

CHAPTER-4

MARKET ANALYSIS

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CHAPTER-4

MARKET ANALYSIS

The rural market scenario in the rural areas today is changing very rapidly. The boundaries of nation are disappearing technological changes are taking place at the flash of an eye, standards are undergoing changes in no time and so are the fortunes of various organizations. An organization with excellent track records suddenly finds its products obsolete, its consumer base eroded and its financial reserves depleted. In order to sustain in such an environment, time is not only a scarce resource, but also a competitive weapon. The marketer must move faster, quicker and swifter to thrive in these turbulent times. The management of organizations is becoming a more and more complex process in the context of globalization, liberalization policy of the government for rural areas. Rural marketing is an attractive term today as compared to what it was in the mind. Industry giants are waking to the potential of India's rural market of nearly 56, 73,122 consumers' but in the process often giving a short shrift to business ethics. Corporate houses are evolving strategies to exploit the increasing buying power of the consumers in the six lakhs villages where 70 % of the country's population lives, with products targeted for decades at cities. The increased

incomes have caused a spurt in the demand for consumer non-durable and durable products. In essence, rural markets have started opening up and are turning out to be attractive to companies marketing consumer product. Broadly, it can be started that there is a beginning of rural market boom and scores of companies both domestic and multinational companies, have caught the idea that rural markets cannot be ignored and instead they be served as a priority. The potential for marketing of goods and services depends heavily on agriculture, since it is the main occupation in rural areas. The farmer has been receptive to new technology, which helped in improving is standard of living. The rural markets have remained a “Dark area” for those manufacturing and consumer durables. To successfully exploit the potential offered by rural market, there is a need to first understand the rural market not only in terms of households and population, but also their occupational pattern, income generation, marketing arrangements for agricultural produce, the process of rural and cottage industrialization, communication facilities, rural buyer behavior, attitudes and beliefs of rural people and their aspirations. “The definition of rural as given by the census of India is not being urban. There could be several approaches to understand the rural market. It will not be an exaggeration to state that if the whole of India excluding the metropolitan cities, various district headquarters and the large industrial townships in considered as the

rural market”¹. The term “Marketing” cannot have different meanings to different people; to some it is shopping, to others it is selling and still others understand it as purchasing as well as selling. Marketing is the activity undertaken by the companies to make an exchange transaction; a consummate and adding one bring out greater output at a minimum cost. Marketing in most general definition, “it is the directing of the flow of goods and services from the producer to consumer or users”². The market for durables for farmers like tractors, harvesters, thresher’s power, tillers, pump sets, oil engines, and electric motor pumps was a minuscule.

1. Census of India, 2011.

2. Mehra & Mehata, “Rural Marketing”. The new buzz word, India express, 23 Aug, 1993.

The rural sector is increasingly playing a major role in the country's market consumption pattern and accounts for nearly 2/3 of its private consumption. Nearly 90% of the villages have shops where well known national brands are available. Rural markets are growing at five times the rate of which the urban markets are growing.

1. Characteristics of rural market

The rural market of Rajasthan consists of about seventy five percent of the population of the country spread over nearly 41,352 villages. Some developed and many underdeveloped. Marketing strategies suitable to urban markets may not be suitable for rural markets because they differ in some critical features which are essentially symptoms of the underlying social and economic structures. However, those peculiarities are not static. The main features of the rural markets are discussed below:

1.1 A Steadily Growing Market

The rural market has been undergoing a considerable change over the last three decades. This was the result of new employment opportunities and new sources of income made available through rural development programmes which have resulted in green and white revolutions and a revolution in rising expectations of rural masses. Rural consumers are far less homogenous than that of others and differ from region to region.

1.2 Vast and scattered market

As per the 1991 census, rural markets comprise over 41,352 villages in the state, whose population range less than 100 to 5,000 or more? About 78% of these villages have less than 1,000 populations, about 15% have 1,000 to 2,000 populations, and only 1.1% has more than 5,000 populations. Some of these villages are connected through all weather roads and adequate communication systems, whereas a majority of the villages are not properly connected with urban centers. In most of these villages, there may be hardly one or two small retail shops, which operate on a very small scale, selling all kinds of consumer items of daily use. A nationwide study by the reserve bank of India on Retail traders revealed that the retailers in urban places. Hindustan Lever Ltd. (HLL) was perhaps the first of the marketing giants to realize the tremendous purchasing power of rural consumers. And over the past decade the company has developed a highly penetrative distribution network that reaches practically every nook and corner of this vast rural market. Other multinational giants like Colgate-Palmolive, Escorts, Bajaj Auto, Godrej Soaps, Asian Paints, Hero Honda, VIP Industries, Nirma, and P&G have also committed significant human and material resources towards conquering rural markets.

1.3 State at a glance

Indicators	As of March 2011
Division	7
Total Population	6,86,21012
Rural Population	5,15,40,236 (75% of Total population)
No. of Tehsils	244
Total BPL rural households (2002 census)	21.57 lakh
Irrigated areas	80.88 Lakh Hectare (24% of total area)
Average annual rainfall	570 mm
Districts	33
Total villages	41352
Sex ratio	926 females per 1000 males
Literacy	67.06%
Female Literacy	52.66%
Road Density per 100 sq. km	55.09 km
Total no. of villages	41353

Source: <http://bpl 2002.raj.nic.in/>

1.4 Seasonality of demand

The total food grain production in the state is estimated at 202.07 lakh tons during 2010-11, which has shown an increase by 63.49 percent, as compared to that of 123.60 lakh tons in the previous year. “The kharif food grain production in the year 2010-11 is estimated at the level of 105.93 lakh tons, as against 36.69 lakh tons of the previous years (showing an increase of

188.72 percent). The rabi food grain production in the year 2010-11 is expected to be higher with a level of 96.14 lakh tons as against 86.91 lakh tons during the year 2009-10, showing an increase of 10.62 percent”³.

3. Economic Review 2010-11.

Production of Rabi and Kharifs in the state (2010-2011)

Products	Area (in lakh hectare)	Estimated Production (in lakh M.T.)
Cereals	102.67	171.95
Kharif	74.92	89.95
Rabi	27.75	82
Pulses	45.29	30.12
Kharif	28.64	15.98
Rabi	16.65	14.14
Food grains	147.96	202.07
Kharif	103.56	105.93
Rabi	44.4	96.14
Oil Seeds	50.29	61.02
Kharif	18.35	22.33
Rabi	31.94	38.69
Sugarcane	0.07	3.2
Cotton	3.35	7.64

Economic Review 2010-2011 Govt. of Raj.

