: What do you mean by straight rebuy?

_____

_____

_____

_____



2.7 LET US SUM UP

In this unit, we have discussed the types of industrial customers, industrial buying behaviour, strategic planning in the industrial market and marketing research.

It is important to recognize that, although there are some substantial differences between consumer and business marketing, there are also several areas where there are distinct similarities. This suggests that the

principles of marketing apply equally to consumer and business markets, and, when planning and implementing marketing programmes, particular care should be given to understanding the nature and characteristics of the buying processes and procedures of the target market.

The purchasing objectives and purchasing activities of industrial buyers must be understood by the industrial marketers to formulate an effective marketing strategy. The industrial marketers should identify the key members of buying centre in each buying organization. The industrial marketers should also be aware of models of organizational buying behaviour and the up to date purchasing activities. Strategic planning plays a vital role in coordinating and directing the business activities toward organizational goals. It is required at all the levels of the firm from the business operations level to corporate level. In business markets, the firm can gain a competitive advantage by designing the marketing strategy aligned with strategies of other functional areas. Marketing information system plays a significant role in its endeavour to achieve organizational goals.



2.8 FURTHER READING

1) Havaldar Krishna K (2005), *Industrial marketing* 1st ed., TATA McGraw Hill Publishing Company Limited, New Delhi.

2) C Krishnamacharyulu & R Lalitha (2008), *Industrial Marketing: A Process of Creating and Maintaining Exchange* ,Jaico Book House.

3) Govindarajan M. (2003), *Industrial Marketing Management* , Vikas Publishing House Pvt Ltd.

4) Ghosh P.K. (2005), *Industrial Marketing*, Oxford University Press.



2.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: *Commercial enterprises* are private sector, profit-seeking organisations such as IBM, General Motors, Computer Land, and

Raven Company, purchase industrial goods and/or services for purposes other than selling directly to ultimate consumers. However, since they purchase products for different uses, it is more useful from a marketing point of view to define them in such a way as to understand their purchasing needs at the time of examination of the varieties of products they purchase and how marketing strategy can be developed to meet their needs.

Ans to Q No 2: *Industrial or business buyer behavior* refers to the buying behavior of the organizations that buy goods and services for use in the production of other products and services that are sold, rented, or supplied to others.

Ans to Q No 3: Marketing planning differs from Strategic market planning in three ways: time horizon, responsibility, and details.

Ans to Q No 4: In a *straight rebuy*, the buyer reorders something without any modifications. It is usually handled on a routine basis by the purchasing department. Based on past buying satisfaction, the buyer simply chooses from the various suppliers on its list



2.10 MODEL QUESTIONS

1. Define business market and identify the major factors that influence the buyer behavior.
2. Discuss the different types of industrial customers.
3. Explain the models of organisational buyer behaviour and their implications on the industrial marketing process.
4. Identify the different industrial buying situations.
5. Discuss the importance of strategic planning in industrial marketing.
6. What is marketing research? Write down its importance in industrial marketing.

*** ***** ***

UNIT 3: CLASSIFICATION OF INDUSTRIAL PRODUCTS AND SERVICES

UNIT STRUCTURE

3.1 Learning Objectives

3.2 Introduction

3.3 Classification of Industrial Products and Services

3.4 Industrial Product management

- 3.4.1 Industrial Product Lifecycle – Stages & Strategies
- 3.4.2 New product Development

3.5 Pricing Decisions in Industrial Markets

- 3.5.1 Characteristics of Industrial prices
- 3.5.2 Factors Influencing Pricing Decision
- 3.5.3 Selection of Pricing Strategy
- 3.5.4 Key Terms Associated with Pricing of Industrial Products

3.6 Let Us Sum Up

3.7 Further Reading

3.8 Answers to Check Your Progress

3.9 Model Questions

3.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- describe the different types of industrial goods and services
- explain the processes and issues associated with new product development
- know the product life cycle concept and its application
- describe the concept of pricing in industrial marketing
- comprehend the factors affecting industrial pricing decision
- know about pricing strategies in industrial marketing

3.2 INTRODUCTION

Most organizations, at various points in their development, have to decide whether to make/supply their own products and services or buy

them in from outsourced providers. This 'make or buy' decision can have far-reaching effects not only on the strategic and operational aspects of an organization, but also on the purchasing function and its role within an organization. The subject of this unit is classification of industrial products and services and it will deal with the relevant issues connected both this subject.

3.3 CLASSIFICATION OF INDUSTRIAL PRODUCTS AND SERVICES

Classification of Industrial products is necessary as it helps decision making for the organization. Industrial goods are classified on the basis of their relative cost and where they enter the production process.

There are 4 major classes of Industrial products, these are —

1. Materials & Parts
2. Capital items
3. Supplies
4. Business services

Overall, there are many sub parts of the major classes, and each of them has a separate role in the classification of Industrial products (Fig. 3.1). Let us delve deeper into the classification.

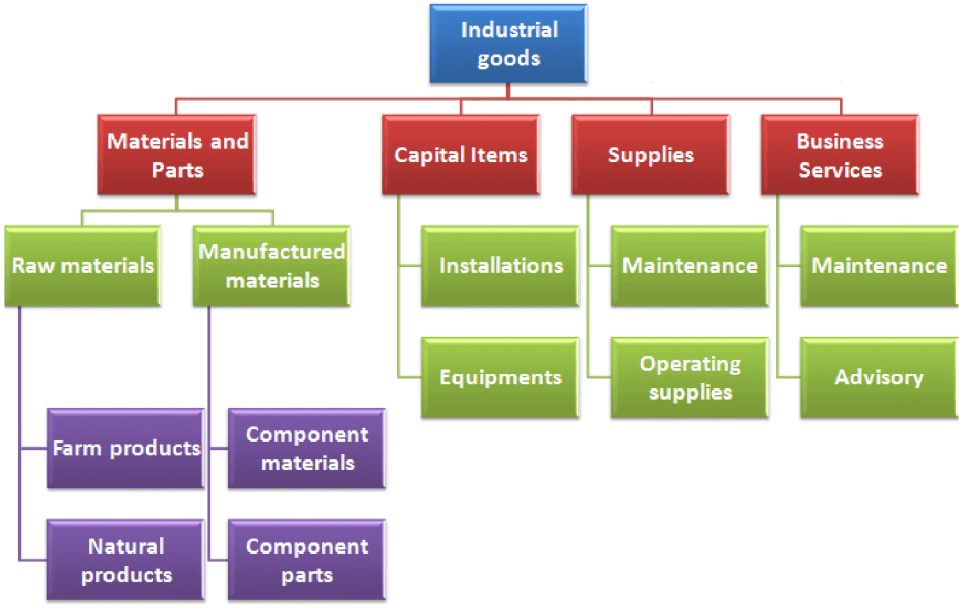


Fig. 3.1: Classification of Industrial Products and Services

1) Material & Parts – The goods that enter the manufacturers products completely are classified as Materials and parts. In this, there are two types of materials commonly used for Industrial goods classification.

a) Farm products – Farm products are products which can be re produced or recycled easily. They are present in ample amount. However, due to their nature, they are perishable and have to be handled accordingly. But because they are commonly used, there is hardly any marketing applied to them. Some common products include cheese, eggs, fruits and vegetables, cotton, wheat etc.

b) Natural products – Natural products are products occurring naturally in the earth and hence they cannot be recycled or re produced. Petrol or Diesel or oil (commonly used) is products which occur naturally and can be classified as an Industrial product. These products are found in bulk and the rarer they are, the higher the value. Price is totally dependent on reliability of supply and keeps changing. Government intervention for these products is high too.

2) Manufactured Materials and parts – raw material which has to be manufactured is classified as manufactured materials. And many a time, small manufacturers manufacture smaller parts which are used in larger machines like an Automobile. These are manufactured parts, and they are the 2nd type in classification of industrial products.

a) Manufactured Materials – If we use the iron supplied to us to make a final product then we have manufactured a material and that is the industrial product that we supply. Similarly, yarn is woven into cloth to make the final material – dresses and clothes. Any process which requires raw material to be processed to give final products is a part of manufactured materials classification. The pricing and marketing of the product in this case depends on the raw material being used. So, if the yarn which is used to make the cloth is very high quality, the pricing of the end product will be high and the marketing will also be premium marketing.

b) Manufactured Parts – Using the same example above, if we are making smaller units which play their role in larger products, then we are manufacturing parts as an industrial product. Ball bearings are the perfect example of Manufactured parts. Now, there are so many ball bearings

manufacturers out there, that their marketing has become tedious as there is no or very little differentiation possible. Hence, pricing and availability of manufactured parts becomes a major issue instead of advertising, branding or marketing.

3) Capital items – To make any manufacturing business or large scale industry possible, capital items are used. They are important in the classification of industrial products. Capital items generally fall under the Assets column of the balance sheet. These are items necessary for the functioning of the organization, and very useful to be invested in for the long term. Due to their very nature, these capital items have a residual value to the company. And hence a company which has large capital, has to ensure that it has large revenue, otherwise Capital (which is a fixed cost) will bring the company down. There are two types of capital items

a) **Installations –** Large installations such as factories, warehouses and other buildings are capital items which require long time installation and are used for an even longer time. There are very few people in between when an installation is bought by a company. Design is critical to such installations and there is absolute absence of Marketing in installations. The only thing installations can be used for is to reinforce the reputation of the company.

b) **Equipment –** Equipments are both – heavy machineries as well as a utility to the organization using them. Equipments in case of factories will be caterpillars, trucks, cranes and what not. Equipment in case of industrial services will be computers, hardware and design equipment, printers, copiers etc. All these are pieces of equipment which are assets. They have a short span of life when compared to installations, but as compared to the life span of normal operating supplies (paper, pen) they have a longer life span. These kinds of equipment are sold mainly through intermediaries, though larger the equipment, more is the involvement of the brand directly. In the sale of equipment, personal selling plays a major role as compared to marketing and advertising.

4) Supplies – Any short term goods or material which is necessary for the day to day operations or a company or businesses is termed as supplies.

A simple example is A4 sized paper. Supplies can be of two types.

a) **Maintenance and repair supplies –** Paints are a form of maintenance supplies and Asian paints is the leader in that. Cleaning services are another form of maintenance.

b) **Operating supplies –** Pen and paper, notepads, lubricants for automobiles are part of the operating supplies needed on a day to day basis. Kangaro is an excellent brand which comes to mind when it comes to staplers and staple pins.

5) Business services – A major product and a growing industry in the classification of industrial products is Business services. Business services are generally third party services given to businesses and they are in form right now because businesses do not want to spend the time or the energy on getting regular things running. Hence they either use Business advisory services or business maintenance services.

a) Business advisory services – Any business out there requires a Chartered accountant. This accountant can be hired or it can be a firm which handles the business. Similarly legal, consulting, advertising, marketing are all business agencies within themselves which provide services to industries. These advisory services are on the rise because of the growing economy of developing nations.

b) Maintenance and repair services – There is a difference between repair goods and repair services. While paint is a repair good, a repair service is window cleaning or printer and copier repairing, something which is best left to the professionals. And there are many professionals out there who pick industrial contracts on an annual basis for repair and maintenance of day to day products and equipments within an organization.

The above are some of the major classification of Industrial products and there are numerous sub classes within them. Depending on the abilities of the small business or the large business, they can contribute to one sub class or another.

3.4 INDUSTRIAL PRODUCT MANAGEMENT

Industrial product is defined as a complex set of economic, technical,

legal, and personal relationship between the buyer and the seller. A product is a combination of basic, enhanced, and augmented properties. Basic properties are included in the generic product, with fundamental benefits sought by customers. Generic products are made differentiable by adding tangible enhanced properties such as product features, styling and quality. The augmented properties include intangible benefits such as technical assistance, availability of spare parts, maintenance and repair services, warranties, training, timely delivery, and attractive commercial terms. The product package as expected by the prospective customers should be well understood by the industrial marketer.

Industrial product development is the process by which the product ideas are generated,, assessed, directed and converted into products. There are seven stages in the process of industrial product development. These are descussed below:

3.4.1 Industrial Product Life Cycle – Stages and Strategies

Underpinning the product lifecycle concept (PLC) is the belief that products move through a sequential, pre-determined pattern of development similar to the biological path that life forms Follow. This pathway, known as the product life cycle, consists of four distinct stages, namely introduction, growth, maturity, and decline. Sales and profits rise and fall across the various lifestages of the product, as shown in Fig. 3.2.

Products move through an overall cycle that consists of different stages. Speed of movement through the stages will vary, but each product has a limited lifespan. Although the life of a product can be extended in many ways, such as introducing new ways of using the product, finding new users, and developing new attributes, the majority of the products have a finite period during which management need to maximize their returns on the investment made in each of their products.

The PLC concept advocates that different strategies are needed at different stages. This concept also highlights the significance of long range planning for a new product. This point should be kept in mind while estimating return on investment during

the business analysis stage of new product development process.

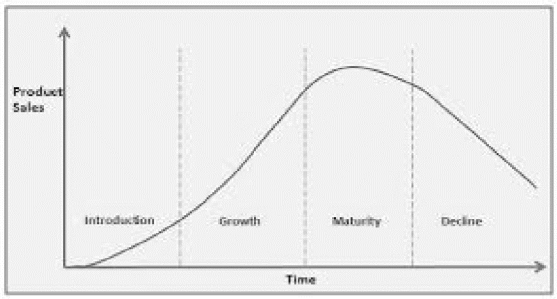


Fig. 3.2 Stages of Product Life Cycle (PLC)

Usually most of the industrial products follow a set pattern in its PLC as shown in Fig. 3.2 above, but in certain cases the products may not follow the set pattern. One such case is the pattern of high tech products like computer & telecommunication goods. In case of these products the new product development cost and time are high. The introduction, growth stages are long but the maturity and decline period are short as shown in the above figure because of rapid change in technology.

(i) Introduction Stage

Depending upon the changes in the user's habits some of the industrial products are accepted rapidly after introduction and others are accepted a bit slowly. For the slowly accepted industrial products marketing strategies should concentrate on market development efforts. For the products that are accepted fast, the marketing strategies which meet intense competition should be evolved.

(ii) Growth Stage

During the growth state the marketing strategies of an industrial marketer should focus on three important areas;

(a) Improve Product design to offer more benefits

(b) Improve distribution network to enable the customers' easy availability of the product.

(c) As a result of increased volume of production the cost will be lowered. Hence price should be reduced.

(d) The emphasis of personal selling from product awareness to bring acceptance of the product.

If these strategies are not implemented by industrial marketers in the growth stage, it becomes easy for the competitors to enter the market because of non-availability of the product and high profits due to high prices.

(iii) Maturity Stage

In maturity stage the number of competitors entering the market will increase. As a result of increased competition the profits will be reduced. The marketing strategies to be adopted for an industrial product in the maturity stage are;

(a) To enter the new market

(b) To find out the ways and means of satisfying the existing customers and upgrading them.

(c) To cut production, marketing and other costs to maintain profit margins.

(iv) Decline Stage

This stage is characterized by severe price competition and concurrent decline in sales and profit. Under this stage an industrial marketer should adopt the strategy of withdrawing the existing product from the market or introducing a new product as a replacement or reduce marketing or other costs to make some profits.

The PLC is a well-known and popular concept and is a useful means of explaining the broad path a product or brand has taken. It also clearly sets out that no product, service, or brand lasts forever. In principle, The PLC concept allows marketing managers to adapt strategies and tactics to meet the needs of evolving conditions and product circumstances.

3.4.2 New Product Development

One of the key points that the product life cycle concept tells us is that products do not last forever; their usefulness starts to diminish at some point and eventually nearly all come to an end, and die. Therefore, one of management's tasks is to be able to

control the organization's range or portfolio of products and to anticipate when one product will become relatively tired and when new ones are necessary in order to sustain the organization and to help it to grow.

New Product Development process is the process by which the product ideas are generated, assessed, directed and converted into products. There are seven stages in the process of new product development. They are:

1. Idea Generation
2. Idea Screening
3. Concept Development & Testing
4. Business Analysis
5. Product Development
6. Market Testing, and
7. Commercialization

Stage 1: Idea Generation

The Industrial marketer should consciously search for new product idea and to their sources both inside and outside the company. The idea generation can be reactive or proactive. Internally the new product ideas may come from sales staff that is close to customers, R&D experts, from top management. External source of ideas include channel members such as distributors or customers. An industrial marketer can get good ideas by using techniques like brainstorming and attribute listing.

Stage 2: Idea Screening

In order to select the product ideas which are likely to succeed, screening of new product ideas will be undertaken. Specified criterion and procedure should be set for screening new product ideas. Major considerations in the screening of a new product idea includes expected profit potential, the competitive situation, the general adaptability of the company to the new product and the volume of investment that would be necessary for the implementation of the new product idea.

Stage 3: Concept Development and Testing

After the screening of the new product idea it should be developed into a product concept. A Product concept is a detailed version of the product idea that is expressed in a meaningful terms. The product concept is the summation of technology, attribute and benefits that the product would offer. It is the usual practice to develop different versions of product concept and each product concept is assessed by getting response from the customers.

Stage 4: Business Analysis

In the business analysis stage an estimated projection of the sales, costs and profitability of the proposed new product will be developed. It is an elaborate analysis which is expressed in terms of investment required for the installation of the plant, equipment, investment in working capital; Market potential, sales forecast, customer and competitive analysis; cost of product development, manufacturing and marketing the product; likely price levels, profitability and return on investment etc.

Stage 5: Product Development

Product development is a process of creating the desired product by the technicians. The R&D department develops one or more prototypes of the product concepts. The ability to produce the product within the estimated cost will be confirmed or negated by the development of the prototype.

Stage 6: Market Testing

Market testing is done by using different methods such as, (a) Alpha & Beta Testing, (b) Introduction of the new Product at trade shows, (c) Testing in distributor/dealer show rooms, (d) Test Marketing.

The method to be adopted for testing depends on the cost and size of the product, the degree of confidentiality to be maintained during market testing and the preparedness to introduce the product within a short period.

(a) Alpha and Beta Testing

When a product is tested internally within the organization which as characteristic of high price with new technologies such testing is

called Alpha testing. The product testing is conducted to assess the operating cost and performance standards. If the results of Alpha testing is satisfactory the company will go for the next stage of Beta testing at the potential users' organization.

(b) Trade Shows

One commonly used method of market testing is the introduction of the new product at trade shows where usually large number of prospective customers is exposed to the new product. The reactions of the customers, their purchase intentions can be assessed in such trade shows; also the orders placed by the potential customers will be taken care of. The limitation of testing the new product in trade shows is that it also gets exposed to the competitors. The company will have very short span of time to introduce the product.

(c) Dealer show rooms

The distributors or dealers show rooms or display rooms can be considered the best spot for product testing, if the new industrial product is sold through such a channel. The customer's attitudes, preference and actual sales can be recorded under this method as this method uses the normal selling situation. The company should be ready to execute the orders within the reasonable time.

(d) Test Marketing

In normal marketing situations the test marketing method is used to test the product in a limited geographical area. This method is used by many industrial marketers through their sales force. Along with sales training the required material such as price list, product catalogue etc., are given to the sales personnel. When the product is launched on a full scale basis, the market information received from test marketing will help the company in taking effective decisions.

Stage 7: Commercialization

An industrial product is launched when it is introduced to a target market. The commercialization process involves execution of the various activities developed in an action plan as a part of the

marketing plan. The activities such as customer service, maintaining adequate stocks at the company warehouses and or with dealers/ distributors, introductory advertisement, price lists, product catalogues, training of sales force etc. would be taken up at this stage. Sophisticated network techniques such as PERT and CPM can be used by industrial marketers to ensure proper coordination and timely completion of all the activities concerning the launching of new industrial product.

Any perceived rigidity in this formal process should be disregarded. Many new products come to market via rather different routes, at different speeds, and different levels of preparation.

3.5 PRICING DECISIONS IN INDUSTRIAL MARKETS

Price still remains one of the most important elements determining company market share and profitability. Generally, prices were set by buyers and sellers negotiating with each other. Setting one price for all buyers is a relatively modern idea. Price is the only element in the marketing mix that produces revenue.

The industrial marketers should understand the various aspects of the pricing, since pricing is the most critical part of industrial marketing strategy. Different strategies such as market segmentation strategy, product strategy, and promotion strategy are related to pricing strategy. In order to achieve the dual objective such as to meet the company objective and satisfy the market needs, the industrial marketer has to integrate the various strategies.

When the members of buying committee of a buying firm, purchase a particular industrial product, they are buying a given level of technical service, product quality, and delivery reliability. The other elements such as the reputation of the supplier, friendship, a feeling of security and other personal benefits flowing from the buyer-seller relationship are also important. In figure given below it can be observed that the bundle of attributes expecting by the buying committee are fall under three categories.

(1) Product specific attributes

(2) Company related attributes and

(3) Sales personal related attributes.

Therefore, the total product includes much more than its physical attributes. In the same way the cost of industrial products includes much more than the seller's price. Hence, decisions on pricing and products are inseparable and must be balanced with in the firm's market segmentation plan.

Companies handle pricing in a variety of ways. In small companies prices are often set by top management rather than by marketing or salespeople. In large companies, pricing is typically handled by division and production managers. In industries, where pricing is a key factor, companies will often establish a pricing department to set prices or assist others in determining appropriate prices.

Now let us examine three questions:

1. How should a price be set on a product or service for the first time?
2. How should the price be adapted over time and space to meet varying circumstances and opportunities?
3. When should the company initiate a price change, and how should it respond to a competitor's price change?

3.5.1 Characteristics of Industrial Prices

Morris has identified seven distinguishing characteristics of Industrial prices.

1. Price is not an independent variable. It is intertwined with product promotion and distribution strategies.
2. The real price an industrial customer pays is quite different from the list price; this is because of the factors like delivery and installation cost, training cost, discounts, financing cost, trade in allowances etc.
3. By changing the quantity of goods & services provided by the seller, changing the premiums and discounts that are offered, changing the time and place of payment and also in numerous other ways prices can be changed. Compared to product and distribution decisions, the decision regarding pricing is more flexible.

4. The complimentary and substitute product sold by the same company should be considered at the time of deciding the price for industrial goods.
5. Prices can be resolved through negotiation in many cases. In most of the cases the industrial prices are established by competitive bidding on a project by project basis.
6. Industrial buyers who are experienced and able to estimate the vendors'approximate production costs expect the increasing price to be justifiable on the basis of either increasing cost or improvement in product. Hence, industrial pricing is often characterized by an emphasis on fairness.
7. Industrial prices are affected by several economic factors such as inflation, change in interest rates, fluctuation in exchange rates etc. This problem is particularly critical for the marketer locked into long term contract with no escalation clause.

3.5.2 Factors Influencing Pricing Decision

The factors influencing pricing decision of an industrial marketing firm are explained below.

a) Survival: Survival is one of the short term objectives for many industrial companies. Due to intense competition and other reasons the firm may be unable to sell its products. For the survival of the firm it reduces the prices to convert the inventory into sales. The survival is more important than prices. The prices are fixed in such a way that they cover variable cost and a part of fixed cost so that the company continues in business. Survival is only a short term pricing objective and in the long run the firm must increase its prices to cover the total cost and end up with some profits.

b) Maximum short term sales: To maximize the sales revenue in the short run is the pricing objective for some firms. The belief behind such an objective is that by maximizing sales revenue in the short run the firms will have growth in terms of market share and also have profit maximization.

c) Maximum short term profits: Setting prices with the objective of maximization of profit in the short run may be the pricing objective of some of the marketing firms. These firms estimate the market demand and costs at alternative prices and select the price that maximizes the present profits. Estimating demand and cost is very difficult. This objective emphasizes on short term profit maximization rather than long term performance and customer relationships. The competitors'reactions and legal implications are not considered by the companies adopting this objective.

d) Product-quality Leadership: By producing superior quality products and charging little higher prices than the competitors price the industrial marketing firm may have an objective to be a product quality leader in the market. This pricing objective results in higher profits.

e) Other pricing objectives: The other pricing objectives such as to meet or prevent the competition, to stabilize the market, to avoid government intervention etc. may be considered as objectives of pricing by many industrial marketers.

3.5.3 Selection of Pricing Strategy

After the analysis of pricing objectives, demand, costs, competition and government regulations, the appropriate pricing strategy should be formulated by the industrial marketer. Pricing strategies vary as the industrial product moves through its life cycle. The pricing strategy is a key factor in each of the four cells of Product Life Cycle. Let us discuss it in detail—

(i) Introductory Stage Pricing Strategy

There are two pricing strategies available for a new product which is in the introductory stage of its life cycle. These are:

(a) Penetration Strategy, and

(b) Skimming Strategy.

An industrial marketer must analyze the price from the angle of the buyers. How soon the firm should try to recover the investment on

the new product is another important factor to be considered by the industrial marketer.

(a) Penetration Strategy

When the price elasticity of demand is high or the buyers are highly price sensitive, when strong threat exists from potential competitors and opportunity exists to reduce the unit cost of production and distribution with increase in volumes, then the penetration strategy is effective. The firm can draw on experience curve effect and can also achieve the economies of scale. This would give the company a strategic advantage of cost leadership over the competitors. The firm can adopt the pricing objective of long term profit through large market share instead of short term profit objectives.

(b) Skimming Strategy

For a distinctly new product meant for a market segment that is not sensitive to the initial high price the skimming strategy can be adopted. The greatest advantage of this strategy is that it focuses on recovering the investment at an early stage by generating more profits. The price will be reduced at the later stages to reach other market segments that are more sensitive to price. The limitation of the skimming strategy is that more competitors are attracted due to high profits. The products that are distinctive with sophisticated technology and capital intensity are suitable to adopt this strategy.

(ii) Growth Stage Pricing Strategy

As the new competitors enter the market and more customers start using the product at growth stage the industrial marketer faces the pressure of reducing the prices below the introduction stage. At this stage the industrial marketer focuses his attention on product differentiation, product line extension and building new market segments at this stage. As more suppliers enter the market the industrial buyers follow the purchasing policy of buying from more than one supplier. Therefore, the innovator firms are under the pressure to reduce the price.

(iii) Maturity Stage pricing strategy

The competitors are very aggressive in the maturity stage. The industrial marketer has to cut into competitors' market share to increase sales volume. By adopting the low price strategy to match the competitor's prices the industrial marketer can achieve the high volume of sales.

(iv) Decline Stage Pricing Strategy

At the decline stage the industrial marketer has a wide choice of pricing strategies subject ton certain conditions. The firm need not cut the price but reduce the cost to earn sum profits provided it has built a reputation of high product quality and dependable services. Another major strategy is to reduce the prices to increases sales volume above breakeven volume of sales and use the product to help sell other products in the product mix.

3.5.4 Key Terms Associated with Pricing of Industrial Products

(a) List price

List price is a base price or the basic price of a product consisting of various sizes or specifications. It is the published statement of basic price which is sometimes quoted or informed to the customers. The list price statement indicates the effective date of its applicability and mentions the extra charges for optional product features, the excise duty, freight, sales tax, octroi, and transit insurance. The net price is worked out based on list price less discounts or any other concessions. The net price is most important to the organizational buyers because that is the price which is applicable to the industrial buyer after subtracting discounts and concessions.

(b) Trade Discounts

The trade discounts are offered to the intermediaries such as dealers and distributors. The amount of trade discount depends on the particular industry norms or the functions performed by the intermediaries.

(c) Quantity Discounts

A quantity discount is granted to industrial customers who buy large volumes. It is a price reduction given by subtracting the volume discount from the list price. The quantity discounts are justified as they reduce the cost of selling (since a bulk moves out with lesser of personal selling expense), inventory carrying, and transportation. The quantity discounts are given either on individual orders or on a series of orders over a longer period of time, usually one year. The basic idea behind offering quantity discount is to encourage customers to buy larger quantities and to maintain their loyalty. The decision on the amount of quantity discount depends on demand, costs, and competition analysis.

(d) Cash discount

To ensure prompt payments cash discounts are offered to customers in industrial marketing. It is the discount applicable on the gross amount of the bill, provided the customer pays the bill within the stipulated period from the date of invoice.

(e) Geographical Pricing

Geographical pricing refers to the location at which the price is applicable. Geographical pricing strategy is influenced by a number of factors such as the location of the company's plant, the location of the competitors' plants and their pricing strategies, dispersion of customers, extent of transport costs, demand and supply conditions and competitive environment. In geographical pricing, there are generally two methods of price basis which are stated in the offers or quotations submitted by a seller to a buyer. These are (i) Ex-factory and (ii) FOR destination.

(f) Ex-Factory

"Ex-factory" means the prices prevailing at the factory gate. When a seller quotes to a buyer "ex-factory price', it means that the freight and transit insurance costs are to the buyer's account. In other words, the seller will charge the costs of freight and insurance to the buyer. The more distant customers' landed costs are higher

because of freight cost.

(g) FOR Destination or FOB Destination

When a seller quotes to a buyer "FOR destination or FOB destination" (free on road/free on board destination), it means the freight costs are absorbed by the seller or included in the quoted prices. However, transit insurance costs, which are small amounts, are generally absorbed by the seller, but sometimes the goods are dispatched under the open insurance policy of the buyer. In this method of price basis, all the customers get the product at the same price irrespective of their locations from the seller's factory premise. If the quotation or the price list is on FOR destination basis, generally the industrial marketer estimates the average freight and insurance costs and adds the same to the basic product prices. Absorbing these costs is rarely done by a seller; it is done only in an intense competitive situation to get business from a particular customer.



CHECK YOUR PROGRESS:

Q.1: Define "Industrial Product".

_____

_____

_____

_____

Q.2: Define "Material and Parts".

_____

_____

_____

_____

Q.3: Mention the different stages of the Product Life Cycle (PLC).

_____

_____

_____

_____

Q.4: Mention atleast two characteristics of industrial prices?

_____

_____

_____

_____



3.6 LET US SUM UP

In this unit, we have mainly focused on types of industrial products and services, industrial product management e.g., product life cycle, new product development and pricing decisions in industrial marketing. We have considered how industrial products are conceived and developed, and the stages through which a product passes through in its lifespan. Also the strategies applicable at each stage of the product life cycle.

In this unit we considered the various factors that influence pricing decision in the industrial market. These ranges from internal to external factors.



3.7 FURTHER READING

1) Industrial marketing by Krishna K Havaldar, 1st ed., TATA McGraw Hill Publishing Company Limited, New Delhi.

2) Industrial Marketing: A Process of Creating and Maintaining Exchange by C Krishnamacharyulu & R Lalitha Jaico Book House.

3) Industrial Marketing Management by Govindarajan, Publisher: Vikas Publishing House Pvt Ltd.

4) Industrial Marketing by Ghosh, Publisher: Oxford University Press.

5) Marketing by P Baines, C Fill, & K Page, OXFORD Higher Education.



3.8 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: *Industrial product* is defined as a complex set of economic, technical, legal, and personal relationship between the buyer and the seller.

Ans to Q No 2: The goods that enter the manufacturers' products completely are classified as *materials and parts*.

Ans to Q No 3: The different stages of PLC are introduction, growth, maturity, and decline.

Ans to Q No 4: The two characteristics of industrial prices are;

1. Price is not an independent variable. It is intertwined with product promotion and distribution strategies.
2. The real price an industrial customer pays is quite different from the list price; this is because of the factors like delivery and installation cost, training cost, discounts, financing cost, trade in allowances etc.



3.9 MODEL QUESTIONS

1. What are the different types of industrial products and services? Explain.
2. What are the main stages associated with the new product development process?
3. Explain the product life cycle and identify the key characteristics that make up each of the stages.
4. Discuss the various pricing strategies adopted by a firm.

*** ***** ***

UNIT 4: FORMULATING CHANNEL STRATEGIES AND PHYSICAL DISTRIBUTION DECISIONS

UNIT STRUCTURE

4.1 Learning Objectives

4.2 Introduction

4.3 Formulating Channel Strategies and Physical Distribution Decisions

- 4.3.1 Channel Design Process
- 4.3.2 Developing a Distribution and Channel Strategy
- 4.3.3 Channel Management Decisions

4.4 Promotional Strategies for Industrial Goods and Services

- 4.4.1 Developing a Successful Industrial Promotion Programme

4.5 Developing Marketing Strategies for Industrial Goods and Services

4.6 Let Us Sum Up

4.7 Further Reading

4.8 Answers to Check Your Progress

4.9 Model Questions

4.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- gain an insight into industrial channel strategies and physical distribution decisions
- describe the promotional strategies for industrial goods and services
- develop a successful industrial promotion programme
- comprehend the marketing strategies for industrial goods and services

4.2 INTRODUCTION

This is the fourth unit of the course. Here we will discuss about channel and distribution strategies. Few producers sell their goods directly to the final users. Instead, most use intermediaries to bring their products to market. They try to forge a *marketing channel* (or distribution channel)- a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or business user. A company's channel decisions directly affect every other marketing decision.

Companies often pay too little attention to their distribution channels, sometimes with damaging results. In contrast, many companies have used imaginative distribution systems to gain a competitive advantage. Marketing channel decisions often involve long-term commitments to other firms. It is very important that a distribution channel is properly aligned to satisfy the needs of channel members and also for the success of any industrial marketing strategy. A good industrial channel creates the title and physical supply linkages with existing and potential customers. Channel designing is a dynamic process that consists of either developing the new channels or modifying the existing ones.

