

**Karmaveer Kakasaheb Wagh College of  
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**Nashik-3**

**NOTES ON  
RURAL MARKETING &  
MARKET INFRASTRUCTURE**

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## **A. INTRODUCTION TO RURAL MARKETS**

The rise of rural markets has been the most important phenomenon of the 1990's, providing volume growth to all leading companies. Many corporates have been trying to get a grip on rural market. But challenges are many: how to make the product affordable, how to penetrate villages with small populations, connectivity, communications, language barriers, spurious brands, etc. Marketers and manufacturers are increasingly aware of the burgeoning purchasing power, vast size and demand base of the once neglected Indian hinterland. Efforts are now on to understand the attitude of rural consumers, and to walk their walk and talk their talk. The marketing mix of many companies is now being tailored to rural tastes and lifestyles. Government agencies like IRDA (Insurance Regulatory and Development Authority) and NCAER (National Council for Applied Economic Research) define 'rural' as "villages with a population of less than 5000, with 75% of the male population engaged in agriculture, etc." Two-third of the country's consumer (more than 700 million) live in rural areas and almost 26% of the national income is generated there. And 10 consecutive good monsoons have lead to improved returns from agriculture (which is India's largest economic sector and accounts for 26% of GDP, increasing the spending power in India's rural areas. India is divided into 597 districts, and has 638,667 villages, of which 32% can be reached and are connected by pucca roads. However, 68% of the rural market lies untapped due to various reasons ranging from inaccessibility to lack of awareness. In all, there are more than 3.8 million retail outlets in rural India, 5.8 shops per village (the term 'shop' refers to any type of premises – haats, stalls, shacks-that sell goods).Overall, the rural market has been growing at 3-4%per annum, adding more than 1 million new consumers every year, and now accounts for close to 50% of the volume of consumption of fast-moving consumer goods (FMCG) in India.

As a result, it is becoming an important part of the market development strategies of all FMCG companies, including multinational ones, as well as consumer durables business and services companies as well. Further, the vast untapped potential of the rural markets is growing at a rapid pace. The policies of the government largely favour rural development programmes. This is clearly highlighted by the fact that the outlay for rural development has risen from Rs 14000 crores in the 7th plan to Rs 30000 crores in the 8th plan period. Thus, with the rural markets bulging in both size and volume, any marketing manager will be missing a great potential opportunity if he does not go rural.

## **B. INTRODUCTION TO RURAL MARKETING**

The concept 'Rural' and 'Marketing', though used very frequently in various forums, have eluded any precise and non- controversial definitions. When we join them, the resulting concept 'Rural Marketing' means different things to different persons. This confusion leads to distorted understanding of the problems of rural marketing poor diagnosis and, more often than not, poor prescriptions.

The Indian rural market with its vast size and demand base offers great opportunities to marketers. Two – thirds of countries consumers live in rural areas and almost half of the national income is generated here. It is only natural that rural markets form an important part of the total market of India. Our nation is classified in around 450 districts, and approximately 630000 villages, which can be sorted in different parameters such as literacy levels, accessibility, income levels, penetration, distances from nearest towns, etc.

Rural marketing and urban marketing are identical as regards basic marketing structure. However, rural markets and rural marketing have special features and dilemmas as compared to urban markets. The rural markets offer a great scope for a concentrated marketing effort because of the recent increase in the rural incomes and the likelihood that such incomes will increase faster because of better production and higher prices for agricultural commodities. The rural markets dominate Indian marketing scene and need special attention for the expansion of marketing activities and also for providing better life and welfare to the rural people. Given the development, which has taken place in the rural areas under the five- year plans and other special programmes, today the rural market offers a vast untapped potential. Development programs in the field of agriculture and allied activities, health education, communication, rural electrification, etc have improved the lifestyles of poor and the illiterate and some market agencies forecast the rural demand will supercede the urban demand in the near future.

## C. DEFINITIONS

### ❖ **Rural:**

- Government agencies from IRDA & NCAER define 'Rural' as "a village with a population of less than 5,000 with 75% of the male population engaged in agriculture etc."
- Census of India (2000) defines rural that what is not urban.

### ❖ **Market:**

'Market means not a particular market place in which things are bought and sold but the whole of any region in which buyers and sellers are in such a free intercourse with one another that the prices of the same goods tend to equality, easily and quickly.'- Cournot

### ❖ **Marketing:**

'Marketing as a process by which goods and services are exchanged and their value is determined in terms of money prices.' – H. E. Mitchell

### ❖ **Rural Marketing:**

- **Rural marketing** is the process of developing, pricing, promoting, distributing rural-specific goods and services, leading to exchanges between urban and rural markets, which satisfies consumer demand and also achieves organizational objectives. – Ramkishen.Y
- **According to the National Commission on Agriculture –**

"**Rural Marketing** is a process which starts with a decision to produce a saleable farm commodity and it involves all the aspects of market structure or system, both functional and institutional, based on technical and economic considerations, and includes pre and post harvest operations, assembling, grading, storage, transportation and distribution.

- **According to Thomsen –**

"The study of Rural Marketing comprises of all the operations, and the agencies conducting them, involved in the movement of farm produced food, raw materials and their derivatives, such as textiles, from the farms to the final consumers, and the effects of such operations on producers, middlemen and consumers.

## **D. EVOLUTION/HISTORY OF RURAL MARKETING**

<b>PHASE</b>	<b>ORIGIN</b>	<b>FUNCTION</b>	<b>MAJOR PRODUCTS</b>	<b>SOURCE MARKET</b>	<b>DESTINATION MARKET</b>
<b>I</b>	Before Mid-1960 (from independence to green revolution)	Agricultural Marketing	Agricultural Produce	Rural	Urban
<b>II</b>	Mid- Sixties (Green revolution to Pre-liberalization period)	Marketing Of Agricultural Inputs	Agricultural Inputs	Urban	Rural
<b>III</b>	Mid- Nineties (Post-liberalization period on 20 <sup>th</sup> century)	Rural Marketing	Consumables And Durables For Consumption & Production	Urban & Rural	Rural
<b>IV</b>	21 <sup>st</sup> century	Developmental marketing	All products & services	Urban & Rural	Urban & Rural

**1. Phase I (From Independence to Green Revolution):**

Before the advent of the Green revolution, the nature of rural market was altogether different. Rural marketing then referred to the marketing of rural products in rural & urban products.