1.5 Low living standards- Low per capital income

The average rural household income in Rajasthan is estimated at Rs. 76,764 per annum as per study conducted by CmF. In figure below, the second column in the table gives the contribution of a particular activity (say agriculture, live stock, wage employment etc.) in the family income. In rural Rajasthan for example, 20% of family income is contributed by agriculture and 65% of households in Rajasthan are engaged in agriculture. Similarly 24% of the family income is contributed local wage employment.

Contribution to Rural household income Rajasthan

	% Composition in household income p.a.	Average income from activity (rs.)	% HH engaged in activity
Average household income in raj (rs.)		76,764	
Agriculture	20%	23182	65%
Wage employment- NREGA	4%	6709	50%
Wage employment- Agricultural labour	7%	31,716	17%
Wage employment- Factory labour	11%	39,057	21%
Wage employment- Work in city/town	7%	73,397	8%
Wage employment- Local wage employment	24%	38,762	48%
Micro enterprise	7%	67,629	8%
Live stock- Cow Milk	4%	15,849	21%
Live stock- Goat Milk	2%	6,347	26%
Live stock-Buffalo Milk	11%	33,909	25%

Microfinance Report 2011

1.6 Sources of purchasing power

The purchasing power of the people in rural areas is dependent on several direct and indirect factors related to the rural economy. Marketable agricultural surplus and rural urban terms of trade are the main sources of purchasing power for rural consumers. To a large extent, agriculture is depending on rainfall. Therefore, the rainfall indirectly influences the rural demand for consumer goods. Government spends huge amounts of money

on irrigation, flood controls infrastructure development, anti-poverty schemes, fertilizers subsidies, etc.

1.7 Buying behavior

The rural consumer is more of an adopter than an innovator. If the product is of good quality and gives value of money, there is a higher probability of adoption and brand loyalty. The older generation and male members of rural households have a decisive role in the purchase decisions, as they are the frequent visitors to by urban markets and weekly mandis. However, this phenomenon is changing, as the youth in rural households, who are more educated and better informed, have an increasing influence in buying decisions. Major purchased by rural households are made, particularly durable and trousseau items, during festivals, harvests and ceremonies such as marriages, births etc.

1.8 Credit requirement

Unlike their urban counter parts, the source of income for the rural consumer is agriculture. Cash income accrues at the time of harvests only. In one crop season, the farmer gets his income only once a year and he spends it throughout the year. This necessitates credit purchases of consumer goods. It therefore, seems necessary to introduce credit in marketing programmers. Production credit has already been introducing consumer credit. This may

end up, perhaps by altering in a great measure, the existing mix of marketing elements.

2. Rural market-Some issues

Manufacturers and marketing experts have to pay special attention to the question whether rural consumers constitute a distant market from urban consumers. It is clear that the rural market as a whole has different features from the urban market. In what follows an attempt is made to present some of the issues-concerning the rural market.

2.1 Product planning

Goods have to be specially designed to meet the tastes and preference of the rural consumer. Before one embarks on a programme of rural marketing, one should have a sound idea about rural consumer attitudes, habits, social standards, important festivals, marriages, crop seasons, significance of astrology, local institutions, which have an impact on daily life, and importance of gold, etc. An understanding of these would help in designing the marketing strategies effectively for rural areas. There are several examples of product modification to suit rural consumers like paiza tea packs costing on 25ps, 5 grams Vicks Vaporub, small size lifebuoy soap 75 grams, 25 grams pouch of Colgate powder, smaller denomination packets of washing powders like Wheel, Nirma, Sachets packs of shampoo costing 50 ps, 1re,

sachet packs of coconut oil etc. So it can reasonably be assumed that most manufacturers are under the impression that the products are sold in urban areas can also be sold in rural areas, with the exception of a few examples cited above. The need for a re-thinking on product specific to rural demand, ties in the fact that there are numerous imitation products in the rural market which look like the original products but are priced cheaper. These products pegs back on the established brands of popular consumable items.

Names of original and Imitation products

Original Products	Imitation Products
Ponds	Polons
Rin	Run/Trim
Nirma	Nilima, Narima
Lifebuoy	Lifejoy, Liteboy
Colgate Toothpaste	Colleoge Toothpaste
Fair and Lovely	<i>Friend and Lovely</i>

These imitation products are the look a likes of the original products, i.e., the packing and printing the background colour, size and style of printing brand names.

2.2 Retail outlets

Most marketing managers believe that rural families mostly buy their manufactured, consumer goods in towns or mandi market while in the case of some durables this might be true. It is not necessary true for consumer products, which have a high frequency of like soaps, hair oils, tea, tobaccos,

biscuits, etc. for products, which cannot be taken up for sale by either the general stores or the kirana stores, mandi markets became the most suitable place to locate the retail outlets. For radios, transistors, cycles, kerosene stores, etc., which call for a degree of servicing and stocking of spare parts, it seems essential that retail outlets are not located away from the consumer, through the costs of penetration will have to be taken into account.

2.3 Branding

Some marketing analyses believe that is special branding is required and that sophisticated brand names will catch up in rural areas. Therefore, marketers may have to give their products names which can be easily remembered and pronounced with wrappers printed in local languages on account of high proportion of illiteracy and lack of persistency publicity, branding carries practically little importance in remote villages. The rural consumer does not make brand discrimination but once induced to buy and use a product he becomes loyal to the brand, provided he is satisfied about the functional utility. Ogilvy and Mather rural communication network head, D. K. Bose observes: “Branded goods comprise 65% of sales in villages today. The share of non-branded goods is shrinking dramatically”⁴. They aggressively targeted non-conventional outlets like automobile, mechanical shops, awareness and loyalty for their lubricant brands through powerful advertising. “Brand names make products familiar and work

possessiveness”⁵. The strategy worked, about rs.114 crore worth TV sets were sold in the villages in a year. “Strategy becomes effective when other elements are in consonance with it,” Brooke Bond’s Red Label Tea is a good example. Packed in red color cartoon it has made identification of the brand easy. It is recent repositioning exercise, ads were designed with the slogan “Jiyo-mere-lal (Long life my son)” lal has another meaning: “Red.” This made identification complete arousing emotional bondage.