4.3 FORMULATING CHANNEL STRATEGIES AND PHYSICAL DISTRIBUTION DECISIONS

Channel strategy formulation in industrial marketing involves an analysis of conditions that have a bearing on the best choice among the structural alternatives and on the relationship between them and the manufacturer which will be most productive. In general, the industrial marketer has a choice of three types of structural arrangements.

1. Direct to users – through the manufacturers own sales force, with or without a network of branch warehouses.
2. Indirect to users – through agents or wholesale distributors. The choice of an indirect channel system involves the choice of a selective or intensive relationship.

3. Mixed structure – the nature of the structural network differs with the segmentation of the market. One segment may buy the manufacture's product in standard grades, while another may want special quality variations. While indirect distribution may be suitable for the former, direct distribution may be required for the latter.

4.3.1 Channel Design Process

It is very important that a distribution channel is properly aligned to satisfy the needs of channel members and also for the success of any industrial marketing strategy. A good industrial channel creates the communication and physical supply linkages with existing and potential customers. Channel designing in industrial markets is a dynamic process that consists of either developing new channels or modifying the existing ones.

Designing an appropriate industrial distribution channel and managing it is a tough and continuing task. A well designed channel structure helps to achieve the desired marketing objectives. A channel structure consists of types and number of middlemen, terms and conditions of channel members, number of channels. The various steps that are involved in industrial distribution channel design in industrial markets are given in Fig. 4.1.

Let us understand each of the stages of the design process in detail:

Stage 1: Analyzing the Needs of the Customer

When a marketer designs a marketing channel, he must understand the service output levels desired by the target customers. Different customers have different levels of service requirements. A high potential customer needs to be offered effective and professional service backup, ensured availability of varied products compared to the low potential customer. The marketing channel designer has to know at this stage itself that providing superior service output means increased channel costs and higher prices for customers.

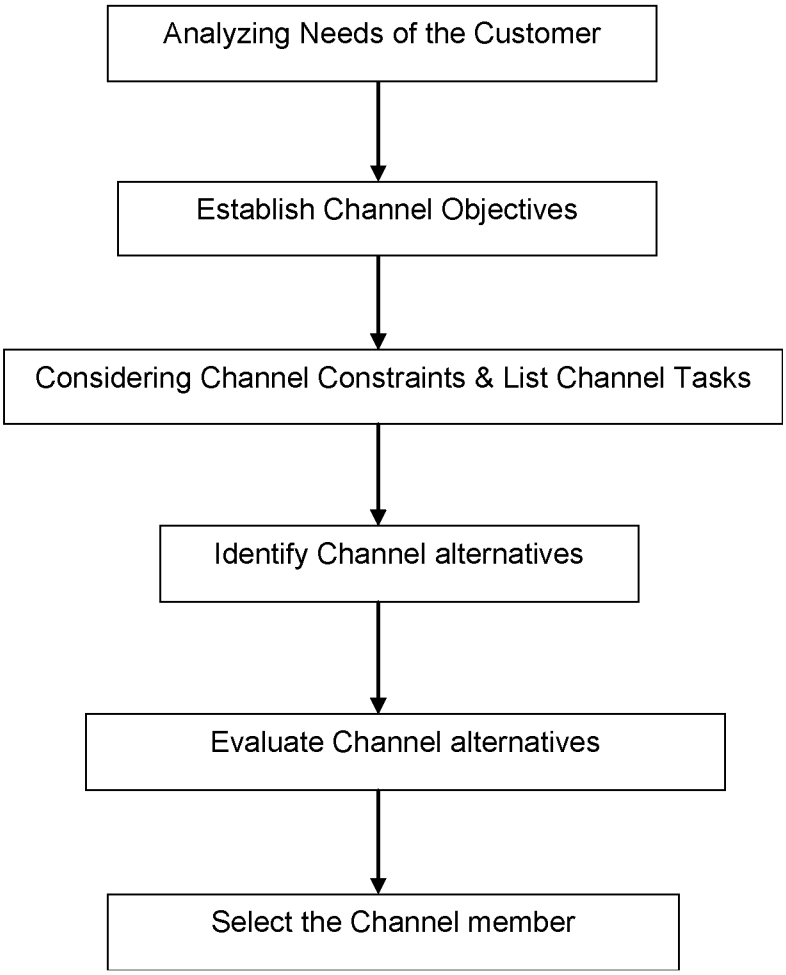


Fig 4.1 Channel Design Process

Stage 2: Establishing Channel Objectives

Channel objectives are aligned to the company's marketing objectives that need to be stated in terms of targeted service output levels. Profit considerations and asset utilization must be reflected in channel objectives and the resultant design. It should be the endeavour of the channel members to minimize the total channel costs and still provide with the desired level of service outputs. Channel alternatives keep varying depending on the characteristics of the products.

Stage 3: Considering Channel Constraints

The industrial marketer develops his channel objectives keeping into consideration various constraints like the company, competition,

the environment, product characteristics and the level of service output desired by the target customers.

- *Company*

If a company has financial limitation as a constraint, then it may restrict its direct distribution approach through company sales force to a few high potential customers.

- *Competition*

If a competitor has been very successful through direct service then it may force all other firms also to adopt the same strategy of direct selling.

- *Environment*

Economic conditions, legal regulations are the environmental factors that affect channel design. During recession, producers use economical ways to sell the products to avoid additional costs. Similarly, the law looks down upon those channel arrangements that try to build a monopoly market or minimize competition.

- *Product characteristics*

As already mentioned, complex and non-standard products require direct distribution without any intermediaries. For example, if an industrial marketer is providing customized machinery to his customer, then he deals directly with him rather than involving any intermediary to understand the customer needs better.

- *Customer*

The industrial marketers depend on intermediaries to offer services to customers who are either giving less business or are located at far-off places and prefer to serve the nearby or high potential customers by themselves.

Stage 4: Listing Channel Tasks

The industrial marketers have to creatively structure the necessary tasks or functions to meet the customer requirements and company goals. They have to first make a list of various tasks to be performed, identify the critical tasks, take objective and realistic decisions on which tasks can be effectively performed by the company and which

cannot be performed due to certain constraints. For instance, a company manufacturing pumpsets depend on distributors to sell them to customers who are located at distant locations but they would use their own sales force to serve those customers who are of high potential.

The careful analysis of customer needs, establishing objectives, considering constraints and listing the channel tasks form the backbone of channel design process. Once these aspects are delineated individually, the next step of identifying and evaluating channel alternatives starts.

Stage 5: Identifying Channel Alternatives

There are four issues that are involved in identifying the channel alternatives. They are:

(a) The types of business intermediaries,

(b) The number of intermediaries,

(c)The number of channels, and

(d) The terms and responsibilities of each channel members.

Stage 6: Evaluating alternate channels

There are several channel alternatives available to the industrial markets. They have to determine the best among the alternatives by evaluating them based on the following criteria: (a) The economic performance of the channel

(b) The degree of control exercised on them

(c) The degree of adaptability of channels to the market situations

4.3.2 Developing a Distribution and Channel Strategy

As an example establishing cost-effective ways to get goods to India's rural population is the critical first step in penetrating these markets. Smart companies have found that they need to focus on distribution even before making the seemingly commonsense moves of identifying and approaching target customers.

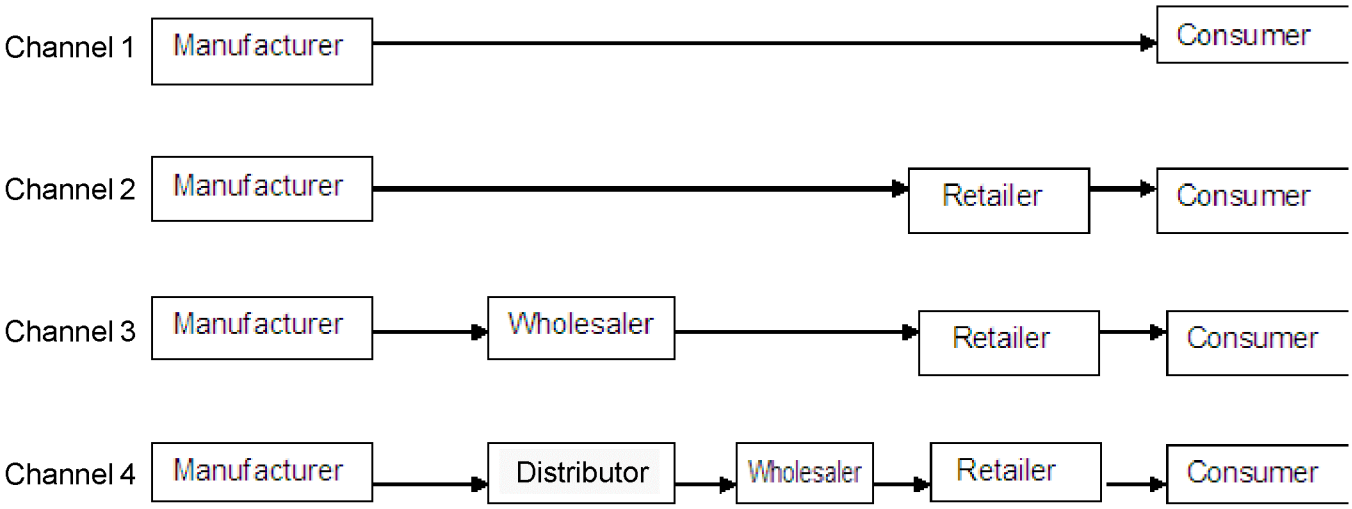
A company's channel decisions directly affect every other marketing decision. But often they pay too little attention to their

distribution channels, sometimes with damaging results. Distribution channel decisions often involve long-term commitments to other firms. Therefore, management must design its channels carefully, with an eye on tomorrow's likely selling environment as well as today's.

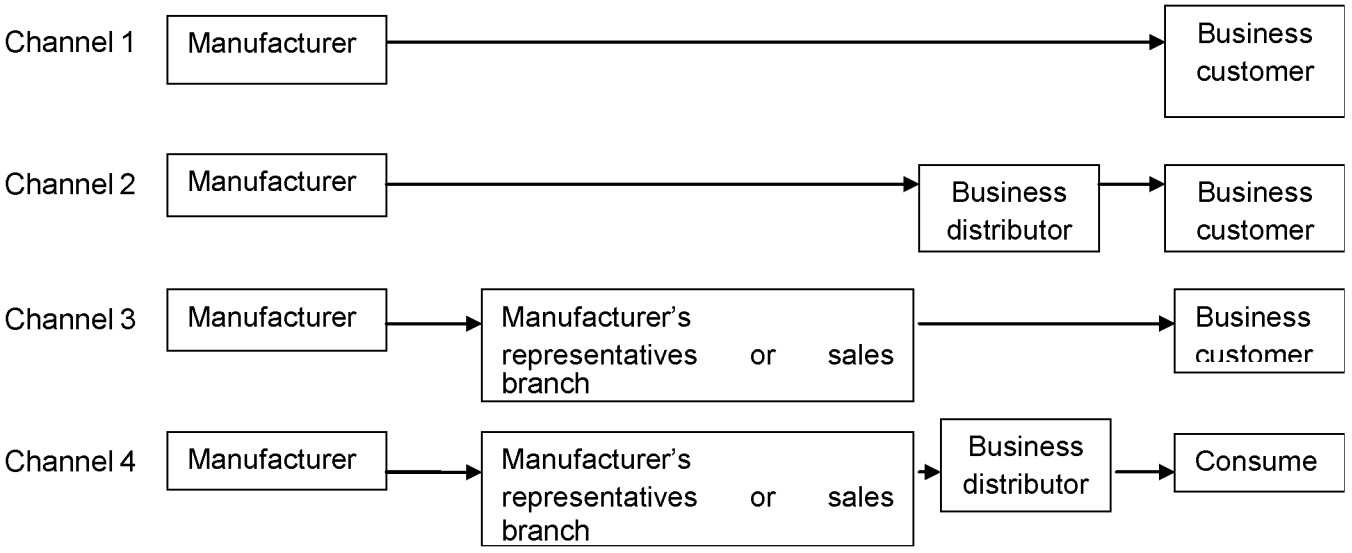
Companies can design their distribution channels to make products and services available to customers in different ways. Each layer of marketing intermediaries that performs some work in bringing the product and its ownership closer to the final buyer is a channel level. Because the producer and the final consumer both perform some work, they are part of every channel.

The number of intermediary levels indicates the length of a channel. Fig. 4.2 shows several consumer distribution channels of different lengths. Channel 1, called a direct marketing channel, has no intermediary levels; the company sells directly to consumers. The remaining channels in Fig. 4.2 are indirect marketing channels, containing one or more intermediaries.

Distribution (also known as the *place* variable in the marketing mix, or the 4 *P*s) involves getting the product from the manufacturer to the ultimate consumer. Distribution is often a much underestimated factor in marketing. Many marketers fall for the trap that if you make a better product, consumers will buy it. The problem is that retailers may not be willing to devote shelf-space to new products. Retailers would rather often use that shelf-space for existing products have that proven records of selling.



Customer Marketing Channels



Business marketing channels

Source: Armstrong & Kotler, 2007

Fig. 4.2: Consumer and Business Marketing Channels

4.3.3 Channel Management Decisions

After a company completes the task of choosing a channel alternative, it has to start the process of selecting the intermediaries, motivate them, control any channel conflicts and evaluate the performance of channel members.

(i) Selecting the intermediaries

Selecting the intermediaries is not part of channel design as some intermediaries leave the channel while others are terminated by the manufacturer. Selecting the best intermediary is a continuous process that is sometimes a more difficult task as producers have to work hard to get qualified middlemen. It involves finding out the distinct characteristics possessed by the intermediaries. Such evaluation is generally based on the experience possessed by the intermediaries, their number of years in the line of business, exposure in other fields, their past history, growth and profit records, their reputation, future growth potential, type of clientele possessed, etc., Thus, a channel that effectively satisfies the needs of a customer better than the competitors should find a place in the manufacturer's priority list.

(ii) Motivating the channel members

After selecting the middlemen, the industrial marketer needs to continuously motivate them to do their job better to achieve long-term success. Though the terms and conditions that made them join the channel is a motivating factor, it must be further supplemented by training and encouragement. Understanding the needs and wants of the middlemen is the first step of motivation process. Depending on the motivational technique used by the manufacturer, there would be varying levels of support from the middlemen. Manufacturers generally try to maintain relationship with their distributors by motivating through cooperation, partnership, discounts/commission, and distributor councils.

(iii) Managing Channel Conflicts

Through a well designed distribution channel has several benefits as observed, it is not the ultimate for the manufacturers. There are several differences and problems that still exist between the manufacturers and the distributors due to various simple and intricate reasons like, dissimilar objectives, less interest shown on products by the distributors, customer dealings, dissimilar views, commission to distributor, territorial problems, etc.

(iv) Evaluating Channel Performance

The performance of the channel is said to be effective if the channel members are able to reach the overall objectives smoothly. This calls for periodic evaluation of their performance where various parameters like meeting the sales target, maintaining the required inventory levels, on time delivery to customers, their cooperation and service levels, generation of new customers, etc., are taken into consideration. The aspects where the middlemen score less during the evaluation process are analyzed and discussed with them where they are motivated to improve upon those areas. Sometimes, manufacturers terminate their services with middlemen if they are unable to meet their expectations or shape up as required.

4.4 PROMOTIONAL STRATEGIES FOR INDUSTRIAL GOODS AND SERVICES

Have you ever wondered how organizations manage to communicate with so many different people and organizations? This can be accomplished through the use of marketing communications. Promotion is one element of the marketing mix. It is used for communicating the elements of an organization's offering to a target audience.

Promotion strategy is used by the industrial marketers to inform, persuade and influence the decision making power of prospective and existing customers. The objectives of promotional strategy vary from company to company where some companies use the strategy for capturing selected markets while others use it to increase or stabilize the sales and to give additional information and added value of their products.

Promotion strategy is the direct way through which an organization tries to reach its publics. Promotion strategy has remained the only way firms gain competitive edge in the market. Promotion strategy involves the five elements of the promotion mix i.e. advertising, sales promotion, personal selling, public relations, and direct marketing. In order to keep up with the competition and changing consumer needs and wants, firms are forced to adopt effective promotional strategies to promote growth beyond boarders

thus creating awareness about and increasing usage rates of their products and services. Promotional strategies enable firms to attract and retain customers thus will increased growth in terms of return on investments due to expanded client base (Kotler, 2007).

4.4.1 Developing a Successful Industrial Promotion Program

Today's economic conditions call for careful consideration of the elements that are essential in developing an effective communication program – whether it is industrial or consumer oriented. Promotional variables must be artfully integrated if communication objectives are to be achieved most effectively.

Most of the principles that are followed in developing consumer advertising programs are not only applicable but are necessary in developing an effective industrial promotional program. The objective of industrial promotional programme is to communicate something about the company and its products.

The industrial products are technical in nature having very few buyers compared to the consumer products. This makes the industrial marketers change their promotional strategy for industrial goods and services. The promotional mix used by the industrial marketer consists of advertising, sales promotion, publicity, public relations, personal selling and direct marketing. These tools help them to build awareness, develop company image, inform about the product features thus assisting the company sales force and other intermediaries to increase their sales.

(i) Advertisement

Advertising is the most preferred promotional tool in the consumer market rather than in the industrial market. It is preferred less by the industrial marketers compared to personal selling as they get to meet the customers personally and understand their needs better in personal selling. But still advertising is used to a good extent by the industrial marketers to assist their sales force and intermediaries

to generate more leads. Advertising plays an important role in industrial marketing strategy by supporting and supplementing personal selling efforts. The advertising budget for industrial goods is far less compared to that of consumer goods. But, to have an increased efficiency and effectiveness of the overall marketing strategy, industrial marketer should have an integrated and well planned advertisement strategy that blends properly with personal selling efforts.

Any industrial marketer uses advertising as a promotional tool as it performs so many functions that help him to achieve the following objectives:

(a) Create awareness

The industrial advertising creates awareness about a supplier or his products to the potential industrial buyers who are unaware about the availability of their products in the industrial markets.

(b) Reaching inaccessible places

There are places that are not reachable by the company sales force and there are important decision makers for purchase of industrial products who cannot be met by the sales force.

(c)Improve sales

Advertising helps salespersons to improve their sales by increasing their sales efficiency and effectiveness as people are already aware of their company, products, etc.

(d) Reduce cost

A single advertising reaches a vast number of people that comes out cheaper than a single salesperson meeting so many people personally and explaining them in details about the company's products. Thus, advertising not only reduces cost but also saves time of the company.

Besides the above, some other objectives of advertising are to provide relevant information to the potential buyers, influence their attitudes, remind them about a product or a company, support and motivate the distribution channel members and sales agents.

(ii) Sales Promotion

Sales promotion is an activity used by the industrial marketer to boost the immediate sales of a product or service. It is used for increasing the sales by impressing the customers, rewarding them and also motivating the sales force to get more business. There are different techniques used in a sales promotion activity like a free-sample campaign, offering free gifts, arranging demonstrations or exhibitions, organizing competitions with attractive prizes, temporary price reductions, door-to-door calling, telemarketing, using personal letters, etc. More than any other element of the promotional mix, sales promotion is about "action". It is about stimulating the customers to buy a product.

- **Methods of Sales promotion**

There are many sales promotional methods available for industrial marketers. Some of the techniques they can use are as follows:

(i) Trade Shows (or Exhibitions)

Trade shows present the manufacturers an occasion to exhibit and demonstrate their products to a large number of customers in a short period of time.

(ii) Catalogues

Catalogs are the printed form of direct marketing promotional tools used by industrial marketers to provide information about their products especially if they have long product lines with different shapes, sizes or other features. The company sales force meets the potential buyers and explains the product features by offering catalogues. Based on the different catalogs collected from different suppliers, a potential buyer compares the features of different products and seeks quotations from the supplier who provides best quality product at economical price.

(iii) Samples

Samples are the free or charged offerings given to the prospective buyers as a part of product development program. Samples are

used mostly to make an entry in the prospective customer's place. There are various ways in which a sample can be distributed.

(iv) Promotional Letter

This is one of the effective forms of promotion where personalized letters are sent to individual customers along with catalogues and coupons giving technical specifications about existing or new products which are to be launched. Letters to customers at regular periods is a good way of keeping in touch with them particularly in case of products that are purchased infrequently. The cost of promotional letter is very less compared to the personal visits made by the sales force and it also receives good attention. Since good correspondence and writing skills are the requisite for this, there should be special correspondence section which can take advice from salesperson regarding the kind of letters to be sent and to whom it should be addressed.

(v) Sales Contests

There are various sales contests that are held by different industrial organizations in order to boost the morale of their employees and other intermediaries. Depending on the amount of sales generated, employees and dealers are offered incentives in the form of cash prizes, gifts or foreign trips.

(vi) Seminars

Seminars are conducted by the industrial marketers by making audio-video presentation through the technical experts of the company. The seminar is followed by a question and answer session for the benefit of buying organizations where technical information is provided to them relating to their nature of activity. This helps in creating a favorable image about the company and also to establish new contacts with various technical people from the buying organization.

(vii) Promotional Novelties

These are the small gift items given by the company to existing and potential customers with their company name and logo printed on

it. The common promotional novelties include diaries, key chains, calendars, pens, bags etc. Promotional novelties should be generally inexpensive, unusual and eye-catching, useful to the customers and have multiple impacts.

(viii) Entertainment

Manufacturers of highly standardized industrial products use entertainment for promotional purposes. Entertaining a customer depends on the type of products, the circumstances for the seller and the government regulations governing them. Entertainment can have either positive or negative effects depending upon the buying situation, the nature of products, policies of buyer's organization and the buyer's culture.

(ix) Publicity

When any significant news about a product is made known to the people through a published medium like radio, television, newspaper or otherwise, such kind of act is known is publicity. Publicity has very high credibility in the eyes of organizational buyers as the sponsor does not pay anything for publicity and it is not a part of any promotional program. It is the least costly promotional alternative available for the company and it is very effective.

(x) Public Relations

Public Relations Department is located at the top level of the company and it deals with everybody i.e. customers, suppliers, shareholder, employees, legislators, government and press. And the important job of this department is to maintain relations with people and build a good image about the company in their eyes.

(xi) Direct Marketing

This is a recent activity that has come up and is used extensively by the industrial marketers. The various tools used in direct marketing are direct mails, telemarketing and online marketing channels. A direct marketing channel does not involve any intermediary and the sale is done by the company by directly contacting the target customer. As the cost involved in direct marketing activity is much

less compared to the cost of company sales force directly meeting the customers, many industrial organizations prefer this tool. This tool aids the sales force to gain entry into prospective customer's office where prospective customers are identified beforehand and are informed about the company products.

(iii) Personal selling

It is one of the oldest forms of promotion. It involves the use of a sales force who orally communicates in the face-to-face mode about the company's products or services to the potential buyers with an intention to make a sale. Personal selling is the primary demand stimulating force in the industrial marketer's promotional mix. Its role is very dominant in industrial markets because of less number of potential customers present compared to the consumer markets and the large amount of money purchases involved. As the cost per sale through personal selling is too high, industrial marketers have to carefully manage and integrate personal selling into organization's marketing mix. This will also lead to maximize its effectiveness and efficiency. The job of personal selling starts after determining the target segment in the organization's market. The sales force in most of the industrial organizations follow the "systems selling" approach where they recognize the entire problems faced by their buyers and offer them total solutions rather than just selling the product. This is advantageous to the industrial buyers as all their problems are solved at a single go by one party who would take the responsibility if anything goes wrong. Marketers too have competitive advantage by adopting this strategy.

4.5 DEVELOPING MARKETING STRATEGIES AND PROGRAMS FOR INDUSTRIAL GOODS AND SERVICES

Have you ever thought about how organizations organize themselves so that they can make sales, achieve profits, and keep all their stakeholders satisfied? A great deal of thought, discussion, planning, and action needs to

occur to make this happen. This involves getting answers to questions such as which markets the organization should be operating in, what resources are necessary in order to be successful in these markets, who are the key competitors and what strategies are they using, how can we develop and sustain an advantage over these competitors, and what is happening in the wider world that might affect our organization?

The planning process is divided into several steps or stages, which are discussed below:

(i) Preliminary Analysis

The technical nature of most industrial goods complicates market planning For example, the demand for a material, component, supply item, or price of equipment may be changed profoundly and abruptly by changes in technology. The uncertainty of total demand for the individual firm is aggravated by the small number of large users which characteristics many industries. A shift in patronage by any one buyer can subtract heavily from the sales volume of one supplier and add substantially to that of another. The analysis which precedes the formulation of marketing strategy includes both the situation analysis and the analysis of potential markets.

(ii) Choice of strategy components

The central problem in choosing the components of a marketing strategy is to find the combination of components which will produce the maximum net revenue. It involves the application of marginal analysis. But it is very difficult to forecast the results of any marketing action unless they can be measured. This is possible with direct mail advertising or promotional material designed to bring in orders. In spite of the lack of adequate means to forecast the results of marketing action, the marketing manager cannot avoid trying to do so. Recently, much has been devoted to improve both measurement and forecasting in this area.

Once management has accumulated some experience with estimates, it is often possible to predict outcomes with sufficient confidence to formulate strategies effectively.

(iii) Formulating Channel Strategy

Formulating the channel strategy involves an analysis of conditions which have a bearing on the best choice among structural alternatives and on the relationship between them and the manufacturer which will be most productive.



CHECK YOUR PROGRESS:

Q.1: Define "Marketing Channel".

_____

_____

_____

_____

Q.2: Identify the three types of structural channel arrangement available to industrial marketers.

_____

_____

_____

_____

Q.3: What do you mean by "Sales Promotion"?

_____

_____

_____

_____



4.6 LET US SUM UP

In this unit, we have mainly discussed the channels and physical distribution decisions that help the manufacturer to deliver the goods to the end-users along with marketing strategies for industrial goods and services.

Industrial distribution is quite distinct compared to the channels used for consumer goods or services. The industrial products are technical in nature that has very few buyers compared to the consumer products. This

makes the industrial marketers to change their promotional strategy for industrial goods and services. The promotional mix used by the industrial marketer consists of advertising, sales promotion, publicity, public relations, personal selling and direct marketing. These tools help them to build awareness, develop company image, inform about the product features thus assisting the company sales force and other intermediaries to increase their sales. The Marketing Activities of industrial products are an integral part of the company's total operating system. Therefore, it is useful to identify the major types of plans by which operations of an enterprise are directed. These may be designated as strategic, operational, logistical, and organizational.



4.7 FURTHER READING

1) Havaldar Krishna K (2005), *Industrial marketing* 1st ed., TATA McGraw Hill Publishing Company Limited, New Delhi.

2) C Krishnamacharyulu & R Lalitha (2008), *Industrial Marketing: A Process of Creating and Maintaining Exchange* ,Jaico Book House.

3) Govindarajan M. (2003), *Industrial Marketing Management* , Vikas Publishing House Pvt Ltd.

4) Ghosh P.K. (2005), *Industrial Marketing*, Oxford University Press.



4.8 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: *Marketing channel* (or distribution channel)- a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or business user. A company's channel decisions directly affect every other marketing decision.

Ans to Q No 2: In general, the industrial marketer has a choice of three types of structural arrangements.

1. Direct to users – through the manufacturers own sales force, with or without a network of branch warehouses.
2. Indirect to users – through agents or wholesale distributors. The choice of an indirect channel system involves the choice of a selective or intensive relationship.
3. Mixed structure – the nature of the structural network differs with the segmentation of the market. One segment may buy the manufacture's product in standard grades, while another may want special quality variations. While indirect distribution may be suitable for the former, direct distribution may be required for the latter.

Ans to Q No 3: Sales promotion is an activity used by the industrial marketer to boost the immediate sales of a product or service. It is used to increase the sales by impressing the customers, rewarding them and also motivating the sales force to get more business.



4.9 MODEL QUESTIONS

1. Discuss the need for channel designing and what are the various stages involved in the process?
2. Explain the need for distribution channel in industrial marketing?
3. What is sales promotion? Why do industrial marketers go for it?
4. What is the role of advertising in industrial marketing?
5. How do industrial marketers develop marketing strategies for industrial goods and services? Discuss.

*** ***** ***

UNIT 5: RURAL MARKETING

UNIT STRUCTURE

5.1 Learning Objectives

5.2 Introduction

5.3 Rural Marketing

- 5.3.1 Concept of Rural Marketing
- 5.3.2 Phased Evolution of Rural Marketing
- 5.3.3 Rural Marketing Model

5.4 Nature and Characteristics of the Rural Market

5.5 Opportunities of the Rural Market

5.6 Challenges of the Rural Market

5.7 An Overview of Indian Rural Market

5.8 Let Us Sum Up

5.9 Further Reading

5.10 Answers to Check Your Progress

5.11 Model Questions

5.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- discuss the fundamental concepts of rural marketing
- learn about the phased evolution of rural marketing in India
- explore rural marketing model to explain the rural marketing process
- comprehend the nature and characteristics of the rural market
- explain the challenges and the opportunities of the rural market

5.2 INTRODUCTION

The size of the prize in India's rural hinterlands is growing bigger than many businesses initially thought. More companies are expanding their base in India's rural markets than at any other time in history – and for good reason. The marketing battle field has shifted from the towns/cities to the villages. "Go rural" seems to be the latest slogan of the marketers.

In this connection Adi Godrej says: *"The rural consumer is discerning*

and the rural market is vibrant. At the current rate of growth it will soon outstrip the urban market. The rural market is not sleeping any longer. We are."

India's vast rural market offers a huge potential for a marketer facing stiff competition in the urban markets. The rural market environment is very different from the familiar surroundings of the urban market. The current dynamics clearly necessitates sound marketing strategies for marketers trying to tap the rural market and drawing benefits from the growing rural consumption.

5.3 RURAL MARKETING

In a large economy like India's, rural marketing has emerged as an important and distinct internal sub-division within the marketing discipline. This sub-divison clearly highlights the differences between rural marketing and mainstream marketing.

5.3.1 Concept of Rural Marketing

The definition of rural marketing based on flows between rural and urban locations presumes defining the rural area. Collin's Cobuild Dictionary (2001) describes the word rural as "places far away from towns or cities". The definition of rural market that is used by the Census of India (2001) as it has advantages of relevance, simplicity and measurability. Rural is defined as that which is not Urban. And, Urban means:

- all locations with a municipality/corporation, cantonment board or a notified town area;
- all other locations satisfying all of the following criteria:
  a) a minimum population of 5,000;
  b) at least 75 percent of the male workforce engaged in non-agricultural activities; and
  c) a population density of over 400 per sq. km.

The term 'rural marketing' which was earlier used as an umbrella term to refer to all commercial transactions of rural people, acquired

a separate meaning of great significance in 1990s. Prior to mid-1960s, rural marketing referred to marketing of rural goods and services in rural and urban areas and agricultural inputs in rural markets. It was considered synonymous to "Agricultural Marketing". During the period from mid 1960s to mid 1990s, the marketing of rural products received considerable attention in the general marketing framework. The formation of bodies like KVIC, GCC, APCO Fabrics and the increasing importance given by government to promote and market these products contributed to the upsurge of these products. After mid 1990s, rural marketing represented the emergent distinct activity of attracting and serving rural markets to fulfil the needs and wants of individuals, households and occupations of rural people. In 21st Century, the corporate world has finally realized that quick-fix solutions and piecemeal approaches will deliver only limited results in the rural market. A long-term commitment with the rural market is needed on the part of the organizations to explore the existing potential of this market. At the same time the focus of the marketer should not be limited to just selling product and services, rather they should set an aim at creating an environment for this to happen.

5.3.2 Evolution of Rural Marketing

Rural marketing as it exists today is a result of evolution over many decades. Different patterns of flow of goods and services were dominating the rural marketing spectrum at different times. These time spans were long enough to be called as different phases, which are described below:

***(i) Phase I (before 1960)*:** Rural marketing referred to selling of rural products in rural and urban areas and agricultural inputs in rural markets. Phase I was treated as synonymous to 'agricultural marketing'.

***(ii) Phase II (1960 to 1990)*:** In this era, green revolution resulted from scientific farming and transferred many of the poor villages

into prosperous business centers. As a result, the demand for agricultural inputs went up especially in terms of wheats and paddies. During these period, marketing of agricultural inputs took the importance. In phase II, rural marketing represented marketing of agricultural in rural markets and marketing of rural produce in urban areas.