**2. Phase II (Green Revolution to Pre-liberalization period):**

During these times, due to the advent & spread of the Green Revolution, rural marketing represented marketing of agriculture inputs in rural markets & marketing of rural produce in urban areas.

**3. Phase III (Post-liberalization period on 20<sup>th</sup> century):**

The third phase of rural marketing started after the liberalization of the Indian economy. In this period, rural marketing represented the emerging, distinct activity of attracting & serving rural markets to fulfill the need & wants of rural households, peoples & their occupations.

**4. Phase IV (21<sup>st</sup> century):**

Learning from its rural marketing experiences after the independence, the corporate world has finally realized the quick-fix solutions & piecemeal approaches will deliver only limited results in the rural markets. And, if an organization wants to tap the real potential of the rural market, it needs to make a long-term commitment with this market. Its approach & strategies must not focus in just selling products & services, but they should also aim at creating an environment for this to happen.

The objective of rural marketing in the current phase is the improvement of the quality of life by satisfying the needs & wants of the customers, not through a stand-alone products or services, but by presenting comprehensive & integrated solutions which might involve a set of inter-related products & services.

## **E. WHY COMPANIES GO RURAL /SCOPE / ATTRACTIVENESS OF RURAL MARKET**

In the present scenario, companies operating in India will have only two options: either to go 'Global' or go 'Rural'. The cost of going global is very high, and it is difficult to capture market in other countries. It is better to target the rural market, as it is growing by the day. Rural India is emerging as a large market for a number of goods and services – financial services, healthcare, education and telecommunication....the list seems to be endless. Today rural markets are as critical as urban markets for marketers. Here are some of the reasons, why companies go Rural.

- **Urban Markets are getting saturated**

There is cutthroat competition in urban markets, with a wide variety of choices of products. It's becoming difficult for existing companies to maintain their market shares in urban markets. For example, it is reported that there are around 86 branded cosmetic soaps in the urban market! So there is no point for a new company to enter the urban market. The rural markets provide better opportunities.

- **A Huge Untapped Market**

With only around 1, 00,000 of the 6, 38,667 villages tapped so far; there is huge potential and market areas. With a rural population of more than 700 million, it is a huge market.

- **Rising Disposable Incomes**

Good monsoons during the past 10 years have raised farmers in comes. Non-farm sectors now account for almost 50 percent of total rural incomes. It's a market that corporate cannot afford to ignore. Another reason for rising disposable incomes of villages is that agricultural income is not taxed.

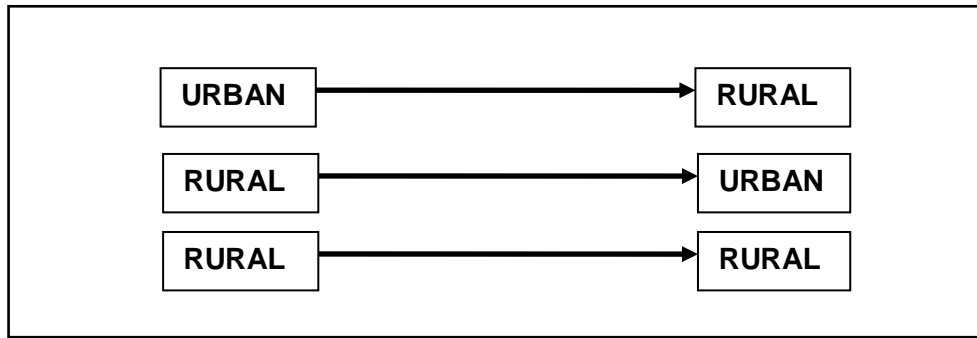
- **Remittances from Abroad**

Many households in rural India have one of their family members abroad, mostly in Gulf countries. People working there send their savings to their families in India, which is an additional source of income.

- **Impact of Media**

The growing reach of the electronic media has created a huge change in the lifestyles of rural consumers because of TV programmes like soaps and other serials. Rural people are spending more on lifestyle products like lipsticks.

**F. RURAL MARKETING SCOPE: FLOW OF GOODS AND SERVICES.**



FROM/TO	RURAL	URBAN
URBAN	1. Consumables and durables Agricultural Inputs 2. Consumables 3. Consumer durables	Not Concerned
RURAL	1. Rural marketing, services and products	1. Agricultural and allied products 2. Rural artisans and rural industry products

Rural marketing involves the process of developing, pricing, promoting, distributing rural specific product and a service leading to exchange between rural and urban market which satisfies consumer demand and also achieves organizational objectives.

It is a two-way marketing process wherein the transactions can be:

1. **Urban to Rural:** A major part of rural marketing falls into this category. It involves the selling of products and services by urban marketers in rural areas. These include: Pesticides, FMCG Products, Consumer durables, etc.
2. **Rural to Urban:** Transactions in this category basically fall under agricultural marketing where a rural producer seeks to sell his produce in an urban market. An agent or a middleman plays a crucial role in the marketing process. The following are some of the important items sold from the rural to urban areas: seeds, fruits and vegetables, milk and related products, forest produce, spices, etc.
3. **Rural to Rural:** This includes the activities that take place between two villages in close proximity to each other. The transactions relate to the areas of expertise the particular village has. These include selling of agricultural tools, cattle, carts and others to another village in its proximity.

## **G. CLASSIFICATION OF MARKETS**

### **A. On the Basis of Location**

1. Village Markets: Located in small villages
2. Primary Wholesale Markets: Held weekly or bi-weekly at different villages and locally called as 'Shandi' or 'Haat'.
3. Secondary Wholesale Markets: Located at Taluka or district headquarters and towns and known as 'Mandi' or 'Gunj'
4. Terminal Markets: Located in metro cities where buyers and sellers come from different regions or nations.
5. Seaboard Markets: Located near seashore for the purpose of import and export.

### **B. On the Basis of Area or Coverage**

1. Local Markets: Buyers and sellers are from same village or nearby villages.
2. Regional Markets: Buyers and sellers come from large areas.
3. National Markets: Buyers and sellers are from whole India.
4. World Markets: Buyers and sellers are from whole world.

### **C. Time Span**

1. Short Period Markets: Perishable products such as fish, milk etc. are traded.
2. Long Period Markets: less perishable products such as oilseed food grains are traded.
3. Secular Markets: Deal in manufactured goods, which are permanent in nature.