4. Das D.K., “Some aspects of rural market in India, the Economic Times, May 26 and 27, 1982.

5. Acharya, S.S., Agarwal, N.L., Agricultural Marketing in India, Oxford & IBH Publishing Co., Ltd., New Delhi, 2001.

2.4 Promotional and Advertising

Firms are increasingly realizing the importance of weekly markets, fairs and melas, and mobile publicity vans. For certain consumers products market experts have successfully tried to use mobile publicity vans as sales outlets with the idea of making these self-paying, this reduce the burden of the additional expense on promotion. The battle for the rural consumer market has been increasingly in interesting over the years. Product promotion has become the biggest challenge, to rural marketers today. Their poor message, comprehension and low media exposure only add to the problem of communication through mass media. The requirement, therefore in three folds.

- i.) To expose the available media at the different locations.
- ii.) To develop region-specific-consumer profiles to understand the characteristics of target market.
- iii.) To design right communication and motivation strategies to induce target audience to buy the product.

2.5 Media and rural market

Media habits of rural consumers significantly differ from those of urban consumers. As illiteracy is more in rural areas, print media cannot reach a larger number of people. Market research studies on the media habits of farmers in Rajasthan State showed that over 30% read newspapers regularly,

and over 70% listen to the radio. About 65% of the farmers in Rajasthan go to cinema. The media revolution has been changing the rural mindset through exposure with the consumers seeing a variety of products available, they aspire to upgrade their standard of living, as it is within their purchasing power and catch-up with urban areas that are perceived as being one-upped. The psychology of the rural consumer seeking to western or urban lifestyles by going up market, from beedi usage to plain cigarettes and gradually for filter and then king size. Major types of media are presented below:

Types of media

Print	Broadcast	Outdoor	Other media
Newspaper	Radio	Bill boards	Cinema ads
Magazines	Televisions	Direct ads	
Direct mail		Video on wheels	

Importance of Rural Marketing

The rural marketing, influencing the level of rural consumers and thereby on rural development, is still greater. It is due to the fact the urban sector is the main suppliers of inputs for agricultural and also for the consumer goods. Hence, an efficient system of marketing is the rural areas, which acts as a

link between the rural and urban sectors, is necessary for the rapid development of the rural markets in the country. Any economy, developed or under-developed, is a market oriented economy. Marketing is a critical factor at all stages of economic development. The contribution of an efficient system of marketing to the rural development of a country like India is great. Occurring through agricultural and rural developments, because it reveals how the consuming system adjusts to such spurt in material prosperity. “The survey conducted by National Council of Applied Economic Research (NCAER) suggest that 1992-93 was a year which saw increased inequality, with more in population having income below rs.18000 per annum”⁶. Some change in occupation in rural India is visible from cultivation to wage earning education and especially literacy seems to be rapidly increasing and more so in rural than in urban India.

6. Marketing information survey of households, NCAER 1992-93.

The contribution of the rural market to the all India market in certain categories of products clearly shows the importance of the rural market in India. Surveys and audits for a number of consumer products and services have, over the years, clearly highlighted the emerging importance of this sector. The rural market is not sleeping any longer “go rural” seems to be latest slogan. The rural market at present is almost as big as urban. The villages will need and are asking for a variety of goods which are beyond their two decades ago. Motor cycles, bicycles, radio, black & white TVs, fountain pens, soaps, watches, furniture, better clothes and many other new products are now in demand in rural areas. The size of the rural population will serve as large potential demand base for a variety of products. The revolution in agricultural sector will certainly result in increased generation of wealth, increased productivity, increased income and increased consumption. The rate of growth of the rural market will depend not only on the increasing rural income but also on a policy on the part of the manufacturers for developing national markets. If penetration of rural areas is thus necessary from the point of view of buyers for finding new outlets for their products, widening of marketing horizons beyond urban and semi-urban areas is also imperative for raising the standards of living of the rural masses as well as their productivity. Marketing of both consumer and capital goods therefore needs to be expanded considerably.

An Overview of Rural Market Strategy

Considering the environment in which the rural market operates and its associated problems, and so also the experience of the manufacturing and marketing men who operate in rural market, it is possible to evolve effective strategies for rural marketing. The strategies discussed though not universally applicable, much depend upon the product characteristics, the targeted segment of the rural market, and the choice of rural area, its economic condition, and the specific environment. But the discussions certainly provide a framework for adoption of marketing mix strategies for rural marketing.

Distributional strategies

Distribution is an integrated part of marketing and selling. Its function is to distribute or sub-divided the total product of a manufacturers on a geographical basis to various specific markets. From such villages the products have to find their way to their villages through the efforts of village shopkeepers. Central to the success of rural marketing strategy in distribution. However, the distribution channel a much publicized means of manufacturing in urban markets has renamed in the background in rural areas. Now distribution has to be virtually from scratch with fall rural

orientation awareness of existing rural channels of distribution. Many companies view the burgeoning rural market as a great opportunity for expanding their sales but find distribution as a major problem. Unfortunately, it is almost impossible to transport strategies, which work successfully in urban markets on to rural markets, namely, extensive retailing and sustained full generation through mass media advertising. The impediments for them to reach the rural customers are:

- Lack of adequate transport facilities.
- Large distances between villages.
- Lack of pucca roads connecting villages to nearest townships.
- Lack of proper retail outlets.
- Lack of mass media infrastructure.

The perceived problem is only a misconception of the old timers who are not aware of the changing scenario in rural areas and the potential of the existing outlets.

3. Rural distribution

Distribution in rural market can be categorized as:

3.1 Physical distribution

3.2 Channels of distribution

3.1 Physical distribution

Physical distribution means the physical flow of goods from the place of manufacturer to the end user or the customer it can be classified into-

- (a) Transportation
- (b) Communication
- (c) Warehousing

(a) Transportation

Transportation infrastructure has not been fully developed in rural India. Although India has the fourth largest network in the world, many parts of the rural India remain outside the reach of the railway network. As regards road transports, nearly 50% of the 6.38 lakh odd villages are not covered by, all weather roads. Waterways from an easy transport options, however, many parts of rural India do not have backwater except for Kerala, Jammu and Kashmir etc. Many marketers are still using animal carts to carry their goods. Hence, transport poses' major problems for companies to getting to rural markets. But promising side National highways development project (NHDP) was launched three years ago is promising to achieve a turnaround

in road sector hardly imaginable at the start of the ninth plan. Rural road connectivity is an extremely important aspect of rural development. “A centrally sponsored scheme has been launched called the “Pradhan mantra Grameen sadak yojana” (PMGSY) which seeks to provide connectivity all unconnected habitations in rural areas with a population of more than 500 persons through good all weather roads by the end of the 10th plan period”⁷.