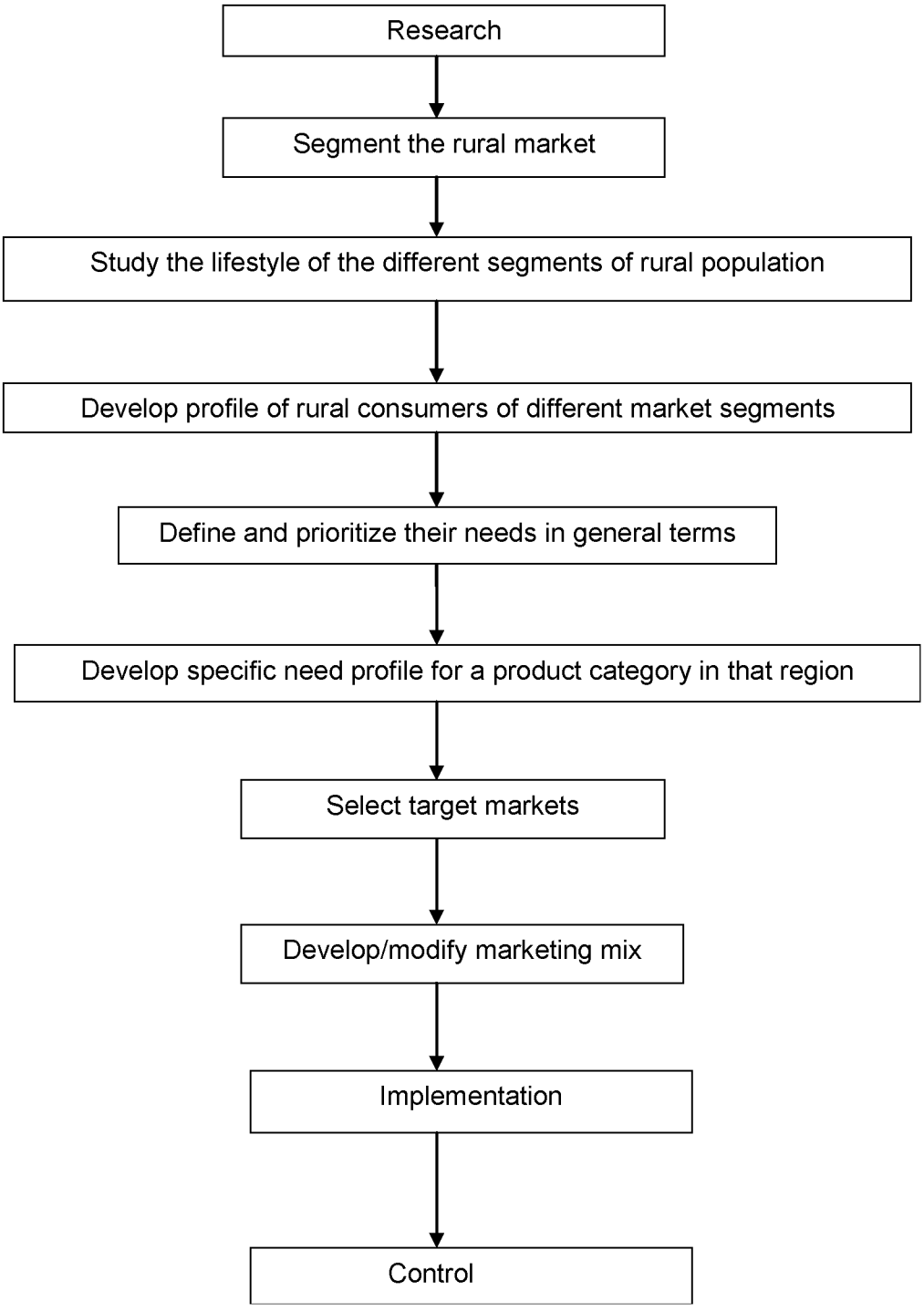
***(iii) Phase III (post-liberalization period of the 20th century)*:** In this phase, rural marketing represented the emerging, distinct activity of attracting and serving rural markets to fulfil the needs and wants of rural households, people and their occupations.

***(iv) Phase IV (21st century)*:** In this phase, the corporate world realized that to tap the real potential of the rural market, it needs to make a long-term commitment with this market. Its approach and strategies must not focus on just selling products and services, but they should also aim at creating an environment for this to happen. This approach has been demonstrated successfully by HUL's *Project Shakti*, ITC's *e-choupal*, AMARON Batteries' *Amaragaon campaign*, etc.

As a result of the above analysis, we are in a position to define rural marketing in the following words : "Rural marketing can be seen as a function which manages all those activities involved in assessing, stimulating and converting the purchasing power into an effective demand for specific products and services, and moving them to the people in rural area to create satisfaction and a standard of living for them and thereby achieves the goals of the organization".

5.3.3 Rural Marketing Model

The Rural Marketing Model (Fig. 5.1) describes a step-by-step process of execution of a rural marketing effort. This model has certain nuances, which need to be understood to attain success in the rural market.



Source: Dogra & Ghuman (2012)

Fig. 5.1 Rural Marketing Model

The different steps for implementation of the rural marketing model are described below:

(i) Segmentation

A key factor for the rural market is that it is a distinct and unique market. Each of these markets has rural consumers with quite different lifestyles, socio-cultural, economic and demographic backgrounds. Therefore, the first step for implementing any rural marketing effort is to segment the rural market on the basis of select parameters that influence the demand for certain product categories.

(ii) Lifestyle Analysis

An organization planning to serve the rural market has to develop an understanding of the lifestyle of the consumers in different rural market segments. Lifestyle analysis is important because it broadly defines and prioritises the consumer needs in a market segment. In some cases, it may not be the buying capacity but the lifestyle of the consumers that influences the demand for a given product.

(iii) Profiling of Rural Consumer

The lifestyle analysis enables a business organization to develop a generic profile of the consumers in a rural market segment. This profile should be considered while designing or modifying the marketing mix for that market. Here the regional and local organizations are in an advantageous position as they are fully aware of the consumers' profile in a rural market segment, and they can design an appropriate marketing mix to make a mark in that segment.

(iv) Need Profile

Analysis of the generic profile of the consumers of a rural area or market segment helps business organizations identify the needs of those consumers in general terms. A marketer can then translate these broadly defined needs in more specific terms, from the perspective of different product categories.

(v) Selection of Target Market

After undertaking the above steps, a business organization can judge whether it could serve the needs of a particular market segment

effectively and efficiently with its present market strategy or modifies marketing mix. Once the organization finds compatibility between the consumer needs and its marketing mix in a rural market segment, then that segment can be identified and selected as its target market.

(vi) Designing/Modifying Marketing Mix

An organization needs to consider modifications in different elements of its marketing mix to serve highly heterogeneous rural market in India. Organizations may vary the promotional campaigns or packaging across different territories to adapt to variations in tastes and preferences of the consumers.

(vii) Implementation

Implementation is a major problem in rural marketing. Serving such a huge, widely scattered and highly heterogeneous territory could be a huge task for any organization. Rural marketing plans cannot be implemented with an urban mindset. Therefore, an organization needs to make a comprehensive effort and ruralize its strategy in a real sense to make significant inroads in the rural market. To have a meaningful success in the rural market an organization has to be as passionate in implementation as it is in planning.

(viii) Control

The rural picture is undergoing transformation at a faster speed. Organizations striving to achieve success in the rural market need to constantly research the developments in rural territories.

5.4 NATURE AND CHARACTERISTICS OF THE RURAL MARKET

The characteristics of the rural market not only make it different from the urban market but also justify its study as a distinct discipline. These characteristics are discussed below:

(i) Large and Scattered Market

India's rural market is large and scattered in the sense that it consists of nearly 75 crore rural consumers who live in approximately 6, 38, 365 villages spread over 32 lakh square kilometer area. Nearly 1, 45,098 villages, or

23% of the total number of villages in India, have population less than 200; and another 21% have population between 200 and 500.

(ii) Heterogeneous market

The rural market is not a homogeneous one. More than 20,000 ethnic groups are present in rural India, and this poses a formidable challenge to the marketer. There are approximately 24 languages and 1,642 dialects, and the dialect varies every 100 km or so, making it extremely difficult to develop a uniform promotional message.

(iii) Income from Agriculture

Nearly 55% of rural income comes from the agriculture sector, hence rural prosperity depends to a great extent on agricultural prosperity. However, the recent past has witnessed a gradual reduction in the sole dependence on agriculture, as other sectors have started playing significant role in the rural economy.

(iv) Standard of Living

Over 70% of the rural population is employed in small-scale agricultural and related occupations. This dependence on agriculture and natural factors has led to an acute seasonality and presence of high change element in income receipts in rural areas. This unreliability factor in case of rural income makes the rural consumers extremely conscious in their purchase behavior as they are not confident about their future earnings.

(v) Infrastructural Facilities

The infrastructural facilities like roads, warehouses, communication system, and financial facilities are insufficient in rural areas. Infrastructure or its inadequacy is the single most important factor that distinguishes urban and rural markets. Promotion and physical distribution thus become very difficult in the rural terrain because of inadequate infrastructural facilities.

5.5 OPPORTUNITIES OF THE RURAL MARKET

Recent years have seen rural markets emerging as an important growth engine in the India consumption story. With 70 per cent of India's population living in more than 6 lakh villages spread over 32 lakh square kilometres, they present a significant market opportunity. In fact despite

rising urbanization, 63% of India's population will continue to live in the rural areas even in 2025.

The business environment in rural market is improving, thanks to better infrastructure and the growing number of consumers who are earning more and are buying products and services that support their aspirations. The confidence of these forces is driving the rural market. For many businesses, in today's volatile business environment,India's rural markets hold the key to future growth. Companies that recognize this enormous opportunity are stepping up efforts to gain a strong foothold in these markets.

There are quite a few reasons for the growing interest in rural markets. Their vast untapped potential, increasing income and purchasing power, improved accessibility and the increasing competition in urban markets make rural markets an attractive destination for organizations.

(i) Untapped Potential

The Indian rural market, with its vast size and demand base, offers ample opportunities to companies. The size of the rural economy in 2012-13 has been estimated at Rs 16 trillion (NSSO data). As mentioned earlier rural India accounts for 70 percent of India's population, 48 percent of national income, 56 percent of the total expenditure and one-third of total savings. More than 800 million people live in villages equaling 12% of the globe's population. Since most companies are since in the early stages of rural market development, therefore it is still unexplored to a great extent and thereby offers plethora of opportunities to marketers. Nearly 42 percent of rural households owned a television in 2009-2010, up from 26 percent five years earlier. Similarly, 14 percent of rural households had a two-wheeler in 2009-2010, twice the penetration during 2004-2005. To have some idea of the potential of the rural market, we can consider the following facts:

- Rural FMCG market accounts for 40 percent of the overall FMCG market in India, in revenue terms.
- Dabur generates over 40-45 percent of its domestic revenue from rural sales.
- LIC sells 50% of its policies in rural India.

(ii) Rising Rural Prosperity

Rural India accounts for about 50 percent of India's GDP. Per capita rural GDP has also experienced strong improvement over the last few years. Since 2000, it has grown faster than per capita urban GDP. As incomes rise, rural consumption shifts from necessities to discretionary goods and lifestyle products.

As a result of the growing affluence, fueled by good monsoon and the increase in agricultural output, rural India has a large consuming class with 41% of India's middle class and 58% of total disposable income.

With increase in per capita income due to use of superior quality of seeds and fertilizers and also due to the fact that there are a lot of rural schemes introduced by the government of India for the rural population the standard of living has improved.

The income of a large proportion of the population that resides in rural areas but which drives down to urban areas, also acts as a multiplier when one aggregates the income in the two markets. According to NCAER, the percentage of very poor families in rural India (having an annual income of Rs.16,000 or less) had fallen from 61.4% in 194-95 to just less than 25% in 2006-07.

(III) Less Reliance on Agriculture and Monsoon

Agriculture now contributes 18% of India's economy from as high as 50% in the 1950s. A third of more than 900,000 farming households in the country depend on agriculture only for supplementary income, amounting to less than half of their monthly expenses, according to a survey released by the statistics ministry in December.

There was a time when market predictions were made on the basis of the state of the monsoon but this trend has changed over the years. There is a significant non-farming sector, which generates almost 45 percent of the rural wealth. Corporate India has also come a long way to live with the uncertainty of monsoon.

(iv) Increasing Rural Consumption

Nowhere is this phenomenon more evident than in India. From 2009 to 2012, spending by India's 800+ million rural residents reached $69 billion,

some 25% more than their urban counterparts spent over the same period. And projected growth rates are simply astounding: According to recent Nielsen estimates, consumption in rural areas is growing at 1.5 times the rate in urban areas, and today's $12 billion consumer goods market in rural India is expected to hit $100 billion by 2025.It is the surge in rural consumption that that has made the rural market so attractive to the corporate. Without the surge in rural consumption, their sales in the rural market would not have been materialized. Not only has rural consumption grown substantially in recent years, but has also outplaced the urban consumption. In the two years between 2009-10 and 2011-12, spending on goods and services by rural India at Rs.3.75 lakh crore was much higher than the urban spending (Rs.2.99 lakh crore). In growth rate of spending too, rural India was ahead of urban. The growth rate in the two-year period was 19 percent for rural India while it was 17 percent for urban India.

As per the data from the CSO, the monthly per capita rural consumption rose 18 percent in real terms in 2011-12 to Rs.707.24 from Rs.599 in 2009-10 (at 2004-05 prices). According to Nielson more than 80 percent of FMCG products are growing faster in rural market than in urban.

(v) Large Population

Out of the total of 1210.2 million population in India, the size of rural population is 833.1 million (or 68.84% of the total population) and urban population 377.1 million (or 31.16%). During 2001-2011 the population of the country increased by 181.4 million and the growth of rural population has been 12.18%.

(vi) Rural Marketing Efforts

Many corporations are recognizing this enormous opportunity and stepping up efforts to gain a strong foothold in India's rural markets. But they are meeting with mixed results. An undeveloped transportation infrastructure, unreliable telecommunications and electricity services, inadequate distribution networks, and widely dispersed consumers make it costly to establish a profitable presence at scale. And finding partners to help identify, sell to, and service rural customers is also difficult. The growing number of companies is realizing the importance of the rural markets. To tap the rural

markets, the marketing efforts of these organizations are becoming more aggressive day by day. Companies are coming up with innovative models to make the products reach the rural consumers. The increased penetration is one of the major reasons for the development of the rural market.

India's rural markets present opportunities that companies seeking to become high-performance businesses cannot afford to ignore. But the size and scale of those markets have been offset by concerns about the profitability of these markets and the durability of rural demand.

5.6 CHALLENGES OF THE RURAL MARKET

The growth opportunities in India's rural markets are significant. To capitalize on them, however, businesses must overcome significant sales and distribution barriers. There are vast differences between rural and urban markets, including infrastructure, business and social structure, market size and consumer behavior. Today, when companies are seriously considering of putting in efforts to tap the rural market, the challenges experienced by them can be classified into three major categories – reaching, acquiring and retaining rural customers.

(i) *Reaching Rural Customers*

Rural markets are geographically dispersed and lack adequate physical and social infrastructure. As a result, the distribution of goods and services to and from villages is extremely difficult and costly. Even today, when it comes to going rural, "high cost-to-serve the rural markets" is the number one challenge.

The deficits in rural market infrastructure and lack of established supply chain networks adversely affect the service as well as the cost aspect. One of the greatest challenges for rural marketers lies in reaching out to the remotest destinations and having a number of vendors at the retailing end.

(ii) Acquiring Rural Customers

Today's rural consumers are better connected and more aware of products and services than many businesses realize. To acquire these consumers, businesses need to develop compelling value propositions.

As rural consumers become more demanding, companies should meet those requirements with better products and skilled sales people. The challenge these sales professionals face is to understand rural customers' needs know how to appeal to their aspirations and motivations. However, finding qualified sales staff is a major hurdle in rural markets.

(iii) Retaining Rural Customers

With increasing rural competition and high costs to-serve, customer retention is emerging as a major challenge. High customer acquisition costs make it imperative for companies to increase customer retention in order to scale operations profitably. To boost retention, companies must provide satisfying experiences across the customer lifecycle and generate positive word of mouth. However, providing reliable and consistent after-sales service and optimizing the costs of a high-quality experience remain major obstacles. The wide geographic dispersion of a small number of customers drives high sales-service costs, and many businesses cannot provide a dedicated after-sales service network. Also, rural markets have limited data on consumer demographics, behaviors, preferences and perceptions, which effect in sales planning. Moreover, poor connectivity prevents companies from easily acquiring real-time and reliable sales data. That makes it difficult for them to monitor and measure key performance indicators including the number customers lost or gained.

Though the rural market offers a big attraction to the marketers, it is not easy to enter the market and take a sizeable share in a short time. Some of the other barriers in exploring rural markets are as follows:

- Low literacy levels of the rural population
- Traditional lifestyle
- Backwardness of the rural masses
- Variation in languages and dialects
- Seasonality of demand
- Banking and credit problems

Therefore, it can be easily understood that challenges in rural markets are huge and many. Companies need to design a right marketing mix to crack open the potential of the rural market.

5.7 AN OVERVIEW OF INDIAN RURAL MARKET

The rural market is transforming year after year, and it would be quite inappropriate to approach with a mindset about its past image. Rural consumers are particularly aspiring or striving to purchase branded, high quality products. Consequently, businesses in India are optimistic about growth of the country's rural consumer markets, which is expected to be faster than urban consumer markets. The better networking among rural consumers and their tendency to proactively seek information via various sources to be better informed while making purchase decisions. Importantly, the wider reach of media and telecommunication services has provided information to India's rural consumers and is influencing their purchase decisions. Rural consumers in India are evolving towards a broader notion of value provided by products and services which involves aspects of price combined with utility, aesthetics and features, and not just low prices.

The hinterlands in India consist of about 6, 38,365 villages. These villages are inhabited by about 850 million consumers making up for 70 percent of population and contributing around half of the country's Gross Domestic Product (GDP). Consumption patterns in these rural areas are gradually changing to increasingly resemble the consumption pattern of urban areas. Some of India's largest consumer companies serve one-third of their consumers from rural India. Owing to a favourable changing consumption trend as well as the potential size of the market, rural India provides a large and attractive investment opportunity to private companies.

Market size

India's per capita GDP in rural regions has grown at a Compound Annual Growth Rate (CAGR) of 6.2 per cent since 2000. The Fast Moving Consumer Goods (FMCG) sector in rural and semi-urban India is expected to cross US$ 20 billion mark by 2018 and reach US$ 100 billion by 2025.

Recent Developments

Following are some of the major investments and developments in the Indian rural sector.

- India's unemployment rate has declined to 4.8 per cent in 2017

compared to 9.5 per cent in 2016, as a result of the Government's increased focus towards rural jobs and the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme.

- The Ministry of Rural Development is expecting to achieve its annual targeted length of 48,812 kilometers of rural roads by March 31, 2017 under the Pradhan Mantri Gram Sadak Yojana (PMGSY), which has reached a completion stage of 67.53 per cent (32,963 kms) as on January 27, 2017.
- The National Bank for Agriculture and Rural Development (NABARD) plans to provide around 200,000 point-of-sale (PoS) machines in 100,000 villages and distribute RuPay cards to over 34 million farmers across India, to enable farmers to undertake cashless transactions.
- Magma Fincorp, a Kolkata-based non-banking finance company (NBFC) plans to expand its operations in South India, with specific focus on rural and semi-urban markets to help the company grow rapidly.
- Bharti Airtel is applying for a payments bank licence and has involved Kotak Mahindra Bank as a potential investor in the venture, in a bid to tap significant revenue opportunities from the Reserve Bank of India's financial inclusion initiative. Payments banks are meant to fan out into the rural, remote areas of the country, offering limited but critical services such as money transfers, loans and deposit collection. While banks have the knowhow, telecom companies have the network, making it an ideal match.

Government Initiatives

The Government of India has planned various initiatives to provide and improve the infrastructure in rural areas which can have a multiplier effect in increasing movements of goods, services and thereby improve earnings potential of rural areas subsequently improving consumption.

- The Government of India has approved the proposal to construct 10 million houses for the rural population, which will require an investment outlay of Rs 81,975 crore (US$ 12.7 billion) for the period

from 2016-17 to 2018-19.

- The Government of India aims to provide tap water regularly to every household by 2030 in line with United Nations Sustainable Development Goals, requiring a funding of Rs 23,000 crore (US$ 3.57 billion) each year until the target is met.
- The Government has introduced various reforms in the Union Budget 2017-18 to uplift the rural markets. Some of the key highlights of the Budget are:
    - Rs 187,223 crore (US$ 28.08 billion) has been allocated towards rural, agriculture and allied sectors.
    - The Allocation for Pradhan Mantri Aawas Yojana-Gramin has been increased from Rs 15,000 crore (US$ 2.25 billion) to Rs 23,000 crore (US$ 3.45 billion) in the year 2017-18 with a target to complete 10 million houses for the houseless by the year 2019.
    - The pace of roads construction under Pradhan Mantri Gram Sadak Yojana (PMGSY) has been accelerated to 133 kms per day as against an average of 73 kms per day during the years 2011-14.
    - The allocation to the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has been Rs 48,000 crore (US$ 7.2 billion) in the year 2017-18, which is the highest ever allocated amount.
- The Government of India is looking to install Wi-Fi hotspots at more than 1,000 gram panchayats across India, under its ambitious project called Digital Village, in order to provide internet connectivity for mass use, as well as to enable delivery of services like health and education in far-flung areas.
- In the Union Budget 2017-18, the Government of India mentioned that it is on course to achieve 100 per cent village electrification by May 1, 2018.
- The Government of India has sought Parliament's approval for an additional expenditure of Rs 59,978.29 crore (US$ 8.9 billion), which

will be used to support the government's rural jobs scheme, building rural infrastructure, urban development and farm insurance.

Road Ahead

As is the trend with urban India, consumers in the rural regions are also expected to embrace online purchases over time and drive consumption digitally. The rural regions are already well covered by basic telecommunication services and are now witnessing increasing penetration of computers and smartphones. Taking advantage of these developments, online portals are being viewed as key channels for companies trying to enter and establish themselves in the rural market. The Internet has become a cost-effective means for a company looking to overcome geographical barriers and broaden its reach.



CHECK YOUR PROGRESS:

Q.1: Define 'Urban'.

_____

_____

_____

Q. 2: How rural marketing defined before 1960?

_____

_____

_____



5.8 LET US SUM UP

In this unit we have discussed the scenerio of Indian Rural market. India's Rural Market for consumer products and services is growing at an accelerated pace. An urban marketer interested to tap these marketing opportunities in rural India needs to develop a deeper understanding of the rural marketing ecology. Further, a marketer requires better insights on the logic of organizing marketing efforts in rural areas considering these rural specificities. Also, rural market is changing very fast and is very much

different from the urban one. The marketer with an urban mindset and the image of rural India as it used to exist would be in for a surprise when he makes a serious attempt to understand the evolution of rural areas as the market of the future with all the indicators showing an upward sign.

As the space is not for too many players, those who target and tap this market first in a systematic manner and build a relationship with the consumer and the trade will be benefited.



5.9 FURTHER READING

1) 5) Krishnamoorty R.(2008),*Introduction to Rural Marketing* Himalaya Publishing House

2) Dogra B. and Ghuman K. (2012) *Rural marketing: Concepts and Practices*, McGraw Hill, 2012.

3) Mohamed (Dr.) N. S., *Rural Marketing in India: Opportunities, Challenges and Strategies*, www.alliancebschool.com.

4) Kashyap P. and Raut S.,(2005) *The Rural Marketing Book* Biztantra Publications,



5.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Urban is:

- All locations with a municipality/corporation, cantonment board or a notified town area;
- All other locations satisfying all of the following criteria:
  - d) a minimum population of 5,000;
  - e) at least 75 percent of the male workforce engaged in non-agricultural activities; and
  - f) a population density of over 400 per sq. km.

Ans to Q No 2: Rural marketing referred to selling of rural products in rural and urban areas and agricultural inputs in rural markets. Phase I was treated as synonymous to 'agricultural marketing'.



5.11 MODEL QUESTIONS

1. Discuss the evolution of rural marketing over a period of time.
2. Illustrate the different steps of the rural marketing model.
3. Give an overview of the Indian rural market.
4. Discuss the various opportunities and challenges in the rural market.
5. How does the heterogeneity of the Indian rural market affect the marketing mix strategies?

*** ***** ***

UNIT 6: RURAL CONSUMER BEHAVIOUR

UNIT STRUCTURE

6.1 Learning Objectives

6.2 Introduction

6.3 Meaning of Consumer Behaviour

6.4 Characteristics of Rural Consumer

6.5 Consumer Behaviour Roles

6.6 Factors Influencing Purchase of Products in Rural Markets

6.7 Let Us Sum Up

6.8 Further Reading

6.9 Answers to Check Your Progress

6.10 Model Questions

6.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- define the conceptual background of consumer behaviour
- explain rural consumer's buying behaviour
- know the factors that affect a rural consumer's purchase decision

6.2 INTRODUCTION

The *value philosophy of marketing* stresses that marketing is all about delivering value to the consumer. The marketer has to go by the thinking of the consumer on what constitutes value, and deliver her the value she seeks. This implies that practising the value philosophy has to begin with knowing consumer-behaviour and buying decision process.

By knowing consumer-behaviour and the nuances of the buying-decision process, the marketer benefits in his value-delivery endeavour. In fact, he derives benefit in executing every step of the value-delivery process, starting from value-selection and extending to value-communication. In this unit, we will briefly discuss the behaviour of rural consumer.

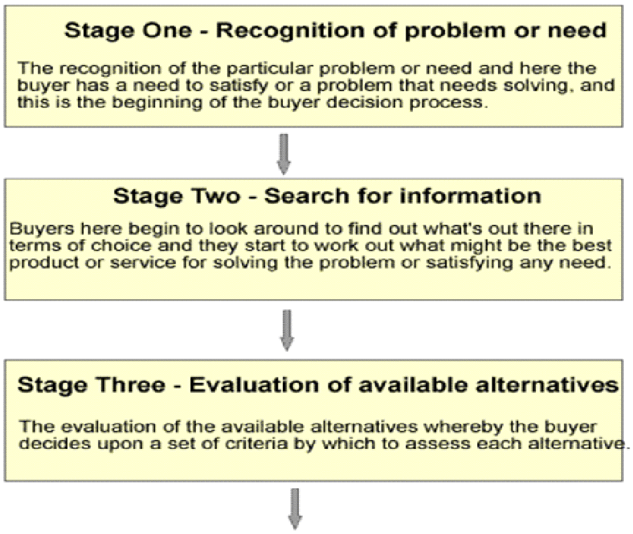
6.3 CONSUMER BEHAVIOUR-THE MEANING

While knowledge of consumer behaviour is essential, decoding it – what a consumer would buy and how she reaches a buying decision – is no easy task. In the first place, consumer behaviour is deeply dependent on the psychological processes that underlie consumer behaviour.

The actions and decisions of individuals who purchase products for their personal use constitute consumer buying behaviour. The process involved in purchasing products can differ from buyer to buyer and from product to product. Consumer behaviour is a dynamic interaction of affection and cognition, behaviour and the environment by which human beings conduct exchanges during their lives.

Schiffman and Kanuck (2000), define consumer behaviour as, "the behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs. It is thus a study of how individuals make decisions to spend their available resources – like time, money, effort – on consumption related items."

The characteristics of *the buyer as an individual* play a big role in determining the priorities the buyers will assign to the desires and the ways in which they will try to realize them. Uncovering this process is not an easy task.



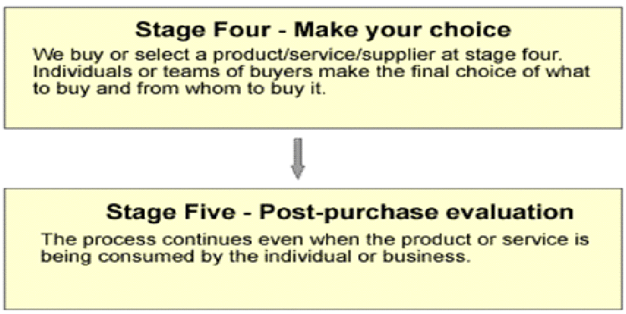


Fig. 6.1: Buying decision process for rural consumer

6.4 CHARACTERISTICS OF RURAL CONSUMER

Although it is an important task to profile the rural consumer, it is nest to impossible to sketch a single profile that can represent the whole market perfectly. As there exists a great deal of heterogeneity in the rural market, there is less likelihood of a clear definition of Indian rural consumer. The characteristics of the rural consumer differ from not only region to region but within the region itself.

The characteristics of the rural consumer can be studied on the basis of the following parameters:

(i) Traditional Outlook

The rural consumers appreciate old traditions, customs and practices. They exhibit resistance to change. Rural consumers possess a set of attitudes, which influence their purchases; and these are different from their urban counterparts.

(ii) Conscious of Value for Money

The rural consumer is very conscious of getting value for money. He is not ready to pay extra for something which he cannot use. He displays logic in his purchase and hence has a very high involvement in any product purchased, especially when he decides to buy high end products, which involves a few hundreds or thousands of rupees.

(iii) Realistic Aspirations

A rural consumer is someone who is very realistic in his aspirations. He can go an extra mile and stretch the budget but he would prefer to do it within limits only. He is ready to pay more if additional tangible benefits are found.

(iv) Concept of Quality

The rural consumer's concept of quality has to do with products that are long lasting, useful and have low-cost maintenance.

(v) Perception and its Influence

The rural consumer understands symbols, colours, sizes and shapes better, and looks for endorsement by local leaders or icons. For example, the colour yellow indicates prosperity in the rural south, while in the north, yellow is indicative of sickness and disease.

(vi) Suspects Hype and Fear of being Cheated

The rural consumer suspects hype and is afraid of being cheated or fooled by the marketing gimmicks in future. Respect is very vital for them, and they do not want the entire village to laugh at them.

Therefore, marketers need to have comprehensive knowledge with regard to the characteristics of the rural consumers, as it will help them to develop effective marketing strategies to tap the rural market.

6.5 CONSUMER BEHAVIOUR ROLES

The purchase decision of a customer for a particular product is being influenced by different members of a family or the society .These roles vary across different product categories.

Table 6.1 Role Played by Consumers in Decision Making Process

Role	Description
Initiator	The individual who determines that some need or want is not being met and authorizes a purchase to rectify the situation.
Influencer	A person who by some intentional or unintentional word or action, influences the purchase decision or the actual purchase of a product/service.
Buyer	The individual who actually makes the purchase transaction.
User	The person most directly involved in the consumption or use of purchase

***Source**: Adapted from Dogra & Ghuman, 2012*

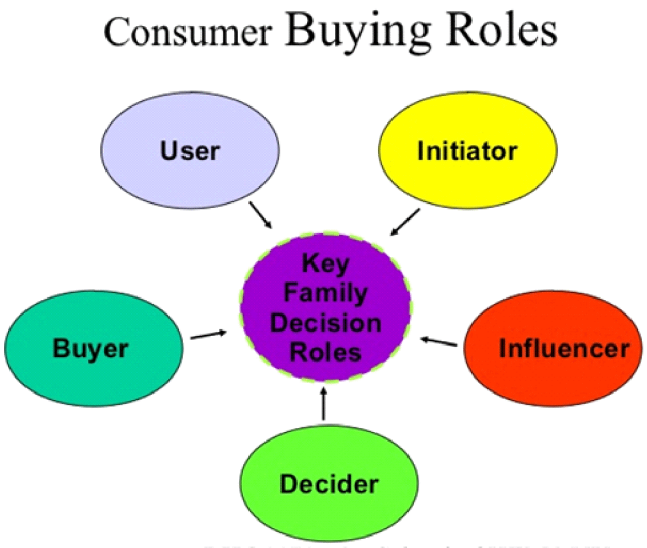


Fig. 6.2: Role played by consumers in decision making process

(i) Family Dynamics in Decision-making

Members of the family together decide the majority of the purchases in India, especially in the case of consumer durables. Therefore, the real target for the marketer should not be an individual member but the family as a whole. The traditional rural family in India still has three generations staying together as joint and even extended families.

Different family members play a more active role during certain stages of the buying process pertaining to different products. The marketer needs to identify the members who play the roles of initiator and influencer for particular products and then develop an appropriate communication strategy targeted at them to arouse the desired response.

(ii) Customer Orientation

Today, customers have many options in terms of more quality, more variety, more service and more for the every penny being spent. Acquiring things was never that easy for Indian consumers, as it is now when the seller's market has transformed into a buyer's market. In this changing scenario, customer orientation and the ability to both attract and retain customers is of major concern for marketers.

Marketers have to probe and explore the customers for what really matters to them and then build a strategy around delivering those expectations.

Organizations need to develop a mechanism by which sales people can connect to the consumers and conveying the same to the key decision makers in the organization. Acting on the information may help the organization to attract and retain customers.

6.6 FACTORS AFFECTING CONSUMERS DURING PURCHASE OF A PRODUCT IN RURAL MARKETS

About 70 percent of India's population lives in rural areas and Consumers in this huge segment have displayed vast differences in their purchase decisions and the product use. Villagers react differently to different products, colours, sizes, etc. in different parts of India. Therefore, it is important to study the thought process that goes into making a purchase decision.

Consumer behavior is complex and dynamic and influenced by various factors. The factors influencing a rural consumer's purchase decision can be enumerated as following:

(i) Socio-cultural Factors

Social customs, traditions and beliefs exert the broadest and deepest influence on consumer behavior. These are the most basic elements that shape a person's wants and behaviour. In India, there are so many different cultures, which only gives rise to a variety of goods and services which are culture specific. Rural consumers being conservative in their outlook, take a longer time to be influenced. They tend to discuss the issue of purchase with other villagers considered to be important and knowledgeable.

