



Rural Marketing Management

First Edition



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Government of India
Ministry of Education

Editorial Board

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About the Book

Rural marketing has emerged as an exciting and dynamic discipline. India is predominantly an agriculture-based economy with approximately 7, 00,000 villages involve directly or indirectly in agricultural activities. Rural India is the backbone of Indian economy and it contributes significantly to the economy in terms of providing with food grains, vegetables, fruits which are essential for the human's existence. More than 60% of the Indian population lives in rural areas and depends directly or indirectly on agriculture and allied activities such as dairy, poultry and pisciculture. Rural products and produces are in great demand in the cities and urban areas and even globally due to changing preferences of the urban consumers. Rural products like handlooms and handicrafts are very popular among foreign tourists. These changing preferences for rural products have a significant impact on the Indian economy. With opening up of the Indian economy to the competition after liberalization in 1991, many rural organizations have started professionally operating their organizations with a better understanding of the functions of management and the concepts of rural marketing. The rural marketing is of growing interest in developing countries like India. The accomplishments of Self-help Groups, Micro Finance Institutions, Farmers Interest Groups, Rural artisans' businesses, producer organisations have to be given due credit in the growth of rural organizations. The book focuses on the different set of challenges which are faced by rural marketers when operating in rural areas. The challenges are primarily due to the absence of a proper framework to guide decision making in rural markets. In recent years a lot of work has been undertaken in the area of rural marketing and new concepts, definitions and technological advancements have been incorporated for better understanding of rural marketing. This Book talks about the concepts, definitions and latest advancements and challenges in the area of Rural Marketing. This book contains chapters which detail the emerging channels and importance of supply chain management to access rural markets. New developments in distribution management and logistics and supply chain management will provide a push to the rural markets. The chapter also focuses on the rural purchase behaviour and format of retailers, to understand the retail system in rural markets. It also introduces the student to the various aspects of the process of retailing in Indian rural markets. A chapter on 'Rural consumers' gives the students an understanding of the rural markets through the market size, demographics, Consumption expenditures and product adoption process. An estimated 71% of rural consumers choose branded products over unbranded products, and approximately 66% of the rural consumers give weightage to brand image, functionality and aesthetics while making purchase decisions. Rural marketers can tap this opportunity which would help them in gaining long term competitive advantage. The book contains 'to do activities' for a practical understanding of the concepts.

The main objective of the book is to provide a theoretical understanding to the students in an easy language by:

- Highlighting the critical issues in the rural market.
- Providing a theoretical understanding of the concepts and definitions.
- Developing insights into the behaviour of the rural consumer as well as urban consumers.
- Understanding the rural institutions of retailers, haats and melas.
- Developing an understanding of consumer behaviour and rural institutions.

I thank Dr Rajeev Kumar Ranjan, Associate Professor, Asia Pacific Institute of Management, New Delhi for his outstanding insights. Also, I would like to thank MGNCRE Team members for extending their extreme support in completing this text book.

Dr W G Prasanna Kumar
Chairman MGNCRE

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Rural Marketing Management – An Introduction

More than half a century ago Mahatma Gandhi said that “India is not Calcutta and Bombay but India is seven hundred thousand villages.” This statement is still relevant as it was then. According to the Census of 2011, India has 640,867 villages with a population of 833.1 million people which is about 66.46 % of the population. The villages in India have always remained neglected and never tried to market their products to the urban consumers. But lately due to the rise in incomes of the Indian urban consumers and the increased awareness due to technological advancement it leads to the growth of the Indian consumer market which became attractive for the Indian as well as foreign companies. The steps provided by the Indian Government for rural products contributed to the development of rural products and their marketing. A shift from an agricultural economy to a service economy resulted in the growth of job opportunities and creating a demand for goods and services by the consumers. Till now the rural market was dependent on the urban marketers for their requirements like seeds, fertilizers, pesticides, cattle feed and agricultural machinery, but the scenario has changed now the rural products have been largely accepted by the urban consumers also. According to NCAER report over seventy percent of bicycles, mechanical watches and transistors and about sixty percent of batteries, sewing machines and table fans are sold in rural India. The rural producers have undergone a complete transformation in the last 15 years; they have now become more conscious about marketing their products to urban consumers. While rural products offer tremendous opportunities for marketers, it is not easy to enter the urban markets due to cut-throat competition in the urban markets. Therefore understanding the purchase behaviour of the consumers become important for the marketer and for this effective market research is indispensable for effective formulation of marketing strategies. Offering better quality of life for the rural population will be the next role of the companies. Late C.K. Prahalad, in his book “The Fortune at the Bottom of the Pyramid”, has rightly pointed out that, “The real source of market promise is not the wealthy few in the developing world but it is the billions of aspiring poor who are joining the market economy for the first time.” Thus, marketing of rural products offers opportunities and challenges for marketers. The market strategy formulation includes understanding the behavior of urban consumers and the formulation of the marketing mix as per the requirement of the urban markets. A better understanding of consumer behavior helps companies to better satisfy their customers. Since the urban markets have more disposable incomes and better life styles therefore the scope for marketing the rural products to the urban consumers is very high.

Chapter 1 An Overview of Rural Marketing

Introduction

In the current market scenario the marketing of rural products is in the nascent stage and therefore marketing of a rural product is a challenging task because the urban market is very competitive due to which and the entry of rural products in the urban market becomes difficult. But with proper marketing strategy formulation this can be achieved. Exploring the urban market as well as the rural markets for rural products has become inevitable for growth and expansion of the rural business. The markets can be classified into urban markets and rural markets. The urban markets provide tremendous opportunities for the rural products provided the rural products are offered to the urban consumers by proper strategy formulation using the marketing mix. The usage of integrated marketing communications and information technology will provide a strong platform for marketing rural products to the potential markets. Brand building and effective Marketing will go a long way in promoting rural products to the urban markets. The two elements of brand building and effective marketing are the most critical factors on which the rural producers have to focus on in order to compete in the competitive market. But now companies like Amul have understood this and they are using it effectively for their advantage. The urban markets offer tremendous potential to the rural producers due to their affluence and changing needs. Therefore the urban market is a very attractive market for the rural producers in terms of profits and brand building. The rural marketers now should realize the importance of marketing of rural products to the urban markets and start focusing on the urban markets by developing marketing strategies specially focused on the urban consumers.

Objectives

The objectives of this chapter are to:

- Enlist the scope of rural product marketing.
- Elucidate the significance of the urban markets for rural products.
- Explain the factors contributing to the adoption of rural products in the urban market
- Familiarize with the rural products and consumer behavior
- Make aware of recent market scenario in India

Chapter Structure

1.1 Definitions
1.2 Scope of Urban Marketing
1.3 Components and Classification of Consumer Markets
1.4 Rural products and Consumer behaviour
1.5 Recent market scenario in India

1.1 Definition

Rural: The NSSO defines rural as any territory which has population density of upto 400per km², have no municipal board and minimum 75% of male working population is involved in agriculture and allied activities. The definition of rural is closely tied with the urban definition which is as follows:

Urban: As per the Census of India 2011, the term urban has been defined as:

1. All places having a municipality, corporation, cantonment board etc
2. All places having a minimum population of 5000 and atleast 75 of the population in engaged in non agricultural activities; and
3. An area where density of population is at least 400 persons per sq. km.

Marketing

According to American Marketing Association (AMA), Marketing is creating, communicating, delivering and exchanging offerings that have value to clients, customers and society at large. India is a land of diversity and approximately seventy percent of the Indian population lives in villages. These villages help in economic development through the production of food grains, vegetables, fruits, etc. The export of these agricultural products results in the earnings of much needed foreign exchange. The size of the Indian rural market is vast and scattered and has a strong base. Rural India comprises all places that are not urban. The rural market comprises about 66.66% of the Indian population which has immense potential in terms of providing products to the urban markets which have higher disposable incomes. The understanding of the consumer behavior of utmost importance for the rural marketers as it gives insight into the unsatisfied needs and behavior patterns of urban consumers. The rural marketing starts with the conception of a saleable product which involves all the aspects of the market system like functional and institutional, technical and economic considerations. Rural marketing is also concerned with the activities assembling; grading, transportation, and distribution of goods form the company to the consumer.

Rural marketing is an evolving concept, and the companies have realized the importance of this untapped market. The companies have improved their infrastructure and reach, with intent to go rural. With the economic liberalization the consumers are more aware about the different brands available in the market and this lead to the burgeoning of the market size. The definition given by American Marketing Association can be equally applicable in relation to rural segments. The word rural has to be added to the definition given by AMA for marketing, Hence Rural marketing can be defined as a process of planning, and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchange that satisfy individual and organizational objectives. The word implies that marketing activities are undertaken in rural areas to satisfy rural segments.

In India Rural marketing represents the emergent activity of identifying the needs and serving rural markets to fulfill their requirements. Thus, rural marketing can be seen as a function which manages all those activities involved in assessing, influencing and converting the purchasing power into an effective demand for desired products and services, and providing them to the people in rural area to satisfy the consumers.

Classification of Products

There are different types of products in the market. But only some products are of special interest for the marketer. This interest depends on factors such as profitability, demand, competency of the company in making the product. Based on these parameters the products can be classified in to three categories:

- **Consumer and Industrial Products:** Consumer products are those products which are manufactured for the direct use of consumers such as toiletries, shampoos, food and beverages, cosmetics, etc. whereas the Industrial products are those products which are used as raw materials for making the finished product .
- **Durables, Non-Durables and Services:** Durable goods are those tangible goods which survive many uses and non-durables goods are those goods which normally are consumed in one or a few uses. Services are intangible activities which have peculiar characteristics which make them different from tangible goods for example education, tourism, consultancy, banking, medical etc.
- **Convenience, Shopping and Specialty Goods:** These are the high involvement a product in the purchase of which considerable efforts is made. These are costly products which are bought once or twice in a life time. Convenience goods are those goods, which the consumer purchases frequently, with the minimum. These are also called as low involvement products. Shopping goods may require more shopping efforts on suitability, quality, price, and style parameters. Specialty goods have unique attributes for which the buyers are habitually willing to make a special purchasing effort. For example : Jewellery, House, a high end car etc
- **Unsought Goods:** Unsought goods are a part of convenience and speciality shopping with a difference that in these types of product the consumer is not interested to purchase and it requires strong selling efforts to sell these products. These types of products are called as unsought goods. E.g. Insurance

Consumer Goods Marketing

In the year 1991 the liberalization had an impact on the economy and the demand for the consumer durables increased. The companies also started focusing on consumers. Some of the companies like Hindustan Unilever, ITC, Colgate-Palmolive, Marico, Parle, Britannia, Godrej, and Philips took a lead in establishing their products in the urban markets. These companies started the process of understanding the consumer needs and preferences better than the competitor. These companies also directed their resources towards market research to understand the consumers better. The better understanding of the consumer behaviour with respect to product purchase and usage and consumption patterns made the selling process smooth in which targeted marketing gave an added advantage to the company. The rural marketers also realized the importance of liberalization and started developing products and services for the consumer markets leading to exchange of products between rural and urban markets for the fulfillment and satisfaction of consumer needs, wants and demands.

Organizations Strategies for Rural Markets

Most of the companies operating in India have reworked their marketing strategies formulated for the urban markets to suit the rural markets. All the elements of the marketing mix are tailored as per the requirements of the market.

For example:

- Union Carbide made heavy brass torches for the rural markets and light slick plastic torches for the urban markets.
- Velvette shampoo was introduced in sachets for the rural market.

This approach reflects marketer's efforts on the differing characteristics of rural markets and urban markets.

Rural markets are unique for the following reasons:

- The wants of rural consumers are not necessarily the same as those of urban consumers. These wants are shaped by a number of factors, including the environment.
- Social and cultural practices have an important influence on rural consumer behaviour. A marketer cannot ignore the influence of community on purchase behaviour
- The nature of occupation also influences the marketer's strategy. The popularity of small packs is a result of this.
- The political and economic institutions are significant for marketers. For example: Colgate-Palmolive, for example, uses the weekly village markets to promote its products.

1.2 Scope of Rural Marketing

The scope of urban marketing is immense some of the important points which can be included are as follows:

- Influential population: According to the 2011 census, the urban population is 34.44% of the total population. This population is largely concentrated in cities. They have high disposable incomes. This urban population offers huge opportunities for rural products.
- Rising prosperity: The disposable income of urban consumers has considerably increased due to an increase in incomes and higher government salaries. Changes in lifestyles have influenced the behavior of urban consumers.
- Change in lifestyle: The lifestyle of urban consumers has changed considerably due to increased awareness and exposure facilitated by internet explosion.
- Market growth rate higher due to advanced technologies: The growth rate of fast-moving consumer goods (FMCG) and the durable market is high in urban areas. Due to an increase in herbal products/environmentally friendly products, the demand for rural products has increased considerably.
- Lifecycle advantage: Applying the principle of the product life cycle the rural products which are in the introduction stage or growth stage can be targeted for the urban consumers.
- Rural marketing is not expensive: The expenditure for marketing of rural products in the markets is now affordable for the marketers due to the advent of social networking sites and cheap data.
- Attractive market for Agro and Milk Products: As the urban population is grappling with the problem of adulteration in milk products and agro products therefore the rural marketers can provide unadulterated and fresh products to the consumers.

Marketing consists of two major areas, which are, marketing of agricultural products from rural to urban areas and marketing of manufactured goods and services in rural areas. Rural marketing is a two-way

marketing process in which goods from rural markets are marketed in urban areas and goods and services from urban markets are marketed in rural areas. It also includes the flow of goods and services within the rural areas itself. The rural to urban transactions include agricultural products like food grains, oilseeds, cotton, sugarcane, tobacco, etc. The urban to rural transactions cover all the agricultural inputs and products like Fertilizers, pesticides, seeds, tractors, consumer durables like mobile phones, bicycles, laptops, and electrical and electronic items, and FMCG products. The processes of rural marketing are explained below:

- 1) **Urban to Rural:** Urban to rural transaction involves the selling of products and services by urban marketers in rural areas. These include Pesticides, Cars, Bikes Refrigerators, and Laptops etc.
- 2) **Rural to Urban:** In the rural to urban transaction a rural producer sells his agricultural produce in the urban market. This may be direct or indirect. In the direct transactions the rural marketer directly sells to the consumers in Mandis and Haats whereas in indirect transactions middlemen, agencies, government co-operatives, etc plays a pivotal role to sell agricultural products like fruits, vegetables, grains, pulses, handicrafts and others.
- 3) **Rural to Rural:** These include selling agricultural tools, products, cattle, carts and other agricultural products to another village in its proximity or within the rural areas like Sonpur mela in Bihar and Camel Fair in Pushkar etc.

Concept of Environment

Environment means the surroundings, influences or circumstances under which someone or something exists. According to Keith Davis the environment of any organization is "the aggregate of all conditions, events, and influences that surround and affect it". Environment has been divided into two major categories followed by sub-categories. Some of the different types of environment relevant to the study of rural marketing are as follows:

External Environment

1. Cultural and Economic
2. Economical
3. Technological
4. Political & Legal

PESTEL analysis is an important tool which describes a framework of macro-environmental factors used in the environmental scanning component of strategic management for formulating strategic decisions. A PESTEL analysis is an acronym for a tool used to identify the macro (external) forces facing an organisation. PESTEL stands for Political, Economic, Social, Technological, Environmental and Legal. Depending on the organisation, it can be reduced to PEST or some areas can be added (e.g. Ethical)

Internal Environment refers to the culture, members, events and factors within an organization that influences the decisions of the organization especially of its human resources.

Socio-Cultural

Social customs are the behaviours which are expected of a particular culture. The caste systems in India are one of the examples of class structures in Indian societies. In the Indian societies the Gender Discrimination is a big problem which acknowledges that men and women are not equal. The literacy means the ability to read and write. The cultural diversity in the Indian society means the existence of cultural and ethnic groups in a society. The socio cultural factors have a strong influence on the behaviour of the particular society. In such societies the reference groups plays an important role which have a strong influence on the purchase behaviours. The Indian socio cultural societies are also decided by religious beliefs which are the belief in the reality of the mythological aspects of a religion like poojas and rituals specific to socio cultural settings.

Economical Environment

Economic Environment is concerned with all the external economic factors that affects the buying behaviour of the customers therefore affect the overall performance of a company. These are uncontrollable factors which are beyond the control of the company the economic factors may be macro or Micro for example GDP, Purchasing power of the consumer.

Technological Environment

Technological Environment is the external factors in technology that impact business operation. Changes in technology affect the business operations. Due to this the business may have to dramatically change their operating strategy. This technological environment can help in increasing the reach of the product. The technological environment is responsible for three main revolutions:

1. Green revolution
2. White revolution

Examples: The latest technologies in the Mobiles phones, fast productions, Supply chains etc.

Political and Legal Environment

The Governments of a country want economic development of their country because of which they pass several rules and regulations to encourage business activity, the laws are put in place to control business activity and avoid undesirable outcomes. The regulations may be of different types and for different purpose, like Fiscal policy, Taxation Policy, GST, and demonetization.

The legal environment can be divided into different areas like:

- 1) Employment legislation
- 2) Environmental legislation
- 3) Consumer law
- 4) Competition law
- 5) Information /reporting law
- 6) Social legislation

Product Life Cycle

The product is the core concept of the marketing which describes the different stages which the product undergoes. There are many products which do not follow the product life cycle, like the farm products. The concept of product life cycle was given by Raymond Vernon.

The main stages of the product life cycle are:

- Research and Development: In this the concept is converted into a product.
- Introduction: In this the product is launched in the market.
- Growth: In this stage the sales of the product increases.
- Maturity: In this stage the sales starts to saturate.
- Decline: The final stage when the sales decline.

The product life cycle can be extended by activities mentioned as below:

- Advertising
- Price Discounts
- Value addition
- Exploring new markets
- Repositioning the product
- New Packaging

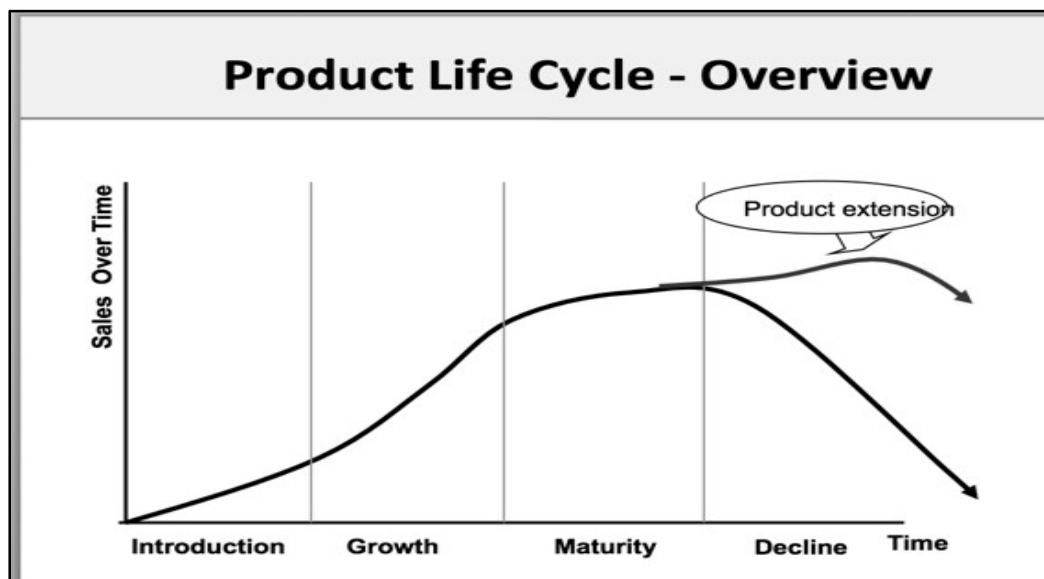


Figure1.1: Product life cycle
Source: Raymond Vernon 1966

To-Do Activity (Team of 10 Members)

Choose a village located near your vicinity and Interact with at least 15 rural households to:

1. Make a marketing strategy for marketing unsought goods.
2. Identify ten specialty goods in case of rural markets.
3. Make a market strategy for the product in the declining stage.
4. Analyse the product life cycle stages for agri product of your choice.
5. Plan an activity to sell a product in the village you chose.
6. For each phase of Product life cycle, identify a rural product.

1.3 Components and Classification of Consumer Markets

Components of Consumer markets

A market is a place where both the sellers and buyers meet. Certain conditions need to be fulfilled for the categorization of a place to be market. These conditions are both necessary and sufficient. These conditions may also be termed as the components of a market. These components as given by Payne, (1991) are as follows:

1. Availability of quality products for transactions the physical existence of a product is not necessary for some situations.
2. Existence of buyers and sellers. There should be a business relationship between buyers and sellers.
3. Demarcation of the area such as place, region, country or the whole world in the case of multinational corporations.
4. The existence of perfect competition or uniform pricing is not necessary.

Classification of Urban Markets

The Indian urban market has emerged as one of the most promising segments in terms of consumption across all industries. All the industries rural or urban are modifying their products to satisfy the needs of the urban consumer. All the marketing efforts are being made to influence their buying behavior and consumption patterns. According to the World Economic Forum report, India is poised to become the third-largest consumer market behind only the US and China and consumer spending is expected to grow from USD 1.5 trillion at present to nearly USD 6 trillion by 2030. Thus, this market offers massive opportunities for marketers in terms of sheer value or purchases. The rural marketers should exploit this opportunity and invest and increase their presence in the urban markets with their products. The urban markets are predominantly comprised of youths which consist of a major chunk of the urban population. The Indian consumers are more exposed to developments in the market due to advances in technology. Due to increased awareness the expectations of the consumer from the products are high, they look for better quality products for which the consumers are willing to pay extra price. The apparel industry has the maximum demand in the urban areas especially the branded apparel this sector has the highest demand due to the youths which are more brand conscious. The Indian Apparel industry is

estimated at US\$ 50 billion, and it is expected to grow annually at a rate of 13-15% as per Clothing Manufacturers Association of India (CMAI). The economic reforms brought by the liberalization in 1991 brought substantial investment in the Indian market. The investments are likely to be on the higher side and are expected to be 48 percent in 2001 to about 63 percent in 2026. Therefore, the urban markets provide immense opportunities for the marketers particularly in the areas of FMCG, apparel, household products, personal care and consumer durables.

A market is a physical place where buyers and sellers meet to buy and sell the goods. Traditionally markets can be classified on different bases like area, time, transactions, regulation, and volume of business, nature of goods, and nature of competition and demand and supply conditions. Economists describe a market as a collection buyers and sellers who transact over a particular product or product class. The figure given below diagrammatically represents the classification of consumer markets.

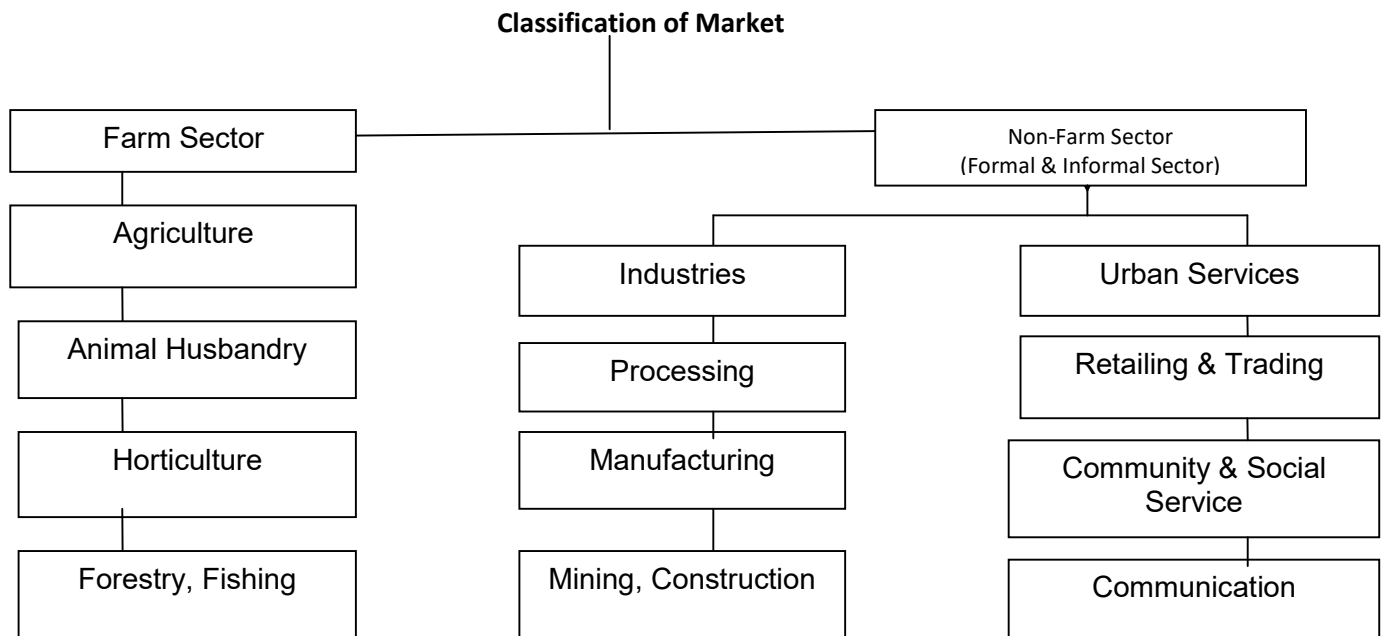


Figure 1.2: Classifications of Indian markets (www.nap.edu)

Rural Vs Urban Markets

To understand the concept of rural marketing management it is important to understand the difference between rural and urban markets. The urban market is more evolved as compared to the rural market. The consumers are more exposed than their rural counterparts. Due to difference in both the markets in terms of major marketing variables, it is important to create different marketing strategies for the rural and urban markets. The two marketing strategies cannot be used interchangeably. Therefore rural marketing is different from the way marketing is planned and implemented in urban areas. Companies like HUL achieved success in the rural markets because of their structured marketing strategies for the rural markets in terms of planning and effort.

Changing Profile of Urban Consumers

Due to the increased awareness of the Indian consumers about the products availability and features because of better internet penetration in the remotest parts of India, the consumers have become more informed as compared to the earlier times. Urban customers prefer branded products and services and consume branded products like mobile phones or jeans. Due to this changing profile of urban consumers the marketers have now put all their energies towards the urban consumers. Big companies and Multinational companies are trying their level best to establish themselves in the urban markets. The rural centric companies should exploit these opportunities to make their presence felt in the urban market. The designing of advertisements should be done keeping in mind the tastes and preferences of urban consumers. Van campaigns, cinema commercials and wall paintings can be used to entice urban consumers since urban consumers prefer thematic advertisements. The use of social media can also be effective since it is economical and have wider reach. The urban youth is more aspirational and wants to use all the branded products which are being used by urban consumers. The youth acts as an important influence on the purchase decisions of the family. Due to this reason the companies have modified their marketing communications in such a way that it has maximum impact on the youth of the urban areas.

1.4 Rural Products and Consumer Behaviour

Consumer buying process consists of sequential steps that the consumer follows to arrive at the final buying decisions. Mostly, consumers follow a typical buying process. Marketer must know how consumers reach the final decision to buy the product. Since, marketer is responsible for marketing and selling of goods in the market so the marketer must have the knowledge how the consumers actually make their buying decisions. In many cases the companies presume that consumer buying is random process. These companies carry out marketing activities based on hit and trial method. There is a sequence of steps that most consumers go through before deciding whether to make a purchase or not? As discussed earlier there are various stages in the consumer buying behaviour which the customer undergoes purchasing the product. These stages can vary from consumers of urban to consumers of rural areas but normally the following steps are by and large followed by the consumer. In fact there are five stages to the consumer buying process and as a marketer if they can understand each stage in a comprehensive manner then they can market a product, offering or service to the consumers effectively. Understanding consumer buying process enables the company to align the marketing strategy accordingly. Marketer can change or modify marketing programme based on the study of how the product is used and disposed. In case, when consumers are much creative, it is important to investigate how the product is used or disposed. Thus, consumer buying process is a process from problem recognition to reaction of buyers. The entire process is important to the seller. The process reflects most of factors affecting consumers.

Therefore, the marketer must study the buying process from consumer's perspective. Company must take certain steps to support consumers in each stage to buy its product. The five stages framework is an important tool to evaluate the customer's buying process. John Dewey first introduced the following five stages in 1910.

These steps are as follows:

1. Need Identification
2. Search for Information
3. Evaluation of alternatives
4. Final Purchase
5. Post-purchase behaviour

Diagrammatically the stages can be represented as follows:

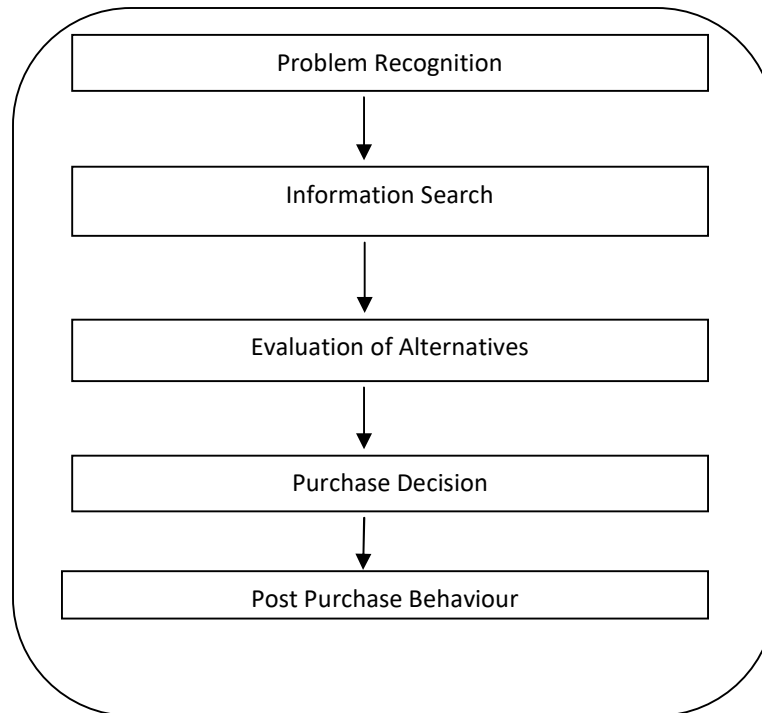


Figure 1.3: Stages in consumer buying behaviour

1. **Need Identification:** The first and foremost step in the consumer buying behaviour is the need identification and looking for solution for the satisfaction of the need. The focus of rural marketers/producers is to identify and find out the needs of the urban consumers and to find out the ways by which the rural products can be effectively offered to the consumers for the satisfaction of their needs. There are many products that the urban consumers are willing to purchase but they are not aware about the sources from where the products can be bought.
2. **Information Search:** The second step relates to the search for information for the satisfaction of the stated needs. This step refers to the process of getting all the information about the product. It is a stage in which a consumer searches for internal or external information. This process is same for the urban consumers as well for the rural consumers. The consumers need information about appropriate evaluative criteria, existence of alternatives and performance of each alternative on evaluative criterion.

Various sources of information search are as follows and includes:

- Personal sources: family members, friends, and reference groups.
- Commercial sources: Advertisements, Salespersons, promotional hoardings etc.
- Public Sources: Mass media and
- Self-Experiments like handling the product, using samples of products like shampoo sachets etc.

3. **Evaluation of Alternatives:** This step focuses on the various alternatives available to the customer for the satisfaction of needs. In this stage, consumers evaluate all the product and brand options on attributes which have the ability to deliver the benefit that the customer is seeking. The products that consumers compare form their evoked set which is also called as consideration set and it represent the alternatives being considered by consumers during the problem-solving process. For example in the purchase of a Carpet the decision criteria could be identified as follows:

- Price
- Design
- Support in terms of services and logistics.
- Repairs
- Warranties
- Reliability
- Multiple uses

4. **Purchase Decision:** This is the stage when the consumers make up their mind to make the particular purchase. During this time, the consumer forms an intention to buy the brand because he has evaluated all the alternatives and identified the value that it will bring him. The purchase decision is also affected by the availability of products at a particular point of time and changing nature of needs. When a desired need is not fulfilled an alternate goal emerges. Since the consumer has rational and emotional motivations, which are purely objective or subjective. Therefore Goal substitution occurs on non-attainment of the desired goal. The final purchase decision can be disrupted by two factors which are negative feedback and unanticipated situations like loss of job or closing down of retail store etc.

5. **Post-Purchase Behaviour:** The last stage of the consumer buying behaviour is the Post purchase behaviour which takes place after the product has been purchased. It is a general tendency of the customer to be satisfied or dissatisfied after the product purchase. The post purchase behaviour is based upon the consumer's own satisfaction arising due to his preference for a more profitable option of the available alternatives. The analysis of the psychological factors on the customer is done by the marketer to understand the reasons for their purchases and post purchase behaviour. Some companies now days engage with their consumers with post-purchase communications in order to influence their feelings about their post purchases. Methods like offering money back guarantees also enrich post-purchase communications between the company and its consumers.