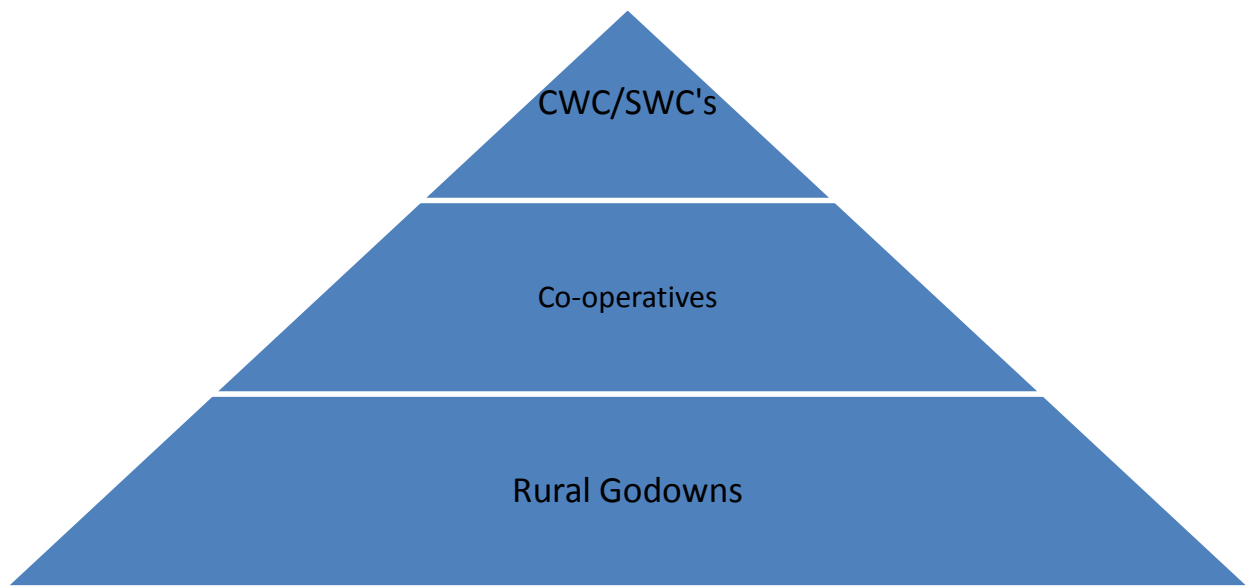
(b)Communication

Communication plays a pivotal role in the distribution for rural markets. Lack of proper facilities like telephones, postal devices and no accessibility of internet facilities to rural areas pose a lot of problems to a marketer to service the needs of his retailer, who might want to place orders for groups.

7. Dr. S.K. Mittal, school of management studies, GGS IP University, New Delhi.

(c) Warehousing

Business firms find difficult to find suitable go downs in many parts of rural India. There are no public warehousing facilities in the interiors of rural India.



The apex tier central warehousing corporations (CWCS) and state warehousing corporations (SWC) do not extend their operations beyond districts. They are mostly owned by co-operatives in the bottom tier. They are rural go downs which warehousing facilities only to their own members. As a result it is a big problem for companies to store its goods in rural areas.

3.2 Channels of distribution

Multiple tiers, higher costs and administrative problems In the first place, the rural distribution chain requires a larger number of tiers, compared with the

urban one. At the minimum, the rural distribution chain needs the village level shopkeeper, the mandi level distributor and the wholesaler/stockiest in the town.

Five levels of distribution channels are identified product movement routes through interior.

Level	Channel measures	Place
Level A	Company depot	National/state
Level B	Redistribution stockiest, C&F agents, semi-wholesalers and retailers	District headquarters
Level C	Semi-wholesalers and retailers	Tehsil headquarters, industrial townships
Level D	Internet traders, vans, petrol bunks, semi wholesalers, retailers, cooperative societies	Haats, large villages
Level E	Retailers, vans, sales people, NGOs, government agencies	Villages

Most companies have direct representation in the form of redistribution stockiest at levels B and level C in a district would comprise at best 7-10 towns. High outlet density and large consumer population permit economies in developing these markets through regular working of sales cum distribution van. One consolidation market penetration, direct representation could be extended to the towns by way of sub dealers or stockiest. To achieve a winning edge in rural sales the object is to maximize directed follow and control of stocks at levels C and E. approaching level D requires

prior selection of haat markets and villages located in contagious clusters. Sorting of easily accessible census data enable listing of villages above a predetermine population brackets and of occurrence schedule a haat markets. Various schedules with level C stockiest at model points could be operated towards self sustaining distribution rates for level D markets. The next level is E. the villages are too small to alone economies in van distribution. But these villages form the bulk of the consumption in rural areas.

4. Traditional Channel Setup

The historically available people and places for distributions include: wholesaler, retailer, vans, weekly haats, bazaaras and shandies.

4.1 Wholesalers

Since, wholesale trade in Rajasthan has remained largely unchanged. Over the years, there is need to revitalize it. The wholesaler is principally a galla-kirana (food-grains) merchant who sustains the belief that business is speculative rather than distributive in character. He is trader/ commodity merchant rather than a distributor and therefore, trends to support a brand during a boom and withdraws support during slump. The reasons for the speculative character and dormant role of wholesaler are:

- Indians market was largely sellers market. There was no need for active sales approach.

- Companies laid more emphasis on retailers in urban areas who are very large in number. As retail based distributors, wholesale based distributors were weakened.
- Rural markets were neglected by many. The occurrence of retail outlets was low. Therefore, many companies were dependent on wholesalers. Few companies operated mobile vans to distribute products to village shopkeepers.

The current need is to activate and develop wholesaler of the adjoining market as a distributor of products to rural outlets and build his loyalties to the company. It is necessary to adopt a conservative, go slow approach.

4.2 Retailers

A retailer in rural markets is less or unprofessional in his approach to customers owing to illiteracy and ignorance and also due to credit needs of rural consumers, rural retailer may develop the tendency of consumer exploitation. The rural retail system is, therefore, the predominant mechanism to reach and service the rural consumers. The tasks before the marketer are:

- To ensure the product reaches the rural retail outlets;
- To motivate the retailer in rural markets to stock a product or a brand.