(ii) Family

The family is the most important consumer buying organization in society, and family members constitute the most influential primary reference group. Family size and the roles played by family members exercise considerable influence on the purchase decisions. Industry observers are increasingly realizing that at times, purchase of durables has less to do with income, but has more to do with the size of the family & that's where rural India with joint family structures, becomes an attractive proposition.

(iii) Group

Consumers are part of a group to which they belong. In group, there exist

opinion leaders, who by their sheer competence or acceptability have a direct influence on others. It is very important for the companies to ensure the acceptability of n idea or by the group and by the opinion leaders is critical in rural areas.

(iv) Role and Status

We each participate in many groups-family, clubs, organizations-and these are often an important source of information and help to define norms for behavior. We can define a person's position in each group in terms of role and status. A role consists of the activities a person is expected to perform. Each role in turn connotes a status. A Headmaster enjoys a higher status in a village, people trust him and his advice and opinion is given respect during purchase and other decisions.

(v) Economic Factors

Both product and brand choice are greatly affected by economic circumstances like spendable income (level, stability, and pattern over time), savings and assets, debts, borrowing power, and attitudes toward spending and saving. Many people in the rural market are below the poverty line and for large number of people, agriculture is the primary occupation. More than 70% of the people are in small-scale agricultural occupation. These factors affect the purchase decision.

(vi) Sociability

In the rural areas, individuals are well known to each other compared to their urban counterparts. The desire to be accepted by the group makes them agreeable to group and consensus decision making.

(vii) Political Factors

The philosophy and decisions of the party in power and the thinking of the opposition greatly influence the lives of rural people. The focus of any political party and the government on the development of the rural population directly and indirectly, influences the people residing there.

(viii) Factors which Influence the Final Choice

There are certain other factors that also influence the overall decision. The factors that are important enough to be able to change a decision that is previously thought-over, are as follows:

- Attitude of others

- Advice of the retailer
- Experience at the retail outlet
- Demonstration of products
- Sudden change in situational factors
- Mind change



CHECK YOUR PROGRESS:

Q.1: Define 'Consumer Behaviour'.

_____

_____

Q.2: Who is an initiator?

_____



6.7 LET US SUM UP

We can conclude that rural consumer scene is in the grip of big change. Rural consumers are simpler, more forthright, with low to medium aspiration level, are influenced by social pressure, rituals and norms. But, at the same time, the rural consumer is very different from his urban counterpart.

Currently, the rural consumer is in an upbeat mood and full of aspirations. This is a positive sign and an indicator for the industry, but it is also a challenge for the marketers to connect to the rural consumers and tapping the rural market. The marketers' understanding of the rural consumer has to keep pace with the various changes occurring in rural markets.

According to C K Prahalad, the marketing potential at the bottom of the pyramid in countries like India is great and marketers can convert it into a profitable market, provided they device a different kind of business model to serve it.



6.8 FURTHER READING

1) Advertising in Rural India: Language, Marketing Communication and Consumerism by T.K.Bhatia, Tokyo Press, Tokyo 2000.

2) Consumer Behaviour by L.G. Schiffman and L.S.K. Kanuck, 6th ed., Prentice Hall of India, 2000.

3) Rural marketing: Concepts and Practices by B. Dogra and K. Ghuman, McGraw Hill, 2012.

4) Understanding Rural Buyer Behaviour by M.Jha, IIM-B Management Review, Vol.15, No.3, September 2003, pp 89.



6.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Schiffman and Kanuck (2000), define consumer behaviour as, "the behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs. It is thus a study of how individuals make decisions to spend their available resources – like time, money, effort – on consumption related items."

Ans to Q No 2: The individual who determines that some need or want is not being met and authorizes a purchase to rectify the situation.



6.10 MODEL QUESTIONS

1. Define consumer behavior.
2. Discuss the importance of studying consumer behavior in the rural market.
3. Explain how rural consumer behavior is different from urban consumer behavior.
4. What are the various roles played by a consumer in decision making process? What are the factors that influence rural consumer behavior and the consequent decision making process in the rural market?
5. Discuss in detail the role of family in the decision-making process of a rural consumer.

*** ***** ***

UNIT 7: RURAL MARKETING RESEARCH

UNIT STRUCTURE

7.1 Learning Objectives

7.2 Introduction

7.3 Meaning of Marketing Research

7.4 Need of Rural Marketing Research

7.5 Marketing Research Process

7.6 Sources and Methods of Data Collection

7.7 Data Collection Approaches in Rural Markets

7.8 Let Us Sum Up

7.9 Further Reading

7.10 Answers to Check Your Progress

7.11 Model Questions

7.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- understand the meaning of marketing research
- explain the need of rural marketing research
- describe the steps involved in marketing research process
- identify the sources and methods of data collection
- explore the data collection approaches in rural markets

7.2 INTRODUCTION

This chapter explores the process of marketing research and its role in the achievement of strategic marketing and organizational objectives in rural markets. Clearly, it is necessary to have valid information to make any rational decision. Making effective marketing decisions require accurate marketing information. It is therefore essential that organizations collect and analyse data on environment within which they operate. Marketing research is used to obtain information that provides the management of a company or organization with sufficient insight to make more informed decisions on future activities.

7.3 MEANING OF MARKETING RESEARCH

The American Marketing Association (AMA) defines market research as: '*The systematic gathering, recording and analysing of data about problems related to marketing of goods and services.*' Different organizations approach the domain of market research from different perspectives outlined as following:

(a) Reactive Approach

These organizations do not conduct research, but follow what others do and see

(b) Proactive Approach

These organizations anticipate developments in the market and introduce new ideas and methods to exploit opportunities or to minimize problems so as to get ahead of competition.

7.4 NEED OF RURAL MARKETING RESEARCH

Research is an extremely important function before designing and implementing any marketing initiative; this fact is equally true in the rural areas. Traditionally, firms have not used marketing research to find out what the consumer in the rural markets of India wants. Rural markets are highly under researched and conducting research in the rural areas is also not that easy. As the rural market is widely scattered and heterogeneous, the research effort required is quite expensive.

The research process is very critical to rural marketing. There are two reasons for this:

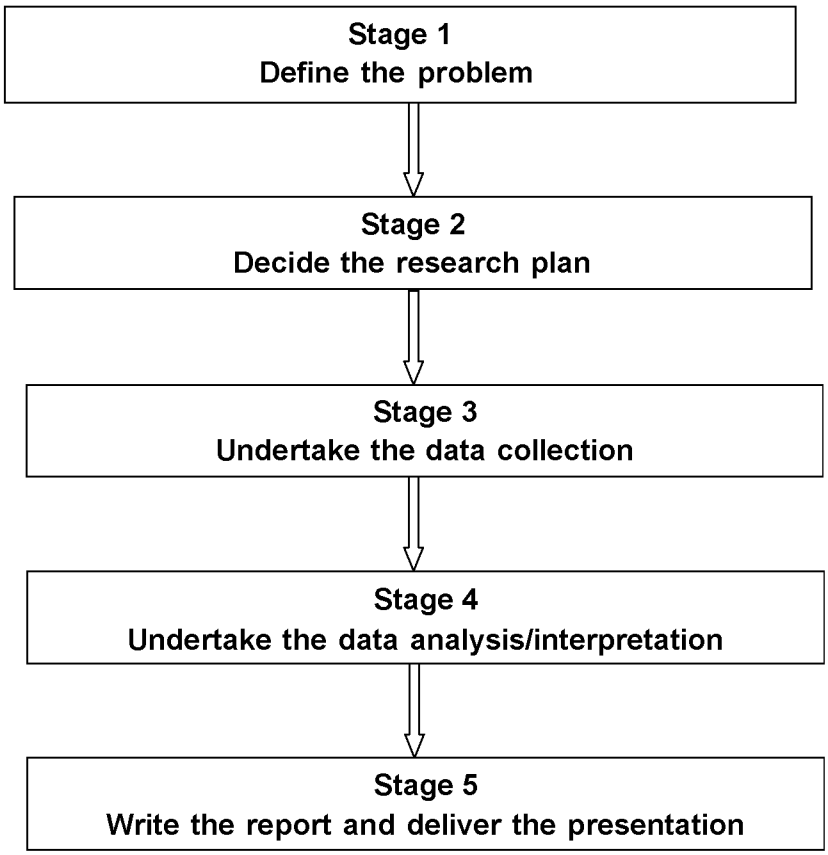
(b) The marketer has limited understanding of rural consumer; and

(c) 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 markets.

7.5 RURAL MARKET RESEARCH PROCESS

If we believe that marketing research is a systematic, objective collection and analysis of data, with regard to the marketing of products

and services, then obviously it must be carried out in a systematic and objective way. There are several basic steps in undertaking marketing research in the rural market, and these can be outlined under the headings shown in Fig. 7.1.



Source: Adapted from Baines and Chansarkar (2002).

Fig. 7.1: Marketing Research Process

Stage 1: Problem Definition

This is always the first step in any form of market investigation. This process occurs when an organization provides a marketing research brief defining the management problem. Defining the problem is always very difficult. A poorly defined problem will result in work being undertaken that will not provide the necessary information for the correct decisions to be made. Indeed, it may lead the organization in the wrong direction with possible adverse outcomes.

An example of problem definition might be the Big Bazaar hypermarket chain explaining that sales are not as strong as expected in one of their new stores in Guwahati, and wondering whether or not this is due to the emergence of a new competitor supermarket nearby.

Stage 2: Decide the Research Plan

At this stage, we decide whether or not to undertake primary or secondary research or both. Often, the researcher might have to undertake an initial phase of secondary research to see whether someone has considered the same research question he now encounters. In this section, we consider two main types of data, secondary and primary. Secondary data is data/ information that has previously been gathered/analyzed by someone else for another purpose rather than the current research project. This data/ information can be either internal or external. Primary data is data/ information that is gathered, analyzed and presented specifically for the current research project.

Stage 3: Data Collection and Preparation

Once a researcher has collected both the qualitative and quantitative data it must be analyzed. Raw data from any study is of little value until it is converted into a suitable form for analysis, interpretation and presentation. This stage involves the conduct of fieldwork and the collection of the required data. Once the sample of respondents has been selected it is necessary to obtain the data.

Stage 4: Data Analysis and Interpretation

Managers need information, not raw data. Researchers generate information by analyzing data after its collection. Once the research data has been analyzed it must be compiled into a clear and logical format. This must convey the research results, key indicators, recommendations with supporting evidence and conclusions. This stage of the market research process comprises data input, analysis, and interpretation.

Stage 5: Report Preparation and Presentation

Finally, it is necessary to prepare a report and transmit the findings and recommendations to the manager for the intended purpose of decision making. The researcher adjusts the style and organization of the report

according to the target audience, the occasion, and the purpose of the research. Reports should be developed from the manager's or information user's perspective. The researcher must accurately assess the manager's needs throughout the research process and incorporate this understanding into the final product, the research report.

Most of the steps required for rural marketing research are identical to those followed in conventional or urban marketing. However, a major difference exists in the domain of data collection. The approach that is followed in the collection of data in the rural markets and the activities that have to be undertaken to collect data from the rural areas are quite different from the ones that are required for urban markets. Therefore, the focus of the researcher has to be on the data collection step of the marketing research process.

7.6 SOURCES AND METHODS OF DATA COLLECTION

Data collection is the heart of all marketing research. It is an elaborate process through which the researcher makes a planned search for all relevant data and gathers the entire data required for the assignment. Organizations have the option to use either primary or secondary sources for collecting the data about the rural markets. Primary sources comprise original information gathered for the first time by the researcher himself; secondary sources comprise information collected by the researcher from secondary sources, internal or external. The researcher first searches secondary data sources before commissioning any efforts for collecting any primary data. There are many advantages in searching for and analyzing secondary data before attempting the collection of primary data. In many cases, the secondary data itself may be sufficient to solve the problem.

7.7 DATA COLLECTION APPROACHES IN RURAL MARKETS

A considerable number of rural populations is not fully familiar with the concept of marketing research. Therefore, whenever a researcher or

investigator approached the rural people they become suspicious of their intentions. Although rural people are not that busy as compared to their urban counterparts, the investigator initially has to build rapport or relationship with them, persuade them the importance of the research undertaken by him and break the barrier of reluctance and reservation to participate in an activity that is new to them.

Once the researcher has developed a good rapport, then the researcher has cooperation of others. The investigators can employ the following approaches to successfully collect data from the rural areas:

(i) Ensuring the Support of Opinion Leader

To motivate the rural people to participate actively to the research exercise, the researcher needs to aware and educate the opinion leader, like the headman/sarpanch, school teacher, educated farmer or a respected elder about the potential and likely benefits of the research. Then, with the cooperation of these opinion leaders, the researcher would be in a position to get the people of that village to respond to the research.

(ii) Behaving so as to be liked by Rural People

It is important that the researcher in the rural market behaves in a manner that is liked by the rural people. He should dress, talk, act and behave in a manner that make the rural respondents relate to him, so that the respondents become willing to participate in the research endeavour. On the other hand, acting in an urbane manner and hurting the sensitivity of any person in the village can devoid the researcher of ant response from the whole village.

(iii) Being at the Right Places

The researcher can select places in villages which are more likely to be visited by a good number of people so that he can attain efficiency in the data collection process. These places could be:

(a) The Village Choupal is visited by people of all ages in large numbers in their free time.

(b) Retail outlets: The researcher can build relationship with the retailer by making a purchase from his shop. The retailer can influence the people visiting his shop to participate and respond to the questions of the researcher.

(c) Fairs: Through an interactive presence in fairs, companies can collect valuable primary data form the rural population.

(d) Haats: Haats are the places which are frequently visited by a good number of people. The researcher can interact with a large number of rural consumers from different villages and thereby can collect data very easily and efficiently.



CHECK YOUR PROGRESS:

Q.1: Define marketing research.

_____

_____

_____

Q.2: State any two reasons for conducting marketing research.

_____

_____

_____

_____



7.8 LET US SUM UP

In this unit, we have discussed about marketing research. The research process used in urban markets may not always be appropriate in the rural markets. Selecting the appropriate research process, therefore, requires care in its application in the rural setting. Conducting research with the typical 5-point or 7-point scales used in the urban markets have been found ineffective in the rural context because they involve a complex understanding on the part of the rural consumer. So, before starting an all out effort in the rural market it is extremely important to know the rural market. With the availability of professional help, the corporate world is now in a better position to face the challenges of the rural market than before.



7.9 FURTHER READING

1) Bringing Insight into Consumer Research by S. Jain and P. Sangameshwaran, Indian Management, 2004.

2) History and State of Rural Marketing Research, Education and Training by Dr. V.M. Das.

3) Rural marketing: Concepts and Practices by B. Dogra and K. Ghuman, McGraw Hill, 2012.



7.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: The American Marketing Association (AMA) defines marketing research as: '*The systematic gathering, recording and analysing of data about problems related to marketing of goods and services.*'

Ans to Q No 2: The research process is very critical to rural marketing. There are two reasons for this:

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

(b) 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 markets.



7.11 MODEL QUESTIONS

1. Outline the several basic steps in undertaking marketing research in the rural market.
2. Identify the various sources of data collection in the rural market.
3. What are the different approaches for collecting data in the rural market?

*** ***** ***

UNIT 8: SEGMENTING, TARGETING AND POSITIONING OF RURAL MARKETS

UNIT STRUCTURE

8.1 Learning Objectives

8.2 Introduction

8.3 Segmentation-The Concept

8.4 Reasons for Market Segmentation

8.5 Bases for Market Segmentation

8.6 Conditions for Effective Market Segmentation

8.7 Approaches for Segmenting the Rural market of India

8.8 Rural Market Segmentation Tools

8.9 Rural Product Positioning

8.10 Let Us Sum Up

8.11 Further Reading

8.12 Answers to Check Your Progress

8.13 Model Questions

8.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- define the conceptual background of segmentation
- know the importance of segmenting the rural market
- explain the different approaches for segmenting the rural market of India
- describe the different rural segmentation tools

8.2 INTRODUCTION

Rural marketing poses a unique situation and calls for a unique strategy and unique handling in practically every function of marketing. Therefore, it is advisable to segment the rural market to tap it profitably. Marketers cannot treat the rural market as one homogeneous market and try to tap it by a single offer or a single product-price-promotion combination.

Companies are today developing different brands in different pack sizes and formulations to win over the consumers. Different people want

different quantities and different mixes of benefits from the product they buy. Take detergents for example, HUL has Surf, Rin, Shakti and Wheel powder to meet the needs of different income groups.

8.3 SEGMENTATION-THE CONCEPT

Selecting and attracting markets involves three key decisions, viz., segmenting, targeting and positioning. Segmenting is the process of dividing or categorizing market into different groups based on one or more variables. A segment represents a set of consumers who respond in a similar way to a given marketing mix and marketing stimuli. Targeting is selecting the market segments, which can be served efficiently and profitability. It is deciding on market coverage strategies. Positioning is a market attraction strategy, which involves placing the brand in the minds of the customers in the target market.

It is obvious that the market for a product is essentially heterogeneous. After all, market for a product is nothing but the aggregate of the consumers of the product. And, consumers of a product vary in needs, motives, characteristics and buying behavior. For example, all consumers do not like the same soap, the same toothpaste or the same car. Marketers break the heterogeneous market for the product into several sub units of consumers, or sub-markets, each relatively more homogeneous within itself, compared to the market as a whole. This breaking up helps tap the market better. This act of disaggregating a market into a number of distinct sub-markets/sub-units of consumers, each with relatively more homogeneous characteristics, is known as market segmentation.

As already mentioned, a company cannot possibly satisfy all the customers ina market because their needs vary. Most organizations do not have the capability to serve widely varying needs. An organization has to select customers whose needs can be matched with its capability to serve them.

8.4 REASONS FOR MARKET SEGMENTATION

Market segmentation confers several benefits on the marketer. The following are the benefits market segmentation confers on a firm/marketer.

(i) Facilitates Right Choice of Target Market:

In the first place, segmentation helps the marketer to pick up his target market properly. It does this by enabling him to distinguish one customer group from another within the market and by showing him, which segments of the market match his situation and should, hence, form his target market.

(ii) Facilitates Effective Tapping of the Chosen Market:

Segmentation enables the marketer to crystallize the needs of each of the chosen segments and make offers that match them. When buyers are handled after segmentation, the responses from each segment will be more homogeneous.

(iii) Makes Marketing Effort More Efficient and Economic:

Segmentation also makes the marketing effort more efficient and economi. It ensures that the marketing effort is concentrated on selected and well-defined segments. The firm would benefit if its efforts were concentrated on selected segments-the ones that match the firm's resources and are most productive and profitable.

(iv) Helps Identify Less Satisfied Segments and Concentrate on Them:

Segmentation also helps the marketer to assess:

- to what extent existing offers in the market match the needs of different customer segments
- which are the less satisfied segments.

  In other words, he locates 'segments waiting to be served' and grab them as his unique opportunity.

(v) Benefits the Consumer as Well:

Segmentation benefits the consumer as well. Segment oriented offer and communication invariably helps the consumer to come to his buying decision without wasted efforts.It saves him the search time.

8.5 BASES FOR MARKET SEGMENTATION

A market/consumer population for a product can be segmented using several relevant bases. Segmentation variables are the parameters and characteristics of people comprising total market for a product category on which the marketer can segment them into groups that are homogeneous

internally but heterogeneous across the groups. The major segmentation variables-geographic, demographic, psychographic, and behavioral segmentation.

(i) Geographic Segmentation

Geographic segmentation divides the market into geographical units such as nation, states, regions, countries, cities, or neighborhoods.

(ii) Demographic Segmentation

Demographic variables include age, family size, family life cycle, gender, income, occupation, education, religion, race, generation, nationality, and social class.

(iii) Psychographic Segmentation

In psychographic segmentation, buyers are divided into groups on the basis of psychological/personality traits, lifestyles, or values.

(iv) Behavioral Segmentation

In behavioral segmentation, marketers divide buyers into groups on the basis of their knowledge of, attitude toward, use of, or response to a product.

8.6 CONDITIONS FOR EFFECTIVE MARKET SEGMENTATION

To be effective, market segments must rate favorably on five key criteria:

(i) Measurable

Segments are formed with the help of certain variables. These variables should be distinct, clear and measurable. Only then segments can be described in exact terms and differences understood. The segment that is to be used must be measured. Companies, so far, are not able to reach rural markets due to lack of proper data. In the absence of information related to size, purchasing power and profiles of rural consumers, they considered them similar to urbanites.

(ii) Substantial

The segments are large and profitable enough to serve. A segment should be the largest possible homogeneous group worth going after with a tailored marketing program. For example, it would not pay for an automobile manufacturer to develop cars for people who are under four feet tail.

(iii) Accessible

Reach is important to serve the segments. The segment chosen must be accessible. Till recently, marketers preferred urban markets to rural ones because of the inaccessibility of the latter. They were dependent on the mobile vans and nearby town distributors and retail outlets to reach rural consumers. Now, research has established that effective means of reaching rural folk is possible by participation in hats or mandis organized weekly. Also, there is considerable improvement in the infrastructure that makes several villages accessible.

(iv) Differentiable

The segments are conceptually distinguishable and respond differently to different marketing-mix elements and programs. Rural markets are identified as a different segment, for their responses are different from the urban in case of some products and programmes. For instance, in case of buying wrist watches, rural consumers differ with urban consumers.

(v) Actionable

Effective programs can be formulated for attracting and serving the segments.

8.7 APPROACHES FOR SEGMENTING THE RURAL MARKET OF INDIA

Various experts, advertising agencies, and consultancy and research organizations have suggested different parameters for segmenting the rural market. Even some corporate organizations have defined and divided the rural market into different segments by calculating the overall Market Potential Value (MPV) of various rural market segments.

The different classifications or approaches suggested to segment the rural market are mentioned below:

(i) Based on Size of Village Population

The size of population residing in a village is a significant factor which determines the overall potential demand for a product or service in that village. It also provides an indication about the viability of marketing operations to a great extent.

(ii) Based on Location with Respect to Nearby Town

Villages can also be classified in the three following categories on the basis of their location with respect to the nearby town. The village location itself is a major determinant and has considerable impact on both the earning potential and consumption attitude of its residents.

- Villages near urban centres

These villages because of their proximity to the urban areas are somewhat urbanized. Their residents' education profile, shopping habits, and brand choices resembles to a great extent with those of urban consumers. They are in a position to make most of purchases from the nearby towns.

- Villages in developing districts

These are somewhat developed villages with consumers being aware of various marketing promotions to some extent. The income profile of these

- Immobile and self-sufficient Asiatic villages

These are the remote villages located in the less developed districts. The income and education profile of the consumers in these villages is not very attractive from the marketing point of view.

Therefore, marketers can use the knowledge about the village location in the target markets to develop different promotional and distribution strategies for different types of villages.

(iii) Based on Size of Farmland

Income is also an important factor which determines consumption. With more than 50% income in rural areas coming from agriculture, land holding pattern can be a basis for segmentation of the rural market. Although, in the present context, a significant part of the rural income ha started to come from non-agricultural activities, and this segmentation strategy does not take this trend into account.

(iv) Based on Sociological Characteristics

V R Gaikwad (1973) suggested the segmentation of the rural market into six categories on sociological basis. These are as follows:

- Proprietors of Land

These include zamindars, rich money lenders and traders, who have large tracts of land.

- Rich Farmers

These farmers belong to the dominant caste opf the area.

- Small Peasants or Marginal farmers

These farmers own uneconomic land holding of 1-2 hectares.

- Tenant Farmers

These are the farmers who operate on rented lands belonging to the proprietors of land.

- Agricultural Labourers

These constitute landless labourers who work on the lands of landlords or rich farmers for annual labour charges or on-daily-wage basis.

- Artisans and Others

These include rural craftsmen involved in different types of craft and also the unemployed. Petty traders and shopkeepers in the villages are also included under this category.

(v) Based on Income

The Indian rural market can be segmented into four main categories on the basis of the income earned by different rural segments. These categories are as follows:

- Rural rich consumer

This segment is further sub divided into two segments:

a) Concentrated rich consumers

These consumers are mainly found in green pockets of the country, such as parts of Punjab, Haryana, Andhra Pradesh etc.

b) Scattered rich consumers

These consumers are found in almost every village of the country. These people are basically zamindars and money-lenders.

- Rural consumers around urban area

These consumers shop in towns and cities.

- Rural consumers above poverty line

There are large numbers of households in rural areas, which are above the poverty line. They would purchase manufactured goods.

- Rural consumers below poverty line

This segment does not have a significant and regular source of income. Therefore, at present, it is not a market for majority of marketers.

(vi) Based on Age Group Perspectives

A group of people, born at the same time in same place or country, have similar experiences. This similarity of experience leads to some commonalities in their personality and their worldview, which is manifested in their choice and purchase. People belonging to various age-group categories are significantly different from one another because of diverse socio-politico-economic environment in which they were born and brought up.

(vii) Based on Distribution and Internal Structure of Villages

The rural areas in India show lot of variety in their pattern of distribution and internal structure. Four types of distribution and internal structure are found in the country:

(a) Nuclear

(b) Linear villages

(c) Irregularly clustered villages

(d) Scattered homesteads

As discussed above, there are varied parameters for segmenting the rural market. Marketers have to carefully select an appropriate parameter or design a combination of parameters in accordance with the product category for which segmentation is intended. But the segmentation of the rural market is the first and foremost step for any organization that intends to tap the rural market potential in a sincere manner.

8.8 RURAL MARKET SEGMENTATION TOOLS

Various consultancy and advertising organizations have developed indices and tools on the basis of a host of indicators to effectively classify and segment the rural market. These tools provide classified and actionable information on the overall rural market potential for different regions, districts and villages of India. They identify the media dark and media grey areas in order to guide the development of a promotion strategy. Some of the indices are outlined below:

(i) Thompson Rural Market Index

(ii) Mica Rural Market Rating

(iii) Linquest

(iv) Indian Market Demographics

(v) Business Intelligence Unit

(vi) Lincompass

(vii) ARCVIEW



CHECK YOUR PROGRESS:

Q.1: Define 'Segmentation'.

_____

_____

_____

_____

Q.2: Mention at least two psychographic variables.

_____

_____

_____

_____

8.9 RURAL PRODUCT POSITIONING

"Positioning" is a common marketing buzzword. It means "how is your product positioned compared with the competition" There can be no positioning without something else to position against.

Product positioning is closely related to market segment focus. Product positioning involves creating a unique, consistent, and recognizedcustomer perception about a firm's offering and image. A product or service may be positioned on the basis of an attitude or benefit, use or application, user, class, price, or level of quality. It targets a product for specific market segments and product needs at specific prices. The same product can be positioned in many different ways.

Product positioning requires an understanding of the interrelationships of different factors which influence marketer's positioning and customers' perception of the product. Because customers develop mental picture of the product which may not be the same as the marketers may expect to get developed.

Product positioning in the rural contexts requires specific considerations. Some of them are discussed below.

a) Rural Product Development:

Rural product development has the strong edifice on a great deal of research like feasibility studies, rural aspiration, rural profiling and so on. Understanding the need of the rural markets helps the marketer to develop the right kid of the products. Products have to be specifically developed to meet the needs of rural markets. Sometimes, existing products might have to be modified to suit these markets too accordingly. Most often we find smaller sizes of products in the rural areas. We can cite the example of the sachet shampoos. In the rural markets dominated by the joint families we may find that larger pack size of tooth paste sells more. Marketers have to modify their products to take care of the specific needs of the rural market.

b) Rural Branding:

Rural branding bears quite different stand from urban branding.The first step towards rural branding is to research and gain insight into the working of rural markets. Based on this communication campaigns have to be developed with a lot of rural sensitivity.

Rural branding is attained by way of opting to a greater percentage of local media and a smaller percentage of the mass media. Rural gatherings like temple festivals, melas, cinema halls and so on can be used as venues to promote brands. Direct Marketing and events like road shows; film shows, melas, street theatre can also be used to promote brands.

A well-planned rural branding campaign can create brand awareness and helps in promoting sales.

c) Rural Market Research:

Rural markets behave differently from urban markets. While many marketers have tried to market their products in rural areas, just a handful of the same has succeeded. A strong insight into rural consumer behavior and sensitivity to their values and beliefs is essential; to upgrade the rural market rural market research encompasses not just gathering data but analyzing them and linking the findings to promoting your products. Developing the rural data base is very difficult. Data are not uniform.

Developing primary data is also a costly proposition. Tools deployed in urban markets may not work in rural areas.

d) Rural Communication Campaigns:

Communication for rural markets calls for a different kinds of outlook. The entire communication and media strategy has to devise a system based on research findings. These have to be developed in the regional vernacular languages and set in the local culture for easier acceptance and reach. Unlike communication campaigns in urban areas that rely greatly on the mass media, the strategy will be of crying in the wielderness in rural areas. Besides mass and outdoor media, rural extravaganzalike temple festivals, melas and other events where the villagers come together can be used for promotions. The rural choupal i. e. the meeting place in the villages is an ideal location to reach to the rural people.

e) Rural Events:

In the rural context, one of the best ways to capture the attention of the audience is through Event-management. Since rural areas have limited venues for entertainment, conducting an event in rural areas can bring a good response.

A well-planned event can get the product the mileage that we want. Some of the interesting events that can be conducted are Road Shows, Melas, Street-Theatre, Film Shows and so on. These make a visually strong impact and build long term brand recall. Rural public are the target audience and hence the portfolio of event management has to be handled professionally with diligent care and broad perspective.

f) Rural Direct Marketing Campaigns:

Direct Marketing (DM) is one of the most powerful ways to meet the target on their turf and build product awareness as well as promotion. The success of any DM campaign depends on the field workers and their sensitivity and emotional connectivity to rural markets.

In the area of Direct Marketing, rural team has to be trained, to be sensitive to rural culture and beliefs. They can handle activities like Door-to-Door sampling, marketing and product promotion. These activities can also be carried out innovatively at places like local cinema halls, melas and

festivals, in the midst of cross-cultural gatherings and conglomerations.



8.10 LET US SUM UP

It is up to the organization to select or employ any tool or methodology according to its requirement, but a strategy to tap the rural market cannot be developed without segmenting the rural market. If the target market is selected properly, which is a right product-market fit, then there definitely is a viable rural market for a given product category, otherwise the failure is quite likely. One cannot even think of profitability or success in a highly scattered and heterogeneous market called rural India without an appropriate segmentation plan.



8.11 FURTHER READING

1) Introduction to Rural Marketing by R Krishnamoorty, Himalaya Publishing House, 2008.
2) Marketing Management – Indian Context, Global Perspective by V S Ramaswamy & S Namakumari, McGraw Hill, Fifth Edition, 2013.
3) Rural marketing: Concepts and Practices by B. Dogra and K. Ghuman, McGraw Hill, 2012.
4) Rural Marketing in India: Opportunities, Challenges and Strategies by Dr. N S Mohamed, www.alliancebschool.com.
5) The Rural Marketing Book by P Kashyap and S Raut, Biztantra, 2005.



8.12 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Segmenting is the process of dividing or categorizing market into different groups based on one or more variables. A segment represents a set of consumers who respond in a similar way to a given marketing mix and marketing stimuli.

Ans to Q No 2: Personality and Lifestyle are the two psychographic variables.



8.13 MODEL QUESTIONS

1. Identify and explain the reasons which make the segmentation of the rural market extremely necessary for serving this market in an effective manner.
2. Explain the different approaches for segmenting the rural market of India.
3. Identify the various tools for rural market segmentation.

*** ***** ***

UNIT 9: PRODUCT, PRICING AND PROMOTION STRATEGY OF RURAL MARKETS

UNIT STRUCTURE

9.1 Learning Objectives

9.2 Introduction

9.3 Problems in Rural Marketing

9.4 Product Strategy of Rural markets

9.5 Pricing Strategy of Rural markets

- 9.5.1 Pricing Policy
- 9.5.2 Innovative Pricing Methods for Rural Markets

9.6 Promotional Strategy of Rural Markets

- 9.6.1 Selecting the Media Mix/Promotion Mix
- 9.6.2 Promotion Strategies in the Rural market

9.7 Let Us Sum Up

9.8 Further Reading

9.9 Answers to Check Your Progress

9.10 Model Questions

9.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- comprehend the reasons behind the requirement of a modified marketing mix for the rural market
- explain the various product, pricing and promotion strategies
- gain an insight into the pricing policy
- know the various innovative pricing strategies in the rural market

9.2 INTRODUCTION

Rural India is on the threshold of momentous change. With a rural population of 790 million 50% of India's income contribution comes from it. Nearly 100 million people have evolved out of poverty in the last 10 years. Rural India will be a market worth USD 500-600 billion by 2020, according

to McKinsey report. Rural consumption levels are also anticipated to equal the current urban levels by 2017. The economy is vibrant, incomes are rising; and the habits, references and attitudes are changing rapidly.