The understanding of the consumer behaviour is an important aspect of the marketing strategy. Without the proper understanding of the consumer behaviour it would become very difficult for the marketer to effectively market the product to the target market. To understand the consumer behaviour the inputs of the behaviour have to be taken from the consumer itself. The behaviour of the consumer is affected by many factors which are intrinsic as well as extrinsic. The factors which affect the behaviour of the consumer are economic, political, cultural as well as psychological. Academically the Consumer Behaviour consists of the stages which it goes before consuming and purchasing the product or services. The marketer also focuses on the buying patterns of the consumer which consists of the when, why and where of the buying process and under what conditions the product is consumed. The advertising strategy and other promotional tools used by the marketer plays an important role in influencing the behaviour of the consumer. Since the urban consumer is more informed due to exposure to the external environment therefore the buying behaviour of the urban consumers is different as compared to the rural consumers. To understand and analyze the buying process of the consumer's it is important that the consumers are made aware of the products which are available in the market through effective marketing strategies. Due to the complex buying behaviour of the urban consumers the demand for the product is low per capita and because of this reason the rural marketers must look for volume business. Due to better infrastructure the accessibility and reach of the urban consumers is high and also due to high income levels, high literacy rate and with high disposable income the propensity to adopt a value offering product becomes high. Therefore the marketers should approach the urban consumers as well as the rural consumers with the products with marketing strategies especially catered for both the urban and rural consumers. The rural marketers apart from depending upon traditional methods like weekly haats, festival, fairs and publicity vans for demonstrations and advertising should also focus on technology and networking sites for promoting the product and selling the product. Technology can be a game changer when it comes to selling the product to the urban consumers. Apart from the above mentioned methods for promoting products television advertisements has become a popular medium to advertise the product along with TV advertisements Radio, newspapers in vernacular languages, wall hoardings, pamphlets also plays an important role in the marketing the product. The Promotion of the rural products can also be done by offering complementary products and price discounts. Using the online platform for selling the product is also an effective medium.

To sum up the various factors those affecting the buying behavior of consumers are:

1. Environmental factors.
2. Geographic Factors.
3. Occupational factors
4. Place of purchase.
5. Innovations in the product in terms of usage and frequency.
6. Brand loyalty and Brand Equity.

In addition to the above factors there are some Cultural factors which influence the buying behaviour of consumer. The marketer has to give special focus and understanding to the role of culture in consumer buying behaviour. Culture is the first and basic element which has a substantial impact on the buying behaviour of the consumer. It shapes a person's needs, wants, demands and behaviour. In a diverse country like India there are so many different cultures, which make the job of a marketer very tough.

Some of the prominent cultural factors that have an influence on the consumer buying behaviour are as follows:

1. Product (colour, size, design, and shape).
2. Social rituals and practices.
3. The Decision-making process in the family.

Buying Behaviour of Indian Consumers

The buying behaviour of the consumer refers to the stages which the consumer undergoes before the actual purchase of the product for personal consumption. The buying behaviour of the urban consumer is more complex as compared to the buying behaviour of the rural consumers. In view of this the marketer has to put in extra effort to understand the behaviour of the urban consumers. The Indian market is a huge market and it offers tremendous opportunity to the companies to offer their products and services. For example, Gillette conducted a comprehensive research on the Indian consumers to understand their behaviors. The Indian market consists of approximately 66 percent population living in rural areas and the remaining 34 percent in the urban areas which have better lifestyles and more disposable incomes. The rural products which satisfy the needs and want of the urban consumer are always in demand. The reason for this is that the rural products are considered to be more environmental friendly and less harmful for the environment. The present trend shows that the urban consumers are more inclined towards the hand made products by the rural producers. The village theme restaurants and malls are very much in demand by the urban consumers. About 66% of India's population lives in rural areas. The huge population offer immense scope for marketing of the rural products. The combined Indian market consists of 600,000 villages in the country as against about 300 cities and 4600 towns and this combined figures make up the Indian consumer market. The urban consumers because of their typical buying behaviour always look for new and innovative products. They look for variety and innovativeness in the product. Due to the changing buying patterns there is a tendency to try and purchase new products. The urban consumers are diverse and this diversity brings different buying behaviour for different class of consumers. The urban Consumers because of this diversity display vast differences in their purchase decisions and product usage. The urban consumers react differently to different products, colors, sizes, etc. in different parts of India. It is important to understand the Indian consumer psyche and needs before marketing products to them. Thus, the study of consumer behaviour becomes important for better understanding the consumer so that marketers can tap the target market effectively. In the end it's important to mention here that different products have different Consumer decision making with the type of buying decision. Expensive purchases are likely to involve more buyer involvement and more participants as compared to the routine or cheap products. As per Henry Assael the consumer buying behavior can be categorized into four types behaviour based on the degree of buyer involvement and the degree of differences among different brands.

Complex Buying Behavior occurs when the consumer is highly involved with the purchase and there are significant differences between brands. In this type of buying behaviour the Consumers purchase those types of products which are costly and many times are one time purchases therefore the consumer invests considerable time and effort in purchasing the product. The consumers indulge in complex

buying behavior when they are highly involved in the purchase process and are aware of significant differences among brands. Since the products are costly and expensive these products are bought infrequently and with much more deliberations. The purchase of these products is risky and highly self-expressive. For e.g. automobile, two-wheeler, house, high end jewellery etc.

Dissonance-Reducing Buying Behavior – The dissonance means dissatisfaction from the purchase of product which crops up after the purchase of the product. Sometimes the consumer is highly involved in the purchase of the high end product due to the limited differences between the brands the differentiation becomes difficult. The high involvement products are expensive, infrequent and risky. ‘Dissonance’ can occur if consumers worry afterwards that they may have made the wrong choice. For example, carpet buying. In such a buying the consumer might experience dissonance that may be due to some disliking features of the carpet. Consumer will choose such products on the basis of price or convenience and seek confirmation, after the purchase, of their decision. Therefore, to reduce the dissonance the marketing communication should focus on reducing the dissonance and making the consumer satisfied about the consumer’s choice for his or her brand.

Habitual Buying Behavior – Habitual Buying Behavior refers to situations where a consumer has low involvement in a purchase, and perceives very few differences between products in a given product category. There are many products which fall in this category of routine purchases. These types of products are frequently purchased and less risky. These are low involvement products and less deliberations and time is given for the purchase of these products. Hence they are bought under conditions of low consumer involvement and the absence of significant brand differences. Most of them are everyday use products and commodities, such as toilet paper, salt and black pepper, salt, Candies, Needles etc.

Variety-Seeking Buying Behavior – It is the buying tendency of those consumers in which the consumers do not have a high involvement with a product and there is a significant difference between brands. These types of consumers seek variety for no genuine reasons and soon become bored with products. In many cases especially the urban consumers looks for variety in the products. These products are also characterized by low consumer involvement but significant brand differences. The consumer may shift to the other brand due to the boredom or just because of simple wish to try another product for a different taste. Due to the number of options in front of consumers, variety-seeking buyer behavior consumers typically do a lot of brand switching, or the decision of a consumer to purchase a brand other than the one they have previously used or purchased. Since the cost to change potato chip brands is relatively low, then you might change brands strictly out of sheer boredom. The marketer tries to encourage habitual buying behavior of the consumers by dominating the shelf space, avoiding out of stock conditions, sponsoring frequent reminder advertising, offering lower prices, deals, coupons and free samples. Variety-seeking buyer behaviors in consumers can cause a major problem for marketers. The problem which all marketers wish to solve is that how they can fight consumers with these behaviors.

1.5 Recent Market Scenario in India

In the recent market scenario there are three major factors that are pertinent for the Indian companies' growth in the international market. Some of the factors are as follows:

1. High cost of delivery and the transportation costs from farm to the markets eat away the profits of the producer. For example: The transportation of grapes from India to Netherlands is three times more than from Chile although the distance is twice than India.
2. India's transport costs are higher due to fragmented Supply Chain due to policies inhibiting investment, integration and competition in transport sector, storage and distributions. That is why the largest buyers of Indian horticulture exports are middle and south Asian countries.
3. As per the World Bank survey there exists a huge disparity in health, safety, and quality standards as required by foreign governments and buyers, especially from developed countries. It has to be seen when Indian companies will be making for such stringent quality standards demands otherwise the Indian companies will not be able to compete even in domestic market.

These three factors have greater effect on the performance of the Indian companies. Along with these factors global politics, government policies and insufficient infrastructure and Poor logistics creates delays and wastage and takes away the profits of the farmers for improving quality of their produce. When a domestic market is protected by the government it increases the transport costs for exporters because low imports mean that exporters not only, bear the cost of outward journeys but also of the unutilized capacity on the way into the country. High delivery costs increase the burden of foreign tariff because they are imposed on the final product price. The World Bank report has proposed two major reforms to raise the farmers' incomes, lower retail prices and improve the international competitiveness of rural producers. These are:

1. Create an integrated and competitive domestic agriculture market.
2. Improve communication, transport, storage, distribution and agriculture support services.

The following are the Changing scenario in the twenty-first century for India which is due to the following reasons:

- Opening of country's economy
- Global competition
- Better quality products
- A large variety of same products
- Technology advanced products
- New and better channels of distribution
- New and innovative channels of advertising
- Well informed customers.
- Complaint redressal forums

Table 1.1: Demand: Rural vs. Urban

S. No.	Features	Rural	Urban
1	Literacy	Low	High
2	Per capita Income	Low	High
3	Demand	Seasonal	Uniform
4	Sources of Information	Word of mouth	Any Media
5	Knowledge of the product	Not known	Known
6	Branding	Mostly no	Mostly Yes
7	Consumer Protections Available	Rarely	Easily Available
8	After Sales Service	Inadequate	Adequate
9	Timely delivery	Untimely	Timely
10	Communication Facilities	Poor	Excellent

In 1991, the Government of India changed the rules of the business game as follows:

- Removal of license to manufacture for most products
- Foreign players allowed to set up their industries
- Lower rates of import duty
- Partial convertibility of rupee
- Deregulation of public sector business

These reasons helped the Multi-National Companies in setting up their businesses in India with brought a massive investment in India. In the process many companies failed however with a large diverse Indian population the foreign firms believe that they can yet make a profit in India. Lowering import duty has helped in exports as export related manufacturers could get their raw materials imported without any problem. This helped foreign firms in getting their products for Indian market, giving Indian customer the choice of a variety of goods of better quality. Partial convertibility of Rupee has helped exporters in more than one way, especially by allowing them unrestricted imports. The public sector is losing its importance and the government has put many of them for disinvestments.

To-Do Activity (Team of 10 Members)

Choose a village located near your vicinity and Interact with at least 15 rural households to understand:

1. Their awareness of recent trends in advertising marketing.
2. Use of technology and social networking websites for product promotions.
3. Any Innovative idea which instills newness in the product in the initial stages.
4. Make a short documentary of the successful enterprise of the village which can be used as a case study.
5. Make a marketing plan for any rural enterprise with environmentally friendly packing made by a rural enterprise.
6. Identify one rural product of your choice and bring out a small study in reference of the objective of this chapter.

Summary

To conclude marketers with creativity and perseverance is the hallmark for the rural markets. The rural market is very attractive with vast potential. It is a classic case of risk-return situation. It is a high risk market but with promise of best results in terms of profits. The key to reducing the risk is to understand the market's needs aspirations and behaviour. The rural consumer groups here differ by occupation, income, social and cultural groupings. The rural market has a significant number of consumers in the service sector, either with the government or the organised sector, and this group is a ready market for urban products. A marketer has to look beyond offering the same product to the rural as well as rural market. This will help in developing products that are tailored to the needs of the consumer. This applies to durables and non-durables products where the product and packaging should have a long shelf life and can be preserved under tough conditions. Understanding and communicating in the language that the rural consumer understands is a challenge the marketer has to face. The communication strategy should be flexible and should offer autonomy to meet the local situation. The use of latest technology will play an important role. The three C's in rural markets, consumers, channels and competition should be the focal point for the marketing strategies. The end result of the brand is to with hold and sustains loyalty and market share. There is no dearth of opportunity for creative marketing in the exciting area of rural markets.

- The Urban market provides an attractive market to the rural marketers market because of its sheer size and the aspiring rural population.
- Brand image or brand equity is an important aspect because of the more literate and aware consumers due to better communication penetration in the rural market.
- The income of the rural markets which was seasonal has been more regular due to the government push and also due to the increase in literacy level.
- Technology can play a pivotal role in increasing the reach of the companies to the scattered rural market. The marketing strategies have to be market-specific.
- The demographic changes include diversity in the professional profile of urban consumers.
- There is increased competition in the urban markets due to the entry of the new players in the market offering better products as well as services.
- The urban market is developed, and the youth have more disposable income to purchase branded products.
- The urban demands have undergone drastic changes due to informed choices of the urban consumer the urban markets have a major contribution to the profits of the marketing companies.
- Companies that have a lesser share of the market attempt to increase the same with a bigger thrust on marketing efforts.
- Better infrastructure because of the government's planning process has made the marketing to urban markets easy and convenient
- Companies should develop their information systems which provide them with accurate information about the market environment and the competition without compromising on the legal aspect of gaining information.

Model Questions

1. What is Rural Marketing? What is its scope?
2. What are the components of Rural Markets?
3. Explain the significance and importance of Rural Marketing?
4. What is the classification of Indian markets?
5. How is the rural market different from the urban markets?
6. Describe the Indian marketing environment?
7. Briefly discuss the profile of rural demand.
8. Write short note on the Technological factors.
9. Do you believe that there is huge potential in the rural market even though rural income is low?
10. Discuss the recent market scenario in India?

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Chapter 2 Rural Marketing Strategies

Introduction

A marketing strategy of a business refers to the game plan of an organization for approaching its target market effectively. The literature offers various definitions for strategy and the common point in each of the definition is that strategy is a broad statement of what is to be achieved. Marketing strategy is also used to target the prospective customer and converting them into loyal consumers for the brand and services being offered by the companies. A marketing strategy is the building block of a marketing plan and consists of the value which the company wants to offer, its key message which the company wants to convey to the target market and other elements which are key in the area of marketing. Therefore, it can be said that a marketing strategy is the coordinated and comprehensive plan prepared by the company for achieving its marketing objectives. An effective marketing strategy helps the company to use the available resources in the best possible way to achieve sustainable competitive advantage. In a nutshell marketing strategy provides a blueprint to the organization for attaining the marketing objectives which is carried out after proper marketing research. Therefore, to effectively market a product using the marketing mix considerable effort have to be made for the formulation of marketing strategy. Without a proper marketing strategy communicating the value and creating brand equity for a product becomes very difficult. Marketing strategies have longer life spans than the marketing plans and contain value propositions which are to be incorporated in the product. Marketing strategy offers a link between the organization and its customers. For the formulation of a marketing strategy the marketing mix is an important tool which guides about how, when and where the product is to be offered. The marketing mix is executed through the 4 P's of marketing which are Product, Price, Place and Promotion. So to conclude the marketing strategy explains how the marketing mix fits in with the overall strategy of an organization. Apart from the marketing strategy the understanding of the consumer behaviour also becomes important because without proper knowledge and understating of the consumer buying patterns all the efforts of marketing will prove to be futile. This chapter focuses on how the marketing strategies are made and what are the important elements for market strategy formulation. The chapter also focuses upon the buying behaviour and its importance in the formulation of market strategies.

Objectives

The objectives of this chapter are to:

- Discuss the rural marketing strategies
- Elucidate the significance of consumer behavior in strategy formulation.
- Discuss the Buying Process.
- Explain the importance of technological and economic factors in Rural Marketing
- Discuss the diffusion of innovation and brand loyalty.

Chapter Structure

2.1 Rural Marketing Strategies	
2.2 Consumer behaviour Strategies	
2.3 Technological and Economic Factors	
2.4 Marketing Environment	
2.5 Diffusion of innovation and Brand loyalty	

2.1 Rural Marketing Strategies

The concept of marketing has always played a pivotal role in the growth of the Indian economy and affected the lives of the Indian consumers. Liberalization, globalization, and privatization have transformed the Indian economy into a rapidly growing vibrant market. Due to this the Indian markets are flooded with different kinds of products and services impacting the purchase pattern of the consumers. The Indian market, which was earlier ignored by multinational corporations, is now being targeted for every type of product. The Indian market offers immense opportunities to foreign players. As the disposable income of Indian consumers is growing, more and more companies are entering the Indian markets with their innovative and multi-featured products. Due to the increased competition in the market every company is making marketing strategies that suit the Indian market. In this scenario the rural markets also have immense potential to offer a variety of products that can be produced by the rural producers and which would satisfy the needs of both urban and rural consumers. If these products are effectively marketed, then it can bear maximum profits to the rural producers and bigger revenues for the country. India's vast rural market offers a huge potential for a marketer facing stiff competition in the urban markets. The rural market environment is very different from the urban market and in recent times the rural markets in India have grown in size, range and sophistication. The changing Socio-economic scenario, the rural markets offer great potentialities in India and offer bright prospects and attraction to urban consumers.

4 A's of Rural Marketing

The 4A's provide a useful insight to the rural marketers in catering to the different markets in India. The 4A's helps the companies in formulation of marketing strategies for the different markets keeping in consideration some relevant factors. The 4A's which represents Affordability, Availability, Acceptability, and Awareness has to be kept in mind while formulating the plan to enter the markets because these

are very important. The first challenge in rural marketing is to ensure availability of the product or service because of the underdeveloped infrastructure. Therefore, providing products on regular basis to the rural consumes becomes a challenge for the marketer. The second challenge is the affordability of the product. The products offered to the consumer should be affordable that is the reason why most of companies have introduced products in small packets, e.g. Shampoos and Soaps. The next challenge is to gain acceptability for the product therefore there is a need to offer products that suit the rural market. The last challenge is to create awareness about the product or service. Since most of the rural consumers still use conventional media, therefore mediums like TV, Press, Radio and Cinema can be used to build awareness. Haats, mandis and melas also are the place of opportunities which the rural consumer visits so they can be used to promote awareness about the product.

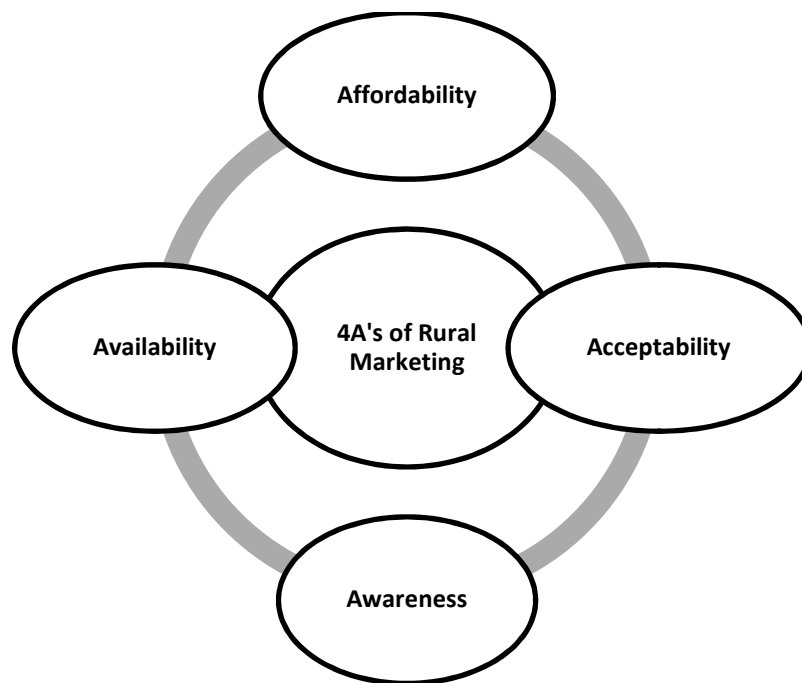


Figure 2.1: 4A's of Rural Marketing
Source: Sarkar, D. N., & Pareek, G. (2013)

The 4A's of marketing explains that the product should be affordable to the target market that is the pricing should not be too high and not too low which may affect the price-sensitive consumers. Availability refers to regular supply of the product to the target market. Acceptability means that the product meets the required need of the consumer and it makes the consumer satisfied and finally Awareness means the use of communication mediums with which the consumers are made aware of the product and its benefits. For example the availability of sachets of shampoos and Lifebuoy small sized soaps and companies like ITC, HUL, P&G have used the communication effectively to make the consumer aware about their offerings.

Along with the 4A's of rural marketing the 4P's of marketing also plays an important in marketing strategy formulation. In fact, the 4A's revolves around the 4P's which is also referred to as Marketing Mix. The 4A's and P's should work in close coordination with each other. The 4P's as already discussed in chapter 1 Stands for Product, Price, Place and promotion. The marketing strategy of any company revolves around these 4P's and 4A's. The 4P's were given by Jerome McCarthy. The main elements of the marketing mix are given in the figure given below:



Figure 2.2: The Rural marketing strategies

Source: McCarthy, E. J., (1979)

The Marketing Mix

The marketing mix refers to the set of elements that a company uses to formulate its marketing strategies for the product in the market. The 4Ps that constitutes the marketing mix are - Product, Price, Place and Promotion. A concept of marketing mix was given by expert named E. Jerome McCarthy in the 1960s. The different elements of the marketing mix can be briefly described as follows:

- **Product:** Product refers to the offering being to the market. It is most important component of the marketing mix around which the entire marketing strategies are formulated. The products have many levels like Core product, expected Product, Augmented and Promised product. The product must perform as per the expectation of the consumer to create satisfaction in the consumer. If the product does not perform as per the consumer expectations than the best of the marketing strategies won't work. The product should be constantly modified by adding value in terms of adding new features qualities ,new better varieties etc.
- **Price:** Price refers to the value for which the product is offered to the market .It is the only variable that has implications for revenue. There are different methods to price a product. The price of the product must commensurate with the quality of the product. The pricing of the product depends on costs of production, target market, paying capacity of the consumer, and other direct and indirect factors. The pricing can also be used to create an image of the product. The price should commensurate with the quality of the product. The pricing should be such that the brand dilution does not take place. Price also includes considerations of customer perceived

value. Thus pricing is an important concept which is used as a tactical decision in response to changing competitive, market and organizational situations.

- **Place:** The third P Place refers to the point of sale. Every company wants to provide the consumer the right product at the right time where it is required. In such a situation place element plays a significant role. Ease of access is the main aim of a good distribution system or 'place' strategy. In retailing location plays an important role. In the place component effective supply chain systems can provide the company required competitive edge, the supply chain systems backed by latest technological advancements can do wonders for the company.
- **Promotion:** The Fourth P Promotion is concerned with all the activities undertaken by the marketer to make the consumer aware about the product. Promotion strategy includes advertising, publicity, sales promotion, Discounts to the consumer. It can also include direct marketing, contests and prizes. The integration of all the above activities is referred to as promotion mix. The marketer needs to have a balanced blend of these promotional tools. The company can use any of the tools of the promotion mix depending on the nature of the product as well as the overall objective of the organization.

All the elements of the marketing mix must work in close coordination with each other. A properly made strategy using 4P's can do wonders for the company. The marketing mix requires a lot of understanding, market research with several people, markets and others. Thus the correct marketing mix can play an important role in the success of an organization. Booms and Bitner added three more P's in the 4P's which are more relevant to the services. They are People, process and physical evidence.

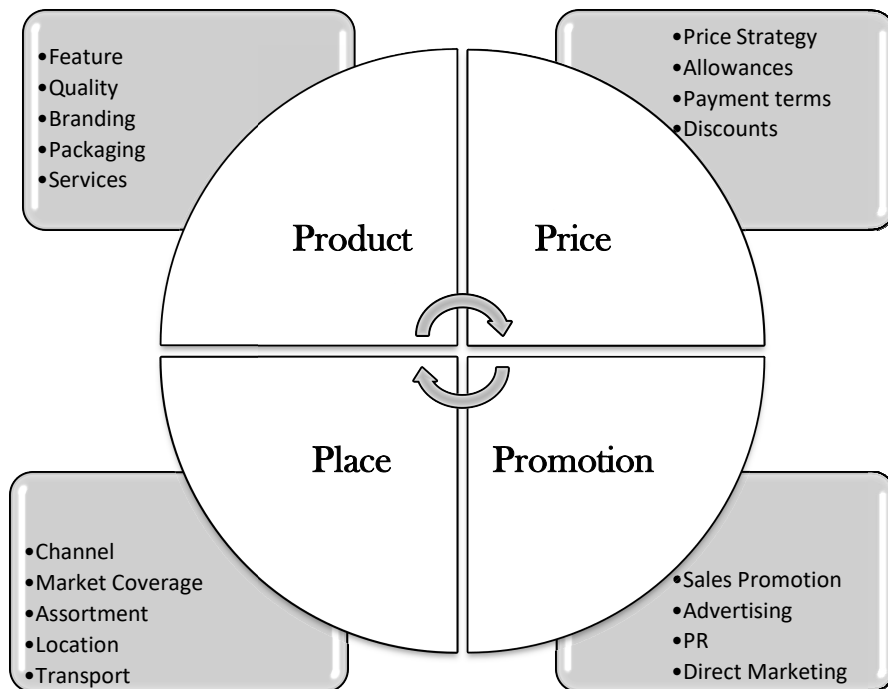


Figure 2.3: The Marketing Mix

Source: McCarthy, 1960

Tangible and Intangible Rural products

A product of an offering can be classified into two broad categories called as tangible and intangible products.

A tangible product is one that can be touched and felt. Tangible goods are products that you can put your hands on. As long as something is shipping to the consumer it will be a tangible good. Most of the goods in the market are tangible products. For example: Laptop, Tractor, Agricultural equipment, etc.

Whereas, an intangible product is a product that can only be perceived. Things like domain names or computer programs are intangible goods. The service sector is predominantly focused on the intangibility of the product only. For example Teaching, Consultancy, Airlines, Tourism, Medical Services are all part of services since they are intangible in nature. They are the goods that do not have a physical nature. Most of the services industry offers intangible products. In an increasingly digitized world; intangible goods play an important role in the economy of a country. Some of the examples of intangible products are Consultancy, Education, and Hotel industry. Intangible data products can further be classified into two categories which are virtual digital goods and real digital goods. Real digital goods are commonly viewed as 3-D objects or virtual transfer within the same visual media program for Traders Middlemen and labourers.

Some of the main differences between tangible and intangible goods are as follows:

Table 2.1: Differences between tangible and intangible goods

Tangible Products	Intangible Products
A customer can see, feel, touch or taste the product before purchasing.	A customer cannot see, feel, touch or taste the product before purchasing. The benefits can only be imagined.
There is control over quality and consistency	The producer has less control over quality and consistency.
The tangibles can be inventoried	The intangibles cannot be inventoried as they are perishable.

2.2 Analysing Marketing Strategies

Marketing strategies are generally based on explicit and implicit beliefs about the behavior of the consumers. The marketing Decisions based on explicit assumptions and sound theoretical and practical aspects are more likely to be successful as compared to the marketing decisions based solely on implicit intuition. The sound consumer behaviour knowledge can be an important tool for gaining competitive advantage while formulating the marketing strategies. It would be helpful in handling the risks and uncertainties of the marketing environment effectively. It can also reduce substantially the odds of bad decisions and market failures.

Some of the principles related to consumer behaviour which are kept under consideration by the marketers for effective formulation of marketing strategies are as follows:

Analyzing Market Opportunity

Consumer behavior helps in identifying the unfulfilled needs and wants of the consumers. This requires scanning of the marketing environment and identification of the trends operating in the market area, like customer's lifestyles, income levels and technological advancements in the market.

Selecting Target Market

The scanning and evaluation of market opportunities helps in identifying different consumer segments with varying wants and needs. Identification of the target market and understanding the buying behaviour of the target market helps the marketer to design products and services as per the requirements of the target market.

Example – The market research have shown that consumers don't prefer shampoo packs priced at Rs 60 or more. They would rather prefer a low price sachet containing sufficient quantity for one or two washes. This made companies to work on their marketing strategies to offer a product which satisfies the unfulfilled need of the market, thus companies introduced shampoo sachets at a minimal price which was very successful and helped the companies in generating higher revenues. These strategies have been effective in launching of many successful products related to the toiletries segment as well as the agro products. The FMCG companies have been able to take the maximum advantage of this research and the changing requirements of the consumer.

Marketing-Mix Decisions with Examples

The marketing mixes are used and modified accordingly to formulate the marketing strategies. Once the needs, wants are identified, the marketer has then to strategise the precise marketing mix of four P's, i.e., Product, Price, Place, and Promotion. The different products lines of the company have different marketing mixes. Each variable of the marketing mix has to be modified as per the requirement of the market and the consumer.

Product

A product is the main thing with in which marketer design products or services accordingly to satisfy the needs or wants of consumers. Decisions related to the product are Quality, size, shape, variety and features. The marketer also decides about packaging, service aspects, warranties, credit facilities, and accessories.

Example – Nestle introduced Maggi noodles in masala and capsicum flavors. Subsequently, keeping in mind the consumer preferences of other regions of India, the company introduced other flavours which were popular in different regions of India, Garlic, Sambar, Atta Maggi, Soupy noodles, cuppa noodles, spicy vegetables noodles.

Price

The price should commensurate with the quality of the product. There are different pricing strategies like penetration, skimming and psychological etc which can be used by the companies in pricing the product. Marketers must decide what price to be charged for a product or service, to stay competitive

in the market. In many cases the companies tries to emulate the pricing strategies of the competitors. To conclude the pricing decisions should ensure the steady flow of revenue to the company.

Place

The place component of the marketing mix is related to the distribution channel and supply chain activities of the company i.e., where and how to offer the products and services at the final stage. The main decisions taken regarding the distribution mix are as follows:

- Should the different products categories be sold through different retail outlets or only through the selected ones?
- Should the marketer focus on the outlets that sell the competing brands? Or, should they focus on elite outlets selling the marketer's brands only?
- The location of the retail outlets keeping customers' point of view?
- Should the company go for direct marketing and selling?

Promotion

Promotion is used in the marketing strategies to build long term mutually beneficial relationship with the consumers through the integrated marketing communication. In the Promotion mix as already discussed the marketer has to decide which method would be most suitable to effectively reach the consumers. Should it be advertising alone or should it be combined with sales promotion techniques? The company has to focus on its target consumers, their location, and preferences, which media have, better accessibility for target consumers, the lifestyles of the consumers, etc.

Therefore understanding of the consumer behaviour is an important aspect of the marketing strategy. Without the proper understanding of the consumer behaviour it would become very difficult for the marketer to effectively formulate the strategies. The marketer also focuses on the buying patterns of the consumer which consists of the when, why and where of the buying process and under what conditions the product is consumed. Since the urban consumer is more informed due to exposure to the external environment therefore the buying behaviour of the urban consumers is different as compared to the rural consumers. Due to better infrastructure and other factors like high income levels, high literacy rate and with high disposable income the propensity to adopt a value offering product becomes high. Therefore the marketers should formulate the marketing strategies which are especially catering to the urban and rural consumers. The rural marketers apart from depending upon traditional methods like weekly haats, festival, fairs and publicity vans for demonstrations and advertising should also focus on technology and networking sites for promoting the product and selling the product. Technology can be a game changer when it comes to selling the product to the consumers. The Promotion of the products can also be done by offering complementary products and price discounts. Using the online platform for selling the product is also an effective medium. In addition to the above factors there are some Cultural factors also which the marketer should use during strategizing process. Culture is the first and basic element which has a substantial impact on the buying behaviour of the consumer. It shapes a person's needs, wants, demands and behaviour, which makes the job of a marketer more challenging.

In view of this the marketer has to put in extra effort to understand the behaviour of the consumers. For example, Gillette conducted a comprehensive research on the Indian consumers to understand their behaviors. Thus, the study of consumer behaviour becomes important for better understanding the consumer so that marketers can tap the target market effectively. In the end it's important to mention here that different products have different Consumer decision making with the type of buying decision. Expensive purchases are likely to involve more buyer involvement and more participants as compared to the routine or cheap products. As per Henry Assael the consumer buying behavior can be categorized into four types behaviour based on the degree of buyer involvement and the degree of differences among different brands.

Complex Buying Behavior occurs when the consumer is highly involved with the purchase and there are significant differences between brands. In this type of buying behaviour the Consumers purchase those types of products which are costly and many times are one time purchases therefore the consumer invests considerable time and effort in purchasing the product. The consumers indulge in complex buying behavior when they are highly involved in the purchase process and are aware of significant differences among brands. Since the products are costly and expensive these products are bought infrequently and with much more deliberations. The purchase of these products are risky and highly self expressive. For e.g. automobile, two-wheeler, house, high end jewellery etc.

Dissonance-Reducing Buying Behavior

The dissonance means dissatisfaction form the purchase of product which crops up after the purchase of the product. Sometimes the consumer is highly involved in the purchase of the high end product due to the limited differences between the brands the differentiation becomes difficult. The high involvement products are expensive, infrequent and risky. 'Dissonance' can occur if consumers worry afterwards that they may have made the wrong choice. For example, carpet buying. In such a buying the consumer might experience dissonance that may be due to some disliking features of the carpet. Consumer will choose such products on the basis of price or convenience and seek confirmation, after the purchase, of their decision. Therefore to reduce the dissonance the marketing communication should focus on reducing the dissonance and making the consumer satisfied about the consumer's choice for his or her brand.