### **D. Volume of Transaction**

1. Wholesale Markets: Goods are bought and sold in large quantities.
2. Retail Markets: Goods are bought and sold according to the consumer's requirement.

### **E. Nature of Transaction**

1. Spot or Cash Market: Money is realized immediately after the sale.
2. Forward Market: Process of purchase and sale is done but goods and money are exchanged at some specific date.

### **F. Number of Commodities**

1. General Market: All types of commodities are bought and sold
2. Specialised Market: Only one or two commodities are sold, e.g. cloth market.

### **G. Nature of Commodities**

1. Service of Market: Deals in service such as professional consultancy
2. Capital Market: Deals in bonds, shares and securities.
3. Commodity Market: Deals on goods and raw materials such as cotton, grains.

### **H. Degree of Competition**

1. Perfect Market: Has large number of buyers and sellers.
2. Imperfect Market: Has monopolistic competition

### **I. Public Interventions**

1. Regulated Market: Business is carried as per rules and regulations framed by statutory organisation.
2. Unregulated Market: Traders frame their own rules for conduct of business and run the market.

### **J. Stage of Marketing**

1. Producing Markets: Markets that mainly collect commodities for future distribution to other markets. Located in producing areas.
2. Consuming Markets: These collect the produce for final distribution to the consuming population located in areas where production is inadequate or in thickly populated areas i.e. urban areas.

## **H. RURAL MARKETING STRATEGY: STAGES**

### **RURAL MARKETING STRATEGY**

#### **INTRODUCTION**

The stagnation in the urban markets, cut-throat competition and shrinking product life-cycles are forcing marketers to go rural. Pioneer marketers used an insensitive approach, to their advantage. They took the urban brand, tweaked the product a wee bit (i.e., made it rustic, rugged and even lowered the quality), lowered the price (with inferior grades), extended the brand to low-unit packs, modified the packaging marginally, took the urban advertisement and dubbed it in the vernacular. That was the way rural marketing was done. A more sensitive approach has to be adopted to succeed in the rural market. The conservative approach resulted in huge losses and erasing of brands completely from the rural landscape — like Lux shampoo and Polar fans. New rules have to be framed to succeed in the rural market. It's a bit like handling a honeycomb; you want to take out the honey, but you don't want to be stung by the bees!

Let us see how a company can adopt a rural marketing strategy that achieves the desired results. A company entering the rural markets will do it as:

**A new entrant:** A company starts its life in rural markets and then ventures into urban areas. For example, Cavin Kare (it launched Chik and Meera shampoos for the first time in rural markets) and Asian Paints (launched paints for the first time in the rural market in 1999).

**A mid-entrant:** An organization will enter the rural markets after tasting success in urban markets. These companies seek to earn around fifty percent of their revenues from rural markets. For example, HLL and LG.

**The late entrant:** Companies in this category will enter the rural markets with a lot of scepticism. After being successful in urban markets for a long time, they finally decide to enter rural markets. For example, Cadbury and Nestle.

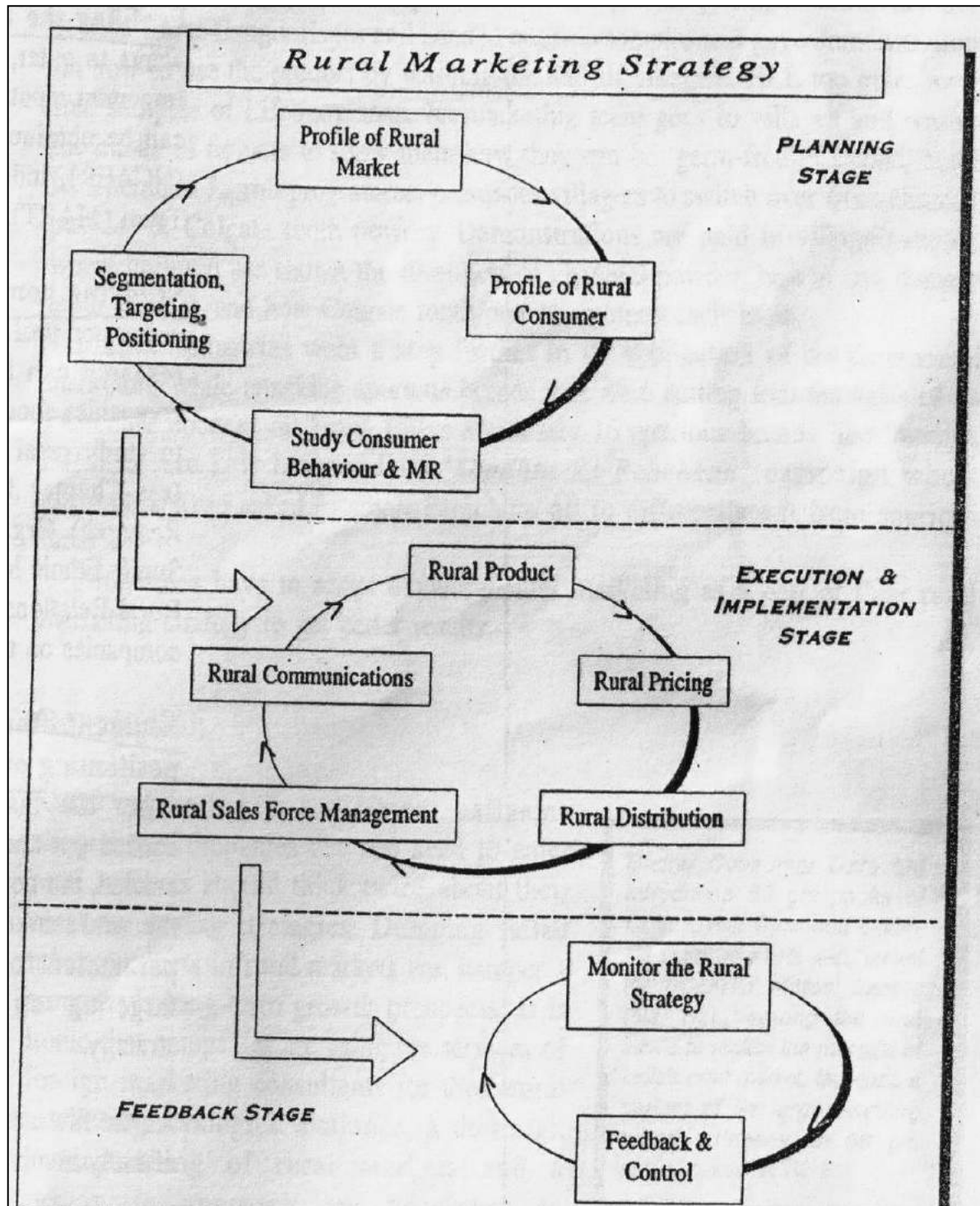
As discussed above, a company has to decide when it wants to enter the rural market. Basically, a company will enter the rural market for the following reasons:

- To look for new markets.
- To expand existing markets (market segmentation).
- To increase potential customers.
- To sustain profitability and increase market shares.