A sensitization to the rural environment is absolutely vital, to ensure effective implementation of strategies, in the framework of new paradigms that are emerging, due to the transformations taking place in rural India. This has to be further supported by an on-line monitoring mechanism. Online monitoring mechanism enables timely mid-course fine tuning. The earning cycle becomes complete only when the knowledge and experience gained from every implementation can be systematically transferred through effective training and dissemination. The central decision in marketing mix strategy is product decision. In the emergent dynamic, competitive environment, multi-product firms are fighting hard to gain commanding market through their product strategies. It is through continuous design and redesign of product mixes a company lays its way to success and fame.

9.3 PROBLEMS IN RURAL MARKETING

Although the rural market does offer a vast untapped potential, it should also be recognized that it is not that easy to operate in rural market because of several problems. Rural marketing is thus a time consuming affair and requires considerable investments in terms of evolving appropriate strategies with a view to tackle the problems.

The major problems faced are:

1. **Poor People and Underdeveloped Markets:** The number of people below poverty line has not decreased in any appreciable manner. Thus poor people and consequently underdeveloped market by and large characterize the rural markets. Vast majorities of the rural people are tradition bound, fatalistic and believe in old customs, traditions, habits, taboos and practices.
2. **Lack of Proper Physical Communication Facilities:** Nearly fifty percent of the villages in the country do not have all weather roads. Physical communication of these villages is highly expensive. Even

today most villages in the eastern parts of the country are inaccessible during the monsoon.

3. **Media for Rural Communication:** Among the mass media at some point of time in the late 50's and 60's radio was considered to be a potential medium for communication to the rural people. Another mass media is television and cinemas and mobiletheatres, which is far less when compared to the number of villages.
4. **Many Languages and Dialects:** The number of languages and dialects vary widely from state to state, region to region and probably from district to district. The messages have to be delivered in the local languages and dialects. Even though the number of recognized languages are only 16, the dialects are estimated to be around 850.
5. **Dispersed Market:** Rural areas are scattered and it is next to impossible to ensure the availability of a brand all over the country. Seven Indian states account for 76% of the country's rural retail outlets, the total number of which is placed at around 3.7 million. Advertising in such a highly heterogeneous market, which is widely spread, is very expensive.
6. **Low Per Capita Income:** Even though about 33-35% of gross domestic product is generated in the rural areas it is shared by 74% of the population. Hence the per capita incomes are low compared to the urban areas.
7. **Low Levels of Literacy:** The literacy rate is low in rural areas as compared to urban areas. This again leads to problem of communication for promotion purposes. Print medium becomes ineffective and to an extent irrelevant in rural areas since its reach is poor and so is the level of literacy.
8. **Prevalence of spurious brands and seasonal demand:** For any branded product there are a multitude of 'local variants', which are cheaper, and, therefore, more desirable to villagers.
9. **Different way of thinking:** There is a vast difference in the lifestyles of the people. The kind of choices of brands that an urban customer enjoys is different from the choices available to the rural customer.

The rural customer usually has 2 or 3 brands to choose from whereas the urban one has multiple choices. Thedifference is also in the way of thinking. The rural customer has a fairly simple thinking as compared to the urban counterpart.

Because of these differences the marketing strategies for rural customer is different from urban marketing strategies. In the following sections we will discuss the product, price and promotion strategies for rural marketing.

9.4 PRODUCT STRATEGY OF RURAL MARKETS

A prime need for any firm to emerge as a strong player in the rural market is by carefully identifying the gaps in the rural market and crafting the right product offering for consumers. The prime objective is to design products to suit rural requirements. The first decision to be made in product strategy in the rural context is whether the product being sold in the urban market should be offered as it is to the rural market or whether it must be adapted and offered. It depends on the situation and the nature of the product. In some cases, the product that is offered to the urban market could be offered as it is to the rural market. In some other cases, some adaptation will be advantageous. In yet other cases, the product could be offered as it is to one segment of the rural market, and an adapted product could be offered to another. Income and socio-cultural-technological realities of the target segment ought to determine the product strategy. Adapted, lower-priced, product-versions do help in rural markets.

Rural consumers like to buy products for need-based consumption; which preferably has a refill option. They are very adept at recycling and putting a product to all possible practical uses before the decision of discarding is taken. Therefore, while designing a product, the organization needs to consider and integrate the refill, reuse and recycle options in the product design.

The product must also prove to be useful and easy to use. It must appear to be tough and rugged in its overall outlook. Indian villagers may be less educated but they are innovative and they do not accept any new

technology introduced to them just like that. They can be found purchasing shampoos and even using cellular phones, while they may be completely opposed to washing machines. Therefore, the conditions for acceptance for the product is that it must solve their problems, suits their culture and their pocket and it must be proved to them that it's worth the price.

The specific strategies, which can be employed to develop or modify the products to target the rural market, can be explained with the following points.

(i) Specifically-Designed Products

Apart from the adapted, lower-priced product-versions, the rural markets may, in some cases, need specifically-designed products. In some cases the situations in which the consumers use/consume the products influence the choice of specific types of products with a category. In some cases, the rural market may need products that can deliver in sub-optimal conditions an deficient infrastructure environment. The products currently marketed by a company in the urban market may not be usable at all in the rural markets. In such cases, specifically-designed products serving the same need are required.

(ii) Sturdy Products

The products meant for rural areas should be sturdy enough to stand rough handling, transportation and storage.

(iii) Utility Oriented Products

The rural consumers are more concerned with the functional utility of the product than its appearance and sophistication. Therefore, unnecessary frills can be taken off the product for the rural market as the rural consumer is not likely to use them and this will make the product more affordable too.

(iv) Refill Packs/Reusable Packaging

These packages signify value for money as the rural folks perceive it to be preventing the wastage of money.

(v) Application of Value Engineering

To evolve cheaper but quality products, companies need to go for value engineering and substituting the costly raw material with the cheaper one.

(vi) Brand Name

Brand awareness in the rural areas is fairly high. The only issue is that the brands are known differently than they are known in the urban market.

(vii) Offering the Colours that are Preferred

The rural consumers have their colour preference. Firms can exploit this fact to their advantage, especially in the case of products for which colour matters very much. In the paint business, Asian Paints understood the difference between the urban and rural buyer in colour preference and is benefited by the understanding. Asian paints introduced paints in many bright colours for the rural markets. It also communicated this feature well through its campaigns.

(viii) Package has to be appropriate

In some cases, the product can be the same, but the package may have to be different for the rural market. Three relevant aspects need attention I packaging – design, colour and size. Package design and colour help identification of brands by rural buyers. Many rural consumers, even though not quite conversant with the various brands, manage to pick the brand they want, recognizing it by its packaging. This is one reason why many local brands in rural areas imitate the packaging of big national brands.

- Pack Size

As regards the choice of pack size for the rural market, smaller packs are more effective in rural areas. Lower purchasing power and limited availability of cash for shopping force the consumers to go for smaller packs with low unit price.

- Logos, Symbols, and Mnemonics

Brand identity in rural markets is often created through the visual logo of a product. Image is far more potent in the rural market and symbols dominate brand recall there. For example, the Nirma girl in frock prominently displayed on the packs of Nirma washing powder is a well recognized logo among the rural buyers.

Marketers face some unique problems on the product front in the rural markets. For example, they have to guard against the “fakes”. There are spell-alikes, pack-alikes and logo-alikes. Sometimes, the unorganized sector

dumps in the rural markets very low-priced substitutes.

9.5 PRICING STRATEGY OF RURAL MARKETS

Price is the most important phenomenon affecting rural markets. The villagers, due to their limited resources, are very very price sensitive by nature. Marketers have to study not only the income levels, but also when the money is received and in what quantity it is received and along with that, how it is used and what are the spending priorities in order of needs. There are several views with regard to pricing strategy for the rural market. One view is that pricing for the rural market must be affordability based and hence, low unit price must be the preferred option. The second view is that products must be sold at common prices in both the rural and urban markets. Many companies go for common models and common prices for the two markets. For example, Samsung and LG have given up their rural specific pricing approach. They have also thought it an appropriate bet to sell both high-end and low-end models in the rural market without any special price point models for the rural market. The choice is to be left to the consumer. The policy is to 'sell similar models at similar prices to similar consumers' across urban and rural markets. The third view on pricing strategy for the rural market is that a slightly modified, no frill brand at a lower price will be the right strategy for the rural market.

Price substitutes also must be studied along with the pricing of the competitors before deciding on the launch price of a product.

9.5.1 Pricing Policy

A price policy is the standing answer of the firm to recurring problem of pricing. It provides guidelines to the marketing manager to evolve appropriate pricing decisions. If competition is mainly on a price basis, then each company generally prices its products at the same level as its competitors. If there is non-price competition, each marketer chooses from among the three alternatives:

(i) Price in Line (Pricing at the Market)

The sale at current market price is desirable under free competition

and when a traditional or customary price level exists. It is preferable when product differentiation through branding is minimum, buyers and sellers are well-informed, and we have a free market economy. Under such conditions price loses its importance as a weapon of competition and sellers have to adopt other means of non-price competition, e.g., branding, packaging, advertising, sales promotion, credit, etc., to capture the market.

(ii) Market-Plus (Pricing above the market)

The sale above the market prices under free competition is profitable only when your product is distinctive, unique and it has prestige or status in the market. Customer is inclined to put a greater value on the product if the package is very good or the brand is well-known. Otherwise, it will be a killing price policy, especially if the customer is price conscious. Reputed brands have higher prices. Price of a product is associated with value, quality, durability, performance, and service after sale, credit, and many other attributes. Product-differentiation through branding introduces monopoly element in pricing and established brands can afford higher prices without reducing volume of sales. In foreign countries, such as the U.S.A. and the U.K., almost all consumer goods are branded and large national concerns have used branding as an instrument of monopoly.

(iii) Market-Minus (Pricing below the market)

The sale below the market price, particularly at the retail level, is profitable only to large chain stores, self-service stores and discount houses. These large retailers can sell well-known nationally advertised brands 10 to 30 per cent below the suggested retail prices, list prices or fixed resale prices by the manufacturers. If you have lower costs because your product is of inferior quality, you may have to fix lower price. Similarly, you may prefer a lower price without promotion expenses (which your rivals are undertaking on a large scale). A lower price is a substitute for sales promotion and advertising. Prices of national brands are higher as there is heavy expenditure on advertising and sales promotion to maintain the brand

loyalty.

(iv) One-Price

Under one-price policy, a seller will charge all similar types of buyers exactly the same price and there will be no discrimination or difference among the buyers of the same commodity. There is no question of negotiation, bargaining or haggling. No favoritism is shown to any buyers. Terms of sale are the same for similar quantities of the product. Discounts and allowances are granted on equal terms to all buyers. It is a fair trade practice. It gains customer confidence. A fair and fixed policy in line with the normal market price and providing for normal margin of profit is the best pricing policy. Through efficient management and best marketing mix, the manufacturers and dealer should bring down marketing costs and improve quality of services to the ultimate consumers. The consumers should be offered lower price and better quality under any normal pricing policy.

(v) Variable Price Policy

Under variable-price or negotiated price policy, the seller will sell the same quantities to different buyers at different prices. Certain favoured customers are offered lower prices. The terms of sale, e.g., discounts and allowances are granted on unequal terms to buyers. Especially in developing countries, sellers commonly use variable pricing for most consumer items. In retail trade the price discrimination is usual. A foam leather handbag was quoted by a well-known retailer at ‘ 300/- in the first instance. The price was reduced to ‘ 250/- and then to ‘ 225/-. On sensing that the customer was aware of its real price, the price was scaled down ultimately to ‘ 200/- only. Street sellers use this pricing.

9.5.2 Innovative Pricing Methods for Rural markets

Analysis of the relatively more effective practices in the rural context indicates that combining *price, product* and *packaging* may be useful in working out innovative pricing strategy in the rural context.

In the first place, pricing strategy in the rural market has to follow the pattern of income in the rural areas. Per capita income is small, and it comes in small installments. This, obviously, is one main reason why rural India is happy to buy the product in small packs or low unit packs (LUPs) and marketers are happy to supply their products in such packs, and go for the *low unit price* strategy. Small packs, however, need not necessarily mean sachets. Any appropriate smaller pack size, including sachets, that makes the unit price lower and affordable for the particular single purchase, will be useful. They are happy when their 'at a time cash outflow' remains small. In some cases, they also prefer smaller packs so that they can make a trial on a small scale and after satisfaction can go in for regular purchases. Many companies have introduced *coinage* pricing to suit this reality.

Besides low unit price, overall-economy is also important to rural buyers. In rural marketing, it can be said that companies must innovatively change the value-paradigm and alter the product's price-performance-value relationship to suit the needs of the target segment. Innovating on package size seems to be the more common strategy towards making the offer look this way.

In diverse categories – shampoos, chocolates, coffee, cooking oils – companies have broken into buyer groups in the rural market for whom a high price was the sole barrier. Thus came the new differentiator – the single use pack and the mini bottle. Pack size became the differentiator – bring it down to as low a unit as possible so that a mini price could be tagged on to it. The objective was to break the price barrier that prevented even a trial among the lower-end segments.

In 2002, Coca-cola India launched 200 ml bottles of coke (Chota coke) priced at Rs. 5. Coca-cola India strategy was to push the 200 ml bottles more in rural areas, as the rural market was very price-sensitive. It was widely felt that the 200 ml bottles priced at Rs. 5 would increase the rate of consumption in rural India. The

Rs. 5 – *Chota coke* strategy not only brought in new sales, but also helped the spread of the brand.

In order to be successful on a large scale in the vast rural market of India, organizations have to consider the following innovative pricing strategies:

(i) Special Occasion Pricing

There is a good scope for special occasion pricing in the rural market. Companies may, either on their own or in tandem with the trade/retailers offer specially discounted prices and concessions during festivals and marriage seasons and during harvest times.

(ii) Large Volume-low margin: Rapid or Slow Penetration Strategy

Marketers have to focus on generating large volumes and not big profit margins on individual products. If they price their product at a level which can lead to good volumes, then they can still generate good returns on the capital employed.

(iii) Overall Efficiency and Passing on Benefits to Consumers

For rural products, the strategy should be to cut down the production, distribution and advertising costs and passing on these benefits to the customers to further increase the turnover. If an organization gets the price point right, then it can work in the rural market.

(iv) Low Cost/Value for Money Products

This follows from the product strategy. The price can be kept low by smaller unit packaging or reengineering. No frill functional products at a low cost are perceived to have better value in the rural market than higher priced, value added products, with features than a rural consumer is not going to use.

(v) Low Volume – Low Price Strategy

This strategy of reducing prices by reducing the package size in order to make it appear more affordable is delivering very good results for a large number of FMCG product categories, in the rural market of India. In categories where maintaining the price point is extremely critical, this strategy is delivering very good results.

(vi) Ensuring Price Compliance

Rural retailers, most of the times, charge more than the MRP. The manufacturer has to ensure price compliance either through promotional campaigns or by ensuring the availability of products at the retail outlets directly.

Many rural consumers prefer to buy high priced brands. They are not votaries of low-price. They are quality savvy, brand savvy and price savvy. They can buy the "best" brands as well as the value for money ones. They have their own status symbols.

9.6 PROMOTION STRATEGY OF RURAL MARKETS

We have discussed earlier the constraints in the rural market in communication infrastructure and in facilities for promotion as well as access to media. To put it in graphic terms, about 40 percent of the population is illiterate while 50 percent of the population live in media dark areas. The challenge is to overcome the constraints and communicate effectively the desired message to the rural consumers, . More importantly, the challenge is to engage with and understand the rural consumers, and their shopping and consumption behaviour. For this, the marketers have to develop communication that would connect with the consumers.

9.6.1 Selecting the Media Mix/Promotion Mix

The rural communicator will do well to choose a combination of formal and non-formal media. The possibilities are indicated in the following Chart.

Chart 9.1 Possible Media Mix in the Rural Context

I.	**Formal/Organized Media**	**II.Non-formal/Rural-specific Media**
	TV	Audio-visual/publicity vans
	Cinema	Rural specific art forms like puppet shows and Harikaths
	Radio	Demonstrations
	Print-media – press	Meetings, announcements, processions
	Other print media	Caparisoned elephants and decorated bullock carts
	Outdoor	carrying advertisement panels
	POPs	Music records

- **TV**

With the expansion in TV coverage, ownership of TV sets, cable and satellite connections and community TV viewing facility in rural areas, TV is gradually becoming the major medium for rural communication. The reach of television programmes is now quite high.

- **Radio**

The radio is a well-established medium in rural areas. A big expansion in broadcasting facilities has taken place in the country over the years. The availability of radio sets has also expanded. While radio as a medium cannot match TV in potency and effectiveness, it can certainly play a significant role in rural communication.

- **Cinema**

The cinema is a particularly useful medium in the rural context. Cinema is relatively a more available medium in rural areas. Most large and medium villages have one or more cinema houses, though most of them are temporary constructions. More than one-third of all rural people do see cinema regularly. Advertisement films, short feature films with disguised advertisement messages and documentaries that combine education and promotion are all useful

communication vehicles that can work through the medium of cinema.

- **Print media**

Print media too has responsible scope. While compared to the urban area, the role of print media is limited in the rural context and yet its scope cannot be belittled. Even the remotest rural parts have groups of newspaper readers. Moreover, while the groups may be numerically small, the members usually happen to be the opinion leaders, influencing the purchasing behavior of a large segment of the rural consumers.

- **Outdoors**

The outdoors, which includes hoardings, wall paintings, illumination and other displays, also lend well for rural communication. In fact, many companies are using them imaginatively in their rural communication. Wall paintings score particularly high in potency. They will be particularly effective at *haats, mandis ad mela*.

- **PoPs**

The PoPs – point of purchase (or point of sale) promotion tools – are also quite useful in the rural markets. The PoPs meant for the rural market should be specifically designed to suit the rural context and requirements. Symbols, pictures and colours must be used liberally. As a general rule, rural people love bright colours. The rural communicator must utilize such cues.

- **Audio-Visual Units/Publicity-Vans**

The AV unit or the publicity van is a very useful facility iin rural communication. The van is a comprehensive mobile promotion station at the exclusive command of the concerned firm. The firm can exhibit its films and other audio-visual presentations, such as slide shows, sound and sight presentations, puppet shows, etc., from this instant promotion station. In short, the van can be used for carrying and delivering a tailor-made, total communication programme to the rural target audience.

- **Puppet Shows, *Harikathas***

Popular entertainment programmes like puppet-shows, dance, dramas, and Harikathas, specially developed for product-promotion purpose, are commonly used in rural markets. These traditional art forms readily lend for communication with the rural society. Village fairs, festivals and melas are ideal venues for projecting these programmes. In certain cases, public meetings too may be used for rural promotion.

Media selection is not the only aspect that calls for special care in rural communication. The communication as a whole needs unique handling. There is need for specialization in developing and delivering the message. A prototype of a communication that works well in the urban context may not work in the rural context.

Many rural consumers feel inhibited and ill equipped to buy confidently. Hence, there is a strong need to build reassurance and trust about product benefits, quality, service support and company credentials in the minds of rural consumers. While the mass media may serve the purpose of achieving awareness and interest, for creating conviction, the marketer must have 'face to face', interactive, communication with the consumer. Physical demonstration too must form a part of the communication to rural consumers.

9.6.2 Promotion Strategies in the Rural Market

Customized promotional media and messages need to be developed by the organizations to effectively target the rural market. The traditional media like radio, TV and newspaper, although reach the rural audience directly or indirectly, are not sufficient. The following strategies can be considered while developing promotional campaigns for the rural markets.

(i) Think Global Act Local

Rural population is diverse, but the commonalities of their ethos and simple living habits need to be understood for advertising to succeed. For that, the theme of an advertisement needs to revolve

around universal themes, such as family-love. But the context, story line, language ad idioms should be such that the rural audience of different rural market segments can relate to.

(ii) Think in Local Idiom

There is need of advertising professionals who can think like the rural people. Then only can we have insights like '*Thanda matlab Coca-Cola*'.

(iii) Simplicity and Clarity

All promotional messages targeted at rural audiences need to be simple and clear, which can be easily understood, and they should not include any confusing elements. It is preferable that it has only a few propositions at one time. Bombarding rural consumers with too much, in less time can easily confuse them and leave them bewildered. Promotional messages should highlight only the functional values of the product and explain how those values can make the consumer's life even better and solve any of his problems.

(iv) Narrative Story Style

The promotional message can be delivered in the form of an entertaining story with a message depicting how the brand delivers "larger good" to the family and society. The theme of the story line can be about how the product can solve the problems of rural consumers.

(v) Choice of Brand Ambassadors

Brand ambassadors for rural markets need to be picked carefully as urban successes might not get replicated in the rural markets. That is why actor Govinda in the Mirinda ad boosted the sales of the drink in the rural markets. An organization might spend a lot of money in hiring a brand ambassador only to find out later that it had little impact on the rural consumer.

All the elements of the marketing mix influence each other. They make up the business plan for a company. If handled right, they can give a great success. But if implemented incorrectly, then the business could take years to recover.



CHECK YOUR PROGRESS:

Q.1: Define 'Pricing Policy'.

_____

_____

_____

_____

Q.2: What do you mean by One-price policy?.

_____

_____

_____

_____



9.7 LET US SUM UP

Marketers need to research the rural market thoroughly and then customize the marketing mix for the rural market. The new modified marketing mix, which can be termed as the rural marketing mix, once employed for rural markets as per the needs and lifestyle of the rural consumers, is more likely to be successful as it provides the benefit sought by the rural market.

Therefore, product, pricing and promotion are like puzzle and the marketing practitioner has to fix different element of the marketing mix. Firms targeting rural markets need to evolve innovative strategies to tap the market effectively and efficiently. Also pricing policies provide guidelines to the marketing manager to evolve appropriate pricing decisions. If competition is mainly on a price basis then companies fix the price at the same level of its competitors.

But no doubt, the future lies in the rural markets, since the size of the rural market in quantitative and qualitative terms, is growing at a good pace. This is a road which the corporate world cannot afford not to take.



9.8 FURTHER READING

1) Introduction to Rural Marketing by R Krishnamoorty, Himalaya Publishing House, 2008.

2) Marketing Management – Indian Context, Global Perspective by V S Ramaswamy & S Namakumari, McGraw Hill, Fifth Edition, 2013.

3) Rural marketing: Concepts and Practices by B. Dogra and K. Ghuman, McGraw Hill, 2012.

4) Rural Marketing in India: Opportunities, Challenges and Strategies by Dr. N S Mohamed, www.alliancebschool.com.

5) The Rural Marketing Book by P Kashyap and S Raut, Biztantra, 2005.



9.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: It provides guidelines to the marketing manager to evolve appropriate pricing decisions.

Ans to Q No 2: Under one-price policy, a seller will charge all similar types of buyers exactly the same price and there will be no discrimination or difference among the buyers of the same commodity.



9.10 MODEL QUESTIONS

1. Discuss the unique possibilities in the rural markets in pricing strategies.
2. Explain the specific strategies which can be employed to develop or modify the products to target the rural market.
3. Identify and explain the various strategies that can be considered while developing promotional campaigns for the rural markets.

*** ***** ***

UNIT 10: DISTRIBUTION AND LOGISTICS MANAGEMENT

UNIT STRUCTURE

10.1 Learning Objectives

10.2 Introduction

10.3 Distribution Management3

10.3.1 Problems Related to Channel Management in the Rural Context

10.3.2 Developing a Distribution & Channel Strategy

10.4 Distribution Strategies for Indian Rural Market

10.5 New Approach to Reach out Rural Market

10.6 Let Us Sum Up

10.7 Further Reading

10.8 Answers to Check Your Progress

10.9 Model Questions

10.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- define channel management in rural market
- explain regarding the problems in the rural distribution management
- gain an insight into the innovative ways of reaching out rural market

10.2 INTRODUCTION

Distribution decisions are critical in nature as they affect the viability of the firm and the product. These decisions affect the market share of the firm and hence great care has to be taken in selecting distribution alternatives. We have already referred to the size and diversity of the Indian rural market. The heterogeneity is not just on account of culture and demographic profile of the population but also due to the infrastructure existing in the rural market.

This diversity in terms of accessibility of rural markets today poses a major marketing challenge. Increasingly, marketers realize that if they were to make their brands available in the right size, at the right time, and at the right price, the Indian rural consumers can be motivated to buy and consume them. Reaching out to the rural market involves planning and strategizing at two levels – **distribution structure and logistics**. The distribution structure refers to the channel design and structure, and management of channels. Logistics refers to the physical aspect of distribution. In this unit, we shall first study about the selection of appropriate channels in rural market and then about new approaches to reach out rural markets.

10.3 DISTRIBUTION MANAGEMENT

Distribution is a crucial function in the rural context. Distribution strength perhaps is a greater competitive advantage to a brand than brand clout. There is an inadequacy in distribution infrastructure, the problems in transportation and warehousing and the cost-service dilemma. To confirm the lack of good transportation infrastructure in India, **Pradeep Kashyap** writes in "The Rural Marketing Book" that "68 per cent of the rural market [in India] still lies untapped primarily due to inaccessibility," and **C.K. Prahalad** offers further insight beyond the borders of India when he writes more generally that "access to distribution in rural markets continues to be a problem."

The brands seeking to tap into India's fast-growing rural markets will need to focus primarily on their logistics if they are to reach, acquire and retain customers. An efficient sales and distribution model is considered to be the most critical factor for successful rural expansion in India. An efficient sales and distribution model is the most critical factor to achieve profitable and sustainable growth in rural markets. A hallmark of success in rural India is overcoming challenges in the three stages of the consumer lifecycle, that is reaching, acquiring and retaining the rural customer. In terms of reaching the rural consumer, the biggest obstacles facing companies are inadequate distribution networks, partnering with limited

capabilities, long payment cycles, and weak marketing channels. Not surprisingly, high cost to serve the rural markets is the number one challenge. As far as rural customer acquisition is concerned, understanding and meeting the diverse, specialized needs and preferences of such customers pose major challenges to companies. Organizations often make the biggest mistakes by treating rural consumers as a homogeneous market and offering them the same value proposition they offer to urban markets. Although companies are focusing heavily on rural market customer acquisition and reach, bolstering customer retention efforts has become more important as competitors improve their market penetration.

With increasing rural competition and high cost-to-serve, providing reliable and consistent after-sales service and optimizing the costs of a high-quality experience remain major obstacles. The wide geographic dispersion of a small number of customers drives high sales-service costs, and many businesses cannot provide a dedicated after-sales service network.

Rural masters are profitable companies that have secured a significant rural market share. They excel at execution. They apply rigour to governance and control to make sure their strategies translate into required actions. They have developed novel strategies to serve rural consumers and draw on an intimate understanding of consumers cultures and needs to enter rural markets. They have well-conceived expansion strategies that they support with significant capital and resources. In most cases, distribution is one of the biggest nightmares; the task of reaching products to 6000,000 plus villages is indeed a big challenge.

10.3.1 Problems Related to Channel Management in the Rural Context

As rural markets evolve and competition in rural markets intensifies, companies will have to look for new approaches to harness this opportunity in ways that protect their margins while also growing revenue. Deploying the correct sales and distribution model can assist companies in driving profitable growth in a relatively

short span of time. Rural champions will have to find ways to scale operations without hurting their bottom line. For a rural performer, the challenge will be to create differentiated offerings and brand loyalty to retain customers and sustain their business models. Rural voyagers will build their own ecosystems and brand awareness to acquire new customers. New entrants will travel their own paths to penetrate the rural markets. By focusing on the specific needs, behaviours and preferences of the rural consumers, and by applying a systematic approach to market expansion, companies can accelerate their rural expansion journey.

Organizing and managing the needed marketing channels is an important part of the distribution task. Some of the unique problems in the rural context are:

(i) Multiple Tiers Add to the Costs

Distribution in the rural context requires more tiers as compared to the urban. It needs three tiers at the minimum, viz., the village shopkeeper, the mundi-level distributor/redistribution stockiest and the wholesaler/C&F agents in the town. The multi tiers push up the costs and also makes channel management a more challenging task.

(ii) Non-Availability of Outlets

Non-availability of outlets in many villages is also a problem. The scope for appointing fresh, exclusive, or non exclusive dealers of the company is also limited due to the non-availability of suitable candidates.

(iii) Poor Viability of the Outlets

Many retail outlets in the rural market suffer from poor viability. A familiar paradox in rural distribution is that, on the one hand, the manufacturer shells out more on distribution margins and, at the same time, the outlets find the business un-remunerative to them!

(iv) Rural Channels Generally Need Larger Stock Cover

It is more so during the monsoons season, since many of these markets cannot be serviced effectively during the monsoons.

However, their financial capacity being limited, they cannot shell out the cash needed for the larger stock cover.

10.3.2 Developing a Distribution & Channel Strategy

Establishing cost-effective ways to get goods to India's rural population is the critical first step in penetrating these markets. Smart companies have found that they need to focus on distribution even before making the seemingly commonsense moves of identifying and approaching target customers.

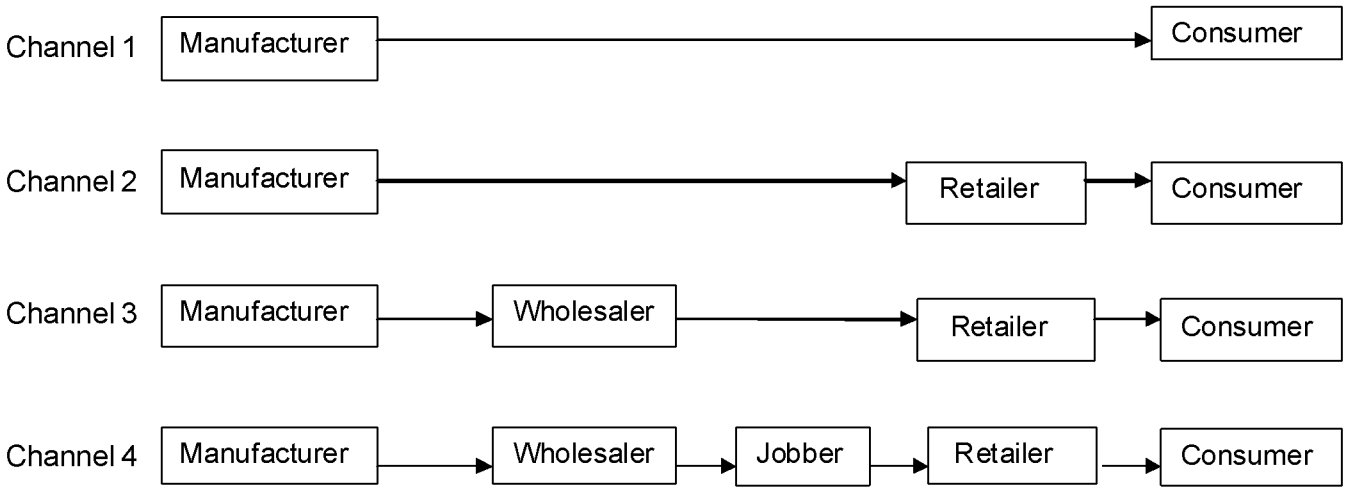
Companies are using a variety of strategies to extend their distribution networks into the villages. The most successful companies, though, have adopted a multipronged approach. For instance, the $7 billion conglomerate ITC, for instance, has added three layers to its urban food distribution network, which conforms to the conventional distributor–stockist (wholesaler–retailer) model. In rural areas with populations of 10,000 to 20,000, where there's adequate transportation infrastructure but not enough demand to support a traditional distributor, ITC relies on smaller-scale sub-distributors who carry a narrower assortment of products geared to local tastes.

A company's channel decisions directly affect every other marketing decision. But often they pay too little attention to their distribution channels, sometimes with damaging results. Distribution channel decisions often involve long-term commitments to other firms. Therefore, the management must design its channels carefully, with an eye on tomorrow's likely selling environment as well as today's.

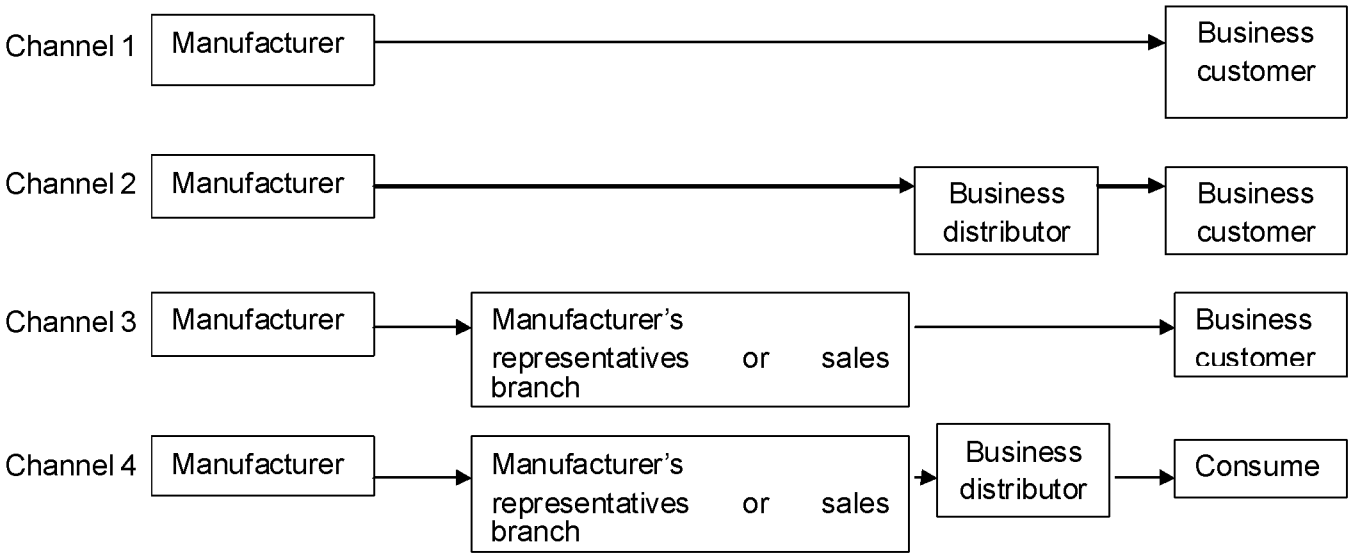
Companies can design their distribution channels to make products and services available to customers in different ways. Each layer of marketing intermediaries that performs some work in bringing the product and its ownership closer to the final buyer is a channel level. Because the producer and the final consumer both perform some work, they are part of every channel.