Habitual Buying Behavior – Habitual Buying Behavior refers to situations where a consumer has low involvement in a purchase, and perceives very few differences between products in a given product category. There are many products which fall in this category of routine purchases. These types of products are frequently purchased and less risky. These are low involvement products and less deliberations and time is given for the purchase of these products. Due to this products are bought under conditions of low consumer involvement and the absence of significant brand differences. Most of them are everyday use products and commodities, such as toilet paper, salt and black pepper, salt, Candies, Needles etc.

Variety-Seeking Buying Behavior

It is the buying tendency of those consumers in which the consumers do not have a high involvement with a product and there is a significant difference between brands. These types of consumers seek variety for no genuine reasons and soon become bored with products. In many cases especially the urban consumers look for variety in the products. These products are also characterized by low consumer involvement but significant brand differences. The consumer may shift to the other brand due to the boredom or just because of simple wish to try another product for a different taste. Due to the number of options in front of consumers, variety-seeking buyer behavior consumers typically do a lot of brand switching, or the decision of a consumer to purchase a brand other than the one they have previously used or purchased. Since the cost to change potato chip brands is relatively low, then you might change brands strictly out of sheer boredom. The marketer tries to encourage habitual buying behavior of the consumers by dominating the shelf space, avoiding out of stock conditions, sponsoring frequent reminder advertising, offering lower prices, deals, coupons and free samples. Variety-seeking buyer behaviors in consumers can cause a major problem for marketers. The problem which all marketers wish to solve is that how they can fight consumers with these behaviors.

Marketing Communications

Communication refers to the transfer of information, ideas, thoughts between sender and the receiver. In order to make the communication process effective the barriers should be minimized and the ambiguity in the communication process should be avoided. Effective communication strategies can do wonders for the company. For Example Companies like Coca-Cola, Perfetti, Pepsi, Nestle and others have been able to effectively communicate the benefits of their product to their target market. Broadly there are two types of the communication process which are used by companies to promote their product. They are:

- Formal Communication
- Informal Communication

Formal communication is through organized channels which are set by the companies. The Channels are communicated by the top management in advance and conveyed to the lower-level employees. This communication flows through deliberately created official recognized channels to ensure a smooth, orderly, and timely flow of information. Some of the examples of formal communication are indictments, lawsuits, civil and criminal litigation, and court proceedings, Business correspondences etc.

Informal communication is through unorganized channels. It can take place anywhere within the organization. The main aim of informal communication is to establish close relationships. It is faster as compared to the formal communication process. Informal communication is critical to businesses because it encourages upward communication and facilitates communication between employees with their superiors. This leads to higher employee morale. Informal communication is an effective method for conflict resolution and increasing brand equity.

Importance of Informal Communication

Informal communication is an indispensable part of the communication system. In a system where formal communication fails to operate, the informal communication is used. In some cases informal communication is more effective than formal communication. Informal communication has a large volume of important information, which is conveyed through it. Informal communications include speaking to a person about the weather, writing an email about your holiday, sending a birthday card or talking to someone at the grocery shop. In such a communication the company is able to generate genuine feedback from the customers. In informal communication the consumers exchange their personal and professional information with their peers during lunch break or tea breaks to get mental relief from work-related stress. Thus, informal communication promotes social relationships among employees. Being oral, it has maximum reach amongst employees. Informal communication is flexible and spontaneous. New ideas, suggestions are originated because they express their feelings without fear. In informal communication information sharing is in a free atmosphere that expresses the hidden dimension of the management. It is not possible in the case of formal communication. Thus, informal communication supplements formal communication. Apart from the advantages mentioned above, there are certain disadvantages also of informal communication which we will cover in the next segment.

Disadvantages of Informal Communication

Inaccurate, incomplete and half-true information is spread through informal communication. In most cases it is full of sentiments that can change its meaning. A spread of half-true information or rumor is not congenial to organizational health. No one can be held responsible as it is not possible to find out the supplier of the wrong information in the case of an inquiry. It is not reliable. The managers cannot depend upon such information as it does not follow any norm and is to lose a system. No decision can be taken depending upon such communication. It spreads rumors and endangers the consolidation and unity of the organization. It creates conflicts between groups by spreading rumors against them and reducing their mental strength. It becomes more harmful for an organization when the managers take decisions depending upon such unreliable, inaccurate and incomplete information. For example if a company wants to target some rural consumers and it relies only on the informal communication in such a case the relying solely on the informal communication may not give the correct picture of the market because people take the informal communication very casually and there are no restrictions and rules.

2.3 Role of Technological Developments

Technology in today's world has become imperative in all areas whether they are healthcare, medical, education, transportation, tourism, industry, business, management, administration, banking or rural development. Technology mainly is concerned with the usage of computers and software applications. It has several meanings such as machinery, equipment, tools, skills, knowledge and expertise. For the development of rural areas, the utilization of technology has been done on an extensive scale and there has been expansion and progress in the field of agriculture because of effective implementation of technology. The main areas that have been highlighted in this research paper are, objectives of development of technologies in rural areas, benefits of application of technology in rural areas, areas of application of technology, the role of information and communications technologies in rural

development, challenges faced by rural areas and ways of connecting energy access and rural development. The main purpose of this paper is to bring out information regarding how the technological progress is becoming useful for the development of rural areas. The rural development in India is extremely vital for the development of the country, this point has been acknowledged to a great extent, the reason being that over 70% of the population of India resides in rural areas, and therefore, the rural development would effectively lead to the development of the country.

Technology has made the consumer more powerful and with the internet enabled smart phone and tablets the convenience offered by technology has transformed the way shopping was done. Technological factors take in to consideration the existence, availability, and development of technology. The expansion of the telecommunication and other communication networks has provided immense opportunities to the marketers to use this for their advantage in the rural as well as urban markets, and also to be in constant with their target market. Development of cable and digital networks has made the usage of Television very effective in passing on the message related to products and services to the rural and urban consumers. In the urban areas the youths and children have access to information regarding the performance and usage of the product. Information technology and internet have the capacity to spread up information in urban India as jungle fire. The recent initiatives of the central government under its Digital India programme, the government intends to transform the India's rural economy by creating skilled jobs in rural areas so that the rural people can become job providers than job seekers. Despite the technological advancement there still remains a need for investment in old-fashioned techniques to catch up with the gap which have widened in comparison with the urban market. Around 25% of the Indian rural adult population cannot read or write, and there is a big gender divide which must be addressed in order to make women equal partner in the growth process, particularly in women's education and training. The application of new technologies is still very limited in the rural areas and many rural marketers are not even aware of these advances. Although much work has been done but Substantial investment is still needed particularly in the areas of infrastructure, power, broadband, transportation and education, in order to reap the benefits of information technology. To conclude the technological factors are the important factors that can affect the rural businesses. There is no doubt that technology has changed the way the companies used to conduct their business. It's difficult to believe that in the past ten years the significance of so many things has changed almost so fast. Some of the examples of Technological Factors which affect the business are as follows:

- 3 Dimensional technology
- Computer calculation speed/power
- Engine efficiency
- Internet connectivity
- Wireless charging
- Automation
- Security
- Augmented Reality
- Mobile devices and Payments
- Social media
- Integration of technologies like IOT, Big data and cloud Technology

These above technologies have proved to influence consumer buying behaviour intention positively. The technological factors have favorably changed the customer's shopping behavior. The companies by the use of latest technologies have achieved positive outcomes and augmented product knowledge with a positive attitude towards the brand leading to higher purchase intentions.

Economic Factors

The Consumer behaviour is largely influenced by the economic factors. The economic factors that influence consumer behaviour are:

- Personal Income
- Family income
- Income expectations
- Savings
- Liquid assets of the Consumer
- Consumer credit
- Other economic factors.

Economic factors are an indispensable factor for sustainable development of the rural economy. The economic factors have the potential to uplift the rural population out of poverty. Since independence the rural population has lived in abject poverty due to non-availability of business opportunities and complete dependence on urban population for the fulfillment of the basic needs. International Labor Organization estimates that in developing countries, over 80 per cent of the poor live in rural areas. A large rural population still depends on low-productivity farming for their livelihoods. The rural households lack access to business opportunities and marketing support of their products and therefore the rural population often rely on income from wage employment. The mitigation of extreme poverty in rural areas in India requires government attention and initiatives in terms of increased policy focus on rural development. Work in the rural economy on national and international policy agendas is crucial to find long-term solutions to the problems responsible for contributing in the rural poverty. The major factors which contribute to the rural poverty are weak institutions, ineffective law enforcement and compliance; non availability of enabling environment for businesses; underdeveloped production systems; poor infrastructure and limited access to services, finance and health-care. Close coordination between all government departments and rural stakeholders is essential for ensuring better result with high impact. The productive transformation of both agriculture and non-agricultural economy cannot be effectively achieved without the active involvement of government and rural stakeholders. Improving the quality of agricultural jobs and providing business opportunities and marketing support is essential to attract rural youth. This can facilitate agricultural growth, which will raise rural incomes, and will have multiplier effects. The rise in global food demand, the agricultural sector offers untapped employment opportunities. To attract the new generation, the sector needs modernization, to increase its dynamism and to raise its status as a source of business opportunity. Rural areas have great diversity of economic activities, which includes processing and marketing of agricultural products, tourism, mining and services. Harnessing the potential of the rural economy is the need of the hour which represents a purpose that has to learn from past experiences and develop new strategies for the future. The rural

population has to be continued updated about the new challenges and new trends and developments in the field. It is generally assumed that the technological advancement is important than the capital formation. But the economic factors can bring out economic development to a limited extent only if there is no technological change. Therefore, Indian companies have to keep in mind these factors and spend more on technological development to grow in the market. The companies should work as psychologist to procure consumers. By keeping in mind affecting factors things can be made favorable and goal of consumer satisfaction can be achieved.

2.4 Marketing Environment

The Indian marketing environment consists of a diverse population having different cultures, different languages. Some of the consumers in India are informed consumers who have disposable incomes to fulfill their needs with a branded product, whereas some are illiterate with low incomes. This diversity of the Indian market offers various challenges to the marketers which need to be tackled differently for various market segments. A marketing environment consists of various tangible and intangible factors, which can be controllable or uncontrollable. Marketing strategy is using the marketing mix to tailor - make the marketing strategies for the targeted market of an organization. The marketing environment also includes threats and opportunities in the market. The marketing environment of India is very complex and is fast changing due to technological innovations. The marketing organization should be proactive and adopt strategies according to the changing requirements of the market. A Company has to be in sync with time to withstand competition. An organization that makes effective and creative marketing strategies prospers and creates opportunities in the changing environment. There are various factors which constitutes the marketing environment, they are:

a) Social changes which consist of three sub-factors as:

- Sociological factor
- Anthropological factors
- Psychological factors

b) Economic changes consist of factors like:

- Competition
- Consumers
- Price

Other important change factors in the marketing environment are:

- Ethical changes
- Political changes
- Physical changes
- Technological changes

India has gone through many changes in the field of marketing and the most important have been the economic liberalization after 1991. The Indian consumers have become more informed, influential and have considerable disposable income due to the increase in sources of income. The Indian consumers have become more demanding and look for those products which were considered as luxuries earlier. This situation largely prevails in the urban India because this segment was given maximum attention

after liberalization and globalization in 1991. The marketers of the new millennium have started to treat Indian market as one single entity rather than urban or rural markets. The companies have started investing in research and studies to enter in the markets with accurate information. Around 73 per cent of the Indian population live in 5, 72,000 vastly spread villages of India as per Indian census, 2011. The companies have started to acknowledge the potential of this market looking at the sheer numbers. The rural producer grows vegetables and with extensive milk distribution network many things come naturally with to the rural marketers. Rural India is all set to transform our large urban conglomerates. As per National Council of Applied Economic Research (NCAER) data villages in India has become home to the many good things of life. The percentage of low income households between 2018-2019 came down from 53 to 38 percent while the high income households in rural areas moved up from 2.3 to 6.3 percent. The rural market with fast growth rate, better infrastructure, better communication facilities and standards of living offer tremendous potential to visionary companies in India. In recent times, development in agriculture production and allied activities and rural industrialization the scope for marketing of goods and services has increased considerably. Improvements in the field of agriculture, health, education, communication, electrification, etc. have improved the life of the rural population and market research agencies forecast that the rural demand will supersede the urban demand in the coming future.

Occupation Pattern

The occupational pattern of a segment naturally has an impact on the buying behavior of the consumers due to higher disposable income. A salaried person has an assured monthly income whereas a daily wage earner has a varied income. Their occupation and income affect their buying behavior also. As the maximum number of rural consumers has agriculture as the main occupation so therefore their income is seasonal and keeps varying which is not in the case of urban consumers.

Income Generation

The pattern of income generation in rural areas is varied and seasonal unlike the fixed monthly income in the urban areas. This created a consumption pattern that is quite different from the urban one. The major sources of income generation for rural consumers are as follows:

- By sale of agricultural produce
- By sale of animal products, For example, Milk, etc
- By interest on investment
- Government subsidies and grants
- By mortgage of properties and gold
- By charities and donations
- By labor and wages – Labourers do jobs in the construction of roads, bridges and buildings.

To conclude it can be surmised that the income of the Rural Sector is rising steadily because of the rural centric schemes of the government for job creation and entrepreneurship development. The Percentage of Very Rich, Consuming Class, and Climbers are rising whereas Aspirants and Destitute are declining.

Literacy Level and Rural Demand

Due to the lower level of literacy in rural India the use of technology and other means of promotional tools become difficult. This is a challenge that the rural producers have to face as compared to the multinational companies. But due to the increase in the literacy levels of the rural population this weakness will soon be nonexistent and the rural producers will be able to use technology to promote their products. Also due to the governments, special schemes for girl education and the overall education of the rural consumers this situation is fast changing. As per the government data there is a rise of 23 % in the literacy level of rural consumers in the last 20 years. Due to an increase in literacy level the rural consumers are now able to make more informed choices and mature purchase decisions and have become more aware of the different brands and services available to them. The rural marketers, therefore, have to now make proper and effective marketing and communication strategies for urban consumers. The marketers have to use various communication tools and media for conveying the message to the consumer effectively so that the rural demand can be increased. Now communication is not a problem as far as communicating with rural consumers is concerned. Internet, Mobile phones and television have proved to be an effective medium for communication with the rural masses. This phenomenon can show slight variations in some states although efforts are being made to bring these areas also in the ambit.

To-Do Activity (Team of 10 Members)

1. Describe the Buying Decision Process for a mobile/Smartphone. Fit your description around the five stages that follow:
 - Recognition of a need.
 - Choice of level of involvement (i.e. justifying you time and effort)
 - Identification of alternatives.
2. Understand the different types of decisions a consumer may face. The pivotal role of processing effort and involvement.
3. Analyse an advertisement affecting the consumer behaviour.
4. Try to identify the unmet needs of the urban consumer and how rural products can satisfy it.
5. Identify the best communication medium for the urban consumers using live examples.

Most of the Indian companies suffer from marketing myopia is they do not foresee the future and don't innovate as per the requirements of the market. Therefore, to avoid this problem of marketing myopia visionary company tries to innovate the new products as per the requirement of the target market. Companies like Microsoft; Apple etc. are categorized as visionary companies just because of their innovative offerings. These companies invest heavily in creating new and innovating products which delights the customers. The visionary companies understand the importance of innovation and just because of this they are most valuable companies in the world. So it can be said that the Innovation stimulates the growth of an organization. The ability to look for generating creative and winning ideas for new products and services is the key towards building a successful company. So in view of this the Entrepreneur rural or urban should have these important inherent qualities of creativity and innovations. An entrepreneur should have a natural instinct regarding innovations, because successful

entrepreneur understands that the innovations in products, service, or a business process make the business unique and help the organization in attaining competencies in many functional areas of business. The important task for a marketer is to carry out these innovations in such a way in the market that they are properly diffused in the market. When the new products or innovations are introduced in the market the consumers do not adopt these innovations easily and there are lots of ifs and buts before adopting the product. Naturally the consumers are not interested in adopting new products, services or ideas because of the resistance to change and the fear of the unknown. Many researchers have been conducted in the academic circles on the topic of adoption of innovation and it has been found that buyers who adopt the product early have different characteristics than the buyers who adopt the innovation after some time. It is due to this reason that the marketers understands the market and identify their target market before launching a product.

The understanding of the target market helps the company in decision making regarding the launch of the product or holding the product for some time. Actually the study of the target market helps in determining the best possible time for the launch of the product. As far as the concept of 'Diffusion' is concerned it was first introduced in the 19th century by a French sociologist Gabriel Tarde. Later on further work was carried on German and Austrian anthropologists Friedrich Ratzel and Leo Frobenius who further elucidated the concept of diffusion. In 1943, in Iowa, Ryan and Gross, made significant observation on the topic of diffusion of innovation and found the pattern of adoption of corn seeds among farmers. It is because of their efforts that the concept of diffusion of innovation was first studied in rural context. Since then Diffusion of Innovation has been applied to many areas like marketing, sociology, health science, health promotion, research, knowledge management, and many other areas. It has been particularly been used to great extent in the field of medical sciences and health communication. In 1962, Everett Rogers carried out a path breaking research in the area of Diffusion of Innovations. He carried out over 508 diffusion studies across different fields that initially influenced the theory. The theory given by E.Rogers propounds that the innovative products in the marketplace do not follow a straight path, but are accepted in wave after wave by the consumer, starting with innovators, then moving on to early adopters, early majority, late majority, and laggards at the end of the line. The ultimate goal of an organization is to convince the most of the individuals to adopt a new product even if it goes against their judgment. As per the theory, if the consumer accepts that the product, service or idea is innovative then they're more likely to engage with the product as it diffuses/spreads in the marketplace.

Furthermore Rogers in his theory on diffusion of innovation recommended that there are four main elements that influence the spread of an innovative idea which are the innovation itself, communication channels, time, and Environment or social system. He defined Diffusion of innovation as the process by which an innovation is communicated through certain channels over time among the members of a social system. It is concerned with the spread of messages that are perceived as innovations where an innovation is an idea, which is perceived as new by the customer. Everett Rogers proposed different categories of adopters based around the premise that different consumers respond to innovation differently, and therefore they are thus placed in different consumer categories, which he classified as

innovators, early adopters, early majority, late majority, and laggards. The Diffusion of innovation manifests itself in different ways in different societies and cultures and is dependent on the type of adopters and the innovation-decision process. The elaboration of each category of adopters is as given below:

Innovators

The customers who fall in the category of Innovators are those who are very enthusiastic about trying new things in the market. They are the ones who try to be the first ones in adopting the new innovations in the market. The innovators are the customers who love taking risks and they are adventurous in trying out new offerings, ideas, services and products. As already discussed They are risk takers, and do not fear trying out something new even if the innovative product does not provide the type of satisfaction as desired from the offering. The innovators do not care about the bad results in trying new products. The innovators are the most lucrative customers for any marketer and efforts should be made by the organization to reach out to these types of customers for marketing the new and innovative products.

Early Adopters

The early adopters are those who act as the opinion leaders in the markets. They act as reference groups for many customers and enjoy leadership roles. They are relatively flexible to adopt innovative offerings. The early adopters are ready for change and they are in look out for innovative and contemporary products for progressive changes in the environment. This type of adopters offers an attractive market and the marketer should appeal to this population by using marketing tools and other methods which may include detailed 'how-to' manuals and information sheets on implementation. Aggressive selling and marketing efforts are not required for this type of adopters and hence they don't need to be perused too much to purchase innovative products as they themselves are more than eager for change and trying out new products. Early adopters are described as curious and exploratory consumers, who buy first, talk fast and help in diffusion of the innovative products they also talk about the pros and cons of what they have purchased.

Early Majority

This category of customers lacks leadership qualities, but they adopt innovative products, ideas and services before the average person. They observe and analyze the market before going for actual purchase; they are calm and patient by nature. They satisfy themselves and wait till they are convinced about the innovation. They look for evidence before they purchase or adopt an innovative product. Various strategies which are available for the marketer to convince and target this category include Success stories of the innovations and verification of the innovation's effectiveness. These peoples look for dependable evidences before going for actual purchase.

Late Majority

This category of customers are resistant to change, they are satisfied with the existent products, they are skeptical of change. These types of customers are the ones who adopts the innovation only when therefore is a positive feedback about the innovation and the product has been tried by the majority of

the market. They look for empirical evidences to gauge the satisfaction level of customers who have tried the product and are happy with it. The various strategies which can be used to appeal to this category of adopters include information on how many other people have tried the innovation and have adopted it successfully with empirical proof.

Laggards

These types of customers are very conservative and are bound by tradition. They are very rigid and are the most difficult group to please. They don't want to change because of reasons which are personal to them. This type of consumers has to be convinced or confused for making them adopt the innovative products. The other Strategies which can be used to appeal to this population may include fear appeals, and pressure from people in the reference or peer groups. So it can be concluded from above that in the market place can find different types of adopters, As per the data from Lean Monitor their study found out that almost 34 percent of the consumers in the market are the early and late majority consumers and they have a substantial numbers in the marketplace. The category of Laggards makes up 16% of the consumer profile, whereas early adopters (13.5%) and innovators (2.5%). Thus this statistics by lean monitor is an indicator that how important it is to get the early customer awareness phase's right. In the end it can be concluded that diffusion of Innovations is a theory of how, why, and at what rate new ideas and technology spread through cultures.

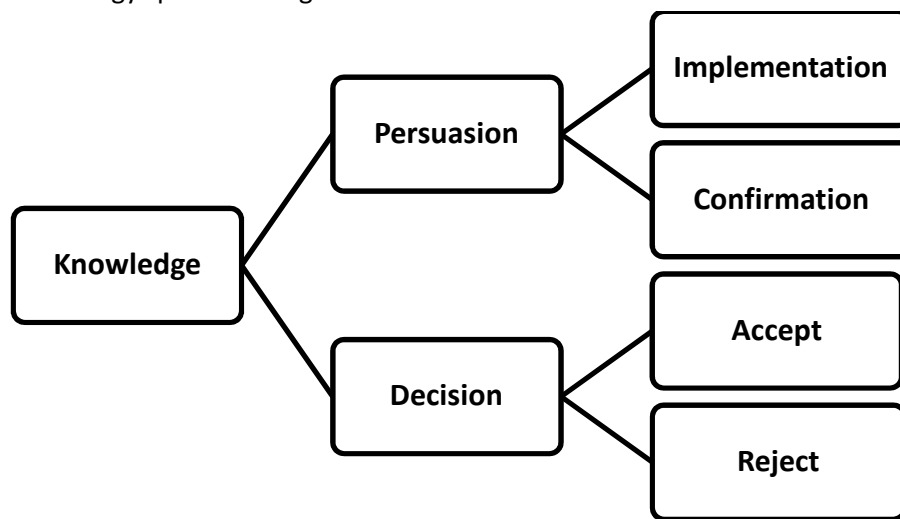


Figure 2.4: Stages in Decision making process

Source: Rogers (2003)

Factors which Influence Adoption

Whenever the customer is looking for purchasing any product, the customers looks for the product which is easy to consume or use and are less complex products. The marketer should try to keep the Product description short and in simple language without any jargons. In the present scenario the consumers are highly informed and want to be compatible with the product they buy. The term Compatibility refers to the products philosophy, culture and values. In short, it is the ease with which the customer integrates with the product's offering in their daily usage. Apart for this the customer is

also looking for the benefits and relative advantage of the product. The consumer expects that the performance of the product should meet the expectations of the consumer. This simply means that how much improvement the new product is offering to the customer, which in marketing terms means the value for money. It is important to mention here that in achieving all the above objectives the effective communication plays a very crucial role. The product should be accessible and easy to try out. How easily the innovation is available for use and experiment determines the rate at which the innovation will be adopted. And lastly, the influence of the peer group plays a very important role in adoption of innovations and service even in case of early adopters. The social networking sites like Facebook, Whatsapp, LinkedIn helps in persuading the customer when they watch their updates on their timelines and this prompts them to buy the innovative products.

Five Adoption Factors

Everett Rogers described some intrinsic characteristics of innovation that acts as a strong influence in an individual's decision regarding the adoption or rejection of an innovation. Some of the intrinsic characteristics are given as below:

1. **Relative Advantage:** This intrinsic advantage confirms how improved the innovation is over the previous product. What are the benefits which the new product is offering which were not being offered by the earlier product?
2. **Compatibility:** The compatibility means the emotional connect with the product. The higher the level of compatibility the better the innovation will be assimilated into a customer's life.
3. **Complexity or Simplicity:** The innovations no matter how advanced should be simple to use. The innovations which are too complicated or difficult to use are less likely to be adopted by the consumer.
4. **Trialability:** How easily an innovation may be tried is an important characteristic which decides whether the innovation will be adopted or not. If a consumer is able to try and test an innovation, then it is more likely that the innovation would be adopted.
5. **Observability:** Observability refers to the extent that an innovation is visible to others. An innovation that is more visible to the consumers will drive communication among the individual's peers and personal networks, which in turn will create more positive or negative reactions about the innovations.

Elements of Diffusion of Innovations

Some of the elements of Diffusion of Innovation are:

1. **Innovation:** As per Everett Rogers innovation is an idea, practice, or object that is perceived as new by the consumer. It is another unit on adoption. The adoption requires time and effort.
2. **Communication Channels:** A communication channel is "the means by which messages are sent from one prospect to another. An effective communication channel converts prospect into consumer.

3. **Time:** The innovation-decision time is the length of time required to pass through the innovation decision process. Rate of adoption is the speed with which an innovation is adopted by the consumers.
4. **Social System:** A social system is the environment in which the customer interacts with the marketers. It is defined as a set of interrelated units that are engaged in solving of the problem or need fulfillment of the customer to achieve a common goal.

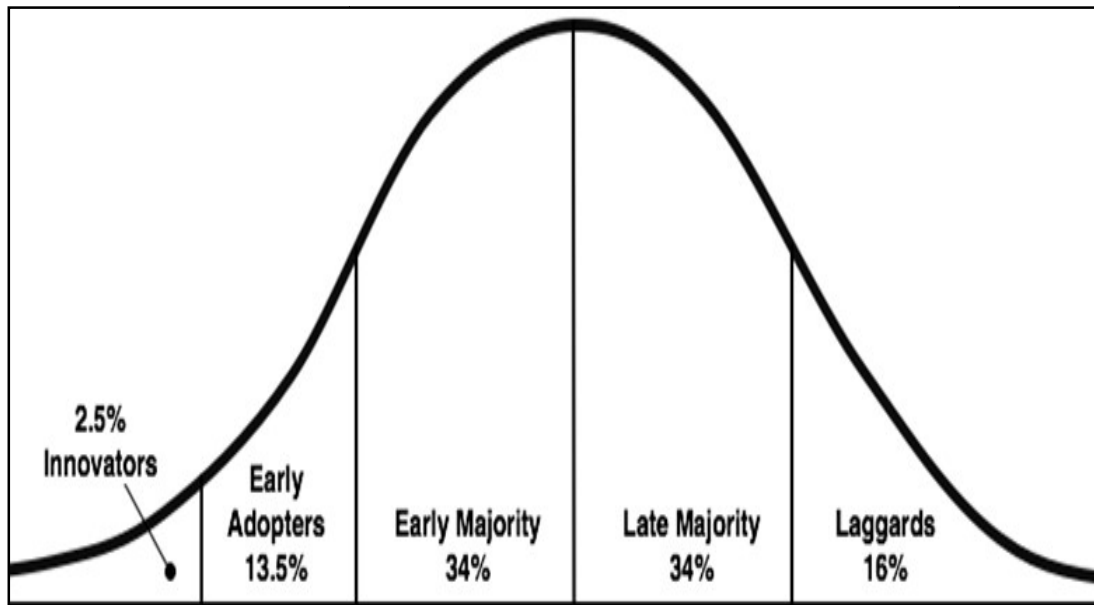


Figure 2.5: Diffusion of Innovation
Source: Rogers and Everett (1962)

Examples of Diffusion of Innovation

As the first adoption is slow, the innovators and early adopters are the ones who take the risk of adopting the innovation. Then the early majority and later majority consist of the bulk of the adoption and at the last stage the laggards come in. Saturation point is reached on an S-shaped curve where there is little room for further adoption. The diffusion of innovation moves through one person. The diffusion process is a slow one that takes time, travelling from individual to individual. Each consumer goes through the diffusion process, and therefore society itself goes through this same process. So this theory can be applied on both personal and social levels, and both have to complete the entire process for diffusion to occur. Here the example which fits is of refrigerators. The refrigerators have come to pass where most households have one and it is difficult to convince consumers to buy multiple refrigerators. For examples, a society may have adopted the internet faster than it adopted the automobile due to cost, accessibility and familiarity with technological change. Diffusion of innovation can occur through planned or occasional means. For example, multidisciplinary sharecare programs for people with diabetes are a type of planned promotion of information.

Opinion Leaders

The opinion leaders are those whose advice the consumer takes for making any purchase decisions. The consumers often take advice from those peoples who have already used the product and know about the product. The opinion is generally an educated person, who has knowledge about the product and its market. The opinion leader can be trusted for correct opinion on the Subject. In rural India the Sarpanch or Pradhan is usually considered to be the opinion leader, whereas in the urban India the opinion leaders are educated people. The Opinion-leaders are mostly product specific. The opinion of the leader varies from products to product. The more aware consumer takes second or even third opinion until they are satisfied. The marketers extend the theory of opinion leadership in advertising by using the brand ambassadors as product endorsers. It is always beneficial for the marketer to have a good understanding of the consumer buying behaviour in order to guide decisions in the urban or rural markets. In the present scenario the consumers can afford high priced brands and the rural consumers not only can afford the high process but are also willing to buy high priced brands.

Brand Loyalty

Brand loyalty is defined as positive feelings towards a brand and commitment and motivation to go for repeat purchase regardless of a competitor's offering the same product. Positive word of mouth is an important element of brand loyalty. Brand loyalty increases the brand equity of the company. Brand loyalty helps in creating an emotional connect with the brand. The urban consumers are more in to brand loyalty which means that they will go for the repeat purchase if the brand gives reasonable satisfaction. The entry for new brands in urban markets are possible, even though the urban market is considered to be a highly brand loyal market, this makes the urban market lucrative for the rural products. The Brand loyalty is low in case of FMCG products like toilet soaps, toothpaste, batteries etc. but it is high for the products like Soft drinks, and beauty creams, Shampoos etc. In a monopolistic market the Brand loyalty is possibly low because of the absence of variety of products. It is a good measure for the marketers to predict brand performance outcomes. Brand loyalty highlights the importance of integrated marketing communication in promoting a certain product. Brand loyalty is different from repurchasing as repurchasing may be due to situational constraints whereas brand loyalty is the motivation to purchase the product again and again. A strong brand loyalty indicates that the customers are willing to pay higher prices for the product. From the marketer's point of view, brand loyalty is a key factor and the companies often ensure that they are not wasting resources to retain loyal but unprofitable customers.

Status of Loyalty

The brand loyalty varies from consumer to consumer. Philip Kotler defines four status of loyalty. They are as follows:

1. Hard-core Loyals – They are the consumers who always purchase the same brand all the time. For Example: Heavy Smokers,
2. Split Loyals – These are the consumers who are loyal to two or three brands in case of non availability of the preferred brand they shift to the other brand. For Example if some consumer does not get coke it can purchase Pepsi or Thumbs up.

3. Shifting Loyals – These types of consumers keeps shifting from one brand to another. They are variety seekers and not satisfied with the one brand. This normally happens with the low involvement products. For Example: Stationary items like pen, pencil etc.
4. Switchers – These types of consumers have no loyalty towards particular brand. For Example Unbranded products.

Factors Influencing Brand Loyalty

There are many factors which influences the Brand Loyalty of consumers towards the product. The loyalty towards a brand is determined by varied psychological processes. The important factors which influence the brand loyalty of a customer towards a brand are Customer perceived value, brand trust, customer satisfaction, repeat purchase behavior, and commitment. Commitment towards a brand is considered to be essential requirement for brand loyalty followed by perceived value, satisfaction, and brand trust. Fred Reichheld, an eminent writer on the area of brand loyalty, suggested that enhancing loyalty of the customer towards the brand have a significant impact on the profitability of the company. Most of the companies' worlds over are spending heavily on CRM programs to increase the loyalty of the customer towards the brand but many a times this exercise may prove to be waste of time, money and resources. Therefore proper research is required before spending money on the CRM programs. The main benefit which is an outcome of brand loyalty is longer tenure of customer and lower sensitivity towards the price. Many researchers have indicated that brand loyal customers are less sensitive towards price increases, because it is difficult for them to completely stop using the brand. Therefore a companies' ability to attract and retain customers for a long time is vital to its success. Integrated marketing communications (IMC) which is integrating a variety of convincing messages can be used as a potent tool to increase brand loyalty and to increase perceived attraction between the consumer and the brand. IMC is used to boost emotional response and attachment to the brand, as well as to create an emotional connect with the brand this in turn leads to brand loyalty. IMC can be used to increase the brand image, brand awareness, brand equity, and to achieve the shared values between the consumer and the brand. Brand loyalty can also be achieved through loyalty programs which increases bond between a brand and a consumer.