No matter what the reason, a company has to adopt a step-by-step approach when it comes to rural marketing. Unlike urban markets, where a product can be launched on a national scale, rural marketing is a different ballgame. It is very dangerous to enter the rural markets at a single shot. The villages are too many, they are widely scattered and logistics will pose a big problem. Hence, it is better to follow a sequential approach to rural marketing. The Indian market can be broadly classified into four regions: north, east, west and south (NEWS). A company has to find potential for the product in these markets and then enter accordingly. For a start-up company it is better to concentrate on locational advantage. For example, Cavin Kare Ltd launched its Chik shampoo first in rural markets in the south and then gradually spread to other parts of the country.

The rural marketing strategy involves three stages:

- I. The planning stage.
- II. The execution and implementation stage.
- III. The feedback stage.



## I. PLANNING STAGE

This is the first stage of the rural marketing strategy. As we know, a "strategy is a set of pre-determined objectives prepared in order to achieve the determined goals" Hence, planning plays a crucial role in strategy implementation. The planning stage is sub-divided into four sub-stages.

They include:

**Profiling the rural market:** Before the company decides to enter the rural market, it should conduct the profile of villages to enter: potential availability of target customers, affordability, etc. Information on this can be obtained from the Indian Census report, R K Swamy BBDO's Rural Marketers Handbook, HTA's Rural Market Index and Lowe-Linterland's Linquest CD.

**Profiling the rural customer:** Once the company decides which markets it wants to enter, it should profile the demographics of each village or district. Important inputs like age, sex, income will play a major role. Information on this can be obtained from the National Council for Applied Economic Research (NCAER), Indian Market Research Bureau (IMRB) and Marketing Research Team (MART).

**Studying consumer behaviour and marketing research:** Based on the consumer profile, the company should study consumer behaviour. Marketing research can be used to get insights into consumer behaviour. However, companies should take illiteracy into account and adopt innovative MR practices to study rural consumer behaviour. Organisations like MART, Suhita Ethnic Marketing Services and Rural Relations conducts surveys for companies on this subject.

**Segmentation, Targeting and positioning of the rural product:** After the marketing research is carried out and consumer behaviour studied, the company has to segment the rural market. The most important parameter for segmentation, the targeting can create a positioning strategy. As the first stage is based on planning, the company's top management must be actively involved with special support from rural marketing consultants.

## II. EXECUTION AND IMPLEMENTATION STAGE

This is the most crucial stage of the rural marketing strategy and proper care should be taken during this stage. Any mistakes during this stage can affect the entire rural marketing strategy. This stage is further divided into:

**Designing the product:** Company can launch a product that has been successful in urban markets directly, introduce it with some minor changes or launch an entirely new product specifically designed for the rural market. For example, LG launched its Sampoorna television with a vernacular language on-screen display, (OSD) specifically for rural markets. Along with product design, branding and packaging decisions are formulated at this stage.

**Rural pricing:** Company arrives at the price of the rural product after taking into consideration the purchasing power of the rural customer and also the cost involved in manufacturing, distribution and promotion. For example, Videocon launched a stripped-down version of its washing machine, and named it the Washer. It priced the product at Rs 6,500, which is affordable for the rural customer.

**Rural Distribution:** Distribution is a crucial element during the implementation phase of the rural product. With no adequate infrastructure support by way of the railways and poor or non-existent roads, it is difficult for companies to penetrate into more isolated pockets of the rural hinterland. Logistics is a major problem. Even organising channels of distribution is tedious. For example, HLL uses bullock carts and self-help groups (SHGs) to distribute its Lifebuoy brand of toilet soap.

**Rural Sales Force Management:** Company has to supply goods in rural markets, which consist of major areas of India. Many areas are still not connected to pukka roads, and people still use kuccha roads. It's a difficult job to make available the company's product in such areas, so many companies are taking help of SHGs and syndicated distribution.

**Rural communication:** Because of the innumerable languages and dialects in the country, it is very difficult to communicate to rural audiences. A carefully designed communication strategy that takes culture and traditions into account has to be adopted in each part of the country. For example, when Clinic Plus shampoo dubbed an urban advertisement into vernacular languages it did not take into consideration the cultural values in rural areas. The ad depicted a woman showing off her hair, which is not acceptable in rural areas, where women usually cover their heads with their saris. In this second stage of the rural marketing strategy, the company should carefully plan its marketing mix by concentrating on important elements of execution. Effective implementation has to be done in a phased manner.

### III. FEEDBACK STAGE

This is the third and final stage of the rural marketing strategy. Any planning effort should also have a considerable control aspect. A strategy, when executed, has to be carefully monitored. This stage is further divided into:

**Monitoring the rural marketing strategy:** A strategy has to be carefully monitored to avoid faulty implementation. If there is any gap in execution it can be addressed and checked before the rollout. Monitoring can be done through sales figures, customer feedback etc.

**Feedback and control:** Controlling can be done through constant feedback mechanics. Quarterly results, dealer, feedback, salesman feedback and market surveys are useful tools to collect feedback and maintain effective control on the rural marketing strategy.

A company entering the rural market should follow the rural marketing strategy in a systematic way to achieve success.

### DEVELOPMENTAL MARKETING

Because of the lack of awareness, illiteracy, and no direct media impact, rural marketers have come up with a way of convincing rural consumers to buy their products. This concept is called 'developmental marketing'.

Developmental marketing is a process through which awareness is created, well before the product is launched. The product is demonstrated or presentations made to rural consumers on its applications/usage. Once the awareness is created, the product is launched. Sometimes, free samples are distributed using traditional media like folk shows, puppet shows etc.