The number of intermediary levels indicates the length of a channel. Figure 10.1 shows several consumer distribution channels of different lengths. Channel 1, called a direct marketing channel, has no intermediary levels; the company sells directly to consumers. The remaining channels in Fig. 10.1 are indirect marketing channels, containing one or more intermediaries.

Distribution (also known as the *place* variable in the marketing mix, or the 4 *P*s) involves getting the product from the manufacturer to the ultimate consumer. Distribution is often a much underestimated factor in marketing. Many marketers fall for the trap that if you make a better product, consumers will buy it. The problem is that retailers may not be willing to devote shelf-space to new products. Retailers would often rather use that shelf-space for the existing products that have proven records of selling.



Customer Marketing Channels



Business Marketing Channels

Source: Armstrong & Kotler, 2007

Fig. 10.1: Consumer and Business Marketing Channels

10.4 DISTRIBUTION STRATEGIES FOR INDIAN RURAL MARKET

There are various ways through which companies have succeeded in their efforts to reach out to target markets in rural areas. Some of them are described below:

(i) Segment villages before expanding:

With numerous villages in India, it is impossible for an organization to hit the rural market all at once. Ideally, the coverage of villages with up to 2000 and above population could be the break-even point for a distribution set-up. By doing so the percentage of villages covered comes to only 10%, however the percentage of all the rural population covered will be substantial.

(ii) Use of co-operative societies:

There are over 3 lakhs co-operative societies operating in rural areas for different purposes like marketing cooperatives, farmers' service cooperatives and other multi-purpose cooperatives. These cooperatives have an arrangement for centralized procurement and distribution through their respective state level federation. Such state level federation can be motivated to procure and distribute consumables items and low value

durable items to the members to the society for serving to the rural consumers.

(iii) Utilization of public distributory system:

The PDS in the country is fairly well organized. The revamped PDS places more emphasis on reaching remote rural areas like the hills and tribals. The purpose of PDS is to make available essential commodities like food grains, sugar, kerosene, edible oils and others to the consumers at a reasonable price. The shops that distribute these commodities are called fair price shops. These shops are run by the state civil Supplies Corporation, co-operatives as well as private entrepreneurs. Here again there is an arrangement for centralized procurement and distribution. The manufacturing and marketing men should explore effective utilization of PDS.

(iv) Utilisation of multi-purpose distribution centres by petroleum/oil companies:

In order to cater to the rural areas the petroleum/oil companies have evolved a concept of multi-purpose distribution centres in rural areas. In addition to petrol/diesel, lubricants, these outlets also stock consumables agricultural inputs like fertilizers, pesticides and seeds. It is estimated that there are about 450 such outlets in operation in the country. The rural consumer who has tractors, oil-engine pump sets and mopeds frequent these outlets for their requirement. These outlets can be profitably utilized for selling consumables and durable items also.

(v) Distribution upto feeder markets/mandi towns:

Keeping in view the hierarchy of markets for the rural consumers, the feeder markets and mandi towns offer excellent scope for distribution. The rural customers visit these towns at regular intervals not only for selling the agricultural produce but also for purchasing cloth, jewellery, hardware, radios, torch cells and other durables and consumer products. From the feeder markets and mandi towns the stockist or wholesaler can arrange for distribution to the village shops in the interior places. This distribution can be done by mopeds, cycles, bullock-carts, camel-backs etc. depending upon the township.

(vi) Haaths/Jathras/Melas:

These are places where the rural consumers congregate as a rule. While haaths are held on a particular day every week, Jathras and melas are held once or twice a year for longer durations. They are normally timed with religious festivals. Such places attract large number of itinerant merchants. Only temporary shops come up selling goods of all kinds. It can be beneficial for companies to organize sales of their product at such places. Promotion can be taken, as there will be ready captive audience. For convincing the manufacturing and marketing man with regard to the importance of these places from rural marketing point of view a visit to such places is necessary. It is estimated that over 5,000 fairs are held in the country and the estimated attendance is about 100 million rural consumers. The biggest fair 'Pushkar Mela' is estimated to attract over 10 million people. There are 50 such big rural fairs held in various parts of country, which attract urbanite also like 'Mankanavillaku' in Malappara in Kerela, Kumbh Mela at Hardwar in U.P. 'Periya Kirthigai' at Tiruparunkunaram in Tamil Nadu.

(vii) Delivery Van

The delivery van has a key role in the rural context. The companies concerned or their C&F agents/stockiests/distributors operate these vans. In some cases, independent third parties operate them and provide the service for a fee. For example, **Eveready**, the market leader in batteries and flashlights, operates a fleet of over a thousand-owned vans and is servicing over 4000 distributors and six lakh retail outlets. Besides facilitating product delivery, the van also enables the firm to establish direct contact with rural dealers and consumers, and helps in promotion. However, operating the vans incurs big costs.

(viii) Agricultural Input Dealers

Fertilizers should be made available to the farmers within the range of 4-5 km from their residence, as per the Essential Commodities Act. This is why there are about 2 lakh fertilizer dealers in the country, both in cooperative & private sector.

10.5 NEW APPROACH TO REACH OUT RURAL MARKETS

More sparsely populated areas (5,000 to 10,000 people) with good roads are served by vans that bypass the distributors and supply the ITC's products to retailers directly. The retailers use mobile technology to order appropriate stock for their local customers, and the vans make regular visits up to three times a week.

Still smaller and less accessible micro markets (with populations below 5,000 and no paved roads) are served by two- or three-wheelers. The drivers deliver one, two, or three times weekly to retail kiosks that generally carry ITC's goods in small sizes for lower prices. ITC thus gains exposure for its products in highly remote areas and seeds demand.

Tata Motors, India's largest automaker, has added two indirect channels to augment its existing dealer network (which focuses on urban and semi-urban towns with populations greater than 100,000). Since 2010 the company has hired and trained local residents to become Tata Motors *gram mitras* ("village advisers"), who work on commission to generate leads for existing dealers' sales teams. In addition, Tata Motors has formed partnerships with local gas station owners, who similarly earn commissions by feeding leads from their customers to the automaker's dealer network. Supplementing its direct dealer channel in these ways has increased sales of Tata Motors' small commercial vehicles (SCVs) by 20%. After piloting the program in six states, the company rolled it out nationally and expected to sell an additional 70,000 vehicles in rural markets annually, bringing in $500 million in revenue.

Other companies, such as the telecom service provider **Idea Cellular**, have found cost-effective ways to build entirely separate rural sales forces. To replicate its urban direct-distribution model, Idea has recruited and trained some 4,000 youths (dubbed "sons of the soil") who reside in the villages near its cell towers. To extend its reach even further, Idea supplements these local workers with travelling *grameen pratinidhis* ("village representatives") who need extra income and are already visiting remote villages on business of their own.

Some companies have adopted the village entrepreneur model, partnering with (and sometimes helping establish) independent businesses. **Vodafone India** has set up a network of mini stores known as *laal dukaan,* or "red stores," for the color of Vodafone's logo. The shops are run by locals who've invested Rs 35,000 to Rs 50,000 (around $580 to $830) to open them. They are designed to meet all the telecom needs of the customers within an 18- to 32-kilometer radius, from sales to connectivity to technical support. The network has been so successful that the 94 million rural subscribers served by nearly 5,500 red stores now constitute 60% of Vodafone's customer base.

A marketer can follow the below mentioned approaches:

(i) Identifying Prospective Customers

Once they've forged a distribution path into a region, leading firms focus on expansion by targeting clusters of villages within the region. A few large clusters in four or five big states could have the same market potential as a large number of villages are scattered across the country, and it can be far more cost-effective to serve. Companies are investing considerable resources in detailed market surveys to identify promising clusters with enough demand to generate profits quickly.

In the process, they are discovering novel customer segments. For example, when the automaker **Maruti Suzuki** India initiated its rural foray, in 2007, it identified several distinctive clusters for potential car sales—including turmeric farmers in Tiruchengode (a town in Tamil Nadu) and apple growers in Himachal Pradesh. Today these segments consistently yield sales of 35 to 50 vehicles in most months, with that number doubling during harvest season.

Similarly, when **Tata Motors** interviewed more than 2,000 rural users of its SCVs in its target areas, it discovered three new customer segments: underemployed and unemployed 21- to 30-year-olds, who see owning and operating an SCV as a viable means of self-employment; families involved in large-scale agriculture who seek additional income; and shopkeepers, small businesses, and schools looking for local transport for students and supplies.

Many leading firms are using sophisticated technologies to build a comprehensive and multidimensional picture of likely markets. GIS mapping, for example, makes it possible to combine and analyze a wealth of information: like demographic data from government sources and private vendors; physical indicators of community wealth, such as post offices, bank branches, schools, and hospitals; and data on different groups' values, attitudes, and behavior.

Dabur, the world's largest alternative and natural health care company, used GIS tools to identify 287 prosperous districts in 10 states as potential markets. After establishing a foothold in an area, in a test-and-learn approach to building scale, Dabur uses GIS maps integrated with economic data to identify a fresh cluster for its distribution network each month, deploying route-planning software to optimize deliveries. In this way, Dabur has scaled up quickly and exceeded its original goal of serving 30,000 villages within 18 months. Sales growth is now 42% higher in its rural markets than in its urban ones, even as overall gross margins have improved.

(ii) Forging Tight Bonds with Channel Partners

As competition intensifies in rural markets, building relationships with capable channel partners becomes more important. Savvy engagement helps the most successful companies develop valuable partners, retain them, and keep them motivated.

Idea Cellular, for instance, is able to compete for sales talent with higher-margin auto dealers and product manufacturers by granting its sons of the soil larger territories, consisting of villages clustered near its cell towers. Distributors who previously earned an average of Rs 4,000 ($66) a month with other companies can earn Rs 10,000 ($166), even as they lower Idea's selling costs.

Many companies underestimate the time, financial resources, and management attention that are required to build truly symbiotic relationships with channel partners. **Coca-Cola**, however, understands the importance of this activity. To build loyalty by increasing its partners' skills, the firm set up its Parivartan ("Improvement") program, aimed at teaching India's rural retailers to manage shops, stock, customers, financials, and merchandizing.

The training is delivered in classrooms and through Coca-Cola University on Wheels—customized buses that travel the hinterlands to reach mom-and-pop retailers.

As a follow-on, Coca-Cola launched a training program for the owners and managers of small roadside eateries, teaching them about hygiene, customer satisfaction, branding, and more. The pilot sessions for this program have been carried out in four cities, and there are plans to extend it in the next few months.

Coca-Cola has also equipped many rural retailers with large, bright-red solar-powered coolers sporting the familiar company logo. These are a boon in areas with nonexistent or unreliable power supplies, where merchants cannot otherwise keep drinks cold. The provision of solar coolers has led to a fivefold increase in Coca-Cola's rural retail sales.

(iii) The Village Shop is the key to a Full-fledged Rural Distribution

For a large number of consumer products, the village shop holds the key to marketing in the rural markets; it has not been replaced by any other retailing model. There are an estimated more than eight million such shops in rural India. The shopkeeper operates against several odds. He has to deal in a large number of products in order to serve his customers properly as well as to make his operation viable.

(iv) Creating Durable Ties with Customers

To a large degree, rural residents base their purchase decisions on personal bonds and mutual trust. In this respect, rural markets are different from the more transactional urban ones, and they demand strategies that integrate companies and their offerings into the social fabric.

(v) Building trust through an ecosystem of stakeholders.

The most successful firms have engaged with a wide set of community members to build a reputation for caring about consumers' needs, rather than just corporate profits. Through its *Arogya Parivar* ("Healthy Family") initiative, Novartis has created just such a cohesive ecosystem. In urban markets Novartis is India's leading provider of pharmaceuticals connected to pain management, organ transplants, immunology, cardiovascular disease, and oncology. *Arogya Parivar*, by contrast, focuses on health

issues affecting rural women and children—primarily clean water and sanitation, undernourishment, iron deficiency, vaccinations, tuberculosis, and diabetes.

To teach rural residents about these issues, Novartis recruits and trains travelling health educators. Visiting two villages a day, on foot or by bike, these educators are usually local women trusted by the community. They build lasting bonds with their neighbours because they address the most common health threats—not just those for which Novartis provides remedies.

To sell its products, Novartis employs a separate sales force of health supervisors. They ensure that the company's pharmaceuticals are available in the most remote locations by conducting itinerant "health camps" that bring together the services of pharmacies, doctors, and hospitals to treat villagers and provide preventive care.

With 530 educators and supervisors working in 10 states, *Arogya Parivar* is now one of the largest private health care initiatives in India. The health educators have reached into 33,000 villages, where they have helped millions of people. The supervisors have distributed pharmaceuticals—not only Novartis's own drugs but also generics, vaccines, and over-the-counter remedies—to almost 39,000 doctors and more than 29,000 pharmacies. Despite its complexity, the program broke even in 30 months, and Novartis estimated its 2013 revenue at $4.8 million. Encouraged by Arogya Parivar's success in India, Novartis has expanded the concept to other emerging markets, including Kenya, Indonesia, and Vietnam.

(vi) Engaging influencers.

In rural India, word of mouth plays a strong role in building brands, far more so than in urban areas. Gaining the trust of respected teachers, health care professionals, and others with high standing in the community can reinforce marketing messages.

Smart companies determine which stakeholders are likely to be the most influential and supportive, and then they find ways to earn their loyalty. Tata Motors, for instance, has tapped local teachers, health professionals, and mechanics to refer potential customers to its dealers, furnishing them with

detailed product manuals and shingles they can place outside their homes designating them as *motor dadas* ("auto experts"). Another automaker, Ashok Leyland, engages truck drivers by asking their opinion on vehicle designs. The outreach makes the drivers feel important, empowered, and favorably disposed toward the Ashok Leyland brand. The company capitalizes on this goodwill with a program called Ban Jao Maalik ("Become an Owner"), which helps drivers achieve self-employment by buying their own vehicles. In addition, Ashok Leyland trains mechanics on new products, provides tools, and certifies participants.

(vii) Retaining customers

As companies deepen their penetration into rural markets, they must bolster customer retention efforts. Leading firms are doing so by providing reliable, consistent, and cost-effective after-sales service and by investing in the longer-term welfare of their customers.

After-sales service is critical in rural markets. A product that breaks and can't be fixed is tantamount to a promise made and broken. In rural communities, that may permanently lose you an entire village, since word of mouth carries so much weight. While most firms depend on their sales staff to assist rural customers after a purchase, the market leaders are building dedicated service infrastructures by hiring locals to furnish no-frills support in their villages and by taking innovative approaches to lowering the costs of delivering service.

Idea Cellular, for instance, relies on mobile vans, which it previously used for marketing purposes, to provide customer service. Each van typically carries a photocopy machine, a camera, and a representative to help the villagers with documentation verification. If, say, a SIM card is not working or gets locked, customers can go to these mobile vans to have the problem resolved.

In addition to paying careful attention to fulfilling their brand promises, leading firms are sustaining the trust of rural populations by aligning their long-term interests with the development of local communities in both small and large ways. Part of Ashok Leyland's driver care program, for instance, is a medical centre set up in the city of Hosur, in Tamil Nadu, where drivers can get free

checkups and consultations. Another initiative is "All the Best," a scholarship program for top-performing children of drivers. Launched in 2010, this scheme has benefited 650 deserving children in two states so far.

In 2007 the vehicle manufacturer Mahindra began its Samriddhi ("Prosperity") initiative to deepen the relationships between its tractor dealers and customers. Mahindra upgraded the dealer infrastructure to provide farmers with a host of services and information on topics including the weather, pests, crop prices, soil and irrigation-water testing facilities, and farm productivity. Through 162 Samriddhi centers, Mahindra has already helped more than 300,000 farmers; it aims to increase that number to one million by 2020.

(viii) Chain Stores in Rural Market

In recent years, there have been some attempts at establishing retail chains in the rural market. Some of the retail chains are DCM *Hariyali Kisan Bazaar, ITC Choupal-Sagar* etc.



CHECK YOUR PROGRESS:

Q.1: Define 'Distribution'.

_____

_____

_____

_____

Q.2: Mention at least two chain stores in rural market.

_____

_____

_____

_____



10.6 LET US SUM UP

In this unit we have discussed about distribution and logestics management.

Distribution is one of the key marketing decisions in any market, more so in the rural market where infrastructure, like roads, means of transportation, and warehousing, is not as developed as it is in the urban market. It is necessary for the marketer to ensure availability of his or her brands across the length and breadth of the rural areas. This is also important for the growth of the firm as intensity in inter-firm rivalry is increasing following the opening up of the India rural economy.

The marketer also has to then understand the task of intermediaries as that will help him or her plan, manage, and control market driven distribution functions in the firm. Leading firm today focus on managing their entire supply rather than on transportation and warehousing decisions alone, which were the main focus of logistics decisions earlier.



10.7 FURTHER READING

1) Introduction to Rural Marketing by R Krishnamoorty, Himalaya Publishing House, 2008.
2) Marketing Management – Indian Context, Global Perspective by V S Ramaswamy & S Namakumari, McGraw Hill, Fifth Edition, 2013.
3) Rural marketing: Concepts and Practices by B. Dogra and K. Ghuman, McGraw Hill, 2012.
4) Rural Marketing by R V Badi and N V Badi, Himalaya Publishing House, New Delhi, 2006.
5) The Rural Marketing Book by P Kashyap and S Raut, Biztantra, 2005



10.8 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Distribution refers to reaching out to a target market

Ans to Q No 2: Two of the retail chains are DCM *Hariyali Kisan Bazaar, ITC Choupal-Sagar* etc.



10.9 MODEL QUESTIONS

1. Discuss the problems associated with channel management in the rural context.
2. Discuss the various ways a firm has to succeed in reaching out to its target market.
3. Why is innovative or new channel approach important in reaching out to the rural market?
4. Discuss some of the approaches to be taken up by a firm in reaching out to the rural market.

*** ***** ***

UNIT 11: PRINCIPLES OF INNOVATION FOR RURAL MARKET

UNIT STRUCTURE

11.1 Learning Objectives

11.2 Introduction

11.3 Need of Innovation for Rural Market

11.4 Principles of Innovation for Rural market

11.5 Role of Government in Rural marketing

11.6 Role of NGOs in Rural Marketing

11.7 Let Us Sum Up

11.8 Further Reading

11.9 Answers To Check Your Progress

11.10 Model Questions

11.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- identify the reasons for companies to be innovative in the rural market
- know the basic principles and guidelines to be innovative in the rural market
- explore the role of government and NGOs in rural marketing

11.2 INTRODUCTION

This chapter is devoted to one of the most important marketing tools, **innovation**, which has over a period of time acquired a significant role in different aspects of marketing mix in order to gain the competitive edge. With increasing movement of students and the working segment of the rural society to urban areas, rural consumers are no longer ignorant, rather they are becoming well informed of the new brands available in the urban markets. In this scenario companies can no longer ignore the rural markets and they should attempt to be more innovative to gain acceptance in rural markets.

11.3 NEED OF INNOVATION FOR RURAL MARKET

According to the great management guru Peter Ducker "the organizations' have only two functions, one is marketing and other is innovation. Innovation implies doing new things or doing of things that are already being done in a new way. It includes introduction of new products, creation of new markets, application of new methods of production, discovery of new and better sources of raw materials and developing new and better form of industrial organization. With increasing competition in the rural markets there is a strong need to develop competitively priced products as per the needs and requirements of the rural consumers. Those who are first time buyers and non-consumers of past years are also entering into the rural market in large numbers for a variety of products. This demographic change necessitates a shift in management thinking from gross margin to higher profit, from high value unit sales to state of high volumes, capital efficiency and from one solution fits all thinking to market innovation.

Success in India's rural markets hinges on the performance of companies on two key measures: (a) rural performance that is the degree to which rural markets are strategically important to a company's growth agenda, defined by the contribution of rural markets to the enterprises top and bottom lines. (b) Rural innovation, or the level of rural focused innovations, in a company's product, packaging, pricing, channels and operating models.

11.4 PRINCIPLES OF INNOVATION FOR RURAL MARKET

As a country we are still accepting products and services designed for other markets. When the Indian rural market starts demanding products unique to its needs, lifestyles and behavior the innovation will grow around it. Therefore, the principles and practices of innovation to be employed in rural market has to take into consideration these aspects of the rural population. Also along with innovative product, pricing, promotion and distribution strategy it is also imperative that organizations ensure that

product value propositions are attractive and relevant for rural consumers. Let us discuss below some of the principles to develop innovations for tapping the rural markets ;

(I) Speed of the innovation:

It concentrates on shortening the time taken by the product from conception to delivery to the retailer's shelf. It will enable the firm to respond quickly to the changing environment. In order to be the first on the retailer shelf in the rural market it is important for organizations to find ways to anticipate, meet and exceed customer needs faster than ever before.

(II) Scale of innovation:

Scalability is another important principle of innovation. Solutions that are developed by companies must be scalable across cultures, geographical regions, languages etc with little adaptation as per the variations of different parts of the country. This is a key aspect of gaining scale.

(III) Product innovation:

Innovation in product development begins from a deep understanding of functionality, not just form. Products with marginal changes developed for urban customers might not be that effective in rural market. The environment and infrastructure set up, in which the rural consumers live and work demand a new thinking on functionality in the product. For e.g. if we take the case of **Ghadi detergent** what **Ghadi** did was they formulated their product according to the quality of the water (i.e. mapped the quality of the water region wise), if water for a particular region was found to be a little hard than normal, they added a little more solvent chemicals to make washing easier. Thus this is how they became the market leaders in the Indian detergent market.

(iv) Process innovation:

Process innovations are as necessary as products innovation in rural market. Innovation must focus on providing logistics support, including manufacturing keeping in mind the prevailing conditions and delivering solutions in a cost effective manner. Examples of process innovation in rural market are ITC's e-choupal Internet portal and HUL's Project Shakti.

(v) Price innovation:

People living in rural areas generally have low or irregular income and due to this they are more price sensitive than the urban people. The mantra for rural market is the conservation of resources; the product meant for rural market must eliminate or reduce, the various recurring costs and thus should reduce resource intensity. The option of reuse, refill and recycle are critical principles in product development for rural market as they reduce the overall cost of the product. For example, FMCGs came up with soaps at Rs.5, hair oil and shampoo sachets at Rs.1 and small coke at Rs.5, etc.

(vi) Promotional innovation:

Rural market is undergoing a change in demographics and spending profiles which present vast opportunities for a creative response by the corporate sector. Promotional campaigns launched by companies need to be innovative to get the attention of rural population. For example, Asian Paints used wall paintings as an effective and economical medium for advertising in rural areas. Also, Life Insurance Corporation of India used puppets to educate rural masses about life insurance. These plays were shown to the audience in villages in UP, Bihar & MP. The number of inquiries at local Life Insurance Companies during the period immediately following the performance was compared with normal frequency and was found to be considerably higher.

11.5 ROLE OF GOVERNMENT IN RURAL MARKETING

The rural economy, a key driver of demand and a support for the broader economy, has taken a knock from the two back-to-back seasons of patchy monsoon rains. The segment drives demand for everything from motorcycles to tractors, televisions and refrigerators.

India is a land of villages and the Government of India has been implementing numerous rural development programmes for the upliftment of rural Communities. The investment by government in infrastructure in 2015-16 was estimated to have gone up by Rs. 70,000 crore, including funds from the centre and state-run undertakings. Highways and roads have proved to be a success area of infrastructure investment and in the

absence of private investment, indications are that the sector will receive special attention, including unveiling of some innovative financing schemes.

The health of the banking sector has been a sources of worry. The government has taken several measures, including pumping in Rs. 70,000 crore to recapitalize the state-run banks. In the Union budget 2016, the Finance Minister Arun Jaitley focuses on doubling farmers' income in five years and boosting the rural sector, with emphasis on employment and infrastructure.

The following are the various steps initiated by the Indian Government to develop the rural markets:

1) Regulated markets
2) Infrastructure development
3) Co-operative Agricultural Marketing Societies
4) MSP Policy

Other Government initiatives include,

1) Credit cards (Kisan credit card) to farmers from the public sector banks which helped them to take short and medium term loans to buy seeds, fertilizers, etc. This enabled them to produce more thus increasing their income.
2) Large inflow of investment for rural development programmes from the government.
3) Schemes like IRDP (Integrated Rural Development Programme) and REP (Rural Electrification Programme) in the 1970's gave a boost to the agrarian economy. This resulted in changes in people's habits and social life. REP gave impetus to the development of consumer durable industry.

   Government has laid various plans and policies to increase the standard of living of the rural people like rise of agricultural wages, PMERY, PMEGP, etc. It was found that NREGA (National Rural Employment Guarantee Act) and SGSY(Swaranjayanti Gram SwarojgarYojana) both policies have played a role in developing the rural markets. NREGA emphasis is on the increase in purchasing power of the rural people, so that the demand of people rises and as

a result marketer's interest towards rural areas also rises. SGSY provides incentive to start your own enterprises and it was found that the number of SHGs has been increasing every year. This means both the policies are showing an upward trend in support of rural marketing.

Beside this, the development and welfare activities by Government in rural areas were also strengthened in past five years. The increasing development of the rural area captures the attention of large number of marketers and thus the rural community has become the target market for every business concern. Every business enterprise wants to capture the significant portion of rural area.

11.6 ROLE OF NGOs IN RURAL MARKETING

In India, the scope of development is not narrow but very wide, as it includes not just the economic development but the growth on social front, quality of life, empowerment, women and child development, education and awareness of its citizens. The task of development is so huge and complicated that just implementing government plans is not sufficient to fix the problem. To achieve this, a holistic vision and collaborative efforts involving various departments, agencies and even NGOs is required. Owing to such a great need, the number of NGOs in India is increasing rapidly and, at present, there are about 25,000 to 30,000 active NGOs in India.

Superficially, rural development seems to be a simple task but, in reality, it is not. Post Independence era has seen many rural development programmes through different five-years plans. Alleviating poverty, employment generation, more opportunities for generating income, and infrastructure facilities are emphasized through the policies and programmes of the government. Along with this, the panchayat raj institutions have also been initiated by the government to strengthen democracy at grass roots level. But in spite of all the efforts rural poverty, unemployment rate, low production etc. still exist. The fight is still on for the basic facilities such as livelihood security, sanitation problem, education, medical facilities, roads, etc. Still there is a huge gap in terms of infrastructure that is available in urban and rural areas. The basic rural development should include all

these apart from employment, proper water supply and other basic facilities.

NGOs or Non Governmental Organizations have more benefits of working in rural areas as compared to governmental organizations because NGOs are more flexible, NGOs are specific to a particular locality and moreover these are committed towards serving the public and community as a whole. As the task of development is massive, many NGOs are playing a catalytic role in developing rural markets.

The role of NGOs in rural development includes:

i) The majority of NGOs are small and horizontally structured with short lines of communication and are therefore capable of responding flexibly and rapidly to clients' needs and to changing circumstances. They are also characterized by a work ethic conducive to generating sustainable processes and impacts.

ii) NGOs' concern with the rural poor means that they often maintain a field presence in remote locations, where it is difficult to keep government staff in post.

iii) One of NGOs' main concerns has been to identify the needs of the rural poor in sustainable agricultural development. They have therefore pioneered a wide range of participatory methods for diagnosis and, in some contexts, have developed and introduced system approaches for testing new technology.

iv) NGOs' rapport with farmers has allowed them to draw on local knowledge systems in the design of technology options and to strengthen such systems by ensuring that the technologies developed are reintegrated into them (Chaguma & Gumbo, 1993).

v) NGOs have also developed innovative dissemination methods, relying on farmer-to-farmer contact, whether on a group or individual basis (Sollows, Thongpan, & Leelapatra, 1993).

As economic reforms and liberalization saw the government vacating several areas to let private sector entrepreneurship flourish and contribute to the high growth rate of the economy, in recent years, a similar paradigm shift is needed to transform the NGOs from their dependence on aid and grants from within and outside for transforming the rural scenario in the country. It is worth noting that NGOs play a fundamental role in

enhancing development in rural areas, especially in the developing world. They initiate programs aimed at transforming the lives of the people in rural areas from being miserable to a better status.



CHECK YOUR PROGRESS:

Q.1: Mention the two functions of organizations, according to Peter Drucker.

_____

_____

Q.2: Define "Innovation".

_____

_____



11.7 LET US SUM UP

The world is changing like never before. This change is more attributed to the way business practices and strategies are changing across the globe. Rural marketing endeavors have to be seen and implemented as investment for better tomorrow. In this unit, we have discussed innovation, need for innovation in rural markets and principles of innovation for rural market.

The key challenge that companies face in rural market is to identify and offer appropriate products without hurting the company's profitability or margins. At the same time, companies should also recognize that rural consumers are quite discerning about their choices and customize products and services. Accordingly, product awareness and campaigns and advertising communications too need to be designed and executed keeping in mind the context. The products should not only be made available at the right time and at the right place but should also be affordable and acceptable to the rural people. Lastly, rural market consisting of approx.70% of the Indian population with thin density and inadequate infrastructure with low per household income poses unique challenge to marketers and calls for innovative marketing solutions.



11.8 FURTHER READING

1) Introduction to Rural Marketing by R Krishnamoorty, Himalaya Publishing House, 2008.

2) Rural marketing: Concepts and Practices by B. Dogra and K. Ghuman, McGraw Hill, 2012.

3) Rural Marketing by R V Badi and N V Badi, Himalaya Publishing House, New Delhi, 2006.

4) The Rural Marketing Book by P Kashyap and S Raut, Biztantra, 2005



11.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: According to the great management guru Peter Drucker "the organizations' have only two functions, one is marketing and other is innovation.

Ans to Q No 2: Innovation implies doing new things or doing of things that are already being done in a new way. It includes introduction of new products, creation of new markets, application of new methods of production, discovery of new and better sources of raw materials and developing new and better form of industrial organization.



11.10 MODEL QUESTIONS

1. Identify and discuss the areas for developing innovations for success in the rural market.
2. Discuss the importance of innovation for the products and services to be marketed in the rural areas.
3. Justify how government and NGOs role are important in developing rural markets.

*** ***** ***

UNIT 12: RURAL AND URBAN MARKETS

UNIT STRUCTURE

12.1 Learning Objectives

12.2 Introduction

12.3 Parameters differentiating Urban and Rural Markets

12.4 Similarities and differences in Consumer Behaviour in Rural and Urban Markets

12.5 Let Us Sum Up

12.6 Further Reading

12.7 Answers to Check Your Progress

12.8 Model Questions

12.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- identify the variables that distinguish between urban and rural markets
- explore why these factors make a rural market different from an urban one
- gain knowledge of the similarities and differences in urban and rural consumer behaviour

12.2 INTRODUCTION

Many professionals feel that rural population with increasing incomes and aspiration levels are increasingly becoming like their urban counterparts. But, India's rural consumers are fundamentally different from their urban counterparts. The lower levels of literacy and limited exposure to product and services are well-known, but there are also differences in occupation options, with a direct impact on income levels and income flows, and a high level of inter-dependency affecting the dynamics of rural community behavior. All contribute to make rural consumer behavior starkly distinct from the urban. In this unit, we mainly attempt to understand the consumer behavior in rural and urban markets.

12.3 PARAMETERS DIFFERENTIATING URBAN AND RURAL MARKETS

The rural consumer differs in significant ways from the urban consumer.

(I) Infrastructure

While the rural market of India does constitute an attractive, sizeable and high potential market, it is tough one to crack. The infrastructure in all forms – roads, connectivity, electricity, education, presence of organized markets, etc. is a major differentiating factor between the urban and rural markets. The McKinsey study too touches on the infrastructure challenges in reaching and serving the rural market. Inadequate distribution infrastructure and poorer access to media are also the critical ones among the infrastructure constraints.

(II) Difference in Pattern of Consumption

In consumption pattern and consumption habits too, there is variation between rural and urban consumers. Occupation, income, caste and other socio-economic attributes are the factors that influence the consumption pattern. Seasonality factor too plays a role. Rural income being more seasonal, rural consumption also turns out more seasonal. Rural income is also relatively more unstable and irregular. It impacts the consumption pattern.