Though promotion and distribution are important, it is critical to motivate the channels to enable the products to be economically distributed. Marketers must address this issue by identifying influences on distribution and drawing influences. The important influences on distribution to rural markets are:

(a) Consumer purchase behavior

There was a time when rural consumers purchased most of their requirements from nearby towns. Recently it has been observed that there has been a greater shift towards purchasing locally. There is a need to access retailers in towns and larger villages and promote products there. Products that are purchased locally must be available in the smaller retail outlets in villages. The influence of a retailer is perceived to be high in rural markets more so for durables. In rural areas loyalty to the shop rather than to the brand is higher.

(b) Characteristics of retailers

1) Rural market spread: The rural market comprises small dispersed village settlement, infrequent retail outlets and low off take per retailer. The high distribution cost due to the geographical spread and the low volumes results in a barrier to the entry of products in the rural market.

2) Retail premises: The shops in small towns are located on rented premises and make use of electricity, while only a few shops in the feeder

villages have this facility. In interior villages retaining is a part time chore unlike the case of the retailer in town the maintenance cost for retail outlets in interior villages is low with most of the cost spent on travelling and transportation.

3) Retail shelf: It was also observed that most retail outlets stocked a few standard product categories while their counter parts in interior villages stocked fewer product categories.

4) Stock turnover: The stock turnover was much less than that in feeder village. The stock turnover ratio for toiletries in interior villages was much less than that in feeder villages. This effectively locks up the retail shelf space by the existing products and brands leaving no room for new products and brands.

(c) Behavior of the channel

Understanding channel behavior has a critical influence on channel decisions. The ability to influence the retailer to stock and promote products requires identifying the manner in which the retailer performs his business.

1) Credit facilities to customers: The extension of credit facilities by retailers to customer's practically nonexistent in towns but in interior villages it is common. In villages mostly credit facility is given on essential commodities like rice, oil, etc., but not for packaged goods.

2) Pricing: Some retailers in interior villages charge more than the maximum retail price. They justify over charging by pointing out they spend time and money to fetch the products from wholesalers. This in turn suggests that higher margins are sought by retailers in rural markets.

3) Reason for stocking a product or brand: Rural retailer stock a particular item usually because consumers request it and to a lesser extent because of the wholesalers push, because a competitors stocks the item.

4) Information source and influence: the wholesaler is the most important source of information for the retailer. This means that the marketer would do well to motivate the wholesaler to get the retailer in the rural market to stock its product, more so for newer products. This is the approach followed by NIRMA.

5) Purchase source: The retailers in interior areas are not visited by agents of distributors; therefore they go to town or feeder village once or twice a month to buy their stock.

6) Channel credit: small retailer and retailers in interior villages make their purchases in cash while larger retailers in feeder markets buy on credit. The marketer has to ensure that the channel not only services the product requirements but also extends credit to the retailers in feeder villages.

7) Promotion by retailer: when retailers in rural markets promote products to consumers, the rural consumer expects the retailer to provide

information and suggestions about the product. The marketer is to provide attractive commissions and credit facility to motivate the retailer to promote the brand.

(d) Limitations of Distribution Channels

- **Non- availability of dealers:**

In addition, there is the problem of availability of dealers. Many firms find that availability of suitable dealers is limited. Even if the firm is willing to start from scratch and try out rank newcomers, the choice of candidates is really limited.

- **Poor viability of retail outlets:**

Sales outlets in the rural market at the retail level suffer from poor viability. A familiar paradox in rural distribution is that the manufacturer incurs additional expenses on distribution and still the retail outlets find that the business is unremunerative to them! The scattered nature of the market and the multiplicity of tiers in the chain use up the additional funds the manufacturer is prepared to part with.

- **Inadequate bank facilities:**

Distribution in rural markets is also handicapped due to lack of adequate banking and credit facilities. Rural outlets need banking support for three important purposes:

- To facilitate remittances to principle and to get fast replenishment of stocks,
- To receive supplies ‘through bank’ (retiring documents with the bank), and
- To facilitate credit from banks.

As banking facilities are inadequate in rural areas, the rural dealers are handicapped in all these aspects. It is estimated that there is only one bank branch for every fifth village.

- **Inadequate credit facilities from banks:**

Inadequacy of institutional/ bank credit is another constraint. Rural outlets are unable to carry adequate stocks due to lack of credit facilities. They are unable to extend credit to their customers. This is a vicious circle of lack of credit facilities leading to inadequate stocking and loss of business, finally resulting in poor viability of outlets.

- **The private village shops:**

For a large variety of consumer products, private shops are the main channel in the rural markets. They are also the cheapest and the most convenient channel to align with. As such, we shall examine in some detail how private village shops are utilized by business firms in their rural distribution effort. “According to a census of retail outlets carried out by the operations

research group (ORG), there are 2.02 million sales outlets in rural India, with a major chunk constituted by private shops”⁸. In fact, private village shops of India are seen to be one of the cheapest distribution channels in the world.

8. Operation research group survey (ORG), 1993.

5. Rural Market Segmentation

Like the urban areas, it is possible to segment the rural market also. The basis of segmentation can be similar demographic profile, socio-economic characteristics, exposure to modernization, and income levels. Some of the typical characteristics which will help in rural market segmentation are:

- Land-holding pattern (size of holding).
- Irrigation facilities (irrigated/unirrigated).
- Progressiveness of the farmers (progressive/semi-progressive/traditional).
- Cropping pattern (predominantly commercial crop farmers/food crop farmers).
- Mix of enterprises (Mono culture/poly culture).
- Education levels (educated/literate/illiterate).
- Proximity to cities/towns (population in villages near cities/ towns and mandi centers/remote villages).
- Sociological factor (landlord/small farmers/tenants).