It must be understood that companies can't get instant results in rural markets. They have to wait patiently, sometimes for months or maybe years. This is because rural consumers are very reluctant to try anything new. The steps in developmental marketing are:



Cavin Kare adopted a developmental marketing strategy for its Chik shampoo. It went to far-flung villages and handed out free samples and gave demonstrations on how to use the product by washing the hair of villagers.

HLL too gives away free samples of Lifebuoy soap. Its marketing team goes to villages and washes the hands of farmers to show them how they can be 'germ-free'.

Colgate, under its Operation Jagruti programme, persuades villagers to switch over from charcoal powder to Colgate tooth powder. Demonstrations are held in village schools, where children are shown the ill-effects of charcoal powder, how it can damage tooth enamel, and how Colgate tooth powder protects their teeth.

Marico Industries went a step further in its application of developmental marketing while attacking spurious brands that were cutting into the sales of its Parachute coconut oil brand (there are nearly 16 spurious brands like Paralite, Parakite etc.). It launched its 'Shudhta Ki Pehchaan' campaign where customers were asked to smell Parachute oil to differentiate it from spurious brands.

Companies have to adopt developmental marketing as a part of their rural marketing strategy to get better results.

## I. RURAL MARKETING STRATEGIES

### 4 P's Strategy:

- A. Product
- B. Price
- C. Promotion
- D. Place (Distribution)

#### I) PRODUCT STRATEGIES:

- ▶ **New Product Development** – Given the rising interest of companies in the rural market, developing new products suitable for the rural market has become an imperative. Nokia's 1100 model is a very good example of a customized model for rural markets. Its design has been modified to protect it against rough usage in rural environment; it is dust resistant & has a small torch light in view of the frequent power cuts in rural India, Philips free power radio, LG Washing Machine, Kisan Credit Card, Max Gas LPG cylinder, which is rat resistant and wider base of cylinder to ensure stability even on uneven rural kitchen floors.
- ▶ **Sturdy Products** – Village people believe that the product should be sturdy enough to withstand rough consumers handling and storage. Rajdoot Motorcycle manufactured by Escorts Ltd. Is very popular in rural areas because of its adaptability, low maintenance costs, minimal breakdown and easy accessibility of service and repairs. LG Electronics has devised a semi-automatic washing machine with double the capacity of their urban-based machines.
- ▶ **Brand Name** – A brand should have short, simple, easy to pronounce, can be remembered easily and should lend itself to virtual interpretation. In rural markets, consumers do give their own brand name or the name of an icon. Many a time's rural consumers ask for peeli tikki or neeli tikki in case of washing soaps. E.g. LG Electronics branded one of the TV set as Sampoorna. Fertilizer companies normally use a logo on the fertilizer bag. e.g.: Coca-Cola targeted the whole Indian rural market with the positioning of "Thanda Matlab Coca-Cola" advertisements because most of the villagers say when wanting a drink refer to it as Thanda..... so Coca-cola used that word.
- ▶ **Small Unit Packings** – Rural consumers receive daily wages and at the same time their income is unsteady. Hence they can't make purchases in large quantities. E.g. HUL sells Shampoo and Hair oil in sachet packs in rural areas. Cavin Kare Ltd. has launched a sachet priced at 50 paisa for its Chic Shampoo.
- ▶ **Low Priced Packing** – Tata Tea launched 'Agni' as an economy brand in rural areas to compete with loose tea powder. ITC has launched 'Hero' containing blended tobacco and is priced just for the pockets of rural consumers.
- ▶ **Utility oriented products:** The rural consumers are more concerned with utility of the product and its appearance Philips India Ltd. Developed and introduced a low cost medium wave receiver named BAHADUR during the early seventies. Initially the sales were good but declined subsequently. On investigation it was found that the rural consumer bought radios not only for information and news but also for entertainment.

## DUPLICATE AND COUNTERFEIT PRODUCTS IN RURAL MARKET

Spurious products are the copy of established brand name at a cost of few thousand rupees and sold it in the rural market. This duplication takes place in all sectors and especially in FMCG, food items and medicines. Counterfeiting is a kind of duplication where the fake products bear the identical name of the original product, its packaging, graphics, color pattern, design and even same name and address as the genuine manufacturer. A pass-off product is one that comes with a few minor changes from the original product. The slight changes are made to avoid legal problems.

### **Example:**

<b>Duplicate</b>	<b>Original</b>
Head & Shower	Head & Shoulder
Pantane	Pantene
Sunmilk	Sunsilk
Loveboy	Lifebuoy
Climik Plus	Clinic Plus
Parla G	Parle G
Vikas	Vicks

## **II) PRICING STRATEGIES:**

### ✓ **Low cost/ cheap products:**

Rural customer is price conscious mainly because of low income. The price can be kept low, by low unit packaging like paisa pack of tea, shampoo sachets, Vicks 5 grams tin, etc.. This is a common strategy adopted by many companies marketing in rural areas.

### ✓ **Application of Value Engineering**

The aim of value engineering is to reduce the value of the product so that a larger segment of population can afford it to buy. *e.g.:* Soya protein can be used instead of milk protein, nutrition content of both is same but the soya protein is cheaper than milk protein.

### ✓ **Refill / Reusable Packaging**

Refill packs benefits the rural consumers in terms of price and also the packaging material should be reusable in rural areas. *Example* – Many farmers demand for fertilizers packed in LDPE or HDPE sacks. They feel that they get sacks free of cost by purchasing fertilizers.

### ✓ **Discounts**

In order to motivate the rural retailer to sell more, a discount of 5-10% is given on the MRP particularly in case of FMC goods.

### ✓ **Promotional Schemes**

Rural consumer normally buys household articles during festivals like Eid, Diwali, and Pongal etc. special promotional schemes could be introduced on such occasions like exchange offers, special discounts, etc.

### ✓ **Large volume-low margins (Rapid or slow penetration strategy):**

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

### ✓ **Overall efficiency & passing on benefits to consumers:**

For rural products, the strategy should be to cut down the production, distribution & advertising costs & passing on these benefits to the customers to further increase the turnover. Most often, it has been

observed that advertising has less to do with product sales in the rural areas. If an organization gets the price point right, then it can work in rural market.

✓ **Low volume-low price strategy:**

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

✓ **Ensuring price compliance:**

Rural retailers, most of the times, charges more than the MRP. The manufacture has to ensure price compliance either through promotional campaigns, as was done by Coca Cola, or by ensuring the availability of products at the retail outlets directly.