(III) Rural Demand, Highly Scattered

The villages vary widely in population size, thereby making the rural consumers a scatterred lot. Whereas the urban population is concentrated in 3,200 cities and towns, the rural population is scattered across six lakh villages.

(iv) Socio-cultural Background

Different socio-cultural background and different set of priorities in the rural and the urban markets make it imperative to develop different promotional messages for these markets. The daily lifestyle due to diverse occupations and socio-cultural backgrounds is also quite different in the two markets.

(v) Caste, a Significant Factor with the Rural Consumer

In recent years, caste has been losing its hold in the urban areas, while it still works as a force in the rural areas. Unlike in the urban areas,

households-settlements in rural areas are still damarcated on the basis of caste affiliations.

(vi) Difference in Buying Behaviour

The rural consumer does differ significantly from the urban consumer in their buying behaviour. Relative to the urban consumers, the rural consumers as a class are a tradition-bound community, with religion, caste and culture strongly influencing their living styles and buying behavior.

(vii) Accessibility

Accessibility is another variable that differentiates rural and urban markets. It is easier and economical to serve the urban cluster as a large number of potential customers are living in the same geographical area, making it economical for the companies and their distributors to reach them. But, the rural population is highly scattered and heterogeneous, making it extremely difficult for any corporate to serve it with a single distribution plan.

(viii) Media Reach and Habits

As both the media reach and media habits are very different in urban and rural markets, there is a wide gap between the two markets with respect to overall media behavior. The rural marketer needs to develop an innovative package of promotional strategies and tactics to convey the marketing message to the rural audience. The rural customer is also fond of music and folklore.

12.4 SIMILARITIES AND DIFFERENCES IN CONSUMER BEHAVIOUR IN RURAL AND URBAN MARKETS

The principles of consumer behavior remain basically same in rural and urban markets. Rural consumers like their urban counterparts are directed by their family needs and they consult with their family while reaching a purchase decision. Otherwise, the rural consumer is quite different from his urban counterpart on a good number of demographic variables. The differences are so significant that the rural market potential can be tapped effectively only by treating it as a distinct market. The differences in the rural consumer behavior as compared to the urban buyer behavior can be understood on the basis of the following parameters:

(I) Need-based Buyer Behaviour

It is the needs that drive the rural consumer unlike his urban counterpart who is turning towards consumerism. The rural consumer therefore is rational and cost conscious in his spending. The rural and urban consumers represent two different markets as is evident from their current consumption baskets and their attitude towards essential and luxury items.

(ii) Conscious Decision-making

In a broad sense, the rural consumers are cautious spenders. They, by and large, are also more of value maximizers as compared to their urban counter parts. They make a good deal of consultations before buying. The urban consumer may be an impulse buyer, but the rural consumer is more discerning because of income limitations. The rural consumer is very suspect of being fooled and does not make the decision very fast.

(iii) Value for Money

Rural consumers are shoppers for products with high value for money. It is not that they prefer cheap products, but they buy products and brands which promise to deliver higher value. Functionality, rather than aesthetics alone, is more important to the rural buyers. Further, rural buyers do not buy from sellers whom they do not trust.

(iv) Consensus Decision Making

The rural buyer has to ensure social acceptance of his decision and the products he is buying. Therefore, the rural buyer's behavior is mostly family-driven and is a collective process whereas the urban buyer's behavior is individual. Therefore, the rural buyer prefers consensus decisions.

(v) Innate Resistance to Change

Sociological distinctiveness and innate resistance to change make the rural consumers suspicious of all changes as they have a strong fear of ridicule from others. The rural people are wary of being fooled or laughed at, therefore they try to avoid any type of unnecessary risk in their purchase behavior. The urban consumer prefers to try new things and appear different, whereas the rural consumer is happy with his conformity.

(vi) Different Lifestyle and Product Usage Environment

The product-usage environment shapes the wants of the consumers. Thus, solutions to the different needs of the consumer are different in many cases

for the urban and rural markets. Convenience and comfort may be the key requirement for the comfort seeking working couples in urban areas while making a purchase decision. But, these are not the requirements for the rural people who are usually very hard working by nature.

(vii) Different Perceptions with Regard to Marketing Stimuli

Culture influences the perceptions and behavior; therefore preferences for colour, size, shapes and taste lead to a situation where the same product/ promotion is perceived differently by in different socio-cultural settings. For instance, if the urban consumer looks for light colours, the rural one goes for bold and primary colours. Culturally, if red means trendy and danger in the urban areas, it is seen as associated with happiness and considered auspicious in the rural areas.

(viii) Brand Conscious Customer

The rural consumer today is aware of brands. This awareness has been created by the mass media. Many national and regional brands are today building a strong rural base without much advertising support. For example, Ghadi detergent powder is today the second largest brand in rural India.

(ix) Rising Aspirations

The rural consumers are becoming conscious about their lifestyle and their right to live a better life. They are becoming more demanding and choosy in their purchase behavior than ever before because of increase in awareness, aspirations and disposable income.

(x) Brand Loyalty

Several studies have shown that rural consumer is more brand loyal than the urban consumer. Once the rural consumers become loyal to an organization, it will be a challenge for its competitors to take them away.

(xi) Innovative Uses of Products

To know the innovative use of products in rural markets, it is essential to conduct a careful and thoughtful study of the psyche of the rural consumers. For example, in some villages, wall paint is used for painting the horns of cattle for identification and protection against theft. Iodex is also rubbed into the skin of animals after hard day's work to relieve them of muscular pain.



CHECK YOUR PROGRESS

Q.1: Mention at least two parameters that differentiate rural from urban market.

_____

_____

_____

_____

Q.2: Identify at least two similarities between rural and urban consumer behavior.

_____

_____

_____



12.5 LET US SUM UP

In this unit, we have mainly discussed the difference in buying behavior between rural and urban consumers. Rural marketing cannot succeed if the strategies and action plan are merely extension to urban marketing strategies and plans. In order to make the most of the untapped rural market in India, companies need to understand the dynamics of rural consumers to formulate marketing strategies specifically for rural consumers.

Thus, it is clear that the urban-rural divide continues to exist and the marketers, who want to succeed in the rural market, have to understand the region-specific requirements and attempt to cater to the typical tastes of the regional consumers, both in terms of product offerings and communication packages. Marketers hardly can take rural markets lightly and also considering rural market as an extension of urban market is erroneous. Although, it is also a fact that buying behavior of rural consumers is undergoing a change and it has been found that the buying behavior of rural and urban consumers have started to converge in recent years.



12.6 FURTHER READING

1) Brand Communication in Rural India by R V Rajan, The Hindu Business Line, February 10, 2005.

2) Rural marketing: Concepts and Practices by B. Dogra and K. Ghuman, McGraw Hill, 2012.

3) Rural Marketing by R V Badi and N V Badi, Himalaya Publishing House, New Delhi, 2006.

4) The Rural Marketing Book by P Kashyap and S Raut, Biztantra, 2005.



12.7 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Infrastructure and socio-cultural are the two parameters among many that differentiate rural from urban.

Ans to Q No 2: The principle of consumer behavior remains the same in both the markets. Also both the markets are guided by needs of the family.



12.8 MODEL QUESTIONS

1. Evaluate critically the distinction between urban and rural markets.
2. "Urban and rural consumers differ in their behavior" – Do you agree? Justify.
3. Identify and explain the reasons why an organization needs to modify the product and promotion-mix when it is targeting the rural market?

*** ***** ***

UNIT 13: E-RURAL MARKETING

UNIT STRUCTURE

13.1 Learning Objectives

13.2 Introduction

13.3 e-Marketing: A Conceptual Background

- 13.3.1 e-Rural Marketing: Introduction
- 13.3.2 e-Choupal Model of ITC

13.4 IT for Sustainable Rural Development

- 13.4.1 Select Applications of IT for Sustainable Development

13.5 e-Governance for Rural Market

- 13.5.1 Benefits of e-Governance
- 13.5.2 Challenges of e-Governance
- 13.5.3 Select e-Governance Projects

13.6 Corporate Sector in Agri-business

- 13.6.1 Reasons for Increased Interest of Corporate Sector in Agri-business
- 13.6.2 Benefits of Corporate-driven Agri-business System
- 13.6.3 Challenges for Corporate-driven Agri-business System
- 13.6.4 Involvement of Corporate Sector in Agri-Business: Select Case Studies

13.7 Organized Rural Retailing

- 13.7.1 Drawbacks of Traditional Distribution Channel
- 13.7.2 Opportunities for Organised Rural Retailing
- 13.7.3 Organized Rural Retailing: Select Case Studies

13.8 Let Us Sum Up

13.9 Further Reading

13.10 Answers To Check Your Progress

13.11 Model Questions

13.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- gain insight into the concept of e-rural Marketing
- apply IT as a tool for rural marketing
- explain how IT can enable and empower the rural consumer and producer
- discuss the reasons behind increased interest of corporate sector in the entire agri-business chain
- examine the opportunities, threats and challenges for organized rural retailing

13.2 INTRODUCTION

Evolving of rural markets and corresponding recent developments occurring gradually in the domain of rural marketing calls for positive changes in attitude and approach of corporate sector and the methods of applying research and technology to rural market.

Traditional marketing strategy of cutting down on prices by 5 to 10 percent may not be that effective in the current scenario for the organizations putting in efforts to explore and exploit the rural market potential. This calls for a turnaround in the ways things were done traditionally and to adopt innovative ways to target rural markets. Internet could offer one such solution and enable and empower the rural consumer and producer. A large number of players across sectors have targeted the rural market with innovative business models such as an e-market place.

At the same time, the potential of the agricultural sector has been recognized by corporate India. The second green revolution, which is being driven by corporate sector, is slowly emerging in the country. The stage is getting ready for corporate India's thrust into this agri-business by building the infrastructure that connects Indian farms to national as well as international supermarkets.

To tap the rural market more effectively, the corporate sector is making entry into the semi urban and rural areas with the large format branded retail stores for the rural market as forward integration strategy.

Some of the investment and retail infrastructure is already in place and large part is in the pipeline for future. This is a big change from the time when rural consumers were served from the tiny and dingy *dukaans* (retail outlets) with almost no additional or value added facilities. The retail stores set up by corporate sector are banking on the strategy to present their stores as a solution to the problems associated with the traditional distribution channel.

13.3 e-MARKETING: A CONCEPTUAL BACKGROUND

Electronic Marketing (e-Marketing) can be viewed as a new philosophy and a modern business practice involved with the marketing of goods, services, information and ideas via the Internet and other electronic means. Smith and Chaffey defines it as: "Achieving marketing objectives through applying digital technologies" (Smith and Chaffey, 2005: 11), Strauss and Frost define it as: "The use of electronic data and applications for planning and executing the conception, distribution and pricing of ideas, goods and services to create exchanges that satisfy individual and organizational goals" (Strauss and Frost, 2001: 454).

In global view, Electronic Marketing (e-marketing) mostly defines as new attitude and modern realistic involvement with marketing of goods, services, information and even ideas via internet and other electronic means (El-Gohary 2010).

13.3.1 e-Rural Marketing: Introduction

In simple words, e-Rural Marketing refers to customized application of e-marketing for the rural markets (Dogra & Ghuman, 2008). As the technology usage environment and the corresponding benefits that are sought in the rural markets are very different from urban markets, the overall implementation of e-marketing in the rural areas becomes quite different from that of the urban markets.

Therefore, e-rural marketing represents application of Internet enabled technologies as a tool, to enable efficient and effective exchange with and from the rural market.

Internet is expected to deliver the desired results in the rural areas. It offers an opportunity to develop a direct contact with rural consumers as the traditional distribution network being not that effective. It has the potential to solve many of the distribution problems which were acting as obstacles in the way of the development of rural market. This whole approach can act as catalyst in the development of rural markets.

Integration of the rural marketing efforts and practices online can also prove to be effective. Different things faced by the companies that employed the Internet tool in the rural market is that illiteracy, unawareness and existing digital divide is not as big a barrier as its is perceived to be.

13.3.2 e-Choupal Model of ITC

E-Choupal is an initiative of the International Business Division (IBD) of one of India's leading private companies, ITC Ltd. Beginning in 2000, ITC set up a network of ICT kiosks around the country, called *e-Choupal* (an open meeting place in a village). According to Sachin Sahay, General Manager at IBD, the aim was to 'build an intelligent first mile and a low cost last mile for agricultural products and services'. ICTs are the primary means of operationalising this vision. Every *e-Choupal* centre is equipped with a computer, Internet connectivity through satellite technology and solar power. In addition, it provides access to a web portal with current agriculture commodity prices at the village level for produce transactions. Additionally, *e-Choupal* supports best practices in farming through training sessions, provides information on weather conditions, and supplies quality agricultural inputs like seeds and fertilisers.

The e-choupal model worked in the following way. It had processing and collection centers as hubs and 'Sanchalaks' as conveners. These sanchalaks were chosen from among the farmers and were trained on using the PC. Farmers were provided

with information like daily mandi prices, weather reports, global prices, best farming practices and water, soil, PCR testing etc. The farmers sold their produce in the collection centers for cash. It helped farmers in getting better prices, while ITC could directly procure from farmers and remove the intermediaries. It benefited the company by reducing its sourcing cost and gaining wider reach and networks. It helped in creating new markets for own and third party goods.

ITC also used this model to sell FMCG products like packaged vegetable oil, salt, wheat flour and sugar, agri-related goods of other companies like Monsanto (seeds), BASF etc.ITC's e-choupal network has reached out to over four million farmers growing a range of crops such as soyabean, coffee, wheat, rice and pulses in over 40,000 villages through 6,500 kiosks across 10 states including Madhya Pradesh, Uttar Pradesh, Rajasthan, Maharashtra, Karnataka, Andhra Pradesh and Tamil Nadu.

e-choupal is helping ITC building a strong relationship with the rural populace, which is one of the biggest growth drivers for the FMCG industry. It enables ITC to source commodities at a much lower cost than competitors. This is because it buys directly from farmers, which eliminates intermediates and multiple handling, thereby reducing transaction costs. Direct sourcing from farmers has enabled ITC to preserve the identity of the commodity. The e-choupal network comprises 24 Choupal Saagars (rural hypermarts), which are owned by ITC, and 70 warehousing hubs outsourced through service providers. Choupal Pradarshan Khets act as demonstration and selling points for agriculture companies; and companies sell their products and services through Choupal Haats. ITC typically organizes 60,000 Pradarshan Khets and 6,000 Choupal Haats in a year. Today, more than 160 companies ride on the e-choupal network including Bayer, BASF, SBI, Bharat Petroleum, Nokia, TVS Motors, Maruti Suzuki India, Tata Motors and many more.

There are several problems faced by the E-choupal model, most of which were unique and hence all the more challenging. ITC faced many problems like Intermediary unrest, lack of awareness, outdated infrastructure, problem in electricity supply etc. But gradually ITC tried to overcome these problems. ITC upgraded the telephone lines using RNS kits. The company made use of specially devised technical solutions to manage data along with new imaging techniques, to deal with the bandwidth-related problems. To handle the problem of sporadic electricity, ITC made use of backup batteries, which could be recharged with solar panels.

The key success to the e-choupal model lies in its scalability. E choupals have been very successful in states like Madhyapradesh and Maharastra. Now ITC has to work further in its expansion to various states and use of the e-choupals at retail chains for selling different products.



CHECK YOUR PROGRESS:

Q.1: Define "e-Marketing".

_____

_____

_____

_____

Q.2: Mention at least two services offered to the farmers by ITC's e-choupal.

_____

_____

_____

_____

13.4 IT FOR SUSTAINABLE RURAL DEVELOPMENT

One of the most significant change drivers in rural India, after television, is the spread of Information technology. This change is being led

by both government and private sector firms. Sustainable rural development is generally recognized as the product of those human activities that use the resources of rural territories to increase welfare. Development can be considered as sustainable if it meets the needs of the present generation without compromising the ability of future generations to meet theirs. The spread of the Information Technology (IT) happened to be the next big thing after the telecom revolution for the benefit of the masses. The following are the advantages of implementation IT for sustainable development in rural areas:

(i) Costs Reduce Significantly When Operation Scales Up

The nationwide integration programme of villages through the information and communication technology tools can empower the rural population by enabling them to access to much needed information in a cost effective and transparent manner. With the scaling of the IT model, huge returns are possible even on the small margins, because of the vast untapped rural market. What really matters is capital efficiency for getting the highest possible returns on capital employed (ROCE).

(ii) Convergence

The convergence of technologies and its widespread usage has not only made it a very powerful tool, but also one that is very cost effective.

IT solutions are considered having huge potential for achieving the goal of sustainable rural development. If implemented judiciously they can play a major role to transform rural India from the stage of underdeveloped region to a highly productive territory. Rural communities to a large extent are adopting new technologies that improve their economic opportunities or standard of living.

13.4.1 Select Applications of IT for Sustainable Development

Few of the initiatives of application of IT for the sustainable development of rural population by the corporate world are mentioned below.

(i) DakNet

*Dak*Net, an ad hoc network that uses wireless technology to provide a digital connectivity prove that the combination of wireless and asynchronous service can lead to universal broadband connectivity. *Dak*Net has been successfully deployed into remote parts of India at a cost of two orders of magnitude less than that of traditional landline solutions.

(ii) Hewlett Packard's i-community Initiative

Hewlett Packard's (HP), i-community initiatives aim to transform lives of ordinary rural citizens by employing IT tools. Some of the initiatives implemented by the HP in the rural market are listed below:

(a) Village Photography Initiative

It provides the selected member with especially designed self-contained photography kit, which includes a digital camera, a portable printer, battery charger and solar panel. Armed with the kit, a person can click photographs of villagers and provide printouts on the spot. They can earn a net of Rs.500 to 1000 a month after paying rent of Rs.400 to HP, depending on the demand. Thus, this model not only provides meaningful employment opportunity to the rural people in the village itself, but also is perfectly viable for the company.

(b) Multi-user 441 Desktop Project

HP's multi-user 441 desktop, latest solution for emerging markets is unique and very relevant for rural consumers who are looking for value for money solutions.

(c) Project Yojanalu

It has also developed a solution implemented as the Project *Yojanalu,* which acts as an interface between government and the citizens. This solution can help in spreading awareness about the government's schemes for citizens. This solution will empower the rural world with the information through which they can seek for their rights.

It is quite clear from the initiatives given above that if the product is delivering the result by solving the problems of the rural masses then lack of knowledge is not going to be a big barrier as the softwares are now available in local language, and along with that there are audio and touch screen options which are making the usage of IT tools very user friendly, even in the context of rural environment of India.

13.5 e-GOVERNANCE FOR RURAL MARKET

The total number of e-governance transactions in India has crossed 1,000 crore in 2016, according to government web portal eTaal. The portal which disseminates e-transactions statistics of national and state level e-governance projects mentioned that the transactions increased by 33 percent from last year's 760 crore. Not only the corporate sector, but also the centre and state governments are trying innovative ways to carry developmental programmes to rural areas. IT is being applied for development of land records in electronic form, or putting information about governmental schemes on the internet and intranet.

The concept of electronic governance chosen by the council of Europe covers the use of electronic technologies in three areas of public action:

- Relations between the public authorities and civil society
- Functioning of the public authorities at all stages of the democratic process (electronic democracy)
- The provision of public services (electronic public services)

In the year 2005, UNDP defined, "e-Governance is the Information and Communication Technologies with the aim of improving information and service delivery, encouraging citizen participation in the decision-making process and making government more accountable, transparent and effective."

e-Governance or "electronic Governance" refers to the use of Information and Communication Technologies (ICTs) to provide citizens and organizations with more convenient access to the government's

services and information. In other words, eGovernance involves ICTs, especially the internet, to improve the delivery of government services to citizens, businesses and government agencies. It is not limited to the public sector only but also includes the management and administration of policies and procedures in private sector as well. The use of internet not only delivers the services faster but also brings more transparency between the government and the citizens. But in developing countries like India, where literacy level is very low and most of the people are living below poverty line, it is very much difficult for the government to provide its services to such citizens via means of internet.

According to the World Bank, 2001, e-Government is the government owned or operated systems of information and communication technologies that transform relations with citizens, the private sector and/ or other government agencies so as to promote citizens' empowerment, improve service delivery, strengthen accountability, increase transparency, or improve government efficiency

According to UNESCO-CI, e-governance may be understood as the performance of the governance via the electronic medium in order to facilitate an efficient, speedy and transparent process of disseminating information to the public, and other agencies, and for performing government administration activities. e-Governance is generally considered as a wider concept than e-government, since it can bring about a change in the way how citizens relate to governments and to each other.

e-governance can also be defined as a set of technology-mediated processes that are changing both the delivery of public services and the broader interactions between citizens and government.

The fields of implementation of e-governance are:

- E-Administartion

  It refers to improving of government processes and of the internal workings of the public sector with new ICT-executed information processes.

- E-Services

  It refers to improved delivery of public services to citizens.

13.5.1 Benefits of e-Governance

The purpose of implementing e-governance is:

(i) to enhance good governance: through participation, transparency and accountability

(ii) to increase the bro

(iii) fast, Convenient and Cost Effective Service Delivery

(iv) transparency, Accountability and Reduced Corruption

(v) increased Participation by People

13.5.2 Challenges of e-Governance

E-governance was introduced for the better communication between citizens and government. But the government faced lots of problems in introducing it. Few of the problems or challenges faced by government are listed below

(i) Illiteracy

The government is making effort in increasing the literacy rate in rural population but still much needs to be done as it is far less than the literacy rate in urban population.

(ii) IT Illiteracy

This is a major drawback in which the users are not technically literate to use the technology.

(iii) Language Differences

Rural population is not very fluent in English and all the e-governance projects basically use English, so majority of the rural population find it difficult to understand.

(iv) Lacks Awareness

People are unaware about the facilities provided by the government for their use.

(v)Hesitation to change

People are reluctant to change. As e-governance means change of the system from manual to computerize based.

(vi) Infrastructure & Running Cost

It is difficult to connect all rural areas through internet and at times it is difficult to lay wires at these places. In remote areas generally till

now there is no basic infrastructure available like connectivity and electricity.

13.5.3 Select e-Governance Projects

Some of the state governments are very much proactive in deploying the IT tools to deliver better governance for the citizens specially the rural ones. This usage of IT is not only bringing information to the doorstep of rural population but is also reducing the transaction cost that had become almost a custom in the past.

Government has undertaken many projects for the benefit of rural India. Given below are some examples with regard to application of IT tools for establishment of e-governance projects by select state governments of India:

(i) Gyandoot

Gyandoot is a government to citizen intranet based project launched in Thar district of Madhya Pradesh on 1st January 2000, with the installation of a low cost rural intranet covering twenty villages that has expanded to 39 kiosks covering 311 *panchayats* over 600 villages and serves the population of around 5 lakhs. *Gyandoot* serves as a government-to-citizen platform and connects the district headquarters to multimedia kiosks or rural cyber cafes, called *soochnalaya*. Each *soochnalaya* serves 20 to 30 villages, which is between 20,000-30,000 people. For running these soochnalayas, a local youth from the village was selected as soochaks. The soochak was not given any salary. In fact they operated the kiosks and charged for the services they provided. They charged Rs.5/- for providing information about the agricultural produce. A fee of Rs. 15/- per extract is charged for providing documents related to farmer's land which is considered valid by banks. Rs. 10/- is charged for submitting applications for obtaining certificates as and when required by the villagers. A charge of Rs. 10/- is taken for lodging any complaint like mid day meal etc. Auction facility is also provided. For a charge of Rs. 25/- for 3 months anyone can put the commodity on sale. Further,

Rs. 10/- is charged for viewing all the salable commodity. Of the total earning the soochak pays 10% of income as commission to the zila panchayat. So, the scheme is self-sustainable. *Gyandoot* was given the 'Stockholm Challenge IT Award' in 2000 in the 'Public service and democracy' category. Initially this was considered very successful but with passing of time in long run it did not prove to be too good. Only the use of ICT does not help the backend working and processes needs to be changed for any project to be successful.

(ii) Karnataka's Bhoomi (land)

Revenue department of the Government of Karnataka along with NIC implemented this computerization of land records called the Bhoomi project, which has put most of 1.7 crore land records on the Internet since July 2000, at a cost of Rs. 1.8 crore.. A farmer requires his official land records for many purposes like for getting loan on crop from any financial institution or any legal dispute, etc. Problems with the earlier manual systems like the registers of land record not properly maintained, or not very legible lead to its computerization. Any farmer can now readily get their land record from land record kiosks available. Also, farmers get an acknowledgement number if they submit a request for mutation on land records. So, now farmers can track the process of mutation on the touch screen kiosk available and in case of any delay can report to higher officials also. Thus, this leads to transparency. Seeing the success of Bhoomi other states like Andhra Pradesh, Haryana, Madhya Pradesh has also implemented a similar system.

(iii) Electronic Land Record Systems

Farmers who were earlier at the mercy of village patwari (revenue official) for their land records has no longer to depend on them in Andhra Pradesh, Punjab and Karnataka. They can access this information in electronic form on the Internet and can take a printout. This made the system to be corrupt free and also resulted in time saving practice.

(iv) Andhra's CARD

In Andhra Pradesh a CARD (Computer-Aided Administration of Registration Department) is the pioneering effort in registering real-estate transactions. Starting with two centres in 1997, the Rs 25-crore project now covers 239 offices and more than 24 lakh transactions have been registered till date. The entire process of registration of land now takes on ehour (from initiation to completion), compared to 7 to 13 days in the old system. Title searches over the past 20 years from different offices can be done in 13 minutes versus three days.

(v) Punjab's PRISM

Punjab also launched PRISM (Punjab Registration Information System Module) project. Instead of pleading and bribing the patwari for registration documents which were needed for applying for loans, farmers now pay Rs 10 and instantly get the necessary documents.

(vi) Karnataka's Bhoomi

Bhoomi project is an initiative of Karnataka government to computerize land records. In Karnataka, the project, has put most of 1.7 crore land records on the Internet since July 2000, at a cost of Rs 1.8 crore. Farmers now pay just Rs 15 for a printout of their papers, in comparison of Rs 100-500 bribe they had to pay to patwari earlier.

(vii) National e-Governance Plan

The government approved the National e-Governance Plan (NeGP), comprising 27 Mission Mode Projects and 8 components, on May 18, 2006, 4 projects – Health, Education, PDS and Posts were introduced to make the list of 27 MMPs to 31 Mission Mode Projects (MMPs). NeGP takes a holistic view of e-Governance initiatives across the country, integrating them into a collective vision, a shared cause. The major core infrastructure components are State Data Centres (SDCs), State Wide Area Networks (S.W.A.N), Common Service Centres (CSCs) and middleware gateways. This plan is aimed at improving the quality, accessibility and effectiveness of

the government services to the rural citizens with the help of convergence of Information and Communication Technology (ICT).

(viii) E-post

"Send mail from anywhere in the globe." Internet and email are a main part of e-governance. E-post service was launched by the secretary of the Department of Posts on 30th January 2004. But in rural areas these facilities are not available. Keeping this in mind, the Department of posts introduced the facility of e-post. It is a very simple service where people can send the messages anywhere in India. In this a person who has to send the message simply approaches the post office, where the person scans the handwritten or printed document and sends it via email to the nearest destination post office. There the printout of the document is taken out, sealed in an envelope and delivered at the destination address. The document can be in any language. A fee of Rs. 10/- per A4 page is charged. For encouragement to the corporate customers post office gives them special e-post rates and other value additions. For Corporate customer e-post costs Rs. 6 per page of A4 size & for bulk it costs Rs. 5/ - per page. This service tries to bridge the digital divide [10].

(ix) E-panchayats

Panchayats are a local village based self government. As majority of the population of India lives in villages the panchayats play a major role. Government thus felt the need to improve it and transform it, and so e-panchayat was introduced. In fact e-panchayat was identified as the Mission Mode Project (MMP). In this 2,50,000 panchayati raj institiutions at the gram panchayat, block and zila parishads were identified which were to be joined with ICT. NIC developed e-panchayat for Hyderabad, Andhra Pradesh. All the information of the gram panchyats was collected and based on that the e-panchayat was initiated. The e-panchayat comprised of 30 modules with about 150 sub-modules. These modules were based on providing the information to the villagers on various products like

agriculture, irrigation, fisheries etc. and also on other problems relating to loans from industries, housing, water etc. It also dealt with various other services like property tax, registration and issuance of death and birth certificates, disbursement of old age / widow and disabled pensions, building approvals for residential purpose etc. An important module in this was the grievance redressal where any grievance could be registered and also later on monitored for solution. Thus the project caters to all aspects of panchayat's functioning including planning, monitoring, implementation, budgeting, accounting, social audit and delivery of citizen services.

As the usage of Information Technology is growing very fast, Indian government is making many efforts to provide services to its citizens through e-Governance. Although Indian government is spending a lot of money on e-Governance projects but still these projects are not successful in all parts of India. Unawareness in people, local language of the people of a particular area, privacy for the personal data of the people etc. are main challenges which are responsible for the unsuccessful implementation of e Governance in India. Government must take some actions to make the people aware about the e-Governance activities so that people may take full advantage of these activities and e Governance projects can be implemented successfully. The participation of people can play a vital role in implementation of e-Governance in India.



CHECK YOUR PROGRESS

Q.3: Define "e-Governance".

_____

_____

_____

_____

Q.4: Mention the at least two benefits of e-Governance..

_____

_____

_____

_____

13.6 CORPORATE SECTOR IN AGRI BUSINESS: CULTIVATION, PROCESSING & RETAILING

Corporate sector has begun to give importance to agricultural sector because of its vast potential. It is also driving the emergence of second green revolution in the country. . A number of large players across sectors have looked at the rural market with innovative business models – either an E-market place or a one stop shop for agri-products.

13.6.1 Reasons for Increased Interest of Corporate Sector in Agri-business

A number of large MNCs and even a greater number of local enterprises active in the agribusiness sector in India. These companies are widespread across the supply of inputs and farm equipment and machinery, agricultural production, manufacturing and processing (value addition), and retailing. The main reasons are:

(i) The size of the Indian rural market and untapped potential has been found to be a major determinant of investment. With nearly 70 percent of the country's population residing in villages makes it a market which companies hardly can afford to ignore. 25 to 40 percent food products in India are destroyed due to lack of a supply chain, improper packaging, sorting, processing, storage and transportation. This problem of agriculture in India creates an opportunity for corporate India.

(ii) The abundance of natural agricultural resources is a major pull factor for investment in the agribusiness sector.

(iii) Developed states such as Punjab and Maharashtra have realized that large companies can bring in technology, investment, modern best practices and crop diversification techniques. This integrated effort will be in the in the interest of farmers as well as state governments. Therefore, they are encouraging the participation of corporate sector in this field on a large scale.

(iv) Maintaining procurement at Minimum Support Price (MSP) levels increasingly becoming difficult for state governments. Along with this, political pressure is also mounting on state governments to increase MSP every year, which it was finding extremely difficult to do. The system of corporate sector getting involved in diversified procurement relieves the state governments of the legacy of minimum support prices given to paddy and wheat growers across the country.

13.6.2 Benefits of Corporate-driven Agri-business System

(i) The corporate sector's involvement can play a big role in enhancing the quality of produce and delivery, creating significant development for India. To make the farms more profitable, it is important to make Indian farmers more efficient.

(ii) The investment by corporate world in agri-business would help to achieve better alignment of consumption and farming patterns by bringing in the marketing linkages, especially for the fruits and vegetables and many of the crops not covered under the Minimum Support Price (MSP) mechanism.

(iii) This may result in making farmers prosperous, as they will be well informed about the emerging technology, seeds and farming practices, which they can employ in their fields. This will create a large number of consumers for all products.

(iv) With more than 65 percent of India's population depending on agriculture for their livelihood, improvements in efficiency and new markets have the potential to benefit large number of people.

(v) The companies are experimenting with crop diversification. In Rajasthan, tjey introduced technology to grow *kalonji* in place of wheat, which resulted in farmers getting an extra Rs 6,000 per acre.

(vi) When one member of the family, under traditional crops, is employed over a typical holding of 4 acres, then on the same land 4-6 persons can be employed under horticultural produce for longer periods, thereby raising the employment scope 16 times and income levels 2-3 tmes.

(vii) The improved cropping methods and practices and low water consuming varieties can result in solution to problems like falling water table that has affected the productivity of the farmers.

(viii) This model may play a major role in bringing down the increasing suicide cases by farmers in many states in India.

13.6.3 Challenges for Corporate-driven Agri-business System

The corporate driven agriculture scenario can face the following challenges:

(i) The consolidation of land with corporate world or farmers being displaced from their land is an issue of political sensitivity especially at a time when farmers of many state committing suicides over issues of debt and their inability to repay it.

(ii) Poor infrastructure and the monopoly of *mandis* need to be overcome for the smooth functioning of corporate driven agri-system.

(iii) Inadequate infrastructure in terms of cold storage facility for transportation and storage, transportation bottlenecks, lack of efficient availability of airport facilities can, to a great extent, slow down the movement of goods from farm to the export markets.