Identification of Rural Market Potentials

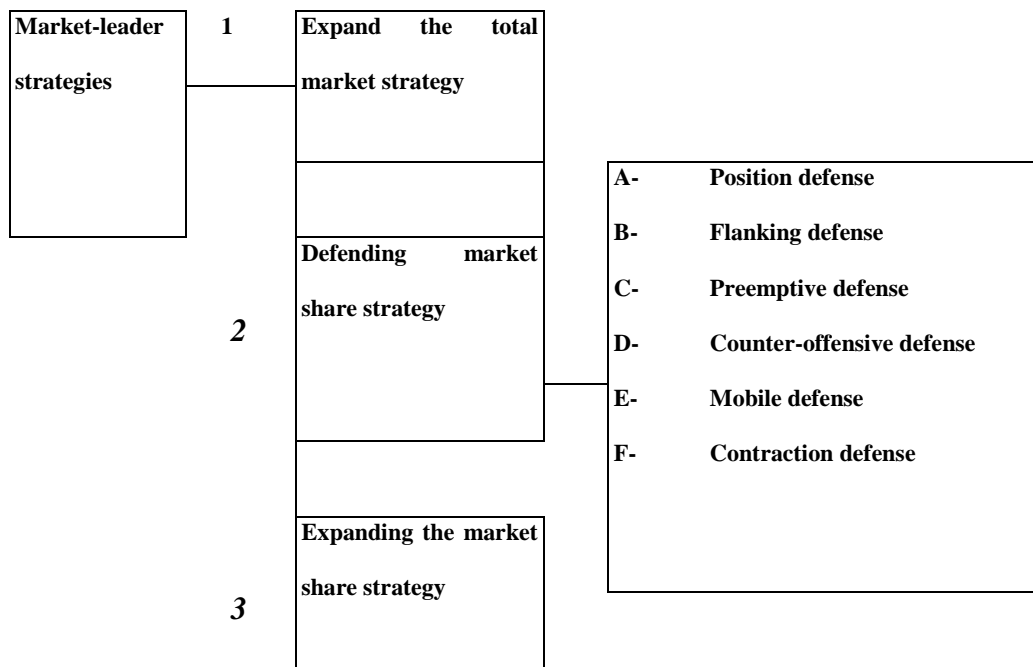
The potential of a market depends mainly on the purchasing power of the customers, which, in turn, is affected by the stage of economic development

the district is in. The immediate concern of the marketers should be to focus on those areas could be identified by considering the following rural economic indicators.

- Gross cropped area;
- Gross irrigated area;
- Area under non-food crops;
- Average size of land
- Use of agricultural inputs like tractors, fertilizers, pump-sets and tube-wells, rural electrification, rural credits and deposits.

6. Market-Leaders Strategies in Rural Areas

Market leadership is not simple for a firm. Other firms continually challenge its strengths or try to take advantage of its weaknesses. The leader firm might become weaker or old-fashioned against new entrants as well as existing rival firms. The leader firm can use one or a combination of three strategies:



6.1 Expand the Total Market Strategy

The market-leader firms can normally gain the maximum when the total market expands. The focus of expanding the total depends on where the product is in its life-cycle. This strategy can be used when a product is in the maturity stage. Market-leaders can look for users, new uses, and more usage of its products is in the maturity stage of the product life-cycle.

6.2 Defending Market Share Strategy

When the leader firm tries to expand the total market size, it must also continuously defend its current business against enemy attacks. For example, Coca-Cola must constantly maintain its guard against Pepsi-Cola. Similarly, Bajaj Auto should constantly maintain its guard against LML Scooters. In this strategy, the leader firm must keep its costs down, and its prices must be

consistent with the value that customers see in the product. There are six ways that a market leader might use to protect its market position.

(a) *Position defense*: This strategy involves pouring maximum firm's resources into its current successful brands. For example, HLL increased its ad — spend on Clinic and Sunsilk Shampoos and gave heavy promotions through price reduction.

(b) *Flanking defense* : This strategy both guards the market positions of leading brands and develops some flank market niches to serve as a defensive corner either to protect a weak front or to establish an invasion base for counterattack, if necessary.

(c) *Preemptive defense*: This defense strategy man oeuvre involves the launching of an offence against an enemy before it starts an offence. For example, Titan launched more brands and sub- brands called Insignia Collection.

(d) *Counter-offensive defense*: This is a strategy of indentifying a weakness in an attacker and aggressively going after that market niche so as to cause the competitor to pull back its efforts to defend its own territory. When a leader is attacked, he may base his counterattack in the attacker's territory. The attacker has to deploy resources to this territory for defense.

(e) *Mobile defense*: This strategy involves the leader's broadening and expanding its territories into new market areas by diversifying. The leader

takes innovation works in both these directions, e.g., a five-star hotel can become foreign exchange dealer. Diversification into related areas is used in mobile defense.

(f) *Contraction defense*: This strategy involves retrenching into areas of strength and is often used in later stages of a product life-cycle or when the firm has been under considerable attack. For example, HLL decided to concentrate on its core business areas, that is, soaps and detergents, and has emerged as the clear leader in the toilet industry.

6.3 Expanding the Market Share Strategy

Market leaders can improve their profitability through increasing their market shares. Market leaders are successful at expanding their market shares, like HLL, Procter & Gamble, McDonald's and Titan. In conclusion, market leaders who stay on top have learned the art of expanding the total market, defending their current territory, and increasing their market share and profitability. Competing with highly aggressive market leaders presents a formidable challenge to all newcomers.

Development of Rural Economy

Development of rural economy cannot be achieved without pursuing aggressive rural marketing policies. The crucial question to be asked in this context about the role of agricultural marketing in the whole process of rural

development. Notable programmers included agriculture, dairy, poultry, animal husbandry, and development of cottage and small-scale industries. All these programmers aim at economic growth and elimination of poverty, social inequality, unemployment and inflation. But, this assumption was proved to be wrong, as it later became clear that an increasing in GNP offers no guarantee in eradicating poverty, rural inequalities and backwardness. The success of all these programmers depended on effective marketing planning and aggressive rural marketing strategies. Rural marketing aims at the development of marketing activities in rural areas, apart from the broad goal of rural development. In other words, there should be provision for the total development of the rural poor from all perspectives; leaving no chance whatsoever for discrimination and exploitation. It should lead to an aggressive marketing outlook in business.

7. Problems in Rural Marketing

The process of rural marketing poses many problems due to the vastness of the country and a high potentiality for providing an effective marketing system. Where the rural market does offer a vast untapped potential, it should also be recognized that it is not easy to operate in rural markets, there are several problems. Besides a few other problems system from the under developed markets and illiterate and gullible people constitute the major

segments of the markets. Due to these problems, marketing efforts for manufactured consumer goods and agricultural inputs in rural areas are constrained in several ways. There are a large number of small villages, many of which are not easily accessible because of lack of all weather roads. In rural marketing, after it is not promotion of brand that is crucial but creating an awareness. Huge distribution costs are to be incurred to service such village markets directly. “As stated by A.S. Ganguly (Chairman, Hindustan Lever), direct delivery of goods to even the top 1% of the villages costs twice as much as servicing urban markets”⁹.

9. Ganguly, A.S. (Chairman of Hindustan lever ltd.) 1999, “The Growing Rural Market in India”, in marketing in India, cases and readings, ed., by Nellamgham, S., Vikas publishing house Pvt. Ltd. May 17th p. 159.