### **III) PROMOTION STRATEGIES:**

Customized promotional media & messages need to be developed by the organizations to effectively target the rural market. The following strategies can be considered while developing promotional campaigns for the rural markets:

✓ **Think Global Act Local**

Rural population is diverse, but the commonalities of their ethos & simple living habits need to be understood for advertising to succeed. For that, the theme of the advertisement needs to revolve among universal themes, such as family-love. But the context, storyline, language & idioms should be such that the rural audience of different rural market segments can relate to.

✓ **Think in Local Idiom**

This is the need of the advertising professionals who can think like the rural people. The only we can have insights like '*Thanda matlab Coca Cola*'. There should be the use of language writers who understands the rural & regional pulse better.

✓ **Simplicity & Clarity**

All promotional messages targeted at rural audience need to be simple & clear, which can be easily understood, & they should not include any confusing elements. It is preferable that it has only a few propositions at a time. Bombarding rural consumers with too much, in less time can easily confuse them & leave them bewildered.

Promotional message should highlight only the functional values of the product & explains how those values can make the consumer's life even better & solve any of his problems.

✓ **Narrative Story Style**

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

✓ **Choice of Brand Ambassador**

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

#### **IV) DISTRIBUTION STRATEGIES:**

Many companies view the rural markets as great opportunity for expanding their sales but find distribution as a major problem. Unfortunately, it is almost impossible to transplant strategies which work successfully in urban markets onto rural markets, namely, extensive retailing and sustained pull generation through mass media advertising.

**The following distribution strategies formulated for the rural category.**

✓ **Coverage of villages with 2000 and above population:**

Ideally, coverage of villages with up to 2000 and above population could be the break-even point for a distribution setup. By doing so the percentage of villages covered comes to only 10% of all the villages, but the rural population covered will be substantial, to the extent of about 40 to 45 percent. With a distribution network in about 55,000 villages, which have a population of 2000 persons & above each, one can cover about 25 crores rural consumers. This strategy is good to begin with & then subsequently, villages with lesser populations can be added.

✓ **Segmentation:**

The number of villages in India is huge & it is not viable to contact & serve all villages directly. Therefore, companies or distributors can carefully examine the market potential of different villages & target the villages that can be served in a financially viable manner through an organized distribution effort.

✓ **Use of co-operative societies:**

There are over 3 lacks co-operative societies operating in rural areas for different purposes like marketing cooperatives, farmer's service cooperatives and other multipurpose cooperatives. These cooperatives have an arrangement for centralized procurement and distribution through their respective state level federation. Such state level federation can be motivated to procure and distribute consumables items and low value durable items to the members to the society for serving to the rural consumers. Many of the societies extend credit to the members for purchases.

✓ **Utilization of public distribution system (PDS):**

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

✓ **Utilization of multipurpose distribution centers by petroleum/oil companies:**

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

✓ **Distribution up to feeder markets/mandi towns:**

Keeping in view the hierarchy of markets for the rural consumers, the feeder markets and mandi towns offer excellent scope for distribution. The rural customers visit these towns at regular intervals not only for selling the agricultural produce but also for purchasing cloth, jewelry, hardware, radios, torch cells and other durables and consumer products. From the feeder markets and mandi towns the stockiest or wholesaler can

arrange for distribution to the village shops in the interior places. This distribution can be done by mopeds, cycles, bullock-carts, camelbacks etc. depending upon the township.

✓ **Shandies/Haaths/Jathras/Melas:**

These are places where the rural consumers congregate as a rule. While shandies/haaths are held a particular day every week, Jathras and melas are held once or twice a year for longer durations. They are normally timed with religious festivals.

Such places attract large number of itinerant merchants. Only temporary shops come up selling goods of all kinds. It can be beneficial for companies to organize sales of their product at such places. Promotion can be taken, as there will be ready captive audience. For convincing the manufacturing and marketing man with regard to the importance of these places from rural marketing point of view a visit to such places is necessary. It is estimated that over 5,000 fairs are held in the country and the estimated attendance is about 100 million rural consumers.

Biggest fair 'Pushkar Mela' is estimated to attract over 10 million people. There are 50 such big rural fairs held in various parts of country, which attract urbanite also like 'Mankanavillaku' in Malappara in Kerala, Kumbh Mela at Hardwar in U.P. 'Periya Kirthigai' at Tiruparunkunaram in Tamil Nadu.

✓ **Agricultural Input Dealers:**

Fertilizers should be made available to the farmers within the range of 4-5 km from their residence, as per the essential commodities act. This is why there are about 2 lakh fertilizer dealers in the country, both in cooperative & private sector. Example of Warana Nagar in Maharashtra proved an eye opener in this regard where the sugar and milk cooperatives have totally changed the life style of people. The supermarket in Warana Nagar caters exclusively to rural consumers. Similarly a co-operative supermarket called 'Chintamani' in Coimbatore (T.N) arranges free transit of rural consumers to the supermarket of their purchases.

✓ **Joint distribution by Non-competing Companies:**

As the cost of distributing the products in the rural market through distribution vans can be unviable for a single company, different non-competing companies can come together to jointly operate distribution vans for the rural market. This will enable them to share the cost of operating the van & on account of the sharing of the cost by four or five companies; the entire operation can become financially viable for all the players.

✓ **Personal Selling Network:**

It is very successful distribution channel being developed by companies like HUL. It adds a personal touch to the marketing, as the salesmen are the resident of the village or community itself, making it easier to sell the product & maximize sales for the company.

## **J. CHARACTERISTICS/PROFILE OF RURAL MARKETS**

India is a big country and its rural markets have varied characteristics that change from people to people, region to region. Some of the main features of India's rural markets are:

- **Diverse Nature:**

There are 6, 38,667 Indian villages in all. Out of these 50% share a very small population of less than 500 and a limited purchasing power. Many of these villages don't even have a single shop. In the second category there are 2, 50,000 villages with a population between 500-2000. There are at least 5 shops per village. Lastly there are 60,000 villages with a population of more than 2000. Companies should try and focus on the last two categories more as they have high potential. Regional disparities heavily influence economic development, social interaction patterns, mobility patterns and awareness levels. This in turn influences purchasing power.

- **Urban Market Saturation:**

There is a cutthroat competition in urban markets, which have reached a stage of saturation. As a result, marketers are shifting focus to greener pastures in rural markets, as there is equal number of households in rural areas as in urban areas.