Conclusion

Looking at the opportunities and challenges which the rural markets can offer it can be said that the future of rural marketers is very promising if they are able to understand the dynamics of the urban markets. The rural market is very large as compared to the urban market. The products offered by the rural marketers can easily be marketed in the urban markets provided they use the proper marketing tools to tap this market. Marketing support from the government can also play a very important role in creating the awareness about the rural product. The use of customer relationship management programs to increase the brand loyalty for the rural products will go a long way in increasing the reach and marketability of the rural product. Rural markets can also generate and offer employment to urban people. Since the tastes of the urban consumers is fast changing and it seems that they are more inclined towards the rural products, so it is the right time for the rural marketers to focus on the urban consumers with a long term focused marketing strategy to tap this market. The growth of the rural

marketing will lead to increased business operations, professional activities and services that can generate lots of employment opportunities.

Summary of the Chapter

- The Rural marketing strategies focuses on the 4A's and the 4P's of marketing.
- Rural products should focus on Awareness, Availability, Acceptability and Affordability.
- The Consumer behaviour is oriented towards satisfying needs and personal goals.
- Post purchase behaviour is derived from satisfaction or dissatisfaction; it is also related to usage and disposal.
- The consumer buying behaviour consists of various stages which are followed by urban as well as rural consumers.
- Consumer behaviour in personal buying becomes complex, with a number of persons involved in the decision-making.
- Some consumers rural or urban may be of dogmatic with rigid behaviour pattern.
- Brand loyalty is an important marketing concept which the marketer should always focus on creating for the product.
- Communication Process is planned taking into account the target market segment and the mindset of the people of the segment.
- Information technology, easy availability of information and the internet are the best media for communicating with the consumers.
- Villages too have manufacturing units either in small sector or even as cottage industry.

Model Questions

1. What are the factors Influencing Buying Behaviour?
2. Describe the cultural factors influencing consume behaviour.
3. Discuss the Indian Marketing Environment.
4. Explain the purchase Behaviour of Customers.
5. What do you know about compulsive Buying Behaviour?
6. Describe the communication process.
7. Explain the persuasion strategy.
8. Discuss the role of informal communication.
9. Discuss the buying action. Differentiate between rural and urban buyers.
10. Discuss the role of endorser in buying decision.

Reading Materials

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Chapter 3 Rural Distribution Systems

Introduction

Once an organization has completed all the post activities of making the product then the big challenge before an organization is to market the product to the target segment. The organizations after carrying out the market research activities decide on how to make the product availability of the right product at the right time. In order to ensure that the product is available to the target market at the convenient location possible the companies maintain and develop a proper distribution system. There are many distribution networks which an organization may use depending upon the nature and usage of the product. Generally, there are two types of distribution networks which are being widely used the first is direct selling to the customer and the second is to have intermediaries in between which ensures that the product is available to the final consumer. In this indirect method the company is not in direct touch with the customer and this gap is filled by the middleman. The middleman not only provides the product to the customer but he also provides continuous feedback to the organization about the product and market demands. In this method the producer of the product is behind the screen and is dependent on the middleman for any demand or feedback from the customer side. Here the middleman can also provide wrong information to the producer as well. Another disadvantage of having the intermediaries is that it inflates the price of the product due to which the benefits are not passed on to the final consumer. Therefore, to pass on the benefit to the final consumer it becomes important that the companies have an effective distribution system so that the consumer feels happy and satisfied with product at the reasonable price.

In the competitive market every company is trying to outdo other in the in making their product available to the final consumer, but to have a competitive advantage in the area of distribution it is important that the companies carry out innovations in their distribution methods. Since distribution is all about bridging the gaps between manufacturer and customers therefore this gap should be reduced to the minimum with effective distribution systems. Every element in the distribution network has its own requirements, and it works in a unique operating environment, which the companies must keep into account. With the introduction of latest technologies in the area of distribution networks the distribution system has undergone transformation which every company must incorporate in their distribution strategies. This unit discusses how the distribution networks decides the manner in which product would be made available to the final consumer. The design of physical distribution is known as logistics and supply chain management and trade channels which are the part of distribution networks are the major components in distribution strategies.

Objectives

The objectives of this chapter are to:

- To understand the concept of distribution.
- To understand the basic components of Distribution Systems.
- To be acquainted with the channel strategies and Urban Distribution Systems.
- To understand the challenges in the distribution.
- To understand the role of technology in distribution systems

Chapter Structure

3.1 Concept and Nature of Distribution	
3.2 Distribution Patterns for Consumer and Industrial Goods	
3.3 Rural Market Segmentation	
3.4 Rural Communication and Distribution systems	
3.5 Role of Agricultural Produce Marketing Committees	

3.1 Concept and Nature of Distribution

The demand of the product is influenced by many factors like the availability of the product where it is required, ease of access, and how effectively and smoothly the product reaches the customer. The product is of no value if it does not reach the customer when it is required by him/her. Therefore distribution channels play a very critical role in all the marketing strategies which are formulated by the companies for the marketing of the product. The distribution channels increase the revenue of the company and also increases the brand awareness of the product. Distribution refers to the acquisition of the raw materials by the company and from the company to the manufacturer and finally to the end user. Distribution includes many elements like location of the company and accessibility to the target market, logistics and supply chain management, atmospherics, warehouse management, Inventory management etc. is supply chain refers set of activities involving acquiring of the raw material and delivering the products to the end customers. The logistics activity is the responsibility of the marketing department. Supply chain makes the logistics of the company effective by minimizing the inventory and making available the finished products the end consumers. This movement from producers to end consumers involves a series of marketing activities which are known as distribution channel.

Marketing Intermediaries in the Distribution Channel

The marketing intermediaries are an important constituent of the distribution channel. They are one who is instrumental in the movement of products and services from producers to the final consumers. The Marketing intermediaries are an important link between the company and the end consumer. The different categories of marketing intermediaries which are most prevalent in the distribution channel are as follows:

- **Agents:** Agents are generally the sales representatives of the producer or the wholesalers whereas they differ from the brokers in the sense that the broker brings buyers and sellers together on a common platform. The services of the agents and the brokers are usually taken on a commission basis by the buyer or seller. Agents and brokers are into making of profitable deals. They are the part of the distribution network which do not own or take possession of the finished goods.
- **Industrial Distributors:** It is different type of the intermediary in the sense that they are independent wholesalers that purchases product lines related to their expertise only from manufacturers and sell them to the industrial users. They are more into B2B type of transactions. They maintain a sales force to properly execute these transactions. They provide services like call on purchasing agents, deliveries, credit facilities, and providing information. The Industrial distributors are common in big industries like aircraft manufacturing, mining, and oil companies.
- **Wholesalers:** Wholesalers sell finished products to the retailers, manufacturers, and institutions. The concept of wholesaling is very old and their main function is to buy from manufacturers and sell to retailers.
- **Retailers:** Retailers are firms that sell goods to the final consumers and to industrial users for their personal consumption. The retailers provide the aesthetics and ambience which makes the purchase process convenient.

Functions of Distribution Channels

The distribution channels are not just a link between the producer and the consumer but they serve many other functions which are related to the marketing activities. Distribution channels provide ownership utility to the utility by making available the product as and when required by the consumer. They also provide time and place utility to the producer. Apart from the main function of making the products available the distribution channels also carry out the following functions, which are as follows:

- **Logistics and Physical Distribution:** The distribution Marketing channels are responsible for assembling and sorting of the product and the transportation of goods from producer to the end customers.
- **Facilitation:** Distribution Channels also provides pre-sale and post-purchase services for smooth accessibility of the product to the customer, the service which includes are credit facilities, easy and quick financing, services, providing timely information and channel communication and coordination.
- **Creating Efficiencies:** The distribution channels create efficiencies by breaking bulk and creating assortments. The Wholesalers purchase substantial amount of finished products from the producer and then break them in to small assortments and sell them further to different channels and customers. The distribution channels make available a variety of products at a single location so that the customers don't have to move from one location to other for purchasing the product. This is of huge benefit for the customer as it saves the time and money of the customer.
- **Risks Sharing:** The distribution channels purchases the products from the manufacturer in bulk beforehand and it becomes their responsibility to sell the products for the profits. They make all possible efforts to sell the products otherwise the products not sold poses a severe risk to the

channel in terms of inventory carrying costs. Therefore, the distribution channels share the risks along with the manufacturer.

- **Marketing:** The Distribution channels are also known marketing channels because they are an important element in the marketing strategy formulation. As they are in direct contact with the customer they are instrumental in creating brand equity and brand awareness about the product in the market. They are an important source of getting feedback from the consumer and passing on the feedback to the producer for product upgradation.

Role, Significance and Importance of Distribution Channels

Distribution Channels plays an important role in the efficient distribution and marketing of the products. They have the requisite knowledge, network and expertise about the products which they are offering to the target market. Due to technological advancements the consumer preferences have undergone considerable changes and the companies are working to make their distribution systems effective so to meet the requirement of the consumer. The distribution channels are facing many challenges due to the changed market environment. In order to overcome these challenges, the distribution channels have to look ahead of the traditional methods. Some of the important role of the distribution channels has been discussed below:

- **Distribution Channels act as a Salesman:** The distribution channels play the role of a salesman by creating demands for new products in the market. They have the expertise and skills to effectively sell the product by positive word of mouth and other marketing tools. They provide pre and post purchase service to the customer. They are in regular contact with the customer and provide valuable feedback to the company and the customer in case of any modifications are required in the product.
- **Distribution Channels Enrich Distributional Efficiency:** The distribution channels make the transfer of goods and services from producer to the consumer smooth. Since they are in regular contact with the consumer they know the purchasing patterns and ease of access of the end consumer. They understand the gap and try to fill this gap between producer and the consumer. They try that the consumers get the product as and when it is required by him. In the present times when the customers are always in a hurry the customer can very easily switch to the competitor's product if he/she is not getting the product from the preferred supplier at a particular time. An effective distribution can help in reducing the inventory carrying cost and the transportation costs also.
- **Customized Assortments:** The distribution channels have the expertise in transporting the finished product to a large number of retailers. In turn the retailers have the expertise in product assortment so that the product can be given to the maximum number of customers. It is because of the distribution channel only that the consumer is able to get the right product at the right time. Thus, the distribution channels help in offering the customized assortments to the customers.
- **Product Presentation and Merchandising:** The distribution channels supplies the product to the retailer. The retail with the help of effective presentation of the product and the aesthetics is able to market the product in an effective manner. This presentation of the merchandise facilitates the product movement from the retail store to the customer. The customer gets fascinated by the attractive display of the product, and is enticed to purchase the product. The presentation

persuades the consumer to shift from a regular brand. Thus merchandising activities of the distribution channels act as silent salesman at a retail store.

- **The channels help in executing the price mechanism between the producer and the consumer:** The distribution channels helps in deciding a price which is acceptable to both the producers as well to the final consumers.
- **Distribution Channels Assist in Stock Holding:** The other important function of the distribution channel is to, store the inventory, bear the risks, provide financing and provide the required warehouse space.
- **Goods Availability:** The distribution channels with the help of the retailer ensure that the right kind of goods is given to the right retailer for the sorting purpose to meet consumer needs at the point of purchase.
- **Simplified Transactions:** To efficiently carryout routine and simplified transactions and work with a large number of products reasonable distribution cost and also to provide information to the sellers for formulating better business strategies.
- **Informed Choices:** The distribution channel helps the consumer in making informed choices and makes the right recommendations to their customers.

In view of the above it can be said that the distribution channels are an important element of the marketing strategy of the company. An effective distribution strategy is one of the important tasks for the company. The success and failure of the product depends on the distribution channels as it is the element which deals what, why, which and where of the production distribution which will provide revenue to the company. With growing business volumes and worldwide distribution prospects, distribution channels role is self-explanatory.

Distribution Management

As already discussed the distribution plays an important role in the transfer of goods and services in the sales system. Distribution system may vary from company to company and region to region. The Distribution system increases the reach of the product to the consumers in various parts of country or foreign markets. An effective distribution system provides goods in the right quantity at the right time at the right price.

This distribution channels approach is given in the Anderson consulting distribution strategy pyramid which answers the following questions:

1. Given the value proposition who are the end customers and therefore what are the distribution objectives?
2. What channel structure will achieve these distribution objectives at the lowest cost to serve?
3. How do they manage the physical network to achieve objectives at lowest cost?
4. Which type of organizational structure will help sustain the distribution network's performance?

The Distribution management for a product market is deciding about the requirements related to acquiring, distributing and transferring the finished products for entire product life cycle. In a nutshell Distribution management is the management of all activities of facilitating movement and coordination of supply and demand. A consumer mostly interacts with the intermediary and buys a product through a

retailer. The distribution objectives of the company should keep into consideration the marketing objectives which are planned for a specific period of time.

The Anderson consulting distribution strategy pyramid suggest (Fig: 3.1) clear setting of distribution objectives based on end customer needs. The basis for different distribution networks lies in the type of the customer which is being catered. The final customer is the last entity in the supply chain that makes the brand decision.

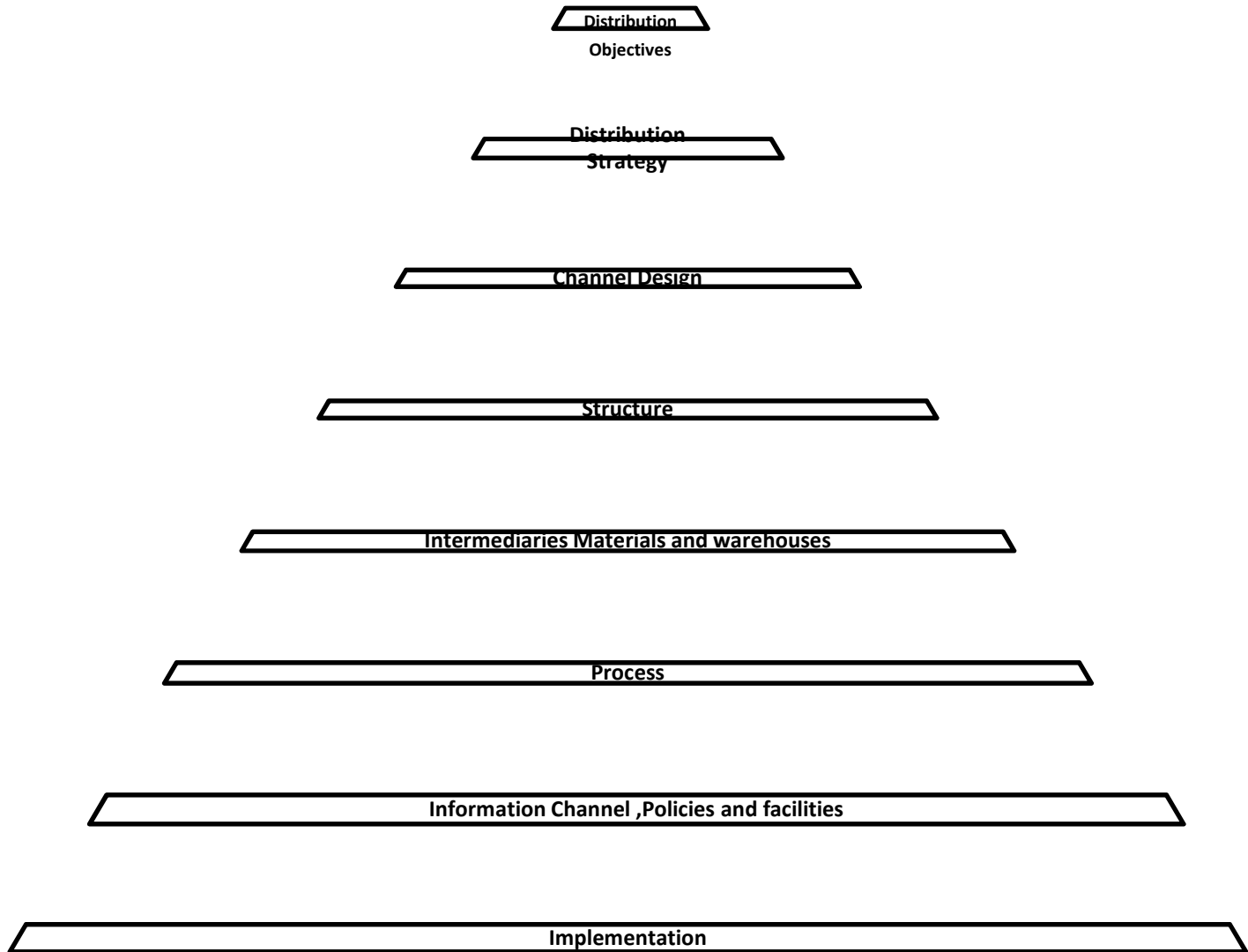


Figure 3.1: The Anderson Consulting Distribution Pyramid Strategy

Source: (Andersen, P. H., 2013).

Need for Distribution / Distribution Channels

The Distribution channels are an important element of the marketing mix and they are required by the companies to provide right kind of products at the right time as and when required by the final consumer. When the marketing companies have large market to cater in such a situation it becomes difficult for the companies to reach each customer to offer the product. In such a situation the distributor plays a crucial role in supplying the products to the end consumer. The distributor plays an important role when the companies face resource, time or cost constraints. In such a case when the company is facing these constraints the distribution channels with their expertise ensures the smooth distribution of products to maximum number of consumers. An effective distribution network ensures that the company gets the competitive advantage in the market through effective distribution networks.

3.2 Distribution Patterns for Consumer and Industrial Goods

In the present scenario where geographical boundaries do not play a major role the companies try to sell their products nationally as well as internationally. This is possible only through an efficient distributor network. The size and the reach of the network depend on the geographical area which needs to be covered by the producer. The goods can broadly be divided into two categories they are Industrial goods and consumer goods. Both the goods have different distribution networks because of the type of the product. The distribution channels followed for industrial and consumer goods are as shown below:

Industrial Goods

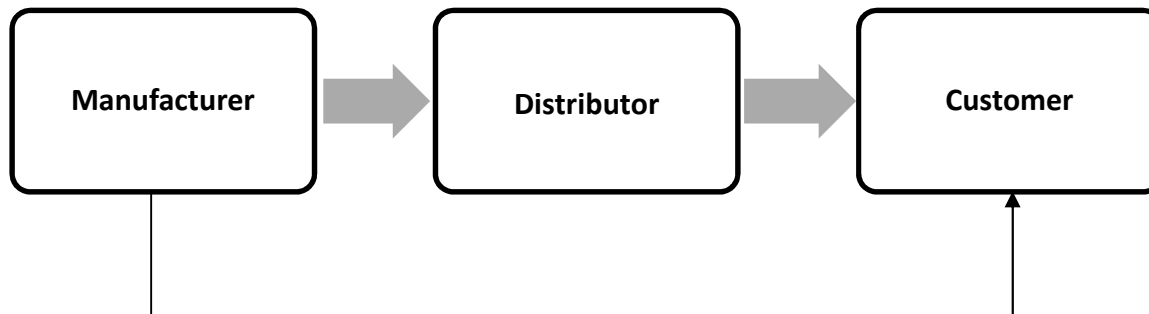


Figure 3.2: Distribution channel for industrial goods (Mishra, 2008)

As shown in the figure, the industrial goods are directly sold to the customer with the help of a distributor. This is done due to the following reasons:

- Since the goods involved are complex in nature so the technicalities of the product have to be told to the customer, which can be best done by the manufacturer only.
- Since the industrial goods are expensive products so the companies don't want to share their profits with the intermediary. Moreover, the companies don't want to pass on the burden of price rise due to intermediary commission on the consumer.

- The Installation and commissioning of the machinery is appropriately done by the, company engineers. The after sales service is also given due consideration by the manufacturer only because of the nature of the product. The After-sales service is complicated in the case o industrial goods.

Consumer Goods

The other category of products which are referred to as consumer goods are sold through different type of distribution channels as shown below:

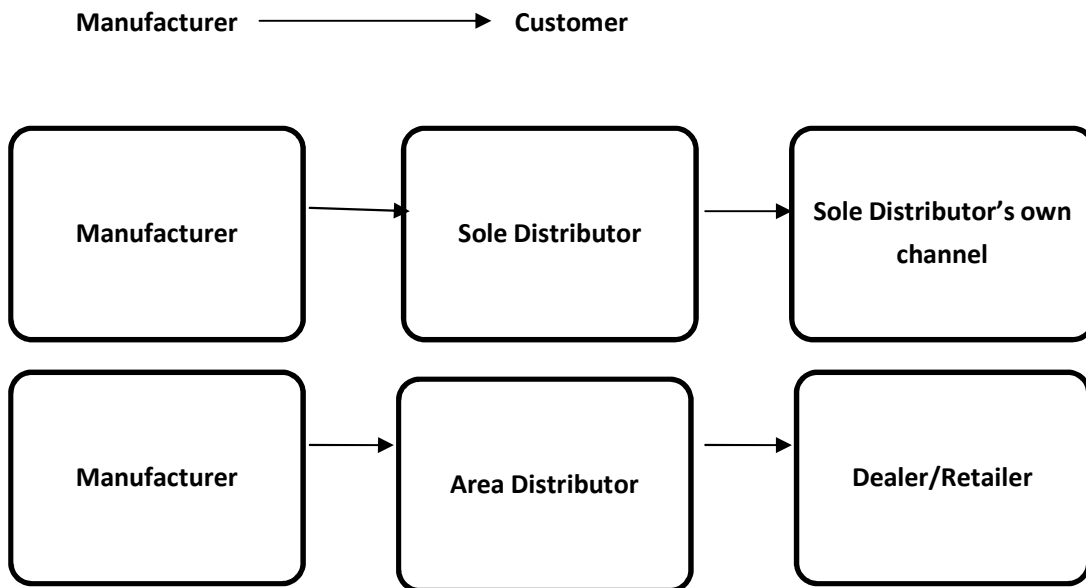


Figure 3.3: Distribution channel for consumer goods (Mishra, 2008)

Small firms which have a small market share don't indulge in intermediaries in their distribution channels due to the costs involved and therefore try to reach the final consumer directly. Large firms which have a substantial market share to target and supply the product likes to involve the distributors because the company themselves cannot cater to the large market. The companies are able to approach the right consumer with the right product at the right time because of the distributors only. There are different types of distribution methods, the advantages and disadvantages of each one of them are discussed below:

Own Shop

There are many producers like Bata etc which manages their own retail outlets. These retail stores ensure the right quality product at the right time to the right consumer. Since the company is selling products directly to the consumer so the feedback if any received from the end user is genuine. These

shops along with selling the core products of the company also sell some complementary products to increase the range of the products.

Franchise Outlets

This type of network is fast catching up because the franchisee does not need to invest in the marketing activities. The franchiser gives legal rights to franchisee to run the entity as an independent business. The franchisees help the franchiser helps in giving better geographic coverage and increased market share.

Mail Order

Some of the products like magazines like Readers Digest, Mobile phone in special occasions etc are sold through Mail Order. The interested Customers are advised to send their request for the product directly to the manufacturer, who in turn provides the product directly to the end consumers.

Catalogue Sales

The catalogue sales are a variant of mail order; in this the firm attracts the consumer by providing them with attractive colorful products describing the features and quality of the product. These attractive and colorful catalogues are dispersed amongst large number of buyers, who then chooses the desired products from the catalogue and place the order for the product with the manufacturer. In the catalogue sales the firm has to ensure that the product quality as mentioned in the catalogue should conform as per the catalogue otherwise, the negative publicity about the product will dilute the firm's image.

Web Marketing

The advent of e-commerce has completely transformed the way the products are sold to the end consumer. The advancement in the technology and spread of computers and mobiles along with cheap data plans has opened new vistas for marketing and selling the product. The web marketing is the easiest way to order the products on the web with many services which were till now unheard of in the transaction process. The availability of easy finances and cash on delivery has made this online shopping very attractive amongst the young customers. The seller's ensure that the dispatch of the product is made with in the requisite time. They also offer deep discounts which increase the attractiveness of this type of shopping. The only disadvantage with this type of shopping is that the customer is not able to try the product physically and sometimes the product is not received as ordered which consumes lots of time in returning and again getting the desired product.

Agency Operation

The Agents operate independently and helps the manufacturers in selling their products to the final consumers. The agents directly receive orders from the customers, which are then forwarded to the manufacturers for making available the desired product to the consumer. When the transaction is complete the agent gets a commission which is called as agency commission. The agents work on the terms and conditions as decided with the manufacturer at the time of the contract. The main tasks of

the agent are to negotiate the sales with the consumers on behalf of the company. They are able to build long-term mutual beneficial relationships with the consumers as the consumers get good products at reasonable prices on a consistent basis.

Stockists

The companies in many situations appoint stockists who provide the companies with the storage space. The job of the stockiest is to maintain stocks on behalf of the company and delivers the same to the distributor on getting instructions from the company. For providing the storage space and their efforts the stockiest get a commission from the producer. The stockiest are not directly involved in actual selling for the company.

Consignment Agents

The consignment agents are especially needed when a product is new to the market and the sale ability of the product is a question mark. They keep stocks of manufacturers' merchandise and they sell the products the money received is sent to the manufacturer. They are paid a commission on sales and their efforts. The selection of the channel depends on market survey, which guides the producer about the customer preferences and purchase patterns. Main criteria of the distribution channel are as follows:

1. Customer reaches for the channel.
2. Customer convenience of buying.
3. The availability of the service facility with the channel.
4. Products available from one manufacturer for the channel

Customer Reach

In the twentieth century the manufacturer used to make the products which it can make efforts to make the finished products available to the market. In this approach the manufacturer believes that once the product is available in the market it would be automatically sold. So the presence of the product to the remotest part of the market was the main focus of the manufacturer. This approach is also known as production concept. Since the market was monopolistic only one player decided the rule of the business. The competition was nonexistent in the market. In some products there was total monopoly and the manufacturer could set his terms of sale. This left the consumers at the mercy of the manufacturer. To solve this problem the government of India brought acts like Monopolies and Restrictive Trade Practices which restricted the manufacturer to create monopolistic situations in the market. In the present scenario the producers are intense competition which has created the favorable environment for the consumers. Now the consumers have more options to purchase, they can get the product as and when required. This led to the healthy competition in the market. In the present circumstances those producer who can deliver the product to the consumer at the right times and right place gains relative competitive advantage over the competitors. Companies like Aqua guard and vacuum cleaners have revolutionized the way the products were distributed to the end consumers. This were the beginning of personalized or direct selling. This concept saved lots of time and effort of the consumer since these companies were delivering and installing the product along with the proper training for product usage. This led many other companies to emulate the same concept. Now due to technological the consumer reach has increased to such an extent that the consumer now can place an

order product over telephone or through Internet. The product is delivered to the consumer at many of the geographical locations. These changes had an impact on the distribution systems of the company.

To Do Activity (Team of 10 Members)

Choose a village located near your vicinity and Interact with at least 15 rural households to understand:

1. The channel distribution of FMCG Company like Nestle or Proctor and Gamble.
2. Identify the challenges which can be faced by the rural marketers in case of the urban markets.
3. Make strategies on how to get the accurate feedback after the product usage.
4. Make a distribution channel network for a distribution of spices to the urban market.
5. Analyse the latest technological advancements in creating an effective distribution systems for the urban market.

Rural market segmentation is the process of converting a heterogeneous market into a homogenous market. Market segmentation is dividing a market into small segments with similar needs and preferences. Rural market segmentation is the first step in the formulation of marketing strategies. After the market segmentation, the segment is chosen as per the competencies of the company and then is targeted with the marketing mix. The most common problem faced in segmenting the rural market is its heterogeneous nature. After targeting the product is positioned in the target market. Positioning is about creating a distinct image of the product in the minds of the customer. The segmentation of the market should be carried out very carefully as it can make or mar the marketing strategy of the companies. Market segmentation is the most potent tool in the hands of the marketer. There are different definitions of market segmentation given by experts but some of the most prominent among them are as follows:

The American Marketing Association defines market segmentation as a process of dividing the heterogeneous markets into smaller segments having homogeneous characteristics that can be satisfied by the firm.”

Philip Kotler in his book marketing management defines market segmentation as the process of dividing the market into homogeneous subsets of consumers, and then this homogenous subset is targeted with a distinct marketing mix.”

Schiffman and Kanuk in their book on consumer behaviour define market segmentation as the process of dividing a market into small segments with common needs and then targeting them with different marketing mixes. Thus taking into account different definitions given above it can be concluded that market segmentation is about divided the complete market into small homogenous subsets. Market segmentation helps the companies to better satisfy the needs of its target market.

Rural Market Segmentation: Important Characteristics

It is very difficult for the marketer to satisfy all the segments in the market. Therefore, before selecting the market segment it is important to carefully evaluate the needs and preferences of the market segment. A market segment to be profitable should have the following characteristics they are:

1. Measurable

The market segment should not be too big and too small. It must have an appropriate size which can be measured in terms of data so that the market risk and potential can be calculated. The market segment should be distinct, clear and measurable. If the market segment is not measurable then it becomes a futile exercise. Now a day the rural markets are being studied by most of the marketing companies to get the relevant data which would help in effective market segmentation.

2. Accessible

The market segment should be accessible at a cost that is affordable to the company. Accessibility is the reach of the company to the market segment. The market segment must be conveniently reachable to the company to satisfy the needs of the customer. Marketers prefer the segment of the urban market because of the better infrastructure in the urban areas as compared to the rural market segments. But lately due to better infrastructure and connectivity in rural areas also the rural markets are becoming increasingly accessible. The market Segments must be accessible due to two main reasons, firstly, the customers should be aware of products and services and secondly, the customer should get the products as at the right place, right time and at the right price.

3. Differentiable

The different market segments chosen by the company should have distinct characteristics so that they are differentiable. Each segment should have distinguishing features. The Rural market segments responses differ from urban market segments for many products.

For Example – In the case of a bike the rural consumers give more importance to strength and average of the bike, whereas urban consumers look for features and aesthetics.

4. Substantial

The market segment should be substantial in size so that it remains profitable. The market segment should either consist of large numbers of consumers who are light users or the market segment should have a small number of consumers with heavy usage so that the segment is profitable to the company. Since the Rural areas are heterogeneous it becomes difficult for the companies to design different marketing strategies.

5. Actionable or Feasible

Each market segment chosen by the companies must be actionable which means that the company should have sufficient finance, marketing personnel's and capability to serve the market segment. Therefore, the market segments should be selected, base on the reach of the company.

6. Other Considerations

Apart from the above characteristics, the market segment of the company must be profitable and should have the least risks and competition. The segment should be stable suitable, practicable and attractive to the firm. The company should have the resources to satisfy the market segment effectively. The various instructions and guidelines issued by the government from time to time should also be given due importance.

Bases of Rural Market Segmentation

The market can be segmented on four main bases they are geographic, demographic, behavioral and psychographic characteristics. Each one of the bases is explained in detail.

1. Geographic Location

Geographic Location is segmenting the market based on geography; this is one of the popular bases for market segmentation. Broadly the market can be segmented into Urban and rural market segments. The urban markets are more concentrated as compared to the rural markets. Companies like Hindustan Unilever Limited have been able to target the rural segment by building a strong retail network in the villages. Apart from this, the market can be segmented on the bases of regions like South, West, East and North, country, state, city or even neighborhood. Different climatic conditions define the buying patterns in different geographic segments.

2. Demographic Segmentation

The main attributes used for demographic segmentation are Age, ethnicity, Life stage, Gender, income Religion, and nationality. Demographic segmentation helps in categorization the need of the customer. In the present scenario, the children have high awareness about new products and act as a strong influence in the buying decisions of the family. Therefore, the marketers are targeting the youths for different kind of products. This type of segmentation helps the companies in spending their marketing budget more efficiently. Various analytics software's are used for demographic segmentation.

3. Behavioural Segmentation

Behavioural segmentation is segmenting the total market based on consumer buying behaviour. Behavioural segmentation is concerned with buying patterns like usage frequency, brand loyalty benefits needed; occasion etc. This type of segmentation is done keeping in mind the needs and wants of the consumer based on their buying behaviour patterns.