As rural consumers are far less homogeneous than their urban counterparts, it is not possible to merely extend urban products to rural markets. This problem is further aggravated if the regional variations in rural markets are considered. It implies that the rural markets are more segmented, and require deeper analysis and understanding. This also demands more diversification of product and marketing strategies to penetrate rural markets, which involves high initial market development expenditure. The scales of operations of most of these rural retail shops are usually small. These retailers are not able to carry stocks without adequate credit facility. Due to inadequate infrastructural facilities like connecting roads warehouses, media availability, telecommunication, etc., marketers face problems in reaching the serving rural consumers. The some problems in rural marketing are as follows:

7.1 Deprived markets and Deprived people:

The agricultural technology has tried to develop the people and market in rural areas. Thus, the rural markets, by and large, are characterized by underdeveloped people and consequently underdeveloped market. A vast Majority of the rural people is tradition bound, fatalistic and believes in age old customs, traditions, habits, taboos and practices. They face frustrations of intermittent, inconsistent electrical power, archaic, scarce, and unreliable telephony, neo-feudal politico-business associations that hinder

developmental efforts, deeply ingrained ideologies of caste hierarchy, gender inequality, and religious communal differences, as well as significant deprivations of basic human needs.

7.2 Lack of proper physical communication facilities:

Physical communication with these villages is difficult and highly expensive. Even today most villages in the eastern parts of the country are inaccessible during the monsoon. Local telecom companies are working with the department of telecommunications (DOT) to provide service in rural areas at local costs which could be a costly affair considering the underdeveloped infrastructure. Market development in rural areas will receive tremendous fillip if infrastructures, facilities for communications are strengthened. Growth of has been tardy in Rajasthan with only around fifty lakh telephones at the end of 1990's. There has to be a concerted effort to boost the number of telephone connections in the villages.

7.3 Transport:

Because of the widespread nature and varying size of villages, organizing a distribution set-up poses a number of questions. Already it has been seen that the transport facility in general is poor in rural areas. A leading company, which distributes its consumable products in rural areas, has used bullock carts and camel backs for physical transportation of goods to inaccessible areas. In some villages there may not even be a shop from

where the products can be made available to a rural consumer. What will be the off-take from the shop in a day or in a week? How many times will be able to turn over the capital invested? Thus willingness to enter the rural market alone is not sufficient, but identification of potential shopkeepers, offering them credit, assuring periodic supplies and motivating them also become very essential. Transportation infrastructure is quite poor in rural India. 80% of villages in the country are not connected by roads. The late Prime Minister, Mr. Rajiv Gandhi, had started a plan to connect every village with big towns under “JAWAHAR ROJGAR YOJNA”. As we know marketing activities require transportation facilities. Due to poor transportation facilities, farmers, face the problem of reaching city markets and find it difficult to get fair prices for their crops. Many rural areas are not connected by rail transport. As mentioned above at least 50% of rural roads have been poorly surfaced, and many are totally destroyed or severely damaged by the monsoon and remain unserviceable leaving interior villages isolated. Though it would be desirable to connect all villages by all weather roads, use of bullock carts is inevitable for many years. Camel carts operate in Rajasthan in both urban and rural sectors. It is hardly under-dressed that the development of rural markets depends on a network of roads to connect the villages to towns, and to transport products to the hinterland. Development of all weather roads, to link all the 41,352 villages, will give a

fillip to economic development and employment in the rural villages. It will also make household necessities and convenience products of daily use freely available in the villages.

7.4 Many languages and dialects:

Even assuming that media are available for communication or the company commissions its own media vans, the number of languages and dialects vary widely from state, region to region and probably from district to district. Messages have to be delivered in local languages and dialects. Even though the number of recognized languages is only 16, the dialects are estimated to be around 850. It is difficult for marketers to design promotional strategies in different languages and local dialects. Facilities such as phone, telegram, and fax are less developed in villages, adding to the communication problems faced by marketers in distribution of goods, etc.

7.5 Dispersed market:

Rural populations are scattered over a large area and it is almost impossible to ensure the availability of a brand all over the country. District fairs are periodic and occasional in nature. The fairs at Pushkar, Ujjain, Kota and Bulandsheher are major source of attention for the rural buyer but aren't concentrated unlike urban markets. Advertising in such a highly heterogeneous market, which is widely spread, is very expensive. "Research on rural market is very less and reliable quantitative data about the total size

of the market for specific durable and non-durable products is not available. In the absence of adequate data and information about rural market, the marketer finds it difficult to evoke strategies and specific plans for rural markets, there is a greater need to study; The total size of rural market for specific durable and non-durable products by geographical income and occupational segments.

7.6 Low per capita income:

Even though about 33 to 35 per cent of Gross Domestic Product is generated in rural areas, it is shared by 74 per cent of the population. Moreover, demand for goods in rural markets depends upon the agricultural situation, as agriculture is the main source of income and agriculture to a large extent depends upon the monsoon. Therefore the demand is not stable or regular. This apart, the distribution of income is highly skewed, since the land holding pattern, which is the basic asset, itself is skewed. Given the low per capita incomes and population spread in the villages, what will be the off-take of any product by rural consumers, say from a village shop? If a company opts to distribute the products up to village shop level what should be the frequency of distribution? These aspects require very careful consideration while evolving distribution strategies for rural markets. Per capita incomes are lower in rural areas compared to those in urban areas.

Thus the rural population presents a highly heterogeneous spread in the villages.

7.7 Low levels of literacy:

The literacy rate is low in rural areas as compared to urban areas. This again leads to the 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 are the levels of literacy. The dependence should be more on electronic media — cinema, radio and television. While the access to cinema and radio appears to be fairly easy and common, it is not so in the case of television. In addition, television advertising is very expensive.

7.8 Prevalence of spurious brands and seasonal demand:

The imitation is another major problem in rural marketing. As soon as a brand becomes popular in rural areas, at least 10 to 15 imitations and spurious products proliferate the market loosely defined, spurious brand and look alike products in the simulate in packaging and minor alterations in name. The primary motive is to capitalize on the trust built by established brands. Local promoters in individual village markets could be an effective route to educate him. The distribution of any product in the rural areas, agricultural inputs, consumables or durables should necessarily follow a seasonal pattern. Since 75 per cent of the rural income is generated through agricultural operation, which is seasonal, the demand pattern is also

seasonal. A typical example is that of fertilizers. Likewise, the demand for consumables and durables will be high during the peak crop harvesting and marketing seasons. This is the time at which the rural people have substantial cash inflows. During summer months, in places that lack irrigation facilities, the demand will be very minimal. Thus the distribution system has to gear itself to the seasonal pattern of demand. “Rural marketing depends upon the demand of rural people and demand depends upon income and consumer behavior for any branded product they are a multitude of ‘local variants’. Which are cheaper, and therefore, more desirable to villagers”¹⁰.