- **Rising Disposable Income of Rural Customers:**

New tax structures, good monsoons, the green revolution and the Administered Pricing Mechanism (APM) have raised disposable incomes in rural areas. It is ironic that rural people spend so lavishly on weddings, ceremonies and festivals amidst deficiency. Today the rural consumer shop for 'value'. It is this 'income' that the companies are going to tap in the near future.

- **Rising Literacy Levels:**

Nearly 45% of rural Indians are literate out of which 59% are men and 31% are women. Around 12 crore people in villages are literate as compared to 12.5 crore in urban India. Every year produces 60 lakh literate people. Farmers are remarkably well informed about the changing world around them. The increased enrolment in schools has also generated a wave of rural demand for lifestyles and aspiration products. Hence, one cannot make generalizations about Indian Rural Markets.

- **Spread of Cable Television:**

The growth of satellite TV channels has had a major impact on villagers. It has led to a change in lifestyle and consumption patterns. Television has high capacity to raise interest levels as it has greater accessibility compared to other media. Rural consumers now aspire to buy brands rather than to just purchase commodities.

## **K. CHANGING PATTERNS OF RURAL MARKET**

- **Increased Production of Food grains**

The vision of Dr. M. S. Swaminathan, the father of the green revolution, to achieve self-sufficiency in food by using scientific methods, gave a major impetus to food grains production. It touched 300 million tonnes in fiscal 2003 against 200 million tonnes in 1999. At present, rural India produces 350 million tonnes annually. Increased crop yields have enhanced rural purchasing power.

- **Increased Exports**

The export policy of 2000 paved the way for open market (OGL- Open General License System) status for agriculture. The World Trade Organization's (WTO) policy for agro-exports has increased exports of Indian agricultural products, thereby increasing the incomes of the rural population.

- **Better Banking Facilities**

Every village has access to short, medium and long term loans. Thanks to cooperative banks, which have taken the lead in rural areas. Credit facilities extended by public sector banks through Kisan Credit Cards help farmers buy seeds, fertilizers and even consumer goods on an installment basis.

- **Companies Make a Beeline to Rural Markets**

FMCG majors like HUL, Marico Industries, Colgate-Palmolive and Britannia Industries are only a few of the FMCG majors who have been gung-ho about rural marketing. Consumer durables MNC's like Samsung and LG are designing products targeted at rural customers. These companies are changing the lifestyles of rural Indians.

- **The power of Rural Communication**

The mass media has created increased demand for goods and services in rural areas. Smart marketers are employing the right mix of conventional and non-conventional media to create increased demand for products. The role of cable television has been noteworthy in bringing about changes in rural peoples mindset and influencing their lifestyles.

- **Government Policies**

The government stress on self-sufficiency led to various schemes like the White Revolution (Milk), Blue Revolution (Aquaculture), and Yellow Revolution (Poultry and Edible Oils).

- **Government Employment Schemes**

Government schemes like IRDP (Integrated Rural Development Programme), JRY (Jawahar Rozgar Yojana) and TRYSEM (Training Rural Youth for Self Employment) have created new employment opportunities in rural India. Cooperative and public sector banks are extending loans to rural people, thereby creating job opportunities for them. This has increased the purchasing power of rural people.

- **Socio-political Changes in the Wake of Government Policies**

The Indian Government launched a number of schemes like IRDP, Rural Electrification Programme (REP) in 1970's, which gave a boost to the rural economy. This resulted in changes in people's habits and social life. REP gave an impetus to the development of the consumer durables industry.

- **Credit Cards to Farmers**

The government initiated a programme to give credit cards to farmers through public sector banks. Dena Bank, Canara Bank, Andhra Bank were pioneers in Kisan Credit Card. Farmers could take short or medium-term loans through these credit cards to buy seeds, fertilizers, etc. this has enabled them to produce more and more , thereby increased incomes.

- **Cooperatives and Corporate Support**

Cooperative organizations like GCMMF (AMUL) and CAMPCO initiated the cooperative movement in rural areas, thereby increasing the income of villagers through part-time assignments in the cooperatives. Liberalization paved the way for contract farming (involvement of corporate in farming practices). These companies provided scientific technology and HYV (high yielding variety) seeds and had tie-ups with farmers to cultivate the crop. The farmers could sell the produce to the company, which gave them better returns and increased prosperity.

## **L. PROBLEMS IN RURAL MARKETING**

There are many problems to be tackled in rural marketing, despite rapid strides in the development of the rural sector. Some of the common problems are discussed below:

- **Transportation:**

Transportation is an important aspect in the process of movement of products from urban production centers to remote villages. The transportation infrastructure is extremely poor in rural India. Due to this reason, most of the villages are not accessible to the marketing man. In our country, there are six lakh villages. Nearly 50 per cent of them are not connected by road at all. Many parts in rural India have only kachcha roads. During the monsoons, even these roads become unserviceable. Regarding rail transport, though India has the second largest railway system in the world, many parts of rural India however, remain outside the rail network.

- **Communication:**

Post, telegraph, and telephones are the main components of the communication infrastructure. These facilities are extremely inadequate in the rural parts of our country. Due to these problems, rural consumers, unlike urban consumers do not have exposure to new products.

- **Many Languages and Dialects:**

The number of languages and dialects vary widely from state to state, region to region and probably from district to district. Messages have to be delivered in local languages and dialects.

- **Low Per Capita Income:**

Even though about 26 percent of GDP is generated in rural areas, it is shared by 74 percent of the population. So per capita incomes are low. Moreover demand for goods in rural markets depends upon the agricultural situation, as agriculture is the main source of income and it depends upon the monsoon to a large extent. Therefore, demand is not stable or regular.

- **Low levels of Literacy:**

Literacy rates are low in rural areas compared to urban areas. This leads to the problem of communication. The print medium is ineffective in rural areas since its reach is poor.

- **Availability of appropriate media:**

It has been estimated that all organized media in the country put together can reach only 30 per cent of the rural population of India. The print media covers only 18 per cent of the rural population. The radio network, in theory, covers 90 per cent. But, actual listenership is much less. TV is popular, and is an ideal medium for communicating with the rural masses. But, it is not available in all interior parts of the country. It is estimated that TV covers 20 per cent of the rural population. But, the actual viewership is meager. The cinema, however, is a good medium for rural communication. But, these opportunities are very low in rural areas.