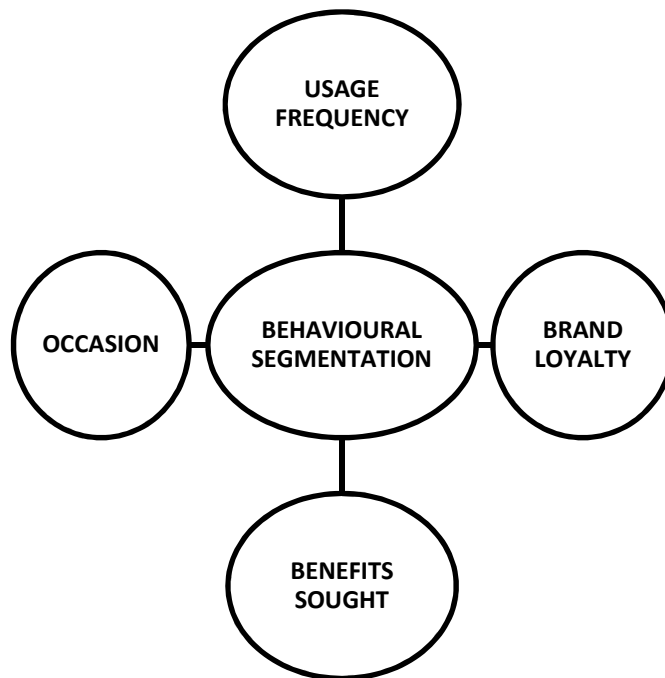


Figure 3.4: Behavioural Segmentation Variables (Kotler, 2012)

4. Psychographic Segmentation

Psychographic segmentation which was developed in 1971 is used to segment the market based on shared psychological characteristics, consumer attitudes, motivations, to and explain predict consumer behaviour. Psychographic segmentation is a method which uses variables like personality traits, beliefs, values, attitudes, and lifestyles for segmenting the market. These characteristics may be abstract or observable. This type of segmentation is very different from other segmentation methods. But it complements demographic and socioeconomic segmentation and enables the marketers to build their marketing communications accordingly. Every customer/consumer has a unique psychographic makeup. For the urban and rural segments, it is very different. When the target segment has different needs and responses to the offering then it indicates that the process of psychographic segmentation has to start. This segmentation is an important method to offer the same product to customers who seems heterogeneous. The psychographic segmentation yields the greatest payoff, in terms of purchase frequency, lifetime loyalty, and more. The other method which is used by marketers to segment the market is based on the degree of which are as follows:

1. Mass Marketing

Mass marketing is based on a philosophy in which one product is offered to the whole market using the same marketing mix. Initially, mass marketing was used for the rural markets in which it was believed the needs of the rural consumer are the same. But as the rural market started evolving and the consumer became more demanding mass marketing can have its limitations. In this case, the company does not feel the need for segmentation. Mass marketing is also known as an undifferentiated marketing strategy. For example: Bisleri water bottles.

2. Segment Marketing

Segment marketing is still in its early stages in rural markets. The companies have realized the importance of segmenting the market. Companies like Hindustan Unilever limited use of different approaches to market their brands for example—Hamam and Lifebuoy. The Company tries to reach the whole market by using the mass marketing approach for its brand Hamam whereas four variants of its Lifebuoy – Active Red, Active Orange, Plus and Gold – are marketed to the different segments of the Indian market.

3. Niche Marketing

A Niche is a very small segment with a distinct and complex set of needs. In the fashion industry, there might be segments like regular wear, party and for fashion shows; different types of clothes which constitutes a niche are required. In the niches, the competition is very less there are few or no competitors and the product commands a premium price. Unlike mass audiences, which represent a large number of people, a niche audience is an influential smaller audience. For example: Designer Clothes.

4. Micro Marketing

Micromarketing refers to the customization of products for the tightly targeted group. Micromarketing occurs when the needs of the small segment are addressed on a local basis. The examples of micro marketing are Dabur's Anmol Hair Oil, mustard amla bases oil launched for northern Indian markets of a small pack, targeted at rural consumers using loose mustard oil. Micro Marketing includes local marketing and individual marketing.

(a) Local Marketing

Local marketing involves designing products to meet the requirements of the local customer on a geographical basis. Local marketing is most relevant for rural consumers. It is a marketing strategy that targets customers on the basis location such as a city or neighborhood. It is used by local businesses to reach the customers nearest to them. A local company uses specific marketing strategies to target customers related to its segment. Local brands are very good at local marketing since they operate in a limited geography, which helps them to develop a good understanding of local consumers and their specific needs.

(b) Individual Marketing

Individual marketing is also called as one to one marketing. The rural marketers are shifting from local marketing to Individual marketing for example, with the use of computer-aided design and computer-aided manufacturing; it has now become possible to manufacture a product as per the individual customer needs. Tailoring is the examples of individual marketing in the rural set-up. In individual marketing, an individual can get a product according to his/her specific needs.

5. Target Marketing

A target market is a subset of the total market for a product or service. Target Marketing is breaking the market into small segments and then concentrating all the marketing strategies on these segments,

depending on how closely the need matches with the offerings. Target marketing is a modern marketing concept. Target marketing helps the company to effectively identify the target market for which the product is designed. Two approaches can be followed for target marketing. First is to treat the target market as a single unit using a single marketing mix and secondly, when the market has different segments and the consumer is targeted using different marketing mixes. Thus, in target marketing, the companies can choose the strategy of no market segmentation or complete market segmentation depending upon the companies approach.

3.3 Rural Communication and Distribution systems

Rural Communication has gained great importance in the changing marketing scenarios more specifically in rural areas. Effective communication plays an important role in transmitting the right message to the target segment. It also increases the reach of the product in rural areas. It is therefore important to understand the key concepts of communications in rural areas.

The Communication Process Model

The process of communication starts with a clear message which is encoded, a sender sends this encoded message using a transmission medium, to the receiver which the receiver receives and decodes the message. The receiver sends the feedback to the sender which helps in the improvement of the message. In the communication model the noise act as a barrier in the flow of communication which should be minimized. Noise can happen due to message not decoded properly or the wrong selection of media. Noise can lead to distortion of information therefore it should be avoided.



Figure 3.5 Elements of communication process
Source: Gronroos, (2004)

The main challenge for the companies operating in the rural market is how to make the message understandable and interesting to them. There are several factors which make a message effective and interesting. The message created for the rural customer should be meaningful to the rural consumer. The various factors which make the message effective are as follows:

Languages: The message should be created in the language which is understood by the receiver. This means that the language used in the message should be simple and unambiguous words are used.

Pictorial Presentation: Since the literacy level of rural customers is low the pictures and graphics must be used extensively in the message. It makes the message interesting and easy to understand. The pictorial presentation includes the use of cartoons, colours, symbols and logos.

Message form: In an effective communication process the message should be utilitarian i.e. having some utility and narrative.

Source of the Message: The Credibility of the source for effective communication is very important for the rural consumer. The source which is not credible would not have an impact on the consumer.

Context Association: The context Associations should create interest, hold the attention of the consumer and provide relevant meaning. Some of the influencers in the context association are products of interest to the rural consumer, aesthetics and settings.

Types of Media

For communicating with the consumer the media plays an important role. The effectiveness of communication depends on the selection of the media channel. Broadly media can be classified into two types:

- Mass Media or conventional media and
- Non-conventional media.

Mass or Conventional Media

Mass media includes those mediums which have mass appeals like television with satellite channels, radio, print media, cinema, word of mouth and video vans which play videos with product informatio.etc. The mass media plays an important role in the rural markets but the effectiveness of the non-conventional media which includes Puppetry shows, Folk theatres, demonstrations, Haats, wall paintings and Fairs etc, cannot be downplayed for the rural audience. Various factors which are important for media effectiveness are:

- Target segment profile
- Media preferences
- Programmes viewed; and
- Consumer Behaviour

Non-Conventional Media

Non conventional media: The non electronic mediums which work as a part of culture and work as a vehicle for transmitting tradition from one generation to another is called non conventional or traditional media. Some of the examples of the non conventional media are listed as below:

- Wall paintings
- Direct mail
- Banners placed on elephants parading through main bazaars
- Puppetry
- Processions, tableaus, float, etc.
- Contexts to promote the products
- Audiovisual vans

- stalls, hoardings and audio-visual publicity at local fairs
- Point-of-purchase channels
- Demonstration and sampling at haats and fairs.

Communication with rural consumers can be done effectively with non-conventional media. Puppetry shows, drama, messages on objects of interest, and giant cut-outs generates interest in the rural consumers. Interactive communication at contact points at 'Haats' and 'Melas' creates brand knowledge and awareness and influences the buying behaviour of the consumers.

Rural Communication-Challenges and Strategies

The marketers are faced with several challenges in rural communication. The following section presents some of these challenges, and strategies faced by the marketer.

- **Spread and Diversity:** A large number of rural consumers are scattered across the country and they have no access to the mass media or traditional media.
- **Low Literacy Levels of rural consumers:**
- **Poor Infrastructure Facilities:** Such as lack of roads, electricity, telecom facilities, postal services, etc.
- **Unique Media Habits:** Almost all the readership is secondary, the press subscription is low and magazines are not read in rural areas.
- **Low-Spending Capacity:** Rural consumers have low disposable incomes to buy products.
- **Lack of Research Data:** Most of the marketing decisions are largely dependent on feedback from sales networks.
- **Selective Attention:** Messages are given selective attention by rural population this problem is compounded by low product-availability.
- **Linguistic and Socio-cultural differences:** Language and socio-cultural, norms differ from village to village creating problems for the marketer in designing the message.
- **Orthodox Societies:** In most of the rural areas the societies are male-dominated and they are influencer and buyers of products. So the role of women is very limited.
- **Different Leisure Time Activities:** The rural population is predominantly engaged in agricultural activities to have no fixed timings. Therefore, the time slot for the ads becomes a challenge for the marketer for achieving mass population.

Rural Distribution

According to the census of 2011 Rural India consists of 627,000 villages, 629 million people. This is a huge market which offers immense opportunities to marketers. Many big companies such as Hindustan Lever, Colgate-Palmolive and Philips have been trying to entice the rural consumers. The opportunity is huge as 12 per cent of the world's population, or 126 million households, lives in rural India. With the better-earning opportunities, rural consumers have the purchasing power. Between 30 and 50 per cent of the consumption of consumer goods comes from rural India. The marketing communications were not given much importance as compared with the urban markets, but now the big companies are investing huge sums of money in the rural communications also, but there are challenges to marketing communication in the rural markets. These challenges have a direct bearing on the distribution activities. Due to the high distribution costs, the companies have started innovations to make

distribution more effective. Most of the distribution problems are due to poor transport and communication facilities, scattered village settlements, and small retail outlets having modest sales. With the changing scenario, there are many retail outlets in the country which are located in the rural areas. They offer a range of products, from biscuits to pharmaceuticals, to shop shelves in different parts of the country. Now the companies are taking distribution into their own hands, by developing their own dedicated, focused channels.

The Village Retailers

The rural retail system is an important mechanism to satisfy the requirements of the rural consumer. The rural retail system has the maximum reach to rural consumers. The main functions of the village retailers are:

- To ensure that the right product reaches the rural retail outlet at the right time
- To persuade the rural retailer to inventories a product. It is important as more dealers' results in maximum reach among consumer and, therefore, a higher market share.

This can be achieved by understanding the influences on rural distribution systems. Some of the influencing factors are:

- Purchase behaviour of consumers;
- Characteristics of retailers; and
- Channel Behaviour.

Purchase Behaviour of Consumer

The consumer purchase behaviour is influenced by the rural retailer who is instrumental in creating brand knowledge in rural consumers, and enjoys the trust of rural consumer. 'Mannerisms' of the retailer plays an important role in developing long term relationships with the customers. Companies like Gillette are already focusing on this aspect of mannerisms to tap the rural market.

Characteristics of Retailers

- Rural markets are scattered which increases the distribution costs of the retailer and this acts as a deterrent for entry of new products in rural markets.
- Retail premises are mostly rented.
- Retail shelf, many a time's offers sub-standard or me too types of products as compared to the urban areas.
- Stock turnover is low-posing a challenge for the Retailer.

Channel Behaviour (Retailer)

- **Credit facilities to the customer** by the rural retailer are common in rural settings.
- **Pricing:** Some retailers often overcharge, not posing on discounts to customers.
- **Reasons for stocking the product:** Either demand or wholesaler's push.
- **Information and influence sources:** The wholesalers and retailers both share information and influence each other.
- **Purchase source:** The rural retailers travel down to feeder towns for supplies.
- **Channel credit:** Village retailers avail credit facilities offered by distributors in feeder markets.

- **Channel promotion:** Retailers in feeder markets avail more discounts as compared to retailers in interior villages, for they prefer not to stock more.
- **Promotion by the retailer:** Due to strong bonding with the customer's retailers have a great influence on the buyer; the retailers are also influenced by the commission on the sales.

Haats and Fairs

'Haats' and fairs, held regularly, provide an opportunity for marketers to access rural consumers. Since they are weekly events a large number of rural consumers come here to purchase the products.

'Haats': 'Haats' are weekly periodic markets, organized is an open-air market that serves as a trading venue for rural people in the interior of rural markets. Haat bazaars are organized to support or promote trading by and with rural people. The haats reaches the remotest rural consumer in large numbers. There are 47,000 'haats' (Kashyap, 1998) held periodically in rural India. Rural consumers congregate weekly at a particular 'place', to buy or sell products. This setting is known as a 'haat'. Large haats are held at large 'places' whereas smaller ones at small places. The 'haats' are organized on a rented location at a nominal price. India's Largest Haat Bazaar is Gohpur Haat Bazaar from Gohpur in Assam.

There are different types of traders in these 'haats' which are as follows:

- **Part-Time Traders**
- **Producer-Sellers**
- **Collector-Sellers:** They collect leaves, firewood, grass for fodder, etc., for sales.
- **Full-time Trader:** Full-time traders in these 'Haats' comprise of three classes: the selling traders, the buying-traders, and service-providers.
- **Selling-Traders:** Selling-Traders are those that sell goods.
- **Buying-Traders:** They buy from the haat to sell somewhere else or at some other time.
- **Service-Providers:** They are engaged in services, including barbers, blacksmiths, carpenters, tea stall owners etc.

Melas (Fairs)

Mela is a Sanskrit word meaning 'gathering' or 'to meet'. It is used in India for all types of gatherings which can be religious, commercial, or cultural. "Mela" is popularly known as fairs, shows and exhibitions. The melas can be an important platform for promoting culture, art or skill. About 70% of the visitors in the Melas come from nearby villages. These melas provide a golden opportunity to the marketers to showcase their brands to the rural consumers. Generally, in "melas" people can find eateries, entertainment activities and shops. Melas offer opportunity for long term marketing tie-ups with wholesalers and traders. These fairs are organized at specific places, on festivals to commemorate important festivals. Rural people participate in these fairs, and sell their excess produce. Villagers along with their families spend wholeheartedly in these fairs. These fairs offer a good opportunity for marketers to launch new products and promote existing products. Some of the biggest 'melas' are Kumbh, Pushkar, trade fairs etc. The difference between Haats and melas is that Haats caters to primary needs of the local people whereas melas cater to the larger population both urban and rural. Haats and melas are important mediums for the marketer to sell and promote its product.

Direct Distribution: Alternative Rural Distribution Strategy

Now a day's most of the marketers are trying to reduce the number of intermediaries in the supply chain. The reason for this is that it cuts the costs of the company and most of the times the true picture of the market is not portrayed by the intermediary. To overcome this problem most of the companies have now started to directly approach the customers with their product. The marketers now believe that direct distribution can give them the exact picture of the market and guarantee them rural success. The companies have limited control over the wholesalers although the wholesale channel costs less than direct distribution in rural markets. The Wholesalers prefer big brands in which they have higher margins, they avoid the new products because the margins are less and the market share of the product is low. The wholesalers do not support new products. Due to these reasons, the companies prefer direct distribution although the cost in the direct distribution is higher it allows better control over the quality of the distribution. Due to the above point, it can be concluded that the companies go for direct distribution in the rural markets because of three main reasons:

- Direct distribution in rural markets becomes critical when the market is competitive and the products or services offered by the competitor are comparable with the existing players.
- Direct distribution also becomes critical if there are a large number of new products especially for the rural markets; and
- Direct distribution is least important for the markets in which there is no competition and there is no possibility of immediate competitor threat.

To Do Activity (Team of 10 Members)

1. In a team of five members each visit nearby villages and segment the market on the basis of demographics.
2. Conduct an analytical study of Distribution system of a local enterprise and suggest improvements in the system if any.
3. Visit the Websites of companies like HUL and Patanjali and prepare a report on the topic 'Segmentation in FMCG companies'.
4. Meet the distributors for their profiling and Gather data on sales, stock, invoices per year, use of technology in operations, and problems encountered from the company and customers.

Agricultural Produce Market Committee (APMC) is a statutory market committee constituted by a State Government for trading notified agricultural, horticultural or livestock products, under the APMC Act of the state government. The Agricultural produce marketing committees are responsible for:

- ensuring transparency in the pricing system and transactions;
- providing market-led extension services to farmers;
- ensuring payment on the same day for agricultural produce;
- promoting and processing activities for value addition in agricultural produce;
- publicizing data on arrivals and rates of agricultural produce;
- Promoting public-private partnership in the management of agricultural markets.

There are approximately 2477 regulated markets and 4843 sub-market regulated by the respective APMCs in India. The APMC's provides basic amenities in and around the APMCs like auction halls,

weighbridges, godowns, shops, canteens, lights, drinking water, toilets, police station, post-office, borewells, warehouse, tanks, Water Treatment plant, soil-testing Laboratory, toilet blocks, etc.

Legal Background of APMCs

As per the Indian Constitution agricultural marketing is a state subject. While intra-state trades fall under the jurisdiction of state governments, inter-state trading comes under the Central Government. It is because of this reason that most of the agricultural markets are created and regulated by state. Therefore the agricultural markets are established and regulated mostly under the State APMC's Act. State governments and union territories across India have enacted Agriculture Produce Marketing Committee Act to provide for the development of agricultural produce markets and to create an efficient system of buying and selling of agricultural commodities in the country. The purpose of the APMC Act is to regulate the trading practices and increase market efficiency through transparent market prices, elimination of intermediaries and protecting the interest of producer-seller. Under this act, a specified geographical area is declared as a market area which is managed by the Market Committee (APMC) constituted by the State Government. Once a particular area is declared as a market area which is deemed to falling under the legal jurisdiction of Market Committee, no person or intermediary is allowed to carry on wholesale marketing activities. APMC Acts provides sale in the notified agricultural commodities produced in the state such as cereals, pulses, edible oilseed, fruits and vegetables and even chicken, goat, sheep, sugar, fish etc. The taxes, fees/charges and cess are levied on the trades conducted in the markets are also notified under the APMC Act. APMC charges a market fee from buyers and a licensing fee from the commissioning agents who mediate between buyers and farmers. The sale can be conducted under the aegis of the APMC, through its licensed commission agents, subject to payment of government taxes and levies. The producers of agricultural products are therefore encouraged to operate on priority in these markets. The Market Board constituted by the respective state governments supervises these market committees. An APMC consists of representatives of farmers, traders, registrar of cooperative societies etc. whereas the Market Boards consists of chairmen of all APMCs, and representatives of the State Government. The APMC act has been able to make the entire transaction system more transparent and the farmers can get the right price for their produce. The role of the intermediaries has been minimized to control illegal activities. The APMC Acts of different states are uniform except two areas in which the states have discretion. The areas are Commodity coverage and Agricultural Marketing Boards.

Functions of APMC

As already discussed in the responsibility of APMC's there are various functions which are undertaken by the APMC's. The main functions are:

1. To promote public-private partnership in the ambit of agricultural markets.
2. To provide market-led extension services to the farmer.
3. To keep an eye on the pricing system and transactions taking place in the market in a transparent manner.
4. To ensure payments to the farmers for the sale of agricultural produce on the same day.
5. To promote agricultural activities.

6. To announce data on arrivals and rates of agricultural produce from time to time into the market.

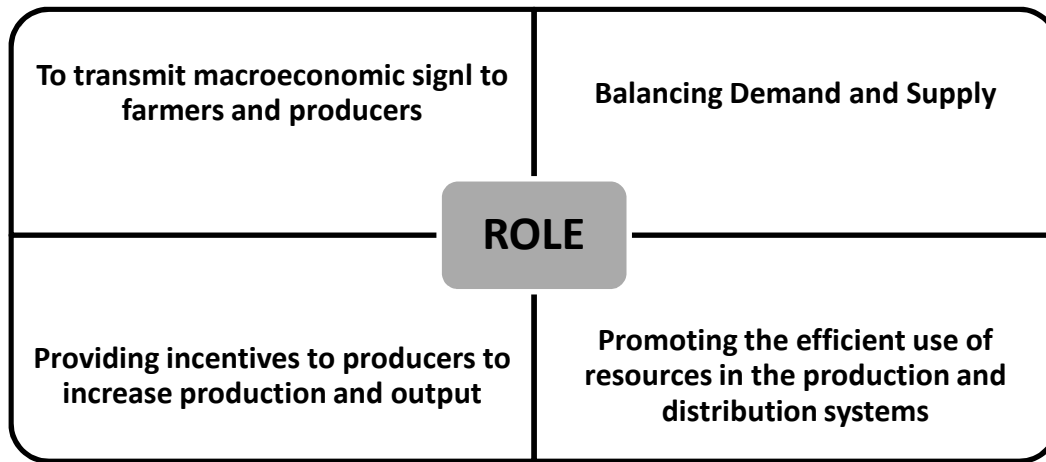


Figure 3.7: Role of Agricultural Produce Marketing Committee

Source: Kadrolkar, (2011)

Functioning of APMCs: Issues Involved

The APMC act was introduced in 2003 to prevent the farmers against exploitation by the intermediaries and creditors have successfully minimized the farmer's distress but there are some issues which need to be taken in to account for making the act more effective. The APMC act ensures better and timely payment for their produce through the auctions in the APMC area. APMC act restricts the farmer from entering into a direct contract with any processor or manufacturer as the agricultural produce is to be sold through these regulated markets only. The major issues involved in the functioning of APMCs is that over some time the APMC controlled markets have acquired the status of restrictive and Monopolistic markets, harming the farmers rather than helping them to get better prices for their produce. The APMC Act levies the market fee as the tax levied by the state, rather than as a fee charged for providing services, which is a major issue in creating a national common market. APMCs charge a market fee from buyers, and a licensing fee from the commissioning agents who mediate between buyers and farmers. They also charge small licensing fees from agents, loading agents etc. These levies vary from state to state. Apart from these fees statutory levies/mandi tax,etc. all add up to hefty amounts, which creates market distortions and have cascading effects on the profits of the farmers and act as strong entry barriers for many stakeholders. The multiple licenses and fees have led to a highly fragmented and high-cost agricultural economy, which prevents economies of scale and free movement of agricultural products across district and state borders. The opaque system of fee collection, which are at times is exorbitant, is not under the state legislature's approval. Agents in an APMC may get together and form a cartel which creates a monopsony situation (one buyer who then exercises control over the price at which he buys). The agricultural produce is procured at the manipulative price and sold at a higher price, defeating the very purpose of APMCs. APMCs play the twin role of regulator and Market. Therefore, the role of APMC as a regulator is undermined by vested interest. The key positions of chairman and members of APMCs are nominated/elected out of the agents operating in that market. As the exporters and retail chain operators cannot directly procure the agricultural products from the farmers as the

products need to be regulated through regulated markets, in this process, there is a huge increase in the marketing costs and the farmers end up getting a low price for their produce. Policies of the state-controlled markets have prevented private investment in the sector. Thus, this monopoly has made the market non-competitive on a pan-India basis, which hinders the process of organized retail and smooth raw material supply to agro-processing industries. The monopolistic practices have acted as a strong barrier in the adoption of innovative marketing system and technologies.

Summary of the Chapter

- The distributor is a link between producer and the consumer.
- The distributors help in providing the right product to the right consumer at the right place.
- The important entities involved in the distribution system are the wholesalers, Retailers, intermediaries and the end consumers.
- The distributors provide the feedback to the manufacturer about any improvements required in the product.
- The technological innovations have completely transformed and increased the efficiency of the distribution systems of the company
- Rural market segmentation is the process of converting a heterogeneous market into a homogenous market. Market segmentation is dividing a market into small segments with similar needs and preferences.
- Effective communication plays an important role in transmitting the right message to the target segment. It also increases the reach of the product in rural areas.
- Target Marketing is breaking the market into small segments and then concentrating all the marketing strategies on these segments, depending on how closely the need matches with the offerings.
- 'Haats' and fairs, held regularly, provide an opportunity for marketers to access rural consumers. Since they are weekly events a large number of rural consumers come here to purchase the products.
- Due to the technological upgradation there are many new distribution networks which are being used by many organizations referred to as distribution 4.0.
- The knowledge of the target market, expertise in the area of distribution plays an important role in the formulation of effective distribution systems for an organization.
- The distribution channels are an important element of the marketing mix and it plays an important role in the formulation of marketing strategies.
- Agricultural Produce Market Committee (APMC) is a statutory market committee constituted by a State Government in respect of trade in certain notified agricultural or horticultural or livestock products.

Model Questions

1. What are the Influencing factors for distribution networks?
2. Describe the different Distribution channels.
3. Discuss the concept of Retailing.
4. Why is an intermediary important in a distribution network?

5. What is market segmentation and how is it relevant in the distribution system?
6. What is the difference between a wholesaler and a retailer?
7. Explain the role of Haats and Fairs in rural distribution.
8. Describe the role of opinion leaders.
9. Discuss the role of Agricultural Produce Market Committee (APMC) .
10. What are various emerging distribution models?

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Chapter 4 Information and Communication Technology in Rural Marketing

Introduction

The communication which is the core of the Communication Mix plays an important role in promoting the product to the outside world and especially to the target market. In the marketing of rural products, application of latest, innovative and enhanced technologies is crucial for effective communication with urban consumers. This also helps in conveying the features of rural products. The adoption of the latest technologies ensures the economic well-being of the rural marketers by increasing the reach of the products and in creating awareness about the product. The technology helps in faster dissemination of the rural product information to the consumer. Effective usage of information and communication technologies can do wonders for the rural marketers. The government under its flagship program of digital India is focusing on developing the technology infrastructure in the rural areas. The development of the ICT infrastructure would lead to better advertising of the rural products which in turn helps in the economic growth of the rural marketers. The economic growth of the company and the advertising efforts works in close coordination with each other. Due to economic liberalization prosperity of the Indian buyers have increased manifold and the marketers are increasingly trying to outdo other marketers through their promotion activities. Further to that the advancement in information and communication technologies and expansion of internet along with electronic media influence is contributing to the increase of consumerism. It's a fact that without promotional activities the products can't be sold even if the company is offering a better product. Consumers will not purchase a product if the product is not effectively marketed and the market is unaware of the existence of the product. Therefore, Information and Communication Technology (ICT) will be a game changer in the economic development of the rural marketers and the overall development process of the rural areas.

Objectives

- Enlist the role of communication in product promotion.
- Elucidate the formulation of effective communication strategies.
- To explain the communication objectives.
- Make aware the challenges in Urban Communication.
- Explain the role of ICT in Rural communication.

Chapter Structure

4.1 Marketing Communications and Channels.
4.2 Determining Marketing Communication Objectives
4.3 Role of Social Marketing in Rural Marketing
4.4 Information and Communication Technology in Rural Marketing
4.5 ICT platforms: eNAM and AGMARKNET

4.1 Market Communication and Channels

Marketing communication is the process which includes informing, influencing consumers to make a purchase decision about a particular product. The marketing communication which is an important element of the Communication Mix focuses on three main points: firstly, to inform the consumers; secondly, to persuade the consumer; and thirdly, to convince the consumer to take the desired action. Effective marketing communication equips companies with a competitive edge to survive in the competitive environment. Marketing communication is a type of non-price competition where the competition is not in terms of price but the product features. Since the consumers buy a bundle of benefits to satisfy their needs, marketing communication helps in conveying the benefits of using the product to the end-users. Hence given the above it can be said that marketing communications serve three main functions, they are:

1. Informative communication
2. Persuasive communication
3. Reminding the consumer

The marketing communications are planned with close coordination with other elements of the Communication Mix. Without coordination, the effectiveness of marketing communication does not bring desired results for the marketer. There are different forms of marketing communication like advertising, publicity, personal selling and sales promotion. All these forms of marketing communication influence consumer's attitudes, beliefs and values towards a brand, and thereby influence his/ her behaviour. All these forms of marketing communication have been briefly described below:

Advertising

Advertising is a means of mass communication. The American Marketing Association defines Advertising as any paid form of promotion of ideas or goods by an identified sponsor. Advertising is a paid form of non-personal communication for the promotion of goods, ideas and services by an identified sponsor. The advertisements can be made in house or with the help of an external advertising agency. Advertising is used to:

- Reach large Audiences
- Create brand awareness
- Helps in differentiating brands form competitors.

Publicity

Publicity is also a non-personal communication for the stimulation of demand stimulation for a particular product or service generally in some media form. Mass media like the radio, television etc are important means of publicity. The publicity is not paid for by the company. The publicity can be negative or positive which can create positive or negative perceptions for a brand.

Some of the key points of publicity are as follows:

- Non paid form of communication
- Provides information about a company or product.

Personal Selling

According to Philip Kotler personal selling is face to face interaction with one or more prospective purchasers for the purposes of making the sales. Personal selling is the oldest forms of communication with the prospect of increasing the sales of the product. In personal selling, the company representative can interact with more prospects at the same time and can answer their queries then and there. The problem with personal selling is this that it is very time consuming, have limited reach, and expensive method.

Sales Promotion

According to American Marketing Association sales promotion is defined as media and non-media marketing pressure applied for a predetermined, limited period of time in order to stimulate trial and impulse purchases, increase consumer demand or improve products quality. Sales promotion includes those activities which are not covered by advertising, publicity and personal selling to increase the sales of the particular brand. Sales promotion activities include public displays, celebrity endorsement, shows and expositions, exhibitions, demonstrations in colleges or universities and many other innovative selling efforts at the purchase points and other non-recurrent selling efforts not in the ordinary routine. Sales promotion complements other forms of marketing communications. All the marketing communications plays the role of an important link of communication between the marketers and the prospect. As already discussed the main objectives of promotion are:

- a. Information
- b. Persuasion
- c. Reminding

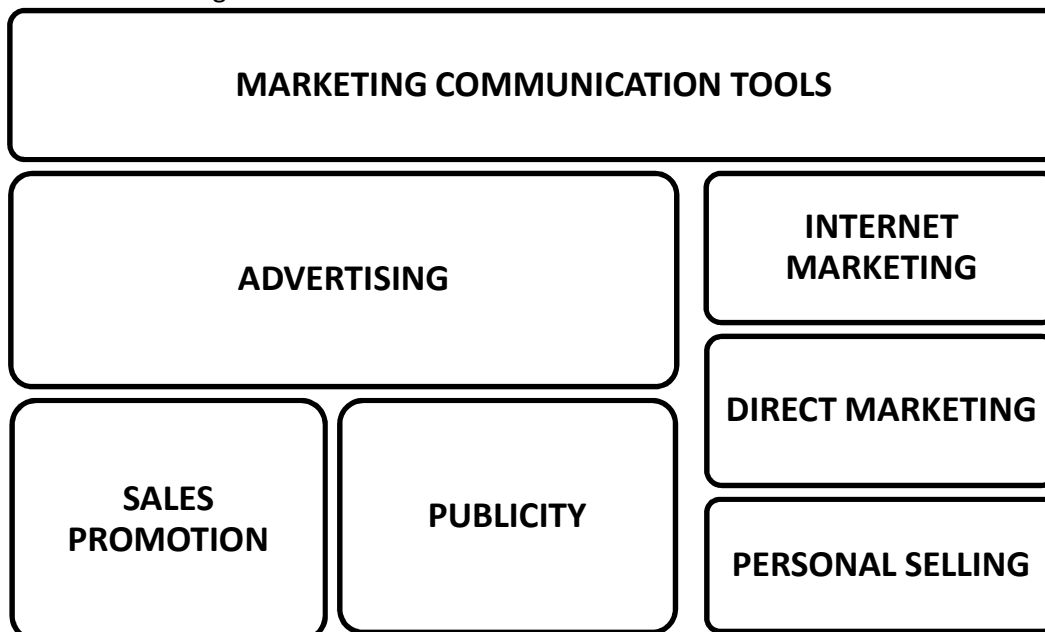


Figure 4.1: Marketing Communication Tools

Source: Schultz, D. E., & Schultz, H. F. (1998)

It can be summarized that publicity is more effective in the consumer awareness stage. Advertising is necessary for reminding the product because it is said that out of sight out of mind. As interpersonal interaction is gaining importance personal selling becomes more effective in such cases. Sales promotion tools provide additional incentives for consumer buying actions. Apart from the above marketing communication tools word-of-mouth is also an important element for the promotion of the products. Word of mouth does not require any financial implications for the market. The word of mouth spread like the jungle fire and it fulfills the company's objective of product promotion without any investment.

The effective communication to occur between the sender and the receiver the message must be received by the sender as it is sent. There should be minimum barriers in the communication process and there should be no ambiguity. It can be said that effective communication is the receipt and understanding of the message which leads to action. Action in marketing terms means the decision to purchase. Thus the overall objective of marketing communication is to influence the buying behaviour of consumers.