13.6.4 Involvement of Corporate Sector in Agri-Business: Select Case Studies

Some of the initiatives of the corporate world in the field of agri-business which are transforming the agriculture ecosystem are mentioned below:

(i) Pepsi

Pepsi's venture of contract farming, processing and marketing in horticulture sector is a perfect example of an obligation turned into an opportunity. Investing into farming and food processing were preconditions for Pepsi's entry into India. Pepsi Co. has demonstrated that corporate initiatives could help farmers shift from traditional low return crops to the one providing higher yield and income for the benefit of all the stakeholders in Indian agriculture.

(ii) Bharti

Indian telecom giant Bharti, has moved into the global fruit and vegetable market through a joint venture with a unit of UK finance group Rothschild. FieldFresh Foods incorporated in September 2004, is an equal partnership joint venture between Bhart Enterprises, and ELRO Holdings India Ltd. an investment company of the Rothschild family. The business model is to link Indian fields tot he world market, by providing premium quality fresh produce to the markets worldwide through contract farming.

(iii) Reliance

Reliance Industries, one of India's largest industrial group, in June 2006 announced a $5.6 billion (Rs. 25,200 crore) multiyear investment in agriculture and retail sectors.

(iv) ITC

ITC is facilitating farmers through e-choupal model (discussed in Chapter on e-Rural Marketing). It is now getting into larger format retail stores branded as Choupal Sagars, at a cost of Rs. 5 crore each. ITC's business model is that of empowering the farmers.

13.7 ORGANIZED RURAL RETAILING

For a large number of consumer products, the village shop holds the key to marketing in the rural markets; it has not been replaced by any other retailing model. In fact, it seems irreplaceable. Analysis indicates that it is the cheapest and the most effective formulation. There are an estimated eight million such shops in rural India. The shopkeeper operates against several odds.

Firms seeking a full-fledged presence in the rural market need to embrace the village shops as the key component of their distribution outfit. Organizing a large marketing channel out of these shops, however, requires concerted effort on the part of the firm.

The corporate sector is entering the semi urban and rural areas with the large format branded retail stores for the rural market as forward integration strategy. Now, there is a gradual shift from tiny and dingy *dukaans* (retail outlets) to new style of retail outlets.

The retail stores set up by corporate sector are banking on the strategy to present their stores as an innovative solution to the problems associated with the traditional distribution channel.

13.7.1 Drawbacks of Traditional Distribution Channel

Traditional distribution channel has certain limitations with reference to rural market which can be discussed as following:

(i) In the traditional distribution channel the push strategy was employed and the consumer interest was not the driver.

(ii) Lack of display of the available brands and consumer most of time had to buy brands recommended by retailer.

(iii) A large percentage of products available are spurious along with the original products. Rural consumer has limited ability to distinguish between the two and hence suffers as a result.

(iv) Rural consumers have less choice both in terms of product range and brand choice. He has to choose from whatever is available.

The above limitations of traditional distribution channel give rise to teh importance of a system which ensures that rural consumer purchases genuine products and the retailer does not dictate brand choice but consumers are enabled to exercise their own choice.

13.7.2 Opportunities for Organised Rural Retailing

In the current scenario, the corporate sector is planning and implementing integrated solution to the rural consumers through these integrated stores. There are opportunities for such like stores on account of the following reasons:

(i) Rising aspiration of the rural consumers; to have urban like experience while shopping.

(ii) Integrated package of products and enablers are available under single roof.

(iii) Provision of advisory services along with the products can build the association with these stores.

(iv) Increasing desire in rural areas to buy quality products and frustration with these stores.

(v) Rural retailers are charging more for the same products.

13.7.3 Organized Rural Retailing: Select Case Studies

Corporate sector's association with organized retail for rural India may be understood with the help of examples. Some of them have the model of company owned stores and some have moved from company owned to franchisee in order to reduce the cost of operation. In recent years, there have been some attempts at establishing retail chains in the rural market.

(i) DCM Hariyali Kisan Bazaar

DCM Sriram Consolidated (DSCL) with many years of experience in selling fertiliser and other agri-products has set up a 54-outlet strong chain of rural supermarkets, Hariyali Kisan Bazaar, that offer everything the rural consumers may need. DSCL Hariyali Kisan Bazaar sells agri inputs, offers insurance and banking services,

and has officers, who offer free advice to farmers on agriculture practices. One centre operates in a catchment area of about 20 km radius.

(ii) The Rural Hyper Markets – ITC Choupal-Sagar

ITC has taken the hyper markets format to rural India. ITC has been setting up a multi-store retail chains in rural areas, selling a variety of items ranging from daily requirements to durables and farm equipments required by the villagers. The range includes bikes, tractors, clothes, cement, steel, diesel and financial products. Named *Sagar*, the chain of hyper markets is being set up across 15 states. On an average, a hyper market under this scheme occupies five acres of area and takes an investment of Rs 4-5 crore as set up cost. The first mall came up in MP. For companies finding it hard to reach out to customers in villages, ITC *Sagar* offers a readymade channel. The Sagar chain serves as the physical infrastructure support to ITC's e-Choupals.

(iii)Tata Kisan Sansar

Till 2003, the TATA Group's two companies TATA Chemicals and Rallis India ran separate rural retail initiatives. TATA chemicals had a chain called *Tata Kisan Kendras* in Uttar Pradesh, Haryana and Punjab. The centres offered farmer a host of products and services ranging from agri-inputs (seeds, fertilisers), financing to advisory services.

Rallis, another Tata company manufacturing chemicals for agriculture was running *Kisan Kendras*. It was involved in an integrated programme with select farmers of Madhys Pradesh. The company partnered ICICI Bank and HUL (then HLL) in offering solutions to farmers that covered operation from pre-harvest stage to post-harvest stage. Farmers were first provided with seeds, pesticides and other farm inputs, through Rallis, but mostly funded through loans offered by ICICI Bank. Once the crop was ready, it was bought by HUL and ICICI Bank loan was repaid through the income from sale. But the experiment did not sustain for long.

In April 2003, Rallis' operations were merged with TATA Chemical's TATA *Kisan Kendras* and on October 26, 2004 the company relaunched its *Kisan Kendras* as TATA *Kisan Sansar* (TKS). These are planned to evolve as networks of one-sto shops for farmers providing everything from inputs, loans to know-how.

This comprehensive pool of services available under one roof serves the needs of farmers in an integrated manner. Not only solutions are available at these retail outlets but the banks as enabling forces and insurance companies to cover the risk, are also0 available to make the purchases feasible.

(iv) Aadhaar from the Stable of Godrej Agrovet (GAVL)

The Aadhaar chain from Godrej group is another example. Aadhaar is a joint venture between The Future Group and Godrej Agrovet Ltd. Aadhaar is positioned as a rural supermarket and currently has more than 40 stores spread more than over 1,00,000 sq. ft. Across states. Aadhaar also operates Cash & Carry stores by the name Aadhaar Wholesale Market. Aadhaar focuses on retail distribution of agricultural inputs and consumer products for personal and household use in rural and semi-urban India. Food and groceries dominate the consumer products category. The stores are fairly large by rural standards, spread over a floor space of about 1000 sq. ft.

(v) Mahindra's Shubhlabh

In order to sell farm inputs and equipment including M&M brands, Mahindras established *Shubhlabh*, which is a chain of franchised store for the rural market. It provides rural financing and borrowing support through these stores as Mahindra *Krishi Vihar*, a platform for banks to provide loans to farmers with minimum documentation, quick sanction and attractive interest rates. Farmer's access to funds gets easier and for bank's loan is relatively safer.

All these business models have their inherent problems and challenges. The main problem stems from inconsistent revenues and poor growth. Most organisations were unable to sustain the

investments made. Several reasons for the same can be – a lack of trust on the part of the farmers, a significant dependence on intermediaries, a high fixed cost model, high operating costs and low volumes, channel conflict resulting in undercutting and parallel sales models and a lack of procurement knowledge.



CHECK YOUR PROGRESS

Q.5: Mention two reasons for increased interest of corporate sector in agri-business.

_____

_____

_____

_____

Q.6: Mention at least two limitations of traditional distribution channel.

_____

_____

_____

_____



13.8 LET US SUM UP

In this unit, we have discussed the role of IT in achieving sustainable rural development, entry of corporate world in rural market with different business models, organized rural retail formats etc.

There is a need to take the application of information and communication seriously as it plays a vital role in delivering benefits to the rural masses. It has tot of potential and if implemented properly then rural India can see a shift from the perception of poor masses to emerging rural economy without putting undue pressure on the cities and governments for their development. The companies need to plan and execute their Internet model in the right way and ensure that their Internet strategy is integrated with the needs and the lifestyle of the rural population. Corporate world by

implementing small and big initiatives in rural India has made a significant contribution to the sustainable development of rural society. It can be said that IT can deliver results not only for the corporate sector; but can be used for making the process of governance transparent corruption free and citizen friendly. The important outcome is that the lack of literacy and knowledge might not be a barrier if the purpose of implementation of IT tools is of relevance for the rural population.

The corporate involvement in agri-business at all levels in the food chain will not only provide much needed assured markets to the farmers but will also bring the latest technology, know-how to the farmers. It will also help the farmers to rise their income.

Lastly, the introduction of organized retail formats in rural market is offering good quality branded products and the value added services for the rural consumers. The success of such formats will depend on the response of the villagers who still prefer to purchase from traditional retail outlets.



13.9 FURTHER READING

1) Introduction to Rural Marketing by R Krishnamoorty, Himalaya Publishing House, 2008.
2) ITC's e-Choupal: A case study on Rural Marketing Initiative by Rajesh Panda, Management Case, Volume III, September 2011.
3) Rural marketing: Concepts and Practices by B. Dogra and K. Ghuman, McGraw Hill, 2012.
4) Rural Marketing by R V Badi and N V Badi, Himalaya Publishing House, New Delhi, 2006.
5) The Rural Marketing Book by P Kashyap and S Raut, Biztantra, 2005

13.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Electronic Marketing (e-Marketing) can be viewed as a new philosophy and a modern business practice involved with the marketing of goods, services, information and ideas via the Internet and other electronic means.

Ans to Q No 2: *e-Choupal* supports best practices in farming through training sessions, provides information on weather conditions, and supplies quality agricultural inputs like seeds and fertilisers.

Ans to Q No 3: In the year 2005, UNDP defined, "e-Governance is the Information and Communication Technologies with the aim of improving information and service delivery, encouraging citizen participation in the decision-making process and making government more accountable, transparent and effective."

Ans to Q No 4: The two benefits of e-Governance are increased transparency and improved accountability.

Ans to Q No 5: The main reasons are:

(i) The size of the Indian rural market and untapped potential has been found to be a major determinant of investment.

(ii) The abundance of natural agricultural resources is a major pull factor for investment in the agribusiness sector.

Ans to Q No 6: Traditional distribution channel has certain limitations with reference to rural market which can be discussed as following:

(i) In the traditional distribution channel the push strategy was employed and the consumer interest was not the driver.

(ii) Lack of display of the available brands and consumer most of time had to buy brands recommended by retailer.



13.11 MODEL QUESTIONS

1. Discuss the role of internet in the development of rural market in India. Give examples.
2. Discuss the model *e-choupal* applied by ITC in the rural markets of India.
3. Explain different IT models developed by the corporate sector for the sustainable development in the rural areas.
4. How does the IT tools can lead to better governance in the rural areas?
5. Discuss some of the e-Governance projects undertaken by state governments.
6. Discuss the advantages from the integrated involvement of corporate sector at different steps in India's agri-business chain.
7. Identify and explain the various challenges organized retailing initiatives likely to face in the rural markets.
8. Examine the opportunities for organized rural retailing to the rural markets in India.

*** ***** ***

UNIT 14: SOCIAL MARKETING

UNIT STRUCTURE

14.1 Learning Objectives

14.2 Introduction

14.3 Social Marketing: Corporate Social Responsibility in Rural Market

- 14.3.1 Meaning of Social Marketing
- 14.3.2 Benefits of CSR Campaigns in Rural Market
- 14.3.3 Implementation of CSR Campaigns in Rural Areas

14.4 Consumer Education and Movement in Rural India

14.5 Role of Government & NGOs in Rural Marketing

- 14.5.1 Role of Government in Rural marketing
- 14.5.2 Role of NGOs in Rural Marketing

14.6 Let Us Sum Up

14.7 Further Reading

14.8 Answers to Check Your Progress

14.9 Model Questions

14.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- define the concept of social marketing
- comprehend the benefits of social marketing in rural areas
- gain insight into the implementation of CSR campaigns in rural areas
- describe the importance of consumer education and movement in rural India
- describe the role of government ad NGOs in rural marketing

14.2 INTRODUCTION

Major part of the India's poorest people lives in rural areas which are in a state of neglect and underdevelopment with impoverished people. The difficulties of hunger, ignorance, ill health, high mortality and illiteracy are most acute in rural areas. This is not only because of shortage of material

resources but also because of flaws in our planning process and investment pattern. India has the capabilities to meet these challenges in rural areas. However, the efforts of Governments of India may not be adequate to provide basic services to its citizens. It is being increasingly recognized that progress and welfare of a society is not only the responsibility of the Government alone, but many more participants need to be involved to attain the development goal.

Rural consumer is a victim of numerous malpractices. He is often made to buy adulterated or substandard goods. Second hand goods are passed on to him as new. Greedy businessmen through misleading salesmanship and advertisements and tall claims about their products, often cheat the consumer of his hard-earned money. These happens to him because of illiteracy, lack of knowledge about consumer rights etc. This calls for consumer movement and consumer education in rural areas. At the same time the role of government and different NGOs become immense. They have to play a catalytic role and aware them about the rights of the consumers. This unit mainly discusses about the social responsibility of companies operating in rural market, consumer movement and education in rural areas, and also the role of government and NGOs in facilitating these community welfare measures.

14.3 SOCIAL MARKETING: CORPORATE SOCIAL RESPONSIBILITY IN RURAL MARKET

A new model is being adopted by corporate world to build brands in the rural market. Several organizations have started social responsibility campaigns in the rural areas, which is also done to exhibit the value that the brand depicts. These kinds of campaigns help the organizations to create favorable word of mouth publicity for the brand in the rural markets. These social obligations integrated with the marketing efforts of the organization have given a new perspective to the application of marketing, known as Social Marketing.

14.3.1 Meaning of Social Marketing

Kotler (1985) defined Social Marketing as design, implementation and control of programmes, seeking to increase the acceptability of a social idea or cause in a target group(s). It utilizes the concept of market segmentation, consumer research, concept development, communication, facilitation, incentives and exchange theory to maximize target group response.

The corporate sector, government and NGOs have a pivotal role to play in ensuring private investment flows to those rural areas that have been excluded of the development process so far and also to work for sustainable development of rural areas in general.

14.3.2 Benefits of CSR Campaigns in Rural Market

Corporate Social Responsibility (CSR) is a concept that encourages organizations to consider the interests of society by taking responsibility for the impact of the organization's activities on customers, employees, shareholders, communities and the environment in all aspects of its operations.

CSR has two fold meaning. On one hand, it exhibits the ethical behaviour towards its internal and external stakeholders. On the other hand, it denotes the responsibility of an organization towards the environment and society in which it operates. CSR is regarded as tool through which companies give something back to the society. It involves providing innovative solutions to societal and environmental challenges. But the challenge work of development professional and business community is to identify CSR priorities and the areas of interventions which are meaningful in the context of rural development sector.

Corporate social responsibility (CSR) isn't just about doing the right thing. It offers direct business benefits. Building a reputation as a responsible business sets you apart. Many consumers prefer to buy from ethical businesses. Companies often prefer suppliers who demonstrate responsible policies, to minimize the risk of any

damage to their own reputations. Some customers don't just prefer to deal with responsible companies, but insist on it. For example, sales of "environmentally friendly" products continue to grow - and these products often sell at a premium price. Amul India became as famous for its approach to responsible business as for its products.

Building relationship with the consumer in rural market is crucial since rural consumer is relationship oriented, he has to be involved in a long-term relationship with the brand and the organization through the application of CSR strategies firms are able to receive different benefits like enhancement of company's competitive advantage, customer recognition, cost reduction by eco-efficiency and recycling as well as an increase in the personnel's morale and reduction of labor turnover.

As we have already seen that ordinary commercials and promotional campaigns may not deliver the intended results; innovative promotional and developmental tools have to be adopted. Social responsibility initiatives place the brand names in the hearts and minds of relationship seeking rural consumers. This is a competitive advantage which others will find difficult to defeat in the fight for supremacy in the rural market.

14.3.3 Guidelines for Implementation of CSR Campaigns in Rural Areas

CSR perceived to be a very costly proposition if it has to be scaled up to national level. Therefore, corporate world has to find out a way to involve other stakeholders such as government and NGOs for making it both possible and successful, implementable and also cost effective. This will allow the organization to scale up the campaign for a vast rural market without raising the costs too much.

Companies need to build social responsibility campaigns around the business model of the organization and strengths and values that are depicted by the brand. Then only the campaign can

be useful to build brand in the rural areas. On account of brand building benefits the organization will also be keen to scale up the campaign to a regional or national level.

At the same time, it is quite important that the brand that is being promoted through CSR campaign needs to offer right product price performance and good value proposition, which is acceptable to the rural consumers. Then only the brand building effort will be of some use to take the brand on top of preference in list of brands under consideration and register sales at cash counter.



Select CSR Campaigns of Corporate Sector in Rural Areas

Few of the CSR campaigns launched by the corporate sector are discussed below:

(i) Amaron-Amaragaon (Our Village)

Amaron Harvest tractor batteries from Amara Raja has initiated a programme 'Amaragaon' to empower rural people by giving them access to knowledge through Internet connectivity. "*Gyaan ke Sang, Unnati ki Umang*" is the tagline of Amara Raja Batteries' new corporate social responsibility (CSR) campaign, Amaron-Amaragaon. This campaign aims to take rural digital, by bringing in Internet solution to the villager's doorstep. Amaron Harvest has now, top of mind recall and has become a household name in the targeted villages.

(ii) ITC's CSR Initiative in Rural Areas

ITC has adopted a good number of social initiatives in rural areas around its plants, which are helping both the population of nearby areas and the organization itself as a by-product. These developmental efforts are providing meaningful employment opportunities in the village itself. They are also increasing overall income and productivity of the people influenced by them.

(i) Sunehra Kal (Better Tomorrow)

ITC has started comprehensive natural resource management initiative called '*Sunehra Kal*' in the vicinity of *choupals*. *Sunehra Kal* is a social

forestry programme, launched by ITC in 224 villages in 14 *mandals* around its Bhadrachalam plant in Andhra Pradesh. It has provided earning opportunity to 6,405 households by the March 2005 after four years of its launch in 2001. This is a part of 'Triple Bottomline' concept of ITC covering economic, social and ecological goals of the organization.

(ii) Live Stock Development Programme

ITC's live stock development programme, in collaboration with an NGO has created 32 cattle development centre covering 635 villages in Bihar, Uttar Pradesh and Madhya Pradesh by 2005 and planned to add 600 new villages every year to its ambit. The aim of the programme is to create the high yielding progenies through genetic improvements.

- **HUL's Vindhya Valley Project**

In the year 2000 HUL (then HLL) helped state owned *Khadi* Board through an advisory relationship with the government of Madhya Pradesh. It helped the board to brand local produce from villages and tribal areas, such as natural honey collected from forests in the state under the brand name 'Vindhya Valley'. The product range including edible products like papads, pickles, masala, turmeric, was launched in 2002.

- ***Colgate's Project Jagruti***

Colgate executes this rural oral hygiene drive along with the IDA (Indian Dental Association). In 1998, 60 lakh people in 20,000 villages were contacted under this project, of which 15,000 villages had no experience to the availability of toothpaste and toothpowder let alone toothbrushes. Though the aim of this drive is to promote the brand in rural areas, but the overall strategy is also spreading the vital information on oral hygiene among the lesser aware rural folks.

14.4 CONSUMER EDUCATION & CONSUMER MOVEMENT IN RURAL INDIA

It was thought that passage of the Consumer Protection Act in India in 1986 would encourage consumers to stand up for their rights and lead to

an overwhelming number of disputes in consumer courts. Although a consumer movement has yet to get going in India, existence of the act has stimulated the creation of many consumer organizations across the country. The number has such organizations has more the doubled in the last few years so that there are now 600-800 organizations in the voluntary sector. The movement has not blossomed because not all of the organizations are active enough to make an impact, there has hardly been any unified action which would demonstrate their strength, and there has been no active consumer participation in the movements. Consumers claim that the lack of consumer education makes them passive and apathetic, and blame consumer organizations. The majority of consumers in the country are even unaware of the existence of consumer courts to which they make take their grievances. Consumer rights organizations, however, counter that they lack sufficient funds and blame the government for their inaction. The author acknowledges criticism that the Indian consumer movement is elitist and considers the need to focus upon rural consumers, the significant contributions that organizations have made in laying the foundations for change, the need for consumer education, the need for specialists, the particular need for consumer protection with regard to health-related products, and support by voluntary health groups.

Rural consumers are often a victim of numerous malpractices. He is often made to buy adulterated or substandard goods. Second hand goods are passed on to him as new. Clever businessmen, through glossy salesmanship, misleading advertisements and tall claims about their products, rob the consumer of his hard-earned money. The consumer knows what is happening to him. But except making a loud, individual kind of protest, which has no effect on the mammon-worshipping businessmen, there is very little that he can do to check his systematic exploitation. Since a majority of our consumers, particularly in the rural areas, are illiterate, they are not able to distinguish between the genuine and the spurious or the good and the bad. It is mainly these consumers who suffer at the hands of unscrupulous business-men. Our consumers also suffer from a total absence of awareness among them. They know nothing about their rights,

they are ignorant of the laws. First of all, the laws on trademarks, essential commodities, drugs, weights and measures etc., are not very effective. Secondly, the standard of morals in our country being what it is, the businessmen do not find it difficult to steer clear of laws through greasing the palms of the inspection staff. Besides, litigation is such a costly and time consuming affair that no con-sumer has the courage and patience to throw cudgels on behalf of his ever suffering community.

The consumer movement in India, unfortunately, has deve-loped very slowly. Periodic efforts are made to organize a network of consumer societies, but the impact has been minimal. Again it is ironical that while defects in automobiles, freezers, fans, packed foods etc. have been, highlighted, not much attention has been given the people's essential requirements. The masses are virtually voiceless in this field; they accept whatever is given by the 'grocer'. Owing to their general ignorance, they are the most common victims of the force of capitalist's exploitation. Consumer protection should start at the lower levels and work upwards. The laws of the land should be adjusted accordingly.

The Indian consumer also needs to be educated about his rights, as has been done in the U.S.A., Britain and other advanced coun-tries. Literacy rate in rural areas was pegged at 71 per cent in 2014, compared to 86 per cent in urban areas, while among the age group of seven years and above, male literacy rate was found higher than the female literacy rate (NSSO survey, 2015). Awareness of consumers about market and product is essential against cheating and wrong choice-making. Consumer awareness is a very comprehensive phenomenon, the roots of which touch every aspect of development. A vigilant and well-aware consumer is an asset to the nation. The consumers in rural market must have education and awareness in a globalized world. According to the Census 2011, 69% of the total population living in rural areas, which are unaware and ignorant about their rights. Due to unawareness, rural consumer in India is exploited in so many ways. In the liberalized and globalised world, it is necessary to protect the rural consumers about their rights enabling them to make decisions based on information about the goods and services.

In this context, education can play an important role, by either formal or non-formal approach. Various methods may have to be adopted to make the programme effective and interesting. Good consumer education material resources are made available by government departments, consumer organisations, environmental protection groups, etc.

Looking into the account of present status of consumer education, some steps have to be taken to improve the consumer awareness. In rural areas, meetings and awareness camps should be organised by school- and college-level students. More advertisements should be given on TV, newspaper, magazines, etc. for creating awareness of rural consumer. More emphasis may be given on the training through block level. Specific projects should be sanctioned for the consumer's welfare by different institutions and so on.

Quality should become the norm instead of being the excep-tion in this country. Every possible effort should be made to enable the consumer to get full value for his money. In this venture the co-operation of all sections of the people and also of the industria-lists is essential. If industry exercises self-discipline and persuades all the manufacturers and businessmen to ensure quality and correct weights, much of the difficulty will vanish. Consumer's organizations exist in some towns of the country, but after the initial flush of enthusiasm they become silent and cease to function. Obviously, consumers' protection is possible in India, but effec-tive enforcement by legislation and a sustained 'drive to educate the people are necessary.

14.5 ROLE OF GOVERNMENT & NGOs IN RURAL MARKETING

The rural economy, a key driver of demand and a support for the broader economy, has taken a knock from the two back-to-back seasons of patchy monsoon rains. The segment drives demand for everything from motorcycles to tractors, televisions and refrigerators.

14.5.1 Role of Government in Rural Marketing

India is a land of villages and the Government of India has been implementing numerous rural development programmes for the upliftment of rural Communities. The investment by government in infrastructure in 2015-16 was estimated to have gone up by Rs. 70,000 crore, including funds from the centre and state-run undertakings. Highways and roads have proved to be a success area of and in the absence of private investment, indications are that the sector will receive special attention, including unveiling of some innovative financing schemes.

The health of the banking sector has been a sources of worry. The government has taken several measures, including pumping in Rs. 70,000 crore to recapitalize state-run banks. Arun Jaitley's (Union budget 2016), the Finance Minister, focuses on doubling farmers' income in five years and boosting the rural sector, with emphasis on employment and infrastructure.

The following are the various steps initiated by the Indian Government to develop the rural markets:

1) Regulated markets
2) Infrastructure development
3) Co-operative Agricultural Marketing Societies
4) MSP Policy

Other Government initiatives include,

1) Credit cards (Kisan credit card) to farmers from the public sector banks which helped them to take short and medium term loans to buy seeds, fertilizers, etc. This enabled them to produce more thus increasing their income.
2) Large inflow of investment for rural development programmes from the government.
3) Schemes like IRDP (Integrated Rural Development Programme) and REP (Rural Electrification Programme) in the 1970's gave a boost to the agrarian economy. This resulted in

changes in people's habits and social life. REP gave impetus to the development of consumer durable industry.

Government laid various plans and policies to increase the standard of living of rural people like rise of agricultural wages, PMERY, PMEGP, etc. It was found that NREGA (National Rural Employment Guarantee Act) and SGSY(Swaranjayanti Gram SwarojgarYojana) both policies has played a role in developing the rural markets. NREGA emphasis on increase in purchasing power of rural people, so that demand of people rises and as result marketers interest towards rural areas also rises. SGSY provides incentive to start your own enterprises and it was found that number of SHGs has been increasing every year. This means both policies showing an upward trend in support of rural marketing.

Beside this, the development and welfare activities by Government in rural areas were also strengthened in past five years. The increasing development of rural area captures the intention of large marketers and thus rural community becomes the target market for every business concern. Every business enterprise wants to capture the significant portion of rural area.

14.5.2 Role of NGOs in Rural Marketing

In India, the scope of development is not narrow but very wide, as it includes not just the economic development but the growth on social front, quality of life, empowerment, women and child development, education and awareness of its citizens. The task of development is so huge and complicated that just implementing government plans is not sufficient to fix the problem. To achieve this, a holistic vision and collaborative efforts involving various departments, agencies and even NGOs is required. Owing to such a great need, the number of NGOs in India is increasing rapidly and, at present, there are about 25,000 to 30,000 active NGOs in India.

Superficially, rural development seems to be a simple task but, in reality, it is not. Post Independence era has seen many rural

development programmes through different five-years plans. Alleviating poverty, employment generation, more opportunities for generating income, and infrastructure facilities are emphasized through the policies and programmes of the government. Along with this, the panchayat raj institutions have also been initiated by the government to strengthen the democracy at grass roots level. But in spite of all the efforts rural poverty, unemployment rate, low production still exists. The fight is still on for the basic facilities such as livelihood security, sanitation problem, education, medical facilities, roads, etc. Still there is a huge gap in terms of infrastructure that is available in urban and rural areas. The basic rural development should include all these apart from employment, proper water supply and other basic facilities.

NGOs or Non Governmental Organizations have more benefits of working in rural areas as compared to governmental organizations because NGOs are more flexible, NGOs are specific to a particular locality and moreover these are committed towards serving the public and community as a whole. As the task of development is massive, many NGOs are playing a catalytic role in developing rural markets.

The role of NGOs in rural development includes:

i) The majority of NGOs is small and horizontally structured with short lines of communication and is therefore capable of responding flexibly and rapidly to clients' needs and to changing circumstances. They are also characterized by a work ethic conducive to generating sustainable processes and impacts.

ii) NGOs' concern with the rural poor means that they often maintain a field presence in remote locations, where it is difficult to keep government staff in post.

iii) One of NGOs' main concerns has been to identify the needs of the rural poor in sustainable agricultural development. They have therefore pioneered a wide range of participatory methods for diagnosis and, in some contexts, have developed and

introduced systems approaches for testing new technology.

iv) NGOs' rapport with farmers has allowed them to draw on local knowledge systems in the design of technology options and to strengthen such systems by ensuring that the technologies developed are reintegrated into them (Chaguma & Gumbo, 1993).

v) NGOs have also developed innovative dissemination methods, relying on farmer-to-farmer contact, whether on a group or individual basis (Sollows, Thongpan, & Leelapatra, 1993).

As economic reforms and liberalization saw the government vacating several areas to let private sector entrepreneurship flourish and contribute to the high growth rate of the economy. In recent years, a similar paradigm shift is needed to transform NGOs from their dependence on aid and grants from within and outside for transforming the rural scenario in the country. It is worth noting that NGOs play a fundamental role in enhancing development in rural areas, especially in the developing world. They initiate programs aimed at transforming the lives of people in rural areas from miserable to better status.



CHECK YOUR PROGRESS:

Q.1: Define 'Social Marketing'.

_____

_____

_____

_____

Q.2: What are the benefits of CSR campaigns in rural markets?

_____

_____

_____

_____

Q.3: Mention at least two steps initiated by government to develop rural markets.

_____

_____

_____

_____



14.6 LET US SUM UP

Corporate Social Responsibility is regarded as a feasible driver for rural development. The information in this article showed how companies are collaborating to foster the socio-economic improvement of their rural stakeholders. Although focusing on rural development probably is not relevant for all types of companies, managers interested in supporting rural development through CSR strategies could use the identified strategies as a reference when designing their own strategies, considering of course, their particular case and needs. At the same time, consumers' protection is possible in India, but effective enforcement by legislation and a sustained drive to educate the people are necessary. The need of the hour is to focus upon rural consumers, the significant contributions that organizations have made in laying the foundations for change, the need for consumer education, the need for specialists, the particular need for consumer protection with regard to health-related products, and support by voluntary health groups. To make this happen, the role of government and different NGOs are crucial.



14.7 FURTHER READING

1) Introduction to Rural Marketing by R Krishnamoorty, Himalaya Publishing House, 2008.

2) Rural marketing: Concepts and Practices by B. Dogra and K. Ghuman, McGraw Hill, 2012.

3) Rural Marketing by R V Badi and N V Badi, Himalaya Publishing House, New Delhi, 2006.

4) The Rural Marketing Book by P Kashyap and S Raut, Biztantra, 2005



14.8 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Kotler (1985) defined Social Marketing as design, implementation and control of programmes, seeking to increase the acceptability of a social idea or cause in a target group(s).

Ans to Q No 2: CSR has two fold meaning. On one hand, it exhibits the ethical behaviour towards its internal and external stakeholders. On the other hand, it denotes the responsibility of an organization towards the environment and society in which it operates. CSR is regarded as tool through which companies give something back to the society.

Ans to Q No 3: The following are the two steps initiated by the Indian Government to develop the rural markets:

1) Regulated markets
2) Infrastructure development



14.9 MODEL QUESTIONS

1. "Social responsibility campaigns are effective means of brand building in the rural areas" – Do you agree? Justify your answer.
2. Explain some of the corporate led social responsibility campaigns in the rural areas to build their brands.
3. Identify and discuss the challenges that lie ahead in implementing social responsibility campaigns in the rural areas?

4. Discuss the importance of consumer movement and education in the rural market of India.
5. Justify how government and NGOs role are important in developing rural markets.

*** ***** ***



REFERENCES

1) Havaldar Krishna K (2005), *Industrial marketing* 1st ed., TATA McGraw Hill Publishing Company Limited, New Delhi.
2) C Krishnamacharyulu& R Lalitha (2008),*Industrial Marketing: A Process of Creating and Maintaining Exchange*,JaicoBook House.
3) Govindarajan M. (2003),*Industrial Marketing Management*,Vikas Publishing House Pvt Ltd.
4) Ghosh P.K. (2005),*Industrial Marketing*, Oxford University Press.
5) Krishnamoorty R.(2008),*Introduction to Rural Marketing* Himalaya Publishing House
6) Dogra B. and GhumanK. (2012) *Rural marketing: Concepts and Practices*, McGraw Hill,
7) Mohamed (Dr.) N. S.,*Rural Marketing in India: Opportunities, Challenges and Strategies*, www.alliancebschool.com.
8) KashyapP. and Raut S.,(2005) *The Rural Marketing Book*Biztantra Publications,
9) Advertising in Rural India: Language, Marketing Communication and Consumerism by T.K.Bhatia, Tokyo Press, Tokyo 2000.
10) Brand Communication in Rural India by R V Rajan, The Hindu Business Line, February 10, 2005.