PGCM (S4) 03-2

Industrial and Rural Marketing

SEMESTER - 4

MASTER OF COMMERCE
(Marketing Specialisation)

BLOCK - 2

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

Editorial Team

Content :

8-14	Dr. Smritishikha Choudhury, KKHSOU

Language:

8-14	Prof. Rabin Goswami (Retd. Prof Cotton College)

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

January, 2019

ISBN :

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-781017
City Office: Housefed Complex, Dispur, Guwahati-781006; Web: 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

Block 2

DETAILED SYLLABUS

Unit 8: **Segmenting, targeting and positioning of Rural Markets:** **Page No. : 7 – 16**

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. : 17 – 40**

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. : 41 – 61**

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

Unit 11: **Principles of Innovation for Rural Market**: **Page No. : 62 – 81**

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

Unit 12: **Rural and Urban Markets:** **Page No. : 82 – 100**

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. : 101 – 109**

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. : 110 – 117**

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

BLOCK INTRODUCTION:

This is the second block of the course 'Industrial and Rural Marketing. The Block is divided into7 units and is primarily a learner oriented Self learning material, as it satisfies the requirements of the learners in the filed of Marketing.

This block comprises of the following seven units:

The first unit of this block that is eighth unit of this course introduces us to segmentation and positioning of rural marketing, conditions of effective market segmentation, approaches for segmenting the rural market etc.

The ninth unit gives us a broad idea of marketing strategies such as product, pricing and promotion strategy of rural markets.

The tenth unit gives us an idea of distribution and logistics management.

The eleventh unit will help us in describing innovations for rural market.

The twelveth unit gives us a comparative structure of rural and urban markets.

The thirteenth unit will help us in understanding the e- rural marketing concepts.

The fourteenth and the last unit of this block explains about the concept of social marketing.

Each unit of these blocks 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. And, at the end of each section, you will get "CHECK YOUR PROGRESS" questions. These have been designed to self-check your understanding.

The Block is devided into seven units:

Unit 8: Segmenting, targeting and positioning of Rural Markets

Unit 9: Product , Pricing and Promotion strategy of Rural Markets

Unit 10: Distribution and logistics management

Unit 11: Principles of Innovation for Rural Market

Unit 12: Rural and Urban Markets

Unit 13: e-Rural Marketing

Unit 14: Social Marketing

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

l 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.

l 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.

l 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.

l 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.

l 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*.

l 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.

l 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.

l 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.

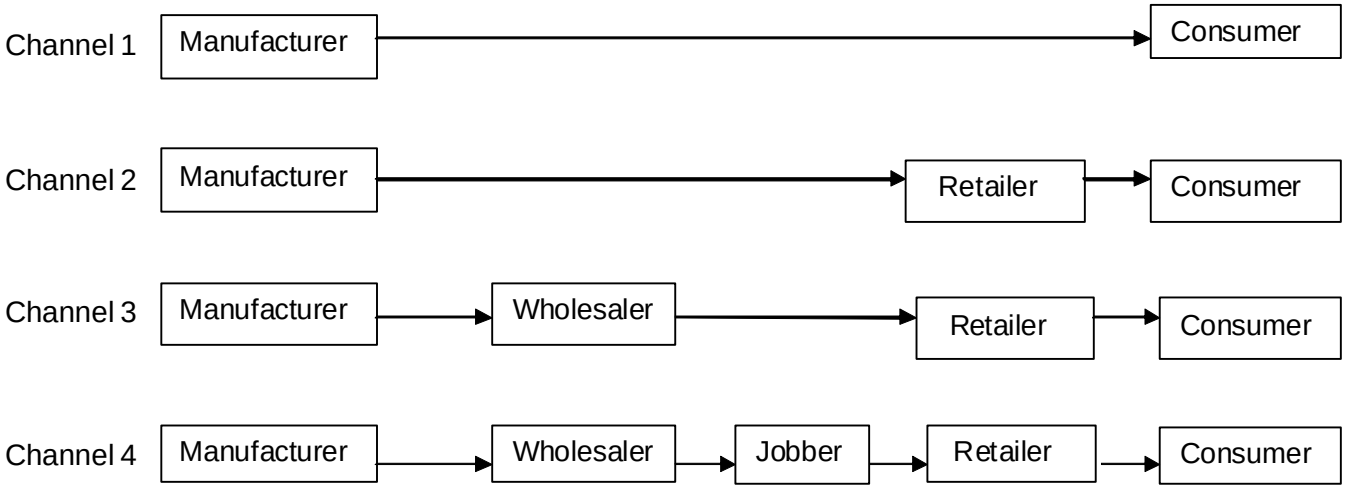
Companies are using a variety of strategies to extend their distribution networks into the villages. The most successful companies, though, have adopted a multipronged approach. For instance, the $7 billion conglomerate ITC, for instance, has added three layers to its urban food distribution network, 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.

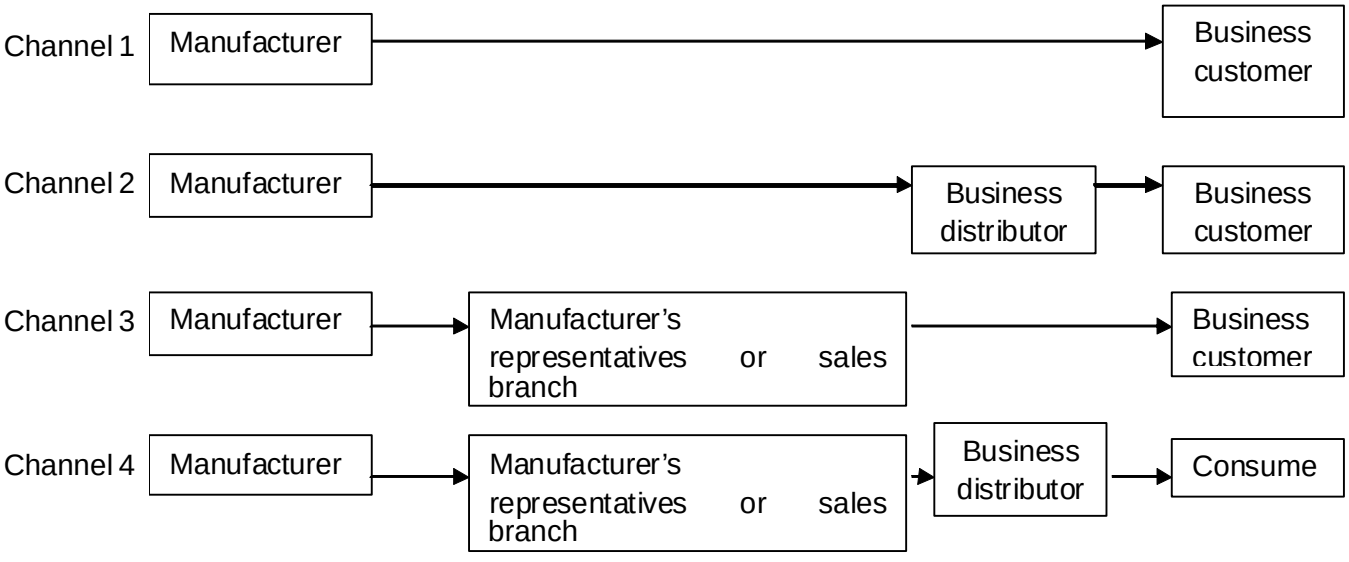
Companies can design their distribution channels to make products and services available to customers in different ways. Each layer of marketing intermediaries that performs some work in bringing the product and its ownership closer to the final buyer is a channel level. Because the producer and the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