The marketing communication is a wider concept in marketing which also includes:

- The conveying of product personality which encompasses the brand name, brand equity, packaging and labelling.
- To convey the Pricing importance conveying quality, status, unique features.
- Encompasses the promotion-mix which covers personal selling, advertising, publicity, and sales promotion.
- Place or distribution which indicates the point of purchase, store image, merchandise presentation and services.

Thus, all the elements of the Communication Mix communicate with the consumer with the marketing messages. Of the four elements of the Communication, Mix promotion is the most visible element of marketing communication. Without this element, it is impossible to compete in the marketing environment.

The customer-initiated marketing communication model propounds that the companies should use create such information channels which helps in creating long term relationship with the consumers and which provides reliable and genuine feedback so that the feedback leads to the improvement in the product. Now a day with the rapid penetration of the internet every individual is interconnected. The customer-initiated marketing communication model given by Duncan (2005) starts with a source providing information through several channels to the company through the noise. Feedback is an important component of this model. The model explains the one-on-one communication method between the consumer and the company and also suggest for private communication with the consumer.

Diagrammatically this model can be represented as shown below:

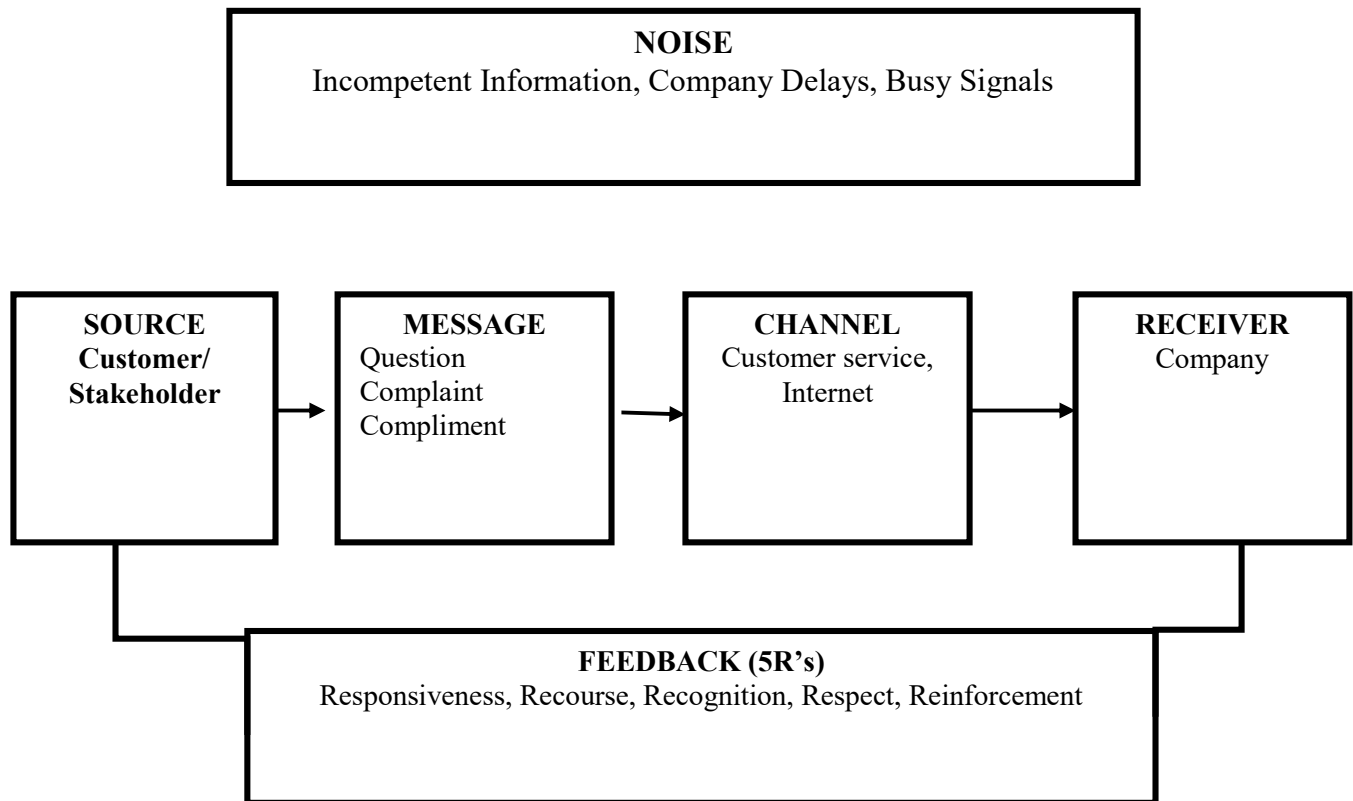


Figure 4.2: Customer-Initiated Marketing Communication Model

Source: Duncan (2005)

As the model suggests the marketing communication has three main requirements which are listed below:

- To identify the best possible medium to ensure the maximum geographical reach.
- Customer profiling and understanding the characteristics of the target markets.
- To formulate the best promotional strategy so that the buying behaviour of the consumers is effectively influenced.

To conclude the objectives of the Marketing communications for a company are long-term which focuses on increasing the brand value and brand equity of a brand over time.

4.2 Determining Marketing Communication Objectives

To use marketing communication in promotional activities, the marketers go through several steps to achieve the communication objectives. These steps are important because these steps ensure that the message is being effectively designed by the marketer and received by the consumer. These steps decide what the marketer requires and how it is accomplished. With this, the marketer is convinced that the right message is developed for the achievement of the marketing communication objectives. The steps involved in the development of an effective marketing communication campaign are:

1. Identification of the target market
2. Determining the objectives of the Marketing Campaign
3. The setting of S.M.A.R.T. goals

4. Define and create the message
5. Selection of marketing communications tools.
6. Determining the promotional mix
7. Execute the marketing campaign
8. Measure results and Feedback.

Determine Target Market

The target market is the market which the companies focus on with their marketing activities, because of its competency. A clearly defined target market helps the companies in designing their marketing communications for effectively reaching their target market.

Determine Marketing Campaign Objectives

This step identifies the objectives of the company which it wants to achieve through its marketing campaign. The marketing communications of the company tries to accomplish more objectives at a time. The marketing campaign of the company focuses on creating brand awareness amongst the target market and influences their buying behaviour. In developing marketing campaigns the AIDA model is a useful tool for the achievement of campaign objectives for the target market.

The AIDA Model

AIDA is an acronym of attention, interest, desire and action. It helps marketers to develop effective marketing communication strategies to connect with the target market. AIDA model was given by Elias St. Elmo Lewis. AIDA elaborates a sequence of events which occurs when a consumer watches a marketing communication. The acronym AIDA acronym stands for:

- **A** represents attention or awareness, and the ability to attract the attention of the consumers.
- **I** raise the interest of consumers by focusing on advantages and benefits.
- **D** represents desire and convinces consumers that the product will satisfy their needs.
- **A** is an action leading to actual purchase.

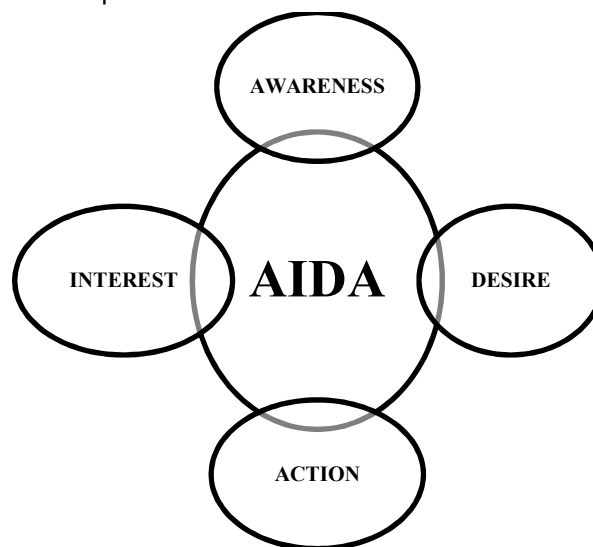


Figure 4.3: AIDA Model

(Source: Essential marketing models <http://bit.ly/Smartmodels>)

Set S.M.A.R.T Goals

In the marketing campaigns, the marketers should set specific goals using S.M.A.R.T. criteria which are in sync with the marketing strategy. Acronym S.M.A.R.T. was given by George T. Doran. George T. Doran proposed that goals should be:

- Specific
- Measurable
- Assignable
- Realistic
- Timely

S.M.A.R.T goals will help ensure clarity in the activities that needs to carry out for marketing campaign. They also contribute to good communication between managers and employees, so that there are clear expectations on all sides about the focus of attention, resources, and results.

Define and Create the Message

Defining and creating the message guides the marketer in developing a message framework to get the message right. The main objective of the message is the call to action. The calls to action should follow the AIDA model and influence the audience by using the tools effectively.

Selecting the Marketing Communication Methods

The marketing communications are formulated with a purpose to have maximum impact on the consumers. For this purpose, some important factors are kept in consideration which shapes the choices of the marketers in the formulation of marketing communications. These factors are as follows:

Budget: The budget for the marketing campaign and what resources are available to the marketer determines the effectiveness of the marketing campaign. A big-budget can incorporate the usage of latest technologies whereas limited budget makes the marketer compromise on many things. The marketer needs to analyze the impact of the available budget.

Timing: Some Integrated Marketing Communication methods and tactics such as conference presentations and events require a significantly longer lead time than others to orchestrate whereas email and web marketing activities can be executed rapidly with in-house resources. It is very important to choose the right tools that will make the biggest impact in the available time.

Audience: Effective marketing communications reach the consumer where they are. The media habits and behaviours of the target segments guide marketer's choice for the budget, tools which are used around marketing communication.

Assessing the Organizational Strengths: When developing the marketing communications, the marketers should look for its internal strengths and weaknesses and should make the best use of its strengths to effectively connect with the consumer. The strengths of the marketing companies provide the competitive advantages that competitors cannot easily match or replicate. The table below illustrates different tools of marketing communication which are being used by marketers.

Table 4.1: Tools of Marketing Communications

	Marketing Communications Tools
1	Advertising
2	Public Relations
3	Promotions
4	Word of Mouth
5	Corporate Communications
6	Sponsorship
7	Exhibitions and Fairs

Road Shows

A road show is a promotional activity which includes series of presentations carried out at different locations for offering a product or service. The road show is a process of sales pitch which involves members of the company which travel around the country offering the opportunity. The main purpose of road show is to generate excitement and interest in the offering. A successful road show is critical to the success of the offering. Road show events attract hundreds of prospective buyers interested in learning more about the offering. The Road show events include multimedia presentations and question-and-answer sessions with company's executives. Many companies use technology to post videos of the road shows and online presentations. Along with Road shows companies may also hold smaller, private meetings with the prospects. Road shows cover a variety of areas like the company's history and their future plans. The road shows include the following:

- A video or digital media presentation
- Company's history and how it got started
- Meeting the executive management
- Plans and vision for the company
- The unique value proposition of the company
- Earnings and financial performance
- Prior sales growth with projections and forecasts
- The investment opportunity and growth potential
- IPO stock price target

Challenges in Marketing Communication

Every organization operating in the market faces challenges which it needs to overcome. Similarly, the companies face many challenges in implementing the effective marketing campaign also. The major challenges which the company faces are finding the right kind of talented human resources and the right technology. But there is scope for overcoming these challenges by redesigning the strategies related to marketing communications. The companies should be ready to face these challenges head-on. The dissemination of information through different marketing channels increases the burden on marketing professional to effectively optimize the marketing channels. Use of offline and online communication does not guarantee symmetry in communication. It can be challenged if the marketing communication

is not directed at the right customer. Therefore the marketers must determine which channels should be focused on to distinguish between noise and message. The companies which are operating in foreign countries face considerable communication challenges. It must be kept in mind that marketing communications reflects the local market requirements and take care of the cultural aspects before designing a message. The media used must deliver the message which is acceptable to local cultural preferences. Some of the important points which need to be taken into consideration to overcome the challenges in marketing communications are:

Localizing Communications

The marketer while promoting their product must communicate in the local language. This means the translation of the message into local languages. Apart from this the marketing communication should persuade the consumers that the needs and wants of the local buyers are met. The marketing communications must comply with the legal requirements of the host company.

Consistent Usage of Product Terminology

Another challenge for the marketer is that the marketer must ensure that the names of products are used consistently in every geographical location. Inconsistent usage of product names can create logistics problems in supplying the right product. Terminology management provides a solution to this problem by ensuring consistent communication.

Meeting Local Cultural Preferences

Local cultural preferences should be kept in inactive consideration. Using particular colours combinations and images creates a distinct image in the mind of the consumer.

Communicating Through the Right Channels

Apart from knowing how to communicate, marketers must know how and where to reach the end consumer. In some cases, participating in exhibitions and fairs may be the most effective route to reach to the final consumers. In such cases, orators with excellent communication and presentation skills should be used. Whereas in developed countries have established businesses, advertisements, news releases may be the most relevant form of communication. In cases where technology is not developed personal communication through distributors can be the best strategy. So, the main challenges in marketing communication can be summarized as follows:

- Generating Leads
- Providing ROI on Marketing Activities
- Securing adequate Budget
- Identifying the Right technologies of communication for the target market
- Managing the Website
- Targeting International Audience
- Training of the Team
- Hiring Top Talent

The companies have many options now to communicate with the target market. With the evolving information technologies, the way to communicate with the rural consumers has undergone a complete transformation. Engaging with the audience helps in generating new ideas, and gives ideas to the marketer for developing new products, or to modify and improve the existing products. Companies should take advantage of these innovations to interact with the consumer. The marketer should move the rural consumer for the traditional ways of communication to the new digital-era tools of communication. Keeping pace with technological innovations is a major challenge and an important factor for gaining competitive advantage. If the companies feel that they lack the competence for effective marketing communication then these companies should outsource marketing communications. This helps the company to remain focused on its core work of producing quality goods. An important condition in gaining competitive advantage is to retain and enhance the brand building and brand equity of the products. So to have an upper hand in the marketing communications is to be flexible and make efficient use of the marketing communication tools, coordinating with the company's overall strategic objectives.

To-Do Activity (Team of 10 Members)

Identify a remote village located near your vicinity and interact with at least 10 rural households to understand:

1. The impact of advertising on the sales of the rural product which is being marketed by the rural marketer.
2. Design a message for a hypothetical rural product for urban consumers.
3. Identify different tools for marketing communication and analyze the effectiveness of important marketing tools.
4. Develop a short advertisement of 30 seconds and use it in social media.
5. Enlist the latest technological advancements in creating an effective marketing campaign for the urban market.

4.3 Role of Social Marketing in Marketing of Rural Goods

Social marketing is an important element of the Marketing process. It is one element which gained prominence in the last couple of decades. Social marketing was not given much importance by the companies till recently by most of the companies but now every company is trying to reach as many consumers as possible through social marketing for promotion of rural goods. This concept of social marketing has gained momentum in the western countries in the 1970s due to the increased awareness about the concept of sustainability. In the present marketing environment, the concept of social marketing is being used by developing countries in varied areas such as the promotion of rural goods such as handicrafts, agro-products, organic foods and dairy products to name a few. The concept of social marketing is not new for India and is being used historically from a very long time. In India, many campaigns were launched for the freedom movement. Other social marketing campaigns which were launched as a part of social marketing concept are like awareness programs for voting rights, protection of women rights and child marriages, the abolition of untouchability, woman education etc. were successfully organized in the pre-independence India as a part of social marketing campaigns.

Concept of Social Marketing

American marketing association defines marketing as the process of planning and executing the conception, pricing, promotion and distribution that satisfies individual and organizational goals. It is also a societal process by which individuals and groups obtain what they want through creating, offering and freely exchanging products and services of value with others. Social Marketing is defined as a process involves a change in the behaviour and attitudes of the target group for achieving the social, economic, political and business objectives. Social Marketing refers to creating awareness among consumers, organizations and the general public for the fulfillment of long term objectives of the company. Philip Kotler & Zaltman defined social marketing as the process of calculating the influence of efforts on the adoption of social ideas.

Social Marketing is also referred to as societal Marketing. Societal marketing is often referred to as a type of marketing in which the companies' profits are concentrated in such a way that it have minimum negative impact on the societies well being. Societal marketing also keeps in to account the well being of the plane earth. The main focus of social marketing is to achieve the following objectives:

- The satisfaction of customer needs.
- Improvement in the quality of life of the consumers
- Implementation of long term policy for customers and society's welfare
- To provide an environment-friendly system for the fulfillment of the consumer needs.

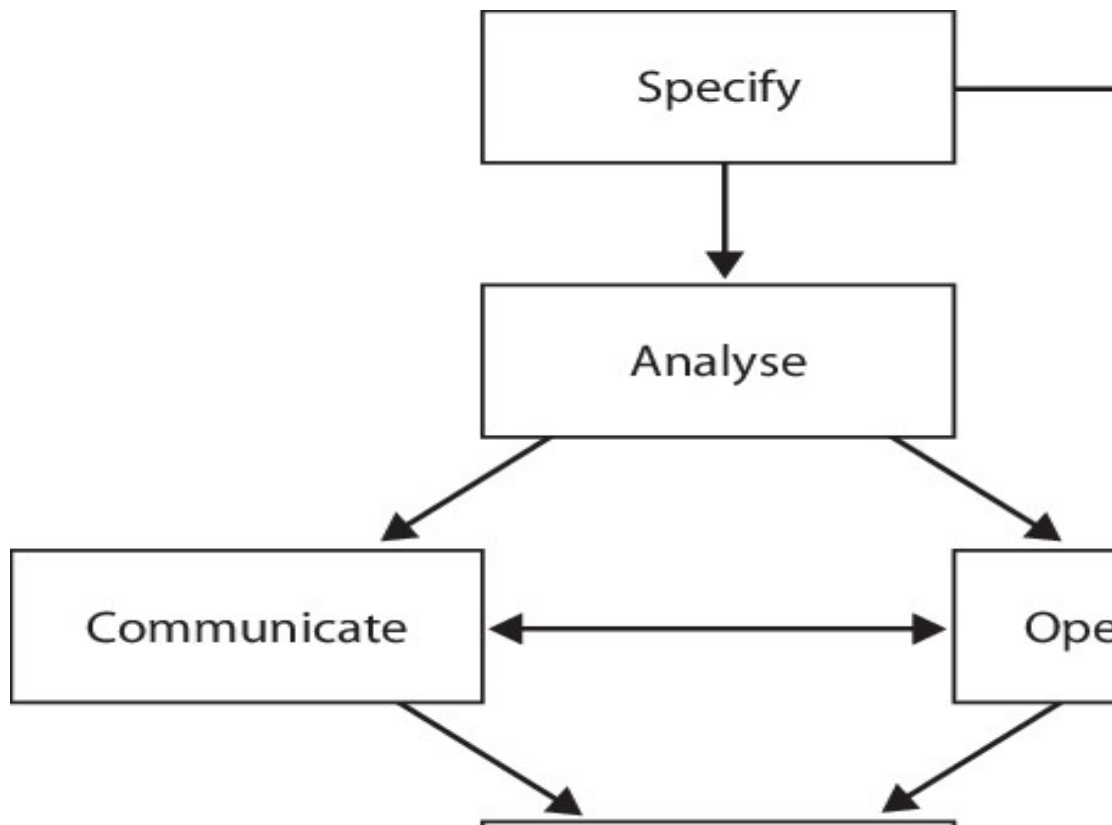


Figure: 4.4: Social Marketing Process

Source: Wardlaw, J., & Jones, C. (2008)

Aspects of Social Marketing

Looking at the harmful effects and environmental problems that marketing have caused is been noticed by the organizations. The harmful effects of irresponsible marketing have caused so much damage to the environment that it is becoming difficult to maintain the ecological balance. To offset these problems the companies have started adopting social marketing. Since societal marketing focuses on the societal aspects a social well being of the society, the important features of societal marketing can be summarized as follows, so that sociologists, the social leaders, the philanthropists and Marketers advocated social marketing. Over the past few years, marketing experts, practitioners have tried to identify basic aspects of (component) of social marketing. These can be summarized as under

Need-Based and Eco-Friendly Product Mix

The social marketing is about producing and marketing products in such a way that it causes a minimum harmful impact on the environment. Social marketing is about marketing essentially eco-friendly products. It should also communicate with consumers to convey the advantages of using eco-friendly products.

Rational Promotional Policy

Social marketing sells ideas, to promote, social products. In social marketing, the marketer uses advertising, public relations, door to door selling, etc. for emphasizing on the adoption of eco-friendly products. The social marketing ensures that the promotion of products is not antisocial and unethical. Social marketing is an effort to drive behaviour around a social issue.

Common Challenges in Rural Communication

The most successful social marketing efforts are those which understand customer's attitudes and beliefs. It also identifies the enablers and barriers in the adoption process. Despite this the main challenges faced by the rural marketers are listed as below:

- Infrastructural problems
- Limited financial resources
- Limited technology
- Orthodox cultures and beliefs
- Limited media availability
- Limited marketing facilities collaboration between systems.
- Lack of awareness and understanding
- Limited Government support.

Opportunities in Rural Communications

While there are challenges in rural communication, there are opportunities also for social marketing efforts which include:

- The tight-knit social network that understands each other well
- The commonality of the word of mouth communications
- Strong informal communications networks

- Government Agencies that are willing to partner with rural marketers, such as the Cooperative Extension System
- Community leaders are easily identifiable because of smaller groups
- Consumers changing preferences towards traditional products.
- Availability of Media coverage because of lower competition.

With changing times, the concept of social marketing has undergone minor variations. A sustainable approach element is being introduced in the societal marketing concept and is being referred to as community-based social marketing (CBSM) by Doug McKenzie Mohr. Community-based social marketing focuses on change behaviour of the consumers towards environmentally friendly products to minimize their impact on the environment. This approach focuses on using social psychology to find out the barriers which hinder the process of change behaviour. Complete dependency on communication to initiate behaviour change is not sufficient. Apart from social psychology other tools which are used in CBSM are focus groups and surveys to identify barriers, feedback and incentives. The community based social marketing has been effective in fostering sustainable behaviour in the areas of energy conservation and recycling. The concept of strategic social marketing has also emerged, which identifies that social marketing can influence policy, strategy and operational tactics to achieve social outcomes. Many of the social marketing messages are not successful despite being well crafted. This may be due to the variations in the populations in different geographical locations. For example, the anti-tobacco program worked very well in some geographical areas but failed in others. The efficacy of the campaigns has been a subject to dispute due to the presence of many other factors. The social marketing approach is being viewed as a concept to design more effective, efficient sustainable approaches for social wellbeing that aims in creating positive changes in the behaviour of the consumers towards social norms, markets and public policy.

4.4 Information and Communication Technology in Rural Marketing

The applications that are involved in ICT are constantly changing and evolving. The rural development is one of the areas on which the government of India is particularly focused upon. It is an important agenda of the Government in which the implementation of information and communication technology has been relatively slow. The main reasons for this poor implementation are the lack of awareness among stakeholders. For the development of the rural economy the information, communication and technology is going to play a very important role and also in uplifting the quality of life of the rural poor. ICT offers tremendous opportunities in terms of introduction of new services and applications into rural areas and in the up-gradation of the present services. ICT can be defined as a technology which facilitates the processing and transmission of information by electronic means. ICT has a great impact on the lives of the rural population in terms of knowledge dissemination, social interaction, business practices, education and entertainment.

The introduction of Information and Communication Technology (ICT) is playing an effective role in the marketing of the product and creating the demands for rural products. Using ICT can also fill the gaps between the educationally and technologically backward sections of society. Along with this information

and communication technology have a substantial impact in combating rural poverty and leading to the development of information-rich societies. If ICTs are properly implemented they can be powerful tools for economic empowerment. Some of the popular ICT applications are E-Chaupal, Cybermohalla, Honeybee; Praja etc. are in functioning for rural development these projects have attempted to improve the reach, processing costs and transparency in the operations. These projects have been able to bring the rural marketers in contact with the information technology. Information and communication technology generally involve the usage of computers, the internet, geographical positioning and information systems, mobile phones, as well as usage of conventional methods like radio and TV. Although ICT is a relatively new phenomenon its contribution to the economical development of rural areas is becoming increasingly important. Information and Communication Technology can play a pivotal role in connecting rural producers with the outside world, this exchange of information is vital to economic development. ICT has also open new vistas for business for rural marketers and has been instrumental in mitigating the presence of geographical boundaries. The best example of an Indian rural company which has used ICT effectively for its growth is AMUL. The company has used ICT to automate milk collection and digital payments for its 500,000 members. This brought transparency in the transaction process and made the processes fast and efficient. With the use of ICT, the marketer offers services and information to the target market using electronic means. The Information and Communication Technology (ICT) have been able to open several opportunities for rural marketers in every conceivable area.

ICT have unshackled the limitations of cost, distance and time. The introduction of Information and communication technology has made the world a global village and created new challenges, new opportunities and new marketing environments. The ICT has given birth to the Persuasive communication for rural development and has been instrumental in bringing about desirable behavioural changes among the consumers. Although ICT is an important tool which can transform the lives of the rural population, it is not a universal solution to all the problems which are being faced by rural marketers. Using ICT without proper application of the knowledge of the consumer and the market can have a disastrous effect on the reputation of the company. We have many examples to show the effectiveness of using ICT; on the contrary, there are many examples which show the consequences of improper usage of ICT. The twenty-first centuries will witness unprecedented changes in every area of information and communication technology, infrastructure development and services. The ICT boom in India has already started changing the lives of Indian masses. Therefore, the implantation of ICT must be viewed in this changing scenario. Many marketing experts in their seminal works have acknowledged that ICT is the panacea for major economic, social and cultural problems. Another important aspect where ICT can play a significant role is in preparing and responding to the natural hazards like droughts, landslides; floods etc. and their impact on the lives of the population. Therefore, ICT is an emerging area of national interest. So to conclude the use of ICT helps in strengthening the connectivity and communication systems in the agricultural activities as well as in increasing the productive processes. The use of ICT can transform the way agriculture is done in India. The concept of e-chaupals by ITC has revolutionized the communication systems in the villages. Some of the important roles of information technology have been enumerated below:

Role of IT

1. Information technology facilitates access to information.
2. IT helps in accurate forecasting of weather conditions and market dynamics.
3. Help in promoting government schemes for the benefit of rural marketers.
4. IT helps in providing better services to the consumers and speedy claim services.
5. Monitoring & tracking of product performance and feedback.
6. IT ensures better interaction between the company and the consumer.
7. Correct feedback helps in the improvement of the product.
8. IT helps in cost reduction on distribution and transportation.
9. Cost-effective, doorstep delivery is possible due to the use of information technology.
10. IT helps in the Development of customer Databases.
11. IT helps in developing customized products for the different target segments with effective tracking.

Types of E-Commerce

1. Business to Business (B2B)
2. Business to Consumer (B2C)
3. Business to Government (B2G)
4. Consumer to Consumer (C2C)
5. Government to Consumer (G2C)
6. Government to Business (G2B)

Importance of ICT

E-commerce in the recent years has transformed the way businesses are carried in and around the world. Agriculture has also been impacted by the E-commerce and has found its way in agriculture. E-commerce has many applications which can be helpful in agricultural activities'-commerce requires that both buyers and sellers have access to the Internet and that they are able to use the required software's. Common agribusiness B2B transactions such as buying, selling, trading etc can use ecommerce for increasing efficiency. In B2C categories also e-commerce can be used for activities such as, Remote Service, and Maintenance referred to as Agri business to Agri business (A2A) and Agri business to grower (A2G). Other benefits of ecommerce in agriculture can be identified as follows:

Promotion of Information Flow

The exchange of relevant information about agricultural products, availability, their characteristics, advantages, disadvantages, etc., can be increased through the use of information on the Internet during ecommerce transactions. Internet technology also acts as an important link between farmers in the food production irrespective of their geographic location. This increase market access through online transactions and reduces geographic obstacles, such as time and distance.

Market and Price Transparency

Online transactions allow comparison of products on pricing which increases transparency in the transactions. Price differentials due to geographic location can be minimized because of competition. This benefits farmers in terms of uniform prices with regard to input prices. This may be more relevant where many existing products are not differentiated on a regular basis.

Reduction in Transaction Costs

With the application of ecommerce, many transactions through the supply chain are either eliminated or simplified. In this way, transaction costs are drastically reduced or even eliminated.

Increase in Online Cooperatives

The processes of ecommerce transactions give emergence to new opportunities for furthering the concept of cooperatives. From the perspective of farmers, e-cooperatives provide a solution for small businesses.

Reduce dominance of Middlemen

E-Commerce presents an advantage to both consumers and sellers. E-commerce eliminates the middlemen and inventory reduction which makes it easy for a seller to pass on the benefits to consumers at a lower price. Agri-marketing can benefit immensely from e-commerce both in B2B and B2C markets. While e-NAM is the government driven government which has promoted private players such as Big Basket to fill the gap of the B2C market through policy initiatives like direct purchase and e-trading.

ICTs in agriculture



Figure: 4.5 ICT as a Key for Rural Development

Source: FAO, ITU

The above figure illustrates how technology plays an important role in rural development. It can be said that that the economic growth of rural population completely depends upon the information and communication technology. By use of communication technologies, the rural marketer gets aware of the

latest developments taking place around him. This awareness leads to incorporation of changes in the product or product strategy which in turn leads to the increase in demands and economic benefits. As the demand of the rural products increases it leads to the enhancement of production to fulfill the demands which further results in the economic growth of the rural population. The rural population needs to be made aware of the current market trends, instruments, materials and price of the product by the use of technology. ICT help in adoption of better methods and techniques of producing a product, the new methods of manufacturing also makes the final products uniform and high on quality. Use of latest technologies also helps in developing good and attractive infrastructure. In the current times, the technology is changing very fast and one has to be flexible enough to incorporate these new changes. The changing technologies play a prominent role in improving the living standards and mental status of the rural population.

The use of ICT (Information and Communication Technology) increases the effectiveness of distribution systems for rural marketing. The government of India has realized this fact and it is because of this reason that it had taken many initiatives related to ICT for the development of the rural markets. A good number of projects are already under progress for the development of rural markets and many more are going to be implemented in the coming days. As per NCAER (National Council for Applied Economic Research), the number of rural households in India is expected to grow from 111 Million to 210 Million by the end of the year 2021 as compared to Urban India.

The use of ICT in rural distribution strategies may be related to:

- Usage of proper logistics and supply chain system
- Creating Joint distribution systems
- Creating Feeder towns for further Distribution.
- Use of Mandis, Rural Haats and fairs.
- E-Commerce and Private Courier services.
- Partnership with Marketing agencies and NGO's
- Use of Internet, Intranet and Extranet
- Creating infrastructure for Rural Malls.

To conclude we can say that ICT has a diverse role to play in the development of rural markets. ICT holds the key to rural development. Efforts should be made to increase the usage of ICT in rural areas by creating awareness about the advantages of using ICT and how its usage can lead to the development of the rural markets and the distribution systems thus, having a substantial impact on the economy of the rural area. The government should also invest in the infrastructural developments of rural India along with the technological and financial investors, because without the development in the areas of electricity, communication media, transportation etc. ICT cannot be effectively implemented. The awareness of the rural marketers towards ICT can increase the productivity of the rural products which would enhance the economical growth of the country.

To-Do Activity (Team of 10 Members)

In a group of 5 members carry out the following tasks:

1. Find out the best ICT tools for the promotion of rural products in the urban markets. Highlight their importance.
2. Study the ICT tools relevant to rural marketers. How can these tools be used to effectively market the rural products?
3. Create a social marketing message for promoting the use of eco-friendly products amongst the consumers.
4. Create an awareness program for discouraging the use of plastic bags in your area.
5. Enlist the latest information, communication and technological advancement in India and aware the rural population about the benefits of using it.

4.5 Tools for ICT: eNAM and AGMARKNET

Electronic National Agriculture Market (eNAM) is a pan-India initiative by the government of India which is an electronic trading portal which networks the APMC mandis to build create a unified market for agricultural commodities nationally. National agriculture market network seeks to regulate the wholesale market (known as the APMC market) through a virtual platform. National Agriculture Market provides better marketing opportunities for the farmers to promote their products and sell their products through online portals in a competitive and transparent price discovery system. The online payment facility commensurate with the quality of the products is also available under e-NAM initiative. The eNAM Portal provides a single-window for all APMC related information. e-NAM includes the arrivals of the products & prices, available offers and discounts on the products, among other services. E-NAM is instrumental in reducing transaction costs and information non-uniformity. Each state in India has its agricultural market areas, which is administered by the Agricultural Produce Marketing Committee (APMC) imposing its marketing regulation and fees. The different policies of different states levying different fees end up in inflating the prices of the rural marketer, which does not benefit the marketer. These issues are effectively addressed by National Agriculture Market by creating a unified market through an online trading platform, both, at State and National level which promotes uniformity, across the integrated markets, mitigates the no uniformity between buyers and sellers, based on actual demand and supply of the products.

Objectives of e-NAM

The objective of e-NAM is to create a national e-market platform for transparent transactions and uniform prices in the regulated markets. The states make suitable provisions in their APMC Act for promotion of e-trading by Agricultural Produce Marketing Committee (APMC).