10. ‘Leveraging cultural change to build brands’ by Anand Halve, Strategic Marketing.

7.9 Different way of thinking:

The choice of brands that an urban customer enjoys is different from the choice available to the rural customer. The rural consumer usually has 2 or 3 brands to choose from whereas the urban one has many more choices. There is also a difference in the way of thinking. The rural customer has fairly simple thinking as compared to his urban counterpart. Life in rural areas is still governed by customs and traditions and people do not easily adopt new practices.

7.10 Distribution problem:

Rural markets typically signify complex logistical challenges that directly translate into high distribution costs. There are, of course, more macro level concerns about purchasing power parity, per capital household expenditure and regional and cultural variances as well. Taken together, these make up the great hurdle race that one can ill-afford, to either ignore or take for granted infrastructure (bad roads, no adequate warehousing and lack of good distributors) also poses a major when a marketer thinks of targeting the rural markets.

7.11 Warehousing problems:

In the rural areas, there are no facilities for public warehousing as well as private warehousing. Rural farmers face the problems of storage of their

crops. As they cannot hold their crops for some time, they have to sell their crops immediately at low prices.

7.12 Packaging problems:

Packaging is the first important step of product processing. If the packaging cost is high, it will increase the total cost of products. It is suggested that the marketer should use cheaper materials in packaging for the rural market. For example, small polypack of refined oil is more popular than good in containers of the same product due to its lowest cost. One more important factor is the size package, e.g., the size of the package should also be small.

7.13 Media problems:

Studies conducted by the National readership survey and ORG several that only 105 of the rural adult populations read any newspapers or magazines, 27% watch TV regularly, 375 listen to the radio and 29% watch cinema. Among the mass media, at some point of time, say in late 50s or early 60s, Radio was considered to be a potential medium for communication to the rural people. The advent and expansion of Telecast Network appears to be offering a potential medium for easy communication with rural areas. The question is how many rural people have access to Television viewing? There is a need to examine the ownership pattern of Television sets in rural areas to judge the potential reach of this medium. Another mass media is Cinema. Again statistics indicate that the rural areas account for hardly 2,000 to 3,500

mobile theatres, which is far less when compared to the number of villages. In addition, due to the bad roads in rural areas, the wear and tear on such promotion vans is also high. With all these disadvantages, it has to be recognized that to motivate the rural people, communication is a must. Probably today it appears that one can take advantage of Television network and Cable Television specializing in regional languages. One is tempted to rule out totally the print media because of low literacy and poor reach of newspapers and journals like weeklies and monthlies in rural areas. Media have a lot of problem in rural areas. T.V. is a good medium to communicate at message to the rural people. But due to non-availability of power, as well as T.V. sets, two thirds of rural population cannot get the benefits of various media.

7.14 Vastness and Uneven Spread

The number of villages in Rajasthan is more than five lakh. Again, the villages are not uniform in size. Nearly 60 per cent of the villages have a population of less than 500 persons, which account for 20 per cent of the rural population. About half of the rural population live in villages with a population size ranging from 1,000 to 5,000 persons, who can be considered as medium sized. Only 10 per cent of the population lives in villages where the size is 5,000 persons and above. Hence, one can only think of tackling the 90,000 odd villages which can be considered as medium sized. This type

of distribution of population warrants appropriate strategies to decide the extent of coverage of rural market.

7.15 Market Organization and Staff

The size of the market organization and staff is very important, to have an effective control. Comparatively, catering to rural market will involve large marketing organization and staff. How many manufacturers and marketing men can afford such huge investments in terms of personnel and also keep an effective control on it, needs examination.

7.16 Product Positioning

In a highly heterogeneous market, product positioning becomes very difficult. A typical example is that of cigarette companies which have numerous brands to suit the different income segments of both rural and urban population. The very product positioning limits the market only to such segment of farmers. While positioning is possible in the case of durables, positioning of consumables does pose problems. So this might warrant designing new products or redesigning the existing ones to suit the rural wants, habits and needs, based on the purchasing power.

7.17 Hierarchy of Markets

As seen earlier, the rural consumers have identified market places for different items of their requirements. It has been seen that 90 per cent of the farmers visited the nearest town, where an agricultural produce assembling

market is situated at least once a quarter for either selling the produce or for purchase of their requirements. So towns/mandi centres with large hinterland villages become the focal point.

7.18 Orthodox and conservative consumer:-

The orthodox and conservative views are also major players in selections of product in the case of rural consumers. The villager has been very conservative in his attitude and approach and highly reluctant to change his traditional way of thinking and doing things. His attitude, in many respects, is that “home made” is the best. Many of these antiquated attitudes and changing although, the rate of change is sluggish.

7.19 Traditions and Customs

All the respondents felt strongly about their customs and traditions. Among the younger lot though all had the same feeling, about eight percent were against any blind faith. They found it unnecessary to stick to some old beliefs, which had no base. They said that the buying decisions should be on the basis of the requirements, utility and should be made as and when required. There is no need to go to the priest or the pandit for deciding whether to buy or not? Nineteen percent respondents in the age group of 55-75 years and above felt strongly that the all-round general deterioration was as a consequence of the dilution in our cultural ethos/values.

Conclusion

Threatened by the declining share of agriculture in national income, there is need to give agriculture itself a marketing orientation. As part of the strategy, there is need to identify the major threats and weaknesses of the rural markets. The main problem is lack of a rural marketing strategy. There is no database on consumer research and market segmentation, and there is no proper customer-monitoring and feedback mechanism. Marketers who wish to sell their product in rural areas, should not only develop products which suit the needs of the rural population, but also find new means of distribution and promotion to reach the rural customers scattered over a large geographical area. Further research on the traditions, habits, tastes, preferences and psychological makeup of rural consumers is required. Rural marketing could be used as one of the instruments for achieving the goals of rural development. Rural marketing has changed in concept and scope over the years. Today, it is considered as a function concerned with the flow of goods and services that satisfy the needs and wants of households and occupational activities in rural areas. Formulating rural marketing strategy requires an understanding of rural markets and the significant rural-urban differences and similarities. A new rural marketing mix is suggested with special emphasis on the marketing communication mix.