- It's a national e-market platform for transparent sale transactions and price discovery.
- Liberal licensing of traders, buyers and commission agents by State authorities without any pre-condition of physical presence.
- One license for a trader/buyer which is valid across all markets in the State.
- Uniformity of quality standards in every market to enable informed bidding by buyers.
- Single point for levying market fees.
- Provision of Soil Testing Laboratories near the selected mandi to facilitate visiting farmers to access this facility in the mandi itself. It has a provision of a strategic partner which customizes the specific requirements of the mandis in the States.

Small Farmers Agribusiness Consortium (SFAC) is the lead agency for implementing eNAM under the aegis of the Ministry of Agriculture and Farmers' Welfare, Government of India the Strategic Partner M/s. Nagarjuna Fertilizers and Chemicals Ltd. The strategic partner is responsible for the development, operation and maintenance of the platform. The broad role of the Strategic Partner is meeting the specific requirements of the mandis in the States who are willing to integrate with the National Agriculture Market.

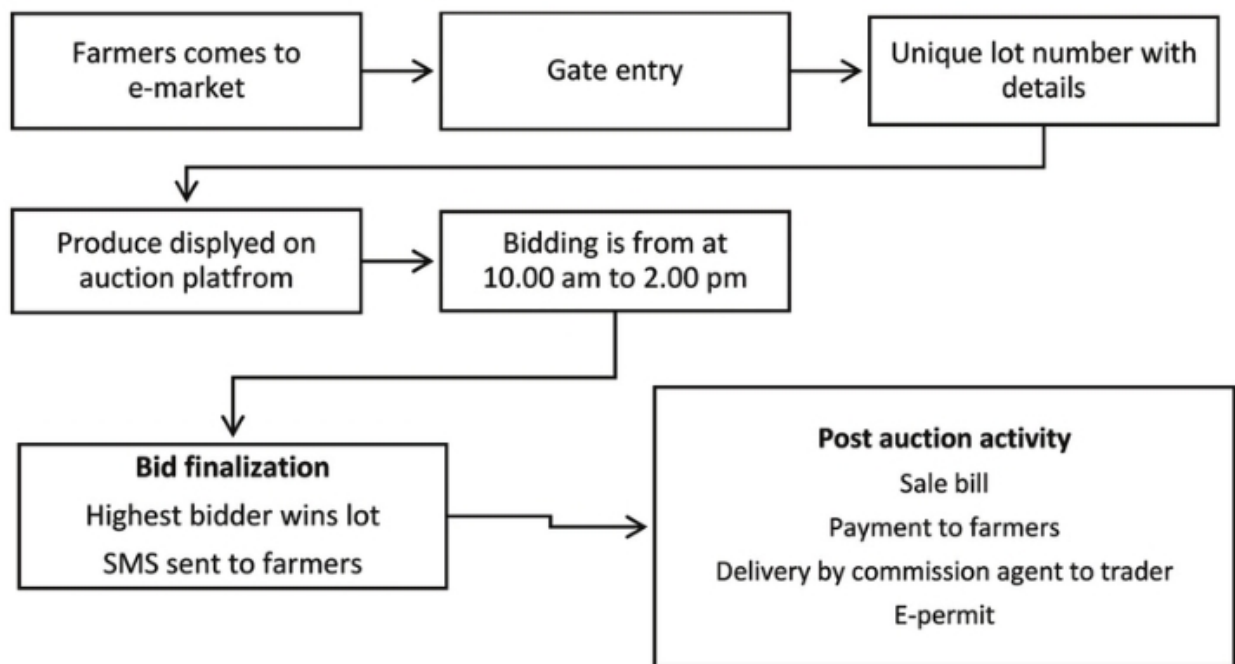


Figure 4.6: Process flowchart of e-Market

Source: Reddy, (2018)

From a system of undercover auctions in some mandis to the automation of these activities, the entire process has come a long way. The benefit of eNAM comes from computerized weighing machines linked to the eNAM portal through Bluetooth. There were initial hiccups at the beginning which were poor

internet connectivity, software glitches and problems in online payments. Many of these problems have been solved by the Small Farmers Agribusiness Consortium (SFAC), an autonomous entity promoted by the Agriculture Ministry), the implementing agency for eNAM.

Advantages of eNAM

- The advantage of eNAM is in a reduction in bookkeeping and reporting system which is now generated automatically.
- Better monitoring and regulation of traders and agents.
- Complete transparency in systems which eliminate manipulation of tendering and auctioning process.
- Improvement in the fee collection by all the transactions taking place in the market.
- Reduction in manpower requirements as technology is used for the processes.
- Analysis and forecasting of the arrivals and prices.
- Availability of all the information on the website directly.
- The biggest achievement of eNAM is automated bidding.
- Faster flow of information such as SMS alerts are sent to the farmers for updates.

Agricultural Marketing Network

Agricultural Marketing Information Network (AGMARKNET) was launched in March 2000 by the Union Ministry of Agriculture. It is used for effective information exchange. The portal of AGMARKNET is maintained by National Informatics Centre (NIC). It provides information related to facilitates generation and transmission of prices, commodity arrival, dissemination of information to producers, consumers, traders, transparently and quickly. The AGMARKNET is an e-governance portal that caters to the requirements of farmers, industry, policymakers and academic institutions by providing all the information related to agricultural marketing in a single window. The portal helped those farmers who do not have sufficient resources to get adequate market information. AGMARKNET facilitates web-based information flow on the daily arrivals and prices of agricultural produce markets spread across the country. The information on the AGMARKNET portal is available in 8 regional languages and English. It displays the information of wholesale markets Commodity wise, Variety wise daily prices and arrivals information. The AGMARKNET portal has a database of about 300 commodities and 2,000 varieties. The database developed under AGMARKNET would also be linked to other agricultural databases, for instance, on area, production, the yield of crops, land use, cost of cultivation, agriculture exports and imports, and so on, to evolve a data warehouse. This would provide a sound base for planning demand driven agriculture production. AGMARKNET is also expected to play a crucial role in enabling e-commerce in agricultural marketing.

Objectives of AGMARKNET

1. To promote the creation of agricultural marketing infrastructure by providing information to State, cooperative and private sector investments.
2. To promote the creation of scientific information and to promote financing to increase farmers' income.

3. To promote Integrated Value Chains to provide vertical integration of farmers with primary processors.
4. To use ICT as a vehicle to make the rural marketers about the challenges and how to respond to these new challenges in agricultural marketing.
5. To create a nationwide information network system for speedy collection and dissemination of market information for timely utilization by farmers.
6. To support quality certification of agricultural commodities for better prices for their graded produce.
7. To facilitate private investment in setting up of agribusiness projects for the assured market to producers and strengthen linkages with producers and their groups.
8. To undertake and promote training, research, education, and consultancy in the Agri marketing sector.

To conclude the information provided through the AGMARKNET portal includes:

- Prices and Arrivals and future trends
- Grades and Standards
- Commodity Profiling
- Market Profiling
- Other Reports
- Research Studies
- Companies involved in Contract Farming
- Government Schemes of DMI for strengthening Marketing Infrastructure

This portal helps in creating uniformity in agricultural prices and thus is of immense use for the rural marketers and the stakeholders.

Summary

- Marketing communication is the process which includes informing, convincing and influencing consumers to make a purchase decision about a particular product.
- The main role of marketing communication is to persuade, inform and remind the consumer about the product.
- The different forms of marketing communication are Advertising, Publicity, Personal Selling and Sales Promotion.
- The objective of marketing communications is long-term which focuses on increasing the brand value and brand equity of a brand over time.
- The AIDA model helps marketers to develop effective marketing communication strategies to connect with the target market.
- The goals of the company should be Specific, Measurable, Assignable, Realistic, Timely (SMART)
- Social Marketing refers to creating awareness among consumers, organizations and the general public for the fulfillment of long term objectives of the company.
- The major challenges which the company faces are finding the right kind of talented human resources and the right technology.

- ICT stands for Information and Communication and Technology. The applications that are involved in ICT are constantly changing and evolving.
- The awareness of the rural marketers towards ICT can increase the productivity of the rural products which would enhance the economical growth of the country.
- Tools used for Information communication and technology are e-NAM and AGMARKNET.
- AGMARKNET is also expected to play a crucial role in enabling e-commerce in agricultural marketing.
- The government should also invest in the infrastructural developments of rural India because without the development in the areas of electricity, communication media, transportation etc. ICT cannot be effectively implemented.

Model Questions

1. Discuss the difference between advertising and publicity. Which is more effective and why?
2. Describe the concept of marketing communications in a rural context?
3. What do you understand by the AIDA model?
4. Explain the tools of ICT?
5. Describe the objectives of Societal Marketing?
6. The goals of the companies should be SMART? Elucidate.
7. Explain the role of AGMARKNET?
8. What is meant by marketing communication tools? Briefly explain.
9. Discuss some of the government initiatives to promote rural marketing?
10. What is meant by traditional and contemporary media?

Reading Materials

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Chapter 5 Market Support in Rural Marketing

Introduction

Rural India has grown not only in terms of financial liquidity but also in its approach over the years especially after the economic reform of 1991 when the Indian economy was liberalized. To take the maximum benefit of this opportunity new market trends like e-marketing, Mobile marketing, Digital marketing, Green marketing, Corporate Retailing and so on need to be adopted for attracting new customers and increasing the market share. These new developments will facilitate the companies to reach the target market in the shortest possible time. Companies should adopt new ways of doing business depending on the nature and types of products. The rural economy is a biggest contributor to the economic development of India and it is estimated that it will be approximately 45% of the gross domestic product in the coming years. It provides a back up to the Indian economy in times of crisis. The marketers need to understand that rural markets offer products for the rural outlets as well as urban shops and they have to understand the unique characteristics of both the rural consumers as well as their urban counterparts. The term Rural cannot be just confined to a village or town but it is a broader term as rural is not geography it is just a mindset. It should be kept in mind that rural marketing is not only agriculture marketing, which involves the marketing of agricultural products, but rural marketing is a broader concept which involves the movement of goods from urban to rural and rural to urban markets. Therefore, the rural markets have become an important market hard to ignore at the global scene. To further achieve success in its objectives the rural marketers should modify their marketing strategies to reach urban consumers. Rural marketers should focus on long term strategies rather than short term strategies for business operations. With the development in infrastructure and better connectivity between villages and cities, the rural markets can aggressively target the urban markets. This aggressive marketing will lead to serving the urban markets better through a sound distribution network, changing the attitudes and perceptions about the rural products and creating brand awareness.

Objectives

- Explain the concept of market research and techniques.
- Explain the concept of the rural marketing information system.
- Describe the different sources of consumer finance.
- Relate the working of the financial institutions for rural development.
- Explain with examples the concept of corporate social responsibility in rural marketing.

Chapter Structure

5.1 Rural Marketing Research and Techniques.

5.2 Rural Marketing Information System.

5.3 Sources of Rural Credit.

5.4 Financial Institution for Rural Development (NABARD)

5.5 Corporate Social Responsibility in Rural Marketing.

5.1 Rural Marketing tools and Techniques

It is for the marketers to understand the concepts, theory and applications of Market Research. Marketing Research can be conducted with primary as well as secondary data. Primary data is collected first hand with the use of a questionnaire and the secondary data is the collection of data already available through magazines, journals, and websites, etc. Secondary data can provide information regarding market size and patterns of future growth. The data thus collected can be analyzed through Quantitative and Qualitative means which helps in product development, design and modifications. Qualitative research focuses on the consumer behaviours and psychological processes it assists in finding the right consumer and the right market segments. The behaviour of the rural and urban consumers is different because of lower literacy levels, Income levels and limited access to the outside world although this is fast changing. Due to the above limitations of lower literacy levels the Questionnaire and other marketing research tools are not easily comprehended by the rural consumers. To overcome this problem an organization MART has developed tools to overcome these limitations. Initially due to the presence of a few players in the market was relatively was very easy, and the marketer never invested in market research. But now due to the cut-throat competition and more availability of options with the consumers the market research can play a pivotal role in facing the competition. Market research helps the marketer to understand the market better than the competitor. With intense competition, companies need to formulate their marketing strategies relevant to the competitive marketing environment. Hence, there is an urgent need to understand the marketing environment, market conditions and the importance of Market Research.

The market research process is equally critical to rural marketing as to urban marketing because of two main reasons:

- The marketer has a limited understanding of the rural/urban consumer
- The marketer who is urban-oriented may need to find different ways to understand the decision variables in the urban market.

This requires the use of research methodology methods that are best suited for understanding the rural markets. The main challenge in the rural market is the non-availability of secondary data which leads to an inadequate sampling framework. The availability of secondary data can be generated by:

- Census or the National Sample Survey giving income-wise breakup of population.
- Providing separate data for industrial products;
- The questionnaire should be different languages that can be understood by rural consumers.

Marketing Research Objectives

The main objectives of the market research process for the marketer are to understand the market conditions, the market segments, consumer preferences and the situation of demand and supply. It is essential to understand the objectives before a market research process is initiated. The correctness of the objectives would define the accuracy of the market research findings. The main objectives of the market research process are as follows:

- Demand forecasting for the product for one year or more.
- Demand forecasting takes into consideration the past data market dynamics and changing marketing conditions.
- Identification of enablers and barriers for the product.
- Market share of competitive companies.
- Brand equity and positions of competing Brands.
- Competitive prices with regards to brand equity.
- The requirement for the advertisements and promotional activities.

From the consumer's perspective the marketing research objectives are as follows:

- The needs, wants and benefits which the consumer is seeking from the product.
- Frequency of product usage.
- Brand Recall.
- Consumer Perceptions about price and Brand
- Consumer decision making and people involved in decision making.
- Reasons for brand preferences.

There are different types of Marketing Research processes which are used in the study by different research agencies and the companies, but some of the most commonly used methods for carrying out research are as follows:

- Exploratory research is conducted to find something which has not been studied until now. It is exploring something which can be thought of or an idea. These researches are in the new areas to find out something novel. In the marketing studies, this type of research is used to develop some new product concept, an idea or service.

- Statistical research helps in finding the frequency of events like product usage or repeat purchases. In this type of study, the variables are already decided and the study is conducted to find out the impact of one variable over another. Statistical researches are useful for analyzing quantitatively using software like SPSS.
- Casual research means cause and effect studies. The causal studies analyses the cause and how the market would respond to this cause. For example: To find the effect of price rise on the sale of the product.

Market Survey

Market Survey is used for the collection of data with the help of an instrument called a Questionnaire. The data is collected directly from the respondents. The market survey can be an expensive process that involves considerable time and effort. It is therefore advisable to carry out a sample survey in a limited area on a limited sample to test the validity and reliability of the instrument. The market surveys can be used in both the Qualitative and Quantitative market research methods. There are various methods to conduct market surveys. The most common methods used for market survey are explained below:

Observation Method

The observation method is used in closed conditions like classrooms, office space, etc. to get the real information regarding the usage of the product. In some cases, the researcher uses simulation methods to understand the problems in simulated conditions. For example Use of CCTVs, Sensors and smoke detectors to know about the various parameters.

Personal Interviews

In personal interviews, the researcher meets the respondent personally to collect first-hand relevant information with the help of a structured or unstructured questionnaire. The data collected is extrapolated for the entire sample to carry out the analysis. The personal interviews are time-consuming because of the dependability on the interviewee and are expensive, but the data collected is more reliable and accurate.

Mail Surveys

The mail surveys are conducted by sending the questionnaire to the respondent and return them to the researcher. Mail surveys are a cheap method for data collection, but the main problem with this method is that the respondent does not take the pain to fill the questionnaire and then post it back to the researcher. The data collected may not be reliable. Telephone surveys mean collecting data through telephones but the problem with this method is that the respondent replying to the call may not be the right person.

Marketing Research Methods

There are two basic methods of doing Marketing Research

1. Primary Research
 - The sources of primary data are questionnaire.
 - Delphi method (expert opinions)

2. Secondary research

Sources of secondary data are as follows:

- The firm's internal source, include P/L Statements, previous MR Reports.
- Staff members coming from competitive firms.
- Government publications and notifications from Directorate of audiovisual publicity,
- Research organizations.
- Trade publications, Magazines, etc and every possible area of business are in the market.
- Competitors balance sheets.
- Publications by associations like FICCI, CII and ASSOCHAM.
- Newspapers and magazines like financial times, Business Today, Business India.
- Market Research Organizations, like ORG-Marg, who sell MR Reports at a price.
- Publications by Reserve Bank of India and Financial Institutions like IDBI, ICICI, and UTI, etc.
- Foreign Government Data, International publications
- Published Documents

Secondary data is the data for which somebody else has collected as Primary data.

Steps in the Market Research Process

The main steps in the market research process are:

1. Problem definition
2. Selection of the survey method
3. Sampling
4. Questionnaire development
5. Pilot survey
6. Selection of investigators
7. Collection of data
8. Analysis of data.
9. Tabulating
10. Interpreting data
11. Summarizing findings and recommendations
12. Report writing
13. Recommendation and Follow up

The above process can be diagrammatically represented as given below. The following diagram represents the important points which are part of an important part of a marketing research process:

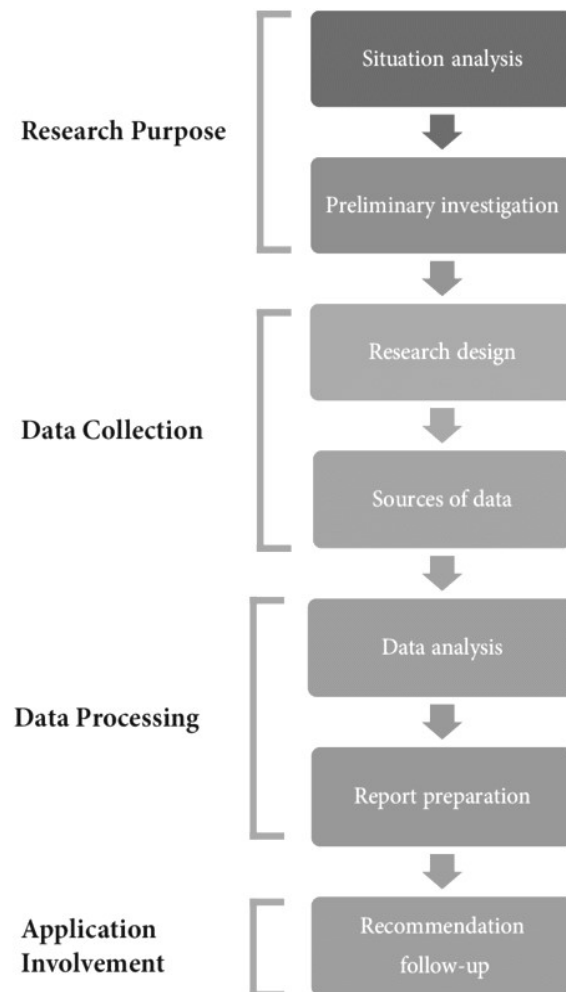


Figure 5.1 Marketing Research Process Design flow

Source: Panda et.al, (2015)

5.2 Marketing Information System in Rural Marketing

Rural Marketing Information System is indispensable for corporate organizations and rural marketers engaged in the marketing of consumer goods, agricultural goods and manufactured goods for sales in the rural and urban markets. Rural Marketing Information System is helpful for the decision-makers who are the stakeholders in their companies. The Rural marketer must have the necessary information for concerning:

- Demand Estimation.
- Methods of preparation
- The target market and Distribution
- Market trends

This above information is critical for every rural marketer for proper distribution and marketing of their products.

Besides, small or medium-sized producers of products must also have sufficient information, along with the above, which are:

- How to plan according to the trends,
- How to carry out effective market planning for the present and future.

It is a general perception that the rural producers are illiterate or less educated, hence they lack education, but a large number of educated marketers also lack information about their product ranges, prices, and market conditions. This lack of information relates to the existential problem of no access to information. An effective marketing system cannot function in an information vacuum. Rural Marketing Information System is a system that provides a solution to this problem by which information is processed and presented to the marketers for decision-making and formulation of the marketing strategies for the sale and purchase of products. The marketing strategies involve the decision making regarding pricing, distribution and future decisions and plans depending on the market conditions. It is not only the rural marketer who is interested in seeking all the information but the distributors, processors and other personnel who are part of the marketing system are interested in all relevant information on the market.

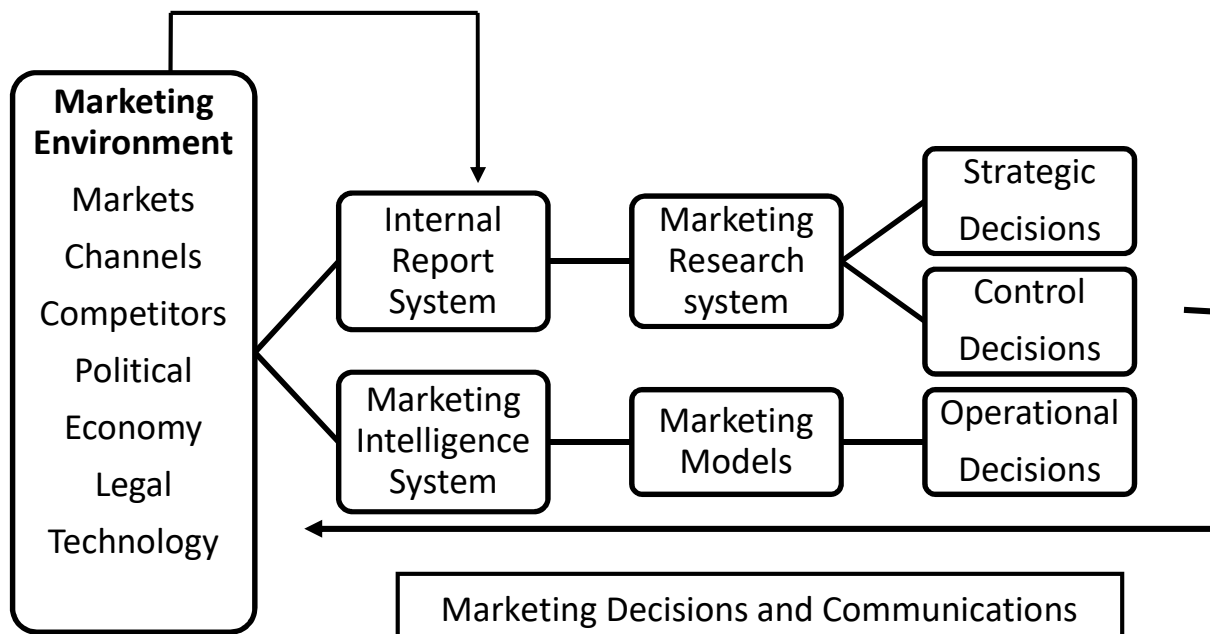


Figure 5.2: Components of Marketing Information System

Source: Kotler, P. (2011)

Problems in Rural Marketing Information System

The information about the market is very important for a rural marketer because without proper information it would be difficult to operate in the market. But getting the correct information is not easy and most of the marketers face several problems faced in Rural Marketing Information System design,

due to the reasons which are peculiar to a particular market and market situations where it is difficult to have any control or regulation. Due to this, the market is controlled by the unfair market forces in which the rural marketer is always at a loss. Some of the major problems in the Rural Marketing Information System are:

- Imperfect competition and monopoly in the market, because of which the prices of the products tend to be inaccurate or the price data is kept as a secret. Moreover, the complete coverage of all the transactions is difficult. In the case of regulated markets, these problems do not crop up. However, unfair practice even in regulated markets will provide wrong information about price, sales, and products, etc.
- Contractual selling under already decided agreements without any influence of organized or open markets will also provide inaccurate information. How will the marketer get the information regarding the arrangements, prices, type of product, and how much of it has been sold? This poses a big challenge for a marketer.
- Payment terms and supply of the products etc. vary from one dealer to another dealer offering the same commodity in the same locality, which affects the quoted prices. It becomes extremely difficult to know as to what are those arrangements.
- Swift and detailed flow of information are necessary in case of perishable items like fruits and vegetables, which is very difficult to happen.

These problems make the task of information gathering and its dissemination difficult.

Components of Rural Marketing Information System:

Rural Marketing Information System can be divided into three parts. They are as follows:

- a. Market Research
- b. Market and Sales Reports
- c. Marketing Intelligence

Market Research

A study of the size of the market demand depends on customer and user preferences and the social and economic factors affecting the nature of the market. Market research is useful for:

- Estimating demand and market share.
- Identification of Target segments
- sales forecasting; and
- Measurement of sales forces' effectiveness.

Market and Sales Report

Any future decision depends on past trends and data. The market expansion also depends upon past market trends and sales reports. Reports must be classified as timely under different headings. The value of a market report to interested parties like producers, manufacturers, and others not only depends on the swiftness with which it is gathered but is also dependent on its accuracy and correct interpretation. Market and sales and necessary:

- To measure sales performance against targets and within budgets

- To study past trends of sales and customers behaviours; and
- To adapt sales operation on a short term

Market Intelligence

It is pertinent for the marketer to know where and when a product should be distributed for sale, which is the best mode of transportation for distribution of the product which is efficient and efficient. In India the information of the rural marketing is collected and disseminated through:

- Traders and business organizations that send their agents in the markets to gather data which is normally confidential and for their personal use. Their reliance on other sources of information is very little.
- Journals, newspapers, and other print and non-print media. There is considerable scope for improvement in the supply of market news to the trade, manufacturers, and rural marketers.

Such information is generally not available except in the case of essential commodities like wheat, rice, groundnut, cotton, etc. For a rural marketer to bargain for the proper price of his produce, he must be posted with information regarding the prices in different markets. Presently the rural marketer has no reliable source through relevant information that can be sought. Some information is published by the government regarding trade, production and prices, but the information is published is not timely and is of practically no use to the rural marketer. The information regarding the prices is also lost largely due to the reason that different markets quote prices for different units of weight, and without reference to quality. But now due to the latest technologies, it has become much easier. Now a day it is common to see rural marketers and traders moving with mobile phones in hand operating with support infrastructure such as transportation, godowns, etc. The scenario has much changed. While designing a rural management information system, it is important to ensure that the data collected is relevant, reliable, complete, consistent, and timely. These parameters should also be checked while disseminating information out of such a rural management information system.

To-Do Activity (Team of 10 Members)

1. Carry out a market survey for the identification of a need for protein supplements restricting the study concerning:
 - Recognition of a need.
 - Choice of the level of involvement (i.e. justifying your time and effort)
 - Identification of alternatives.
2. Enlist the possible challenges which a rural marketer can undergo in the implementation of a rural management information system. Prepare a report of the same.
3. Analyze the mid-size car price variation in the last three years.
4. Prepare a Questionnaire for the collection of data on the sale of mobile phones in rural markets for the last year.
5. Prepare a market research report for a hypothetical study for the sale of detergent soaps.

5.3 Sources of Rural Credit

The rural sector plays an important role in the economic development of a country. India also being a developing country depends largely on the rural sector but the issue of access to rural credit remains a critical problem. This section focuses on the characteristics of rural credit markets and the sources of rural credit available in India. Access to the credit has an impact on the output production, household income, and poverty reduction. The financial institutions must expand their target clients and capital allocation and the government should ensure that market competitiveness is maintained in the long run. There are overlaps in three terms and some circles are used interchangeably like “rural credit”, “agriculture credit”, and “microcredit” in financial sectors. The basic difference the three is this that rural credit refers to credit services in rural areas that aim at people at different income level, while agriculture credit is primarily for the agriculture-related activities. Financial institutions also offer credits for urban agriculture which are part of the credit for urban agriculture activities which are growing plants and the raising of animals around cities. And lastly, the Microfinance is the provision of financial services to poor and low-income people, by which they finance their activities to generate income, build assets, smooth consumption, and risk management. Financial services not only include credit products (micro-credit), but also savings, money transfers, and insurance. Rural economic growth depends on the funds on a seasonal basis due to the productivity of different crops in different seasons. The gap between sowing a seed and harvesting and finally revenue generation is fairly long for this reason the rural producers depend on the credits from various government agencies to fulfill the requirements of fertilizers, seeds and personal expenses. Before independence moneylenders exploited the peasants and landless workers by lending money on huge-interest rates. To solve this problem of the farmers the Indian government started social banking that provided funds to rural producers to satisfy the requirements of rural credit. In the year 1982, National Bank for Agriculture and Rural Development (NABARD) was formed as an apex body to regulate and provide all the financial services related to the rural economy. Further, the Green Revolution changed the credit system of the country, resulting in a better system for rural credit. In the current scenario, rural banking includes a set of various financial institutions, like regional rural banks (RRBs), cooperatives, commercial banks, Self-Help groups, and land development banks. They provide credit to rural producers at cheaper interest rates. The Green Revolution led to a rapid increase in the banking sector which had a positive impact on farming and non-farming output, employment, and income. These banking opportunities allowed farmers to take different credit services, and loans to meet their production requirements. Some of the major credit sources of rural credit in India are as follows:

- **Co-operative Credit Societies**

This is the most economical source of rural credit. It was set up to facilitate the complete credit needs for small and medium farmers. Co-operative Credit Societies increased their network in India soon after its few years for inception. They started assisting rural producers with short-term loans issued by Credit Societies (PACs). But due to limited financial liquidity, the co-operatives could not meet all the credit requirements so the money lenders kept on controlling the rural economic markets, such as District cooperative Banks.

- **Land Development Bank**

This type of credit is called a land mortgage. It provides rural producers with a long-term loan option upon the mortgage of their land for a period of 15 to 20 years at low-interest rates. These types of loans are taken if the rural producers have some land developments work or digging of wells, etc. But due to the lack of awareness of such banks they met limited success even then the land development bank has made notable progress, However, such a credit system grew increasingly immensely due to the active support of the government and financial institutions over the years.

- **Commercial Banks**

The commercial banks earlier used to collect funds deposited by the urban consumer and then dispersed these funds to the rural producers in the form of loans to fulfil their credit requirements. Initially, the commercial banks neglected agriculture and rural industries because by agriculture was considered as low return on investment and high-risk venture. But now the commercial banks provide both direct and indirect loans to agriculture. Direct finance is issued for small and medium-term and indirect finance is given in the advance form to purchase things like grains and fertilizers. Commercial banks also provided credit to government agencies like the Food Corporation of India, and State food agencies for activities like food procurement. The State Bank of India initiated the 'village adoption scheme' to examine the credit requirements of the farmers.

- **Regional Rural Banks**

The government established regional rural banks to examine the specific needs of landless workers, small and marginal farmers and rural poor. The regional rural banks focused specifically on the need of the rural population only.

- **The Government**

In case of an emergency like earthquakes, floods and famine the Government of India provide short and long term loans to farmers if there is an emergency like famine and flood. These types of loans are also known as Taccavi loans. Under this system of rural financing, the Government provides advance loans at a reasonably low rate of interest to the rural producers for any other purposes related to agriculture. But due to the inadequacy of funds and low recovery rate, it failed to attract the farmers. These Taccavi loans were introduced to enhance productivity and help poor farmers to increase their income.

- **(NBFC's) Non-Banking Financial Companies**

The NBFC's also constitute an important source of credit financing. The NBFC's are preferred by rural producers because they charge a substantially higher rate of interest than the market rates.

- **Credit Unions**

A credit union is a voluntary association of rural producers who save their money together and provide loans to each other in times of need at a relatively lower rate of interest. These are called co-operative credit societies. They are nonprofit bodies which are also called low-cost credit institutions. Most credit unions also provide the borrower with "free" credit life insurance.

- **Microfinance**

The microfinance institutions have caught the attention of the policymakers in India. The fundamental premise of providing microfinance services is participation in entrepreneurial activities to improve the economic conditions of poor. Microfinance plays an important role in the economic

development of a country. Microfinance, which is also referred to as microcredit is a type of banking service provided to poor or low-income individuals who have no other access to financial services. Microfinance is an effective tool for reducing poverty and empowering poor people to make them financially independent.. Microfinance is about offering a wide range of financial services like credit, insurance, financial, non-financial and networking services and deposit services to a poor and low-income individual who cannot access conventional financial services for lack of collateral. The Micro financial institutions play an important role in empowerment of the poor peoples.

- **Local Landlords**

The local landlords are big landholders who operate as lenders in villages and provide credit to the poor villagers on exorbitant interest rates. A local landlord gives credit to a worker and also regularly rents land to him when he is need of money. The system of availing loans from local landlords is still prevalent in India despite numerous schemes by the banks and the presence of micro financial institutions.

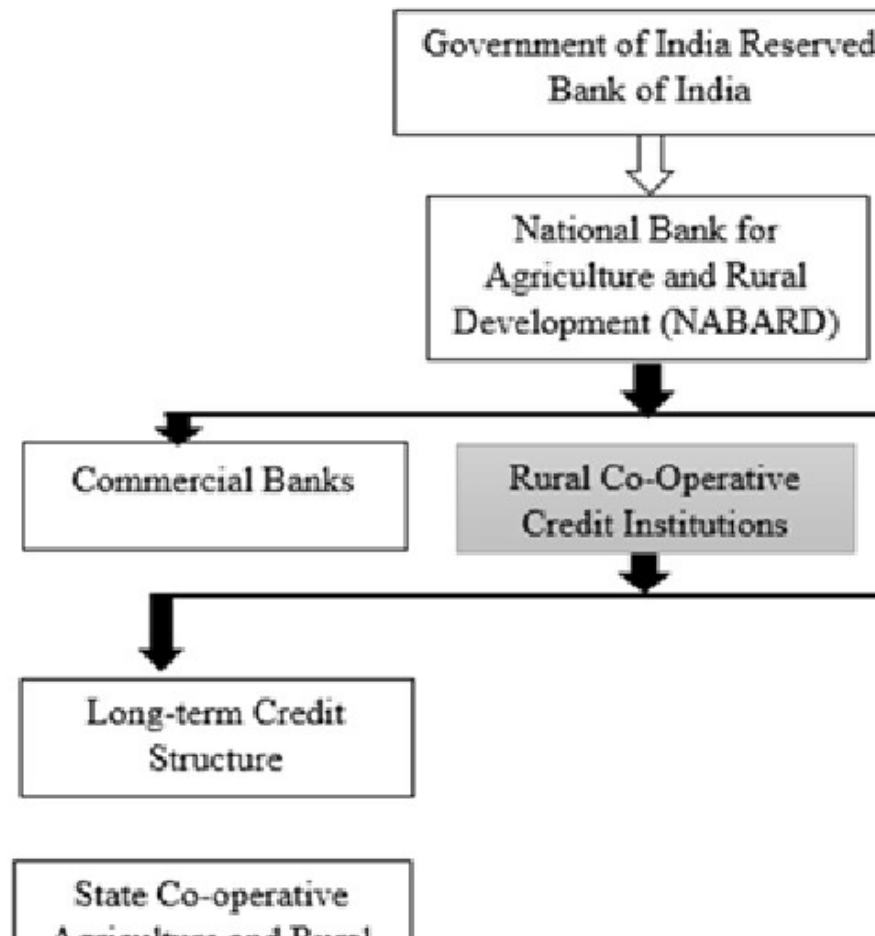


Figure 5.3: Organization and Institutional Structure of Agricultural Credit India

Source: Gunes, (2017)

Other Types of Consumer Credit

- **Revolving credit:** It is a credit arrangement in which the financier grants credit on a revolving basis. The consumer is entitled to avail credit to the extent sanctioned as credit limit ex: Krishi Credit Card or Agriculture credit cards.
- **Fixed credit:** it is like a term loan where the financier provides loans for a fixed period. The credit has to be repaid within a stipulated period for example monthly installment loan, hire purchase, EMIs.
- **Cash Loan:** Under this type of credit banks and financial institutions provide money with which the rural producer's types of equipment for personal/Agricultural consumption. In the case of Cash loans, the lender and seller are different and the lender does not have any responsibility of the seller.
- **Secured Finance:** when the credit provided by the financial institutions is secured by collateral it is called secured finance. The collateral can be land papers, real property or any asset, etc. to satisfy the debt in the event of default by the borrower.
- **Unsecured Finance:** When there is no collateral or security given by the consumer against which money is granted by financial institutions, it is called unsecured finance. It is a risky type of financing.

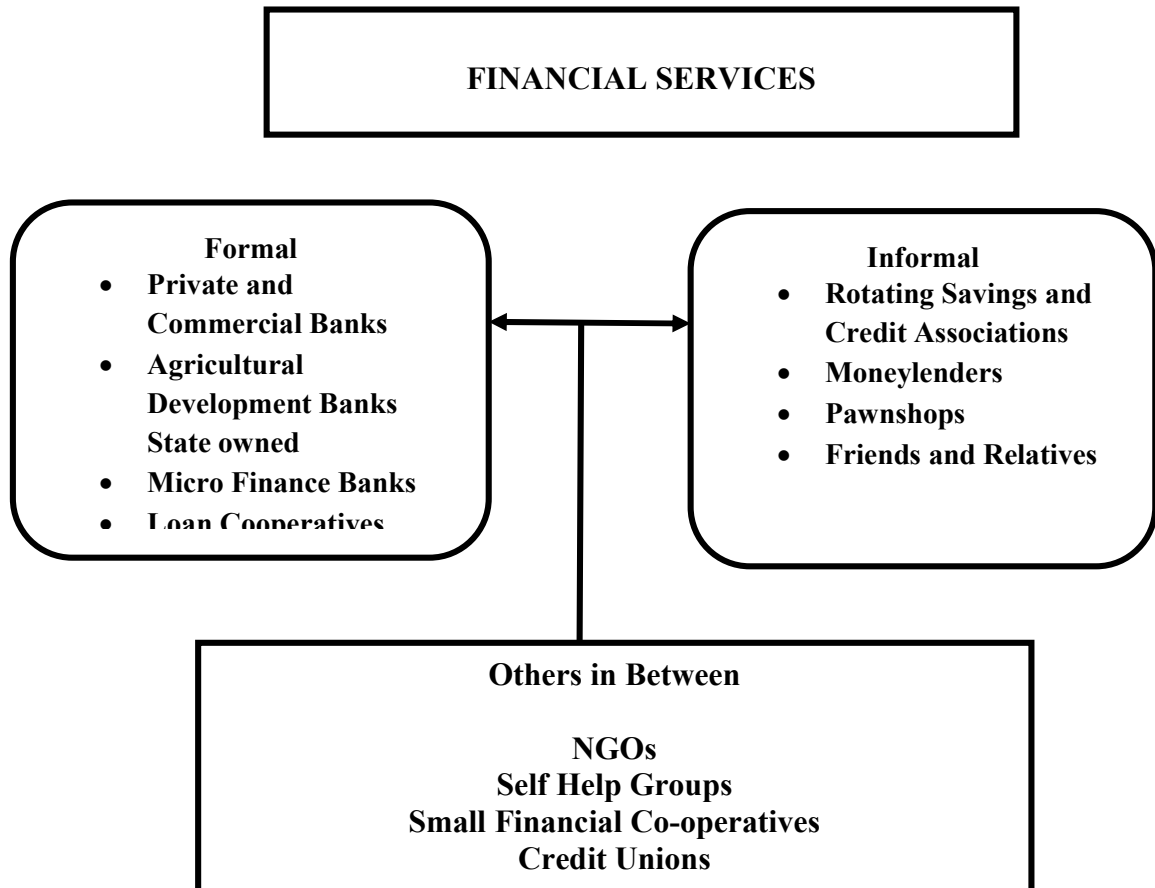


Figure 5.5: Source of Funds for Rural Development Credit
Source: Murodova & Sanaev, (2014)

5.4 Regulatory Bodies in Rural Development (NABARD)

NABARD is a Government of India body that came into existence on 12 July 1982 by transferring the agricultural credit functions of Reserve Bank of India and refinance functions of the then Agricultural Refinance and Development Corporation (ARDC). NABARD was dedicated to the service of the nation on 05 November 1982 with an initial capital of ₹100 crore. Its paid-up capital stood at ₹12, 580 crores as of 31 March 2019. After the recomposition of share capital between the Government of India and RBI, Although the genesis of NABARD was to help the rural farmers and the rural population engaged in farm businesses the schemes of NABARD were enjoyed by the rich also. The rich traders use the credit facilities of NABARD and give loans to the poor at higher interest. Thus the rural traders and money lenders earned easy money with bankers' investments. The role of the NABARD role in rural development has been phenomenal. National Bank for Agriculture & Rural Development facilitates credit flow for promotion and development of agriculture, cottage, and village industries. The importance of institutional credit in boosting the rural economy has been clear to the Government right from the planning stage. It was for this reason that the Reserve Bank of India (RBI) at the insistence of the Government of India, constituted a Committee to Review the Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) to look into the financial problems of the rural producers.

NABARD aims at building an empowering rural India through specific goal-oriented departments which can be categorized broadly into three heads which are as follows:

- Financial
- Developmental
- Supervision

Through these above-mentioned initiatives, NABARD touches almost every aspect of the rural economy. From providing financial support to build rural infrastructure to preparing district level credit plans to guide and motivating the banking industry in achieving these targets. In the supervisory role, NABARD supervises the working of Cooperative Banks and Regional Rural Banks (RRBs) and helps them in developing sound banking practices and providing them facilities to move to the CBS platform. NABARD also helps in designing new development schemes from training handicraft artisans to providing them with a marketing platform for marketing and selling of these articles.

Functions of NABARD

Credit Functions

- Framing policy and guidelines for rural financial institutions.
- Providing credit facilities.
- Monitoring the flow of ground-level rural credit.
- Preparation of credit plans annually for all districts for identification of credit potential.

Development Functions

- Help cooperative banks and Regional Rural Banks to prepare their development actions plans
- Help Regional Rural Banks and the sponsor banks to enter into MoUs with state governments and cooperative banks to improve the affairs of the Regional Rural Banks.
- Monitor the implementation of development action plans of banks.
- Provide financial support for the training institutes of cooperative banks, commercial banks, and Regional Rural Banks.
- Provide financial assistance to cooperative banks for building improved management information systems, computerization of operations and development of human resources.

Supervisory Functions

- Undertakes inspection of Regional Rural Banks (RRBs) and Cooperative Banks (other than urban/primary cooperative banks).
- Undertakes inspection of State Cooperative Agriculture and Rural Development Banks (SCARDBs) and apex noncredit cooperative.
- Provides recommendations to Reserve Bank of India on the issue of licenses to Cooperative Banks, opening of new branches by State Cooperative Banks and Regional Rural Banks (RRBs).
- Undertakes portfolio inspections besides offsite surveillance of Cooperative Banks and Regional Rural Banks (RRBs).

Some of the important initiatives taken by NABARD to help the rural population in facilitating the requirements of funds are:

a) Producers Organization Development Fund (PODF)

NABARD has taken an initiative for supporting producer organizations in adopting a flexible approach to meet the needs of producers. To give a special focus, the "Producers Organization Development Fund" (PODF) has been set up w.e.f. 01 April 2011, with an initial corpus of ₹ 50 crore. Any registered producer organization or Producers Company (as defined under Sec. 581 A in part IXA of Company's Act, 1956), Producers Cooperatives, registered Farmer Federations, MACS (Mutually aided cooperative society), industrial cooperative societies, other registered federations, PACS, etc. set up by producers are eligible from the Fund.

Support under PODF is provided as under:

- Support in the form of grant is available for promotion, capacity building & market interventions.
- As most of the producer organizations are having a low capital base, the scope for NABARD's intervention under PODF has been enhanced to support them for contributing to share capital.

b) Tribal Development Program

NABARD has been closely associated with tribal development and sustainable livelihoods through orchard based farming systems. As an integral component of NABARD's Natural Resource Management

(NRM) policy of providing sustainable livelihoods, NABARD provided support for the holistic development of tribal communities with orchard establishment as the core element.

Based on the successful experience of this Program, NABARD embarked upon an ambitious program of replicating the wadi model across the country. In this direction, NABARD created a Tribal Development Fund (TDF) with a corpus of ₹ 50 crore, out of its profits for 2003-04. The corpus was augmented from time to time. All projects under TDF are implemented by partnering with State Governments, the Government of India, NGOs, and Corporates.

c) Watershed Development Programme

In the budget speech of 1999-2000, the creation of a Watershed Development Fund (WDF) in the National Bank for Agriculture and Rural Development (NABARD) with broad objectives of unification of multiplicity of watershed development programs into a single national initiative through the involvement of village-level institutions and PFAs was announced. As per the budget speech, the watershed development program was created in NABARD with a contribution of Rs. 100 crore each by the Ministry of Agriculture, Government of India (GoI) and NABARD.

d) Climate Change Adaptation and Mitigation

Designing policies for Natural Resources Management and & climate change adaptation and mitigation

- Functional role as National Implementation Entity (NIE) for Adaptation Fund through Adaptation Fund Board (AFB) for Climate Change Adaptation (CCA) Projects
- Implementation & monitoring of projects approved by the Adaptation Fund Board
- Training and capacity building of stakeholders
- Collaboration with other national and international agencies like Ministry of Environment and Forests (MoEF, GoI), Global Environment Fund (GEF), Green Climate Fund / for accreditation, etc. and up scaling of Climate change adaptation and monitoring and pilot projects on climate proofing of watershed projects under WDF

e) Scheme for setting up of Agri-clinic and Agribusiness centres

A scheme for financing agriculture graduates to set up agri-clinics and agribusiness centres was launched in 2001-02 with an aim at supplementing the existing Extension Network. The objective of this scheme was to accelerate the process of technology transfer to agriculture and assist the efforts of State agencies in providing inputs and other services to the rural producers. The salient features of the scheme are as under:

- The scheme is open to agriculture graduates and postgraduates in agriculture or allied subjects.
- The outer ceiling of the project cost is ₹ 10 lakh for individuals and 40 lakhs for groups.
- Margin money assistance from NABARD's Soft Loan Assistance Fund up to 50 per cent of the margin prescribed by banks to meet any shortfall in the borrower's contribution.

The National Bank has prepared Model Project Profiles related to few activities indicating the estimated cost and income streams. The banks have the freedom to select the borrower's entrepreneurs and the

activity depending on the potential of the area subject to technical feasibility and the financial viability of the proposals. The scheme has been launched for creating entrepreneurs in the area of agribusiness so that rural graduates become job givers rather than job seekers. Since the government has launched several programs for entrepreneurship development therefore this scheme has been shadowed by the new better and lucrative schemes.

5.5 Corporate Social Responsibility in Rural Marketing

Corporate social responsibility is traditionally seen as a philanthropic activity. The companies' act of 2013 introduced the idea of corporate social responsibility for mandatory disclosure, promoting greater transparency and disclosure. Ministry of corporate affairs has recently notified section 135 and schedule VII of the companies act as well as the provisions of the companies (corporate social responsibility), Rules, 2014 (CSR Rules) which has come into effect from 1st April, 2014. The beginning of the 21st century in India has seen the term corporate social responsibility coming to the forefront of the development of discussion. The present government has made it mandatory that every company has to contribute at least 2 per cent of their net profits on corporate social responsibility activities. Therefore in recent times, Corporate Social Responsibility is emerging as an important concept of business philosophy, reflecting the impact of business on society in the context of sustainable development. The concept of corporate social responsibility focuses on the responsibility of the company towards its, employees, creditors, suppliers, government, and community and not only on the maximization of profit for shareholders. Corporate social responsibility not only includes corporate regulatory compliance but also focuses on the act of making a business successful through taking due care of environmental and social issues in a way that is helpful to the planet earth. Many studies conducted on CSR and rural development in India help understand the behaviour of rural producers in the emerging markets. "CSR means Making Good Business Sense". According to Holme and Watts "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". Although there is no single universally accepted definition of corporate social responsibility, it has generally come to mean business decision making linked to ethical values, legal compliance, and respect for people, community, and environment. Indian rural companies are expected to discharge their stakeholder responsibilities and societal obligations, along with their shareholder-wealth maximization goal.

Corporate social responsibility (CSR) is the responsibility recognized by the companies for acting in a socially responsible manner. All the leading companies in India are involved in corporate social responsibility (CSR) programs in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society. Some of the notable companies are the Tata Group, Infosys, Bharti Enterprises, ITC Welcome Group, and Indian Oil Corporation among others. Some of the main activities of the companies which the company needs to follow are to treat employees fairly and with respect and providing them fair remuneration, Operate with integrity and in an ethical manner in all its business dealings with a customer, suppliers, lenders, and Respect human rights, Sustain the environment for future generations and be a responsible neighbor in the community and a good corporate citizen. Because of the above, it is important to study and understand how corporate

enterprises are using corporate social responsibility initiatives. The benefits of corporate social responsibility to rural development can be enlisted as follows:

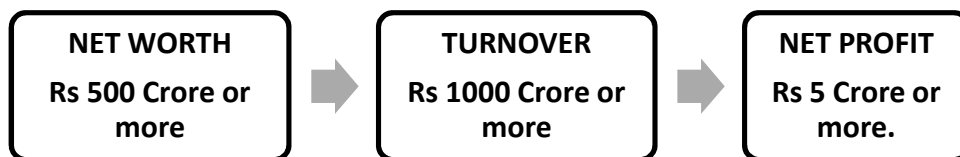
- Win new business.
- Increase customer loyalty and retention.
- Develop and enhance relationships with customers, suppliers, and networks.
- Attract, retain and maintain a satisfied workforce and be an employee-friendly organization.
- Save money on energy and operating costs and risk management.
- Differentiate yourself from your competitors.
- Innovation and enhancing companies' influence
- Improve the brand equity of the company.
- Provide access to investment and funding opportunities.

In the present scenario corporate social responsibility is a new and widely used concept in which companies voluntarily contribute to a better society and a cleaner environment. It was initially voluntary but since most of the Indian companies were not contributing to CSR activities the government of India made it mandatory for the companies to contribute at least 2 per cent of their net profits on CSR activities. Apart from contributing to societal welfare, the companies should also act responsibly towards the environment. CSR has been making a prominent impact on the Indian social system by supplementing development projects for social well being. Corporate social responsibility is not a new concept for India its roots can be traced back to the Vedic times. Apart from the private and government companies other public organizations like the Banking Sector are growing larger and powerful in their contribution towards CSR activities. Various Non-government organizations put pressure on Banks to act responsibly towards their stakeholders.

Corporate Social Responsibility

Section 135 of the companies Act, 2013

COMPANY



CSR can be defined as companies' responsibility towards the community and environment in which it operates. Companies can fulfill this responsibility through waste and pollution reduction and by contributing to the environment, educational and social programs, and by undertaking similar activities. CSR is not charity or mere donations. In CSR corporate entities contributes towards the social good. Socially responsible companies do not only exploit resources that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth. CSR activities help in brand building of a company's among its customers and society. During the immediately preceding financial year and net profits means profit before taxes. Once CSR provision becomes applicable the companies have to spend 2 per cent of average net profits of last three years on

CSR activities mentioned in section VII. Failure to do so can attract a penalty on the company of maximum INR 35 Lakhs and probable imprisonment up to three years. Section 135 of the Companies Act, 2013 is applicable to every company registered under the Act, with a net worth of Rs 500 crore or more, or a turnover of over Rs 1,000 crore or a net profit exceeding Rs 5 crore in any financial year. 'Any financial year' implies any of the three preceding financial years. No specific tax exemptions are extended to CSR expenditure. However, certain activities such as contribution to Prime Minister's National Relief Fund (Section 80G), scientific research (Sections 35(1)(ii), 35(1)(iia), 35(1)(iii), 35(2AA)), rural development projects (Section 35AC), skill development projects (Section 35CCD), agricultural extension projects (Section 35CCC), etc. aligned to Schedule VII already enjoy exemptions under different sections as indicated under the Income Tax Act, 1961. Further, the Finance Act 2014 clarifies that the CSR expenditure does not form part of business expenditure.

The figure given below describes the pyramid of corporate social responsibility which should be followed by the companies. The purpose of the framework was to explain the building block of the four-part framework. The Pyramid was chosen because it is simple and easy to understand. Economic responsibility was put at the bottom because it is the most important foundation for any business. This complements the sustained profits which support the societal expectation from the company. It means that the business should grow on a sustainable basis. The next is the rules and regulations which need to be obeyed by the company so that it can operate responsibly in society. This is necessary for legitimate business growth. Next is the ethics in business which should be followed by every company. Ethical means doing the business in the right way keeping the interest of the stakeholders into consideration. Finally, business is expected to be a good corporate citizen and contribute financial, physical and human resources. In short, the CSR pyramid reflects the fundamental roles expected by society. The figure shows the graphical representation of the Carroll Pyramid.

CSR Models: Corporate citizenship Model

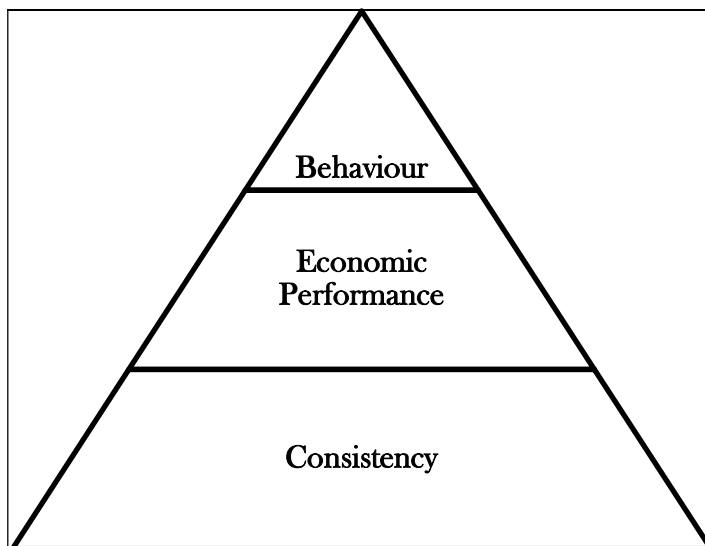


Figure 5.5: The Pyramid of Corporate Social Responsibility

Source: (Carroll, 2012)

To be a corporate citizen a corporate has to satisfy four conditions:

1. Consistently satisfactory
2. Sustainable economic performance
3. Ethical actions
4. Behaviour

A particular firm's commitment to corporate citizenship requires the fulfillment of certain social responsibility. The concept of corporate social responsibility (CSR) is on the top agenda of policymakers, managers and social activists in recent times. It is because of the emerging legislation on corporate governance, the compulsory minimum number of non-executive directors, and disclosure of far more details of the operations and finances of an enterprise. The critical issues in CSR would be around the definition of the boundaries on the extent of the activities, setting of standards, as well as the scope and limitation for voluntary action. The fact is that discharging social responsibilities beyond and outside the business processes involved directly in the operations adds significantly to costs. Some industrial groups such as the Tatas, the founder of the TATA group sir JRD Tata was personally enthusiastic about all aspects of labour welfare, including family planning in pre-independence India. The Group introduced the concept of the minimum wage, provident fund, insurance, old-age pensions, housing, health, education, and just about everything a citizen could expect from a responsible company. Similarly, companies like Premjee Foundation (Wipro) have chosen the backward region of North-east Karnataka to kick off the pilot phase of the Learning Guarantee Programme. The Foundation is working in partnership with the government of Karnataka and Andhra Pradesh.

Ambuja Foundation (Gujarat Ambuja Cement Ltd.) has initiated a project in the Sourashtra region of Gujarat to help villagers in generating livelihood, natural resource management and community development. The Foundation has helped in the construction of water harvesting structures, dams, and other structures like culverts and percolation tanks.

CSR Activities of the TATA Group

Some of the prominent CSR activities of TATA Group are as follows:

1. Curative and preventive health services were rendered to 295,705 community members.
2. Scholarships for higher studies were awarded to 891 Students.
3. School infrastructure was developed for 100 schools.
4. Vocational training was imparted to 1048 youths.
5. Technical Training was provided to 1542 youths.
6. The green cover was increased by planting 290,850 trees.
7. Potable water solutions with support from the Sumant Moolgaonkar Development Foundation (SMDF) provided to 100 villages.
8. Donations (Including donations of vehicles) to help 52 NGO's for various social programs: 2,90,60,279

Apart from the above TATA group has also contributed immensely in the area of Women Empowerment and development of the rural area, for example: TATA steel has adopted the corporate citizenship Index, TATA business excellence Model and the TAT Index for sustainable development. TAT steel spends 5-7 per cent of its profits after tax on several CSR initiatives. Tata steel uses its skills and resources to give back to the community a fair share of the product of its efforts. Tata Steel is among the few Indian companies to be invited to join the UN-sponsored Global Compact Forum. Tata Steel's CSR initiatives are spread across areas such as environmental management, employee relations, economic development, civic amenities, and community services, population management, sports and adventure, health care, response to natural calamities, education, arts and culture, and social welfare. Over 500 self-help groups are currently operating under various poverty alleviation programs; out of which over 200 are engaged in activities of income generation through micro-enterprises. Women empowerment programs through self-help groups have been extended to 700 villages. For providing potable water to rural communities 2600 tube wells have been installed for the benefit of over 4 lakh people.

CSR activities of the ITC Limited:

ITC is the only company in the world to be carbon positive, water positive and solid waste recycling positive. Environmental Initiatives of ITC Limited

- Carbon positive -seven years in a row
- Water positive- ten years in a row
- Solid waste recycling positive from last five years.

Social Initiatives of ITC Limited

- Generates livelihood for 5 million people
- ITC's e-Chaupal benefits over four million farmers.
- ITC's farm and forestry initiative have greened over 125000 hectares of barren land creating 56 million person-days of employment.
- ITC's watershed development program brings water to over 90000 hectares of land which are dry and water-stressed areas.
- Imparting education to farmers, women, children and other uneducated backward classes

Empowering the differently-abled

- ITC gives a fair chance to the differently-abled persons to earn a livelihood.
- ITC have employed over 100 differently abled persons to jobs like housekeeping, tele-working, bakeries and also as musicians.
- The company provides these people with special training and equipments to deal with their day to day work.
- ITC has been awarded 'NCPEDP shell Helen Keller award' to their hotels for their outstanding work.

INTEL, first and foremost, to expose that larger population to the use of the computer may be in the classroom, in the community, in higher, secondary and primary education. For this INTEL used a multi-pronged approach involving premier institutions, governments, universities; interacting at the policy

level and reaching out to potential consumers as well as marginalized groups. So far, more than 200 faculty members from 100 colleges have attended INTEL's curriculum development workshops.

Swanithan Trust was started by Sundaram Clayton Ltd. and TVS Motor Company Ltd. It is working for forest management, income generation, and vermicomposting technology and improving the socio-economic conditions of poor communities in Tamil Nadu. Interestingly, Trust itself employs 45 people, 35 of whom are women on the rolls of TVS Motor and salaries paid by the company. To conclude, CSR should be inbuilt into the functioning of various activities of the corporate sector. It should be a way of life for them. In other words, Corporate Social Responsibility does not mean earning money in different ways but it also means diverting a portion of its profits on society, employees and other welfare activities'.

Summary of the Chapter

- The main challenge in the rural market is the non-availability of secondary data which leads to an inadequate sampling framework.
- The main objectives of the market research process for the marketer are to understand the market conditions, the market segments, consumer preferences and the situation of demand and supply.
- It is not only the rural marketer who is interested in seeking all the information but the distributors, processors and other personnel who are part of the marketing system are interested in all relevant information on the market.
- Rural Marketing Information System is indispensable for corporate organizations and rural marketers engaged in the marketing of consumer goods, agricultural goods and manufactured goods for sales in the rural and urban markets.
- Access to the credit has an impact on the output production, household income, and poverty reduction.
- Microfinance is the provision of financial services to poor and low-income people, by which they finance their activities to generate income, build assets, smooth consumption, and risk management.
- Rural economic growth depends on the funds on a seasonal basis due to the productivity of different crops in different seasons.
- NABARD facilitates credit flow for promotion and development of agriculture, cottage, and village industries. It also helps in designing new development schemes from training handicraft artisans to providing them with a marketing platform for marketing and selling of these articles.
- The concept of Corporate Social Responsibility is emerging as an important concept of business philosophy, reflecting the impact of business on society in the context of sustainable development.
- All the leading companies in India are involved in corporate social responsibility (CSR) programs in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society.
- The Corporate Social Responsibility pyramid proposed by Carroll in 2012 reflects the fundamental roles expected by society.
- Corporate Social Responsibility does not mean earning money in different ways but it also means diverting a portion of its profits on society, employees and other welfare activities.

Model Questions

- Define Market Research? Why it is important in Rural Marketing?
- What are the different techniques of Market Research?
- What is the difference between Primary and Secondary data?
- What is Structured and Unstructured questionnaire?
- What are the different sources of rural credit explain each in brief?
- What is quantitative and qualitative research?
- Write a short note on NABARD?
- What is Rural Marketing Information System?
- What is meant by Corporate Social Responsibility?
- Write a short note on the Carroll pyramids of CSR?

Reading Materials

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Editors' Profile

Dr W G Prasanna Kumar

Dr. W G Prasanna Kumar, Chairman, Mahatma Gandhi National Council of Rural Education (MGNCRE), holds Ph.D in Education with basic degree in Social Work and Master's Degree in Sociology, Public Administration and Political Science. He also has professional education in Environmental Economics, Public Relations, Communication, and Training and Development. Under his leadership MGNCRE has done instrumental work in building rural resilience including rural community engagement and Nai Talim - Experiential Learning.

The several areas of functional work envisaged and implemented successfully by Dr. W G Prasanna Kumar include Curriculum Development Programmes, Course Material Preparation, Faculty Development Programmes, Workshops, Roundtables, Rural Immersion Training Programmes, Swachhta Action Plan Activities, Community Engagement Programmes, Rural Management Programmes, Nai Talim Programmes, WASH Volunteerism Programmes in collaboration with UNICEF and UBA Activities.

The national initiative of reviving Mahatma Gandhi's ideas of Nai Talim, spearheaded by Dr. W G Prasanna Kumar, has met unprecedented success at both national and state levels. The primary objective of this initiative is to promote Gandhiji's ideas on Experiential Learning, Nai Talim, Work Education and Community Engagement, and mainstreaming them in School Education and Teacher Education Curriculum & Pedagogy. The pilot developmental project is a product of intensive workshop based interactions and consultations with Departments of Education in Universities in India, National Council of Educational Research and Training (NCERT), and State Council of Educational Research and Training (SCERTs) across all Indian States/UTs. He considers this initiative as a great tribute to Mahatma Gandhi.

Dr. W G Prasanna Kumar has been instrumental in developing MGNCRE's state-of-the-art e-Learning Centre with infrastructure for conferencing and training facilities which include training programs, skill building sessions and workshops with facility for video linking the entire country and sharing online educational resources for rural community engagement and development. The compilation, development and nationwide release of Swachh Campus and Jal Shakti Manuals are his major contributions to Higher Educational Institutions. These Manuals have been directed by the Ministry to be put into usage by Higher Education Institutions including Universities, Colleges and Polytechnics in developing strategies, action plans and implementation plans for water conservation on the campuses and in the villages with which the campuses are engaged with in National Service Scheme (NSS), Swachhta Action Plan (SAP) and Unnat Bharat Abhiyan (UBA).

As Professor and Head, Centre for Climate Education and Disaster Management in Dr. MCRHRD Institute, he conducts several capacity building and action research programmes in climate education, disaster management and crowd management. He has handled many regional, national and international environmental education programmes and events including UN CoP11 and Convention on Biological Diversity and Media Information Management on Environmental Issues.

As Director in National Green Corps in the State Government for over 11 years and Senior Social Scientist in State Pollution Control Board for 6 years Dr. W G Prasanna Kumar conducted various curriculum and non-curriculum related training programmes in environmental education. He was awarded Best State Nodal Officer of National Green Corps by Centre for Science and Environment, New Delhi in 2008. He was recipient of Jal Mithra Award from Earthwatch Institute of India and Water Aid New Delhi, 2014 and Certificate of Commendation for the services in UN Conference of Parties and Convention for Biodiversity conducted at Hyderabad in 2012. He was a Resource Person for AP Judicial Academy, AP Police Academy, AP Forest Academy, EPTRI, Commissionerate of Higher Education and Intermediate Education, State Council for Educational Research and Training and National Council for Educational Research and Training New Delhi, CCRT, Bharathiya Vidyapeet University Pune, CPR Environmental Education Centre Chennai and Centre for Environment Education Ahmedabad.

Dr K N Rekha

Dr K N Rekha, is a PhD Graduate from IIT Madras. She has 14 years of experience in training and education Industry. She works at Mahatma Gandhi National Council of Rural Education (MGNCRE), Hyderabad as Senior Faculty. She is involved in curriculum development on Rural Management and Waste Management. Prior to this, she worked as a researcher at Indian School of Business, Hyderabad, a short stint at Centre for Organisation Development (COD), Hyderabad. She has co-authored a book on “Introduction to Mentoring”, written book chapters, peer reviewed research papers, book reviews, Case studies, and caselets in the area of HR/OB. She also presented papers in various national and international conferences. Her research areas include Mentoring, Leadership, Change Management, and Coaching. She was also invited as a guest speaker at prominent institutions like IIT Hyderabad.

Subject Author’s Profile

Dr. Rajeev Kumar Ranjan

Dr Rajeev Kumar Ranjan is a MBA from Indian Institute of Technology, Roorkee (Earlier University of Roorkee) and Doctorate from Uttarakhand Technical University (State University), Dehradun. He is UGC-NET qualified in Management and has more than 19 years of combined experience in Academics and Government Organizations. He has attended many national and International conferences and also contributed research papers in many reputed journals. Along with teaching he has also handled number of administrative assignments like Court Manager under High court of Judicature at Allahabad with integrity. Dr. Rajeev is a life member of All India Management Association Delhi and life member of Chartered Management Institute of London. He is also serving on the Board of HiMADRI as vice president. Dr. Rajeev has also received the best faculty award at Quantum University in 2018. The interest areas of Dr. Rajeev are Rural Marketing, Agri Business management, Green marketing and Sustainability.



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