- **Warehousing:**

A storage function is necessary because production and consumption cycles rarely match. Many agricultural commodities are produced seasonally, whereas demand for them is continuous. The storage function overcomes discrepancies in desired quantities and timing.

- **Village structure in India:**

In our country, the village structure itself causes many problems. Most of the villages are small and scattered. It is estimated that 60 per cent of the villages are in the population group of below 1,000. The scattered nature of the villages increases distribution costs, and their small size affects economic viability of establishing distribution points.

- **Rural markets and sales management:**

Rural marketing involves a greater amount of personal selling effort compared to urban marketing. The rural salesman must also be able to guide the rural customers in the choice of the products. It has been observed that rural salesmen do not properly motivate rural consumers. The rural salesman has to be a patient listener as his customers are extremely traditional. He may have to spend a lot of time on consumer visits to gain a favorable response from him. Channel management is also a difficult task in rural marketing. The distribution channels in villages are lengthy involving more intermediaries and consequently higher consumer prices. In many cases, dealers with required qualities are not available.

- **Inadequate banking and credit facilities:**

In rural markets, distribution is also handicapped due to lack of adequate banking and credit facilities. The rural outlets require banking support to enable remittances, to get replenishment of stocks, to facilitate credit transactions in general, and to obtain credit support from the bank. Retailers are unable to carry optimum stocks in the absence of adequate credit facilities. Because of this problem, they are not able to offer credit to the consumers. All these problems lead to low marketing activities in rural areas. It is estimated that there is one bank for every 50 villages, showing the poor banking facilities in rural areas.

- **Packaging:**

As far as packaging is concerned, as a general rule, smaller packages are more popular in the rural areas. At present, all essential products are not available in villages in smaller packaging. The lower income group consumers are not able to purchase large and medium size packaged goods. It is also found that the labeling on the package is not in the local language. This is a major constraint to rural consumers understanding the product characteristics.

- **Prevalence of Spurious Brands**

For any branded product there are multitudes of 'local variants', which are cheaper, and, therefore, more desirable for villagers. Rural consumers are cautious about buying and decisions are slow. They like to give a product a trial and buy it again only after getting personal satisfaction.

## M. RURAL VS URBAN MARKETING/ MARKETS

NO.	ASPECT	URBAN	RURAL
1	<b>MARKET</b>		
	A) <b>DEMAND</b>	High	Low
	B) <b>COMPETITION</b>	Among Units In Organized Sector	Mostly From Unorganized Units
	<b>LOCATION</b>	Concentrated	Widely Spread
	<b>LITERACY</b>	High	Low
	<b>INCOME</b>	High & Regular	Low & Seasonal
	<b>EXPENDITURE</b>	Planned, Even	Seasonal, Variation
	<b>NEEDS</b>	High Level	Low Level
	<b>INNOVATION/ADOPTION</b>	Faster	Slow
3	<b>PRODUCT</b>		
	<b>AWARENESS</b>	High	Low
	<b>CONCEPT</b>	Known	Less Known
	<b>USAGE METHOD</b>	Easily Grasped	Difficult To Grasp
	<b>QUALITY PREFERENCE</b>	Good	Moderate
4	<b>PRICE</b>		
	<b>SENSITIVE</b>	Yes	Very much
	<b>LEVEL DESIRED</b>	Medium-high	Medium-low
5	<b>DISTRIBUTION</b>		
	<b>CHANNELS</b>	Wholesalers, stockists, retailer, supermarket, specialty stores, & authorized showrooms	Village shops, "Haats"
	<b>TRANSPORT FACILITIES</b>	Good	Average
	<b>PRODUCT AVAILABILITY</b>	High	Limited
6	<b>PROMOTION</b>		
	<b>ADVERTISING</b>	Print, audio visual media, outdoors, exhibitions etc. few languages	TV, radio, print media to some extent. More languages
	<b>PERSONAL SELLING</b>	Door-to-door, frequently	Occasionally
	<b>SALES PROMOTION</b>	Contests, gifts, price discount	Gifts, price discounts
	<b>PUBLICITY</b>	Good opportunities	Less opportunities

## **N. STUDY OF RURAL RESOURCES:**

### **RURAL RESOURCE PLANNING FOR INDIAN VILLAGES**

Rural Resource Planning is a tool or concept which enables rural area to utilize their most valuable resources to gain optimal results. It must help them to gain competitive edge by integrating all business process and optimizing the resources available in the rural area. RRP was expected to help the Groups/Agro-Hubs working in rural areas to integrate their

- financial information
- integrate customer order information
- standardize and speed up the manufacturing process
- Reduce inventory etc.

When RRP is combined with process improvements and best practices, it will help the rural groups/Agro-hubs to cut costs and improve effectiveness. It attempts to integrate all functions across a Hubs and Groups onto a single computer system that can serve all those different functions particular needs. It should not be confined to the organizational boundaries, rather support the on-line connectivity to the other rural groups/agro hubs of the organization. It must have a collection of the best agri-practises and business processes applicable locally or country-wide. It should be able to support variety of organizational functions of rural groups or hubs and must be suitable for a wide range of small agri-business organizations. Accountabilities to the users for all the groups/hubs functionalities are the main advantage of RRP's.

The main areas which need focus into rural area RRP implementation are

- a. Rural Health Care**
- b. Rural Education**
- c. Rural Eco Management (land & water, village resource center)**
- d. Rural Transportation**
- e. Rural Agriculture**
- f. Rural Energy**
- g. Rural Human Resource.**

RRP is having very huge outlook and overview, hope we can start with the familiar area of Agriculture which our lab is more familiar.

#### **Village –Wise development:**

Villages are the strength of Indian economy and the ground level disbursement of funds can be percolated to the Agro-based infrastructure hubs at village level-thus helping in the elevating the earning capacity of Rural areas. Group farming is one of the areas where the agro-based infrastructure hubs can play a huge role in helping the farmers to improve their business and standard of living. *Group farming is a concept in which agro-hub is getting some orders from markets and the groups within the hub have to work towards the requirement and supply the concerned products to the respective customers according to the demand.*

#### **Requirements/Infrastructure for Agro based Hubs:**

##### **Agri-business Hubs**

Agri business hubs having two or three groups of farmers. The land they are doing cultivation may belongs to their own or the land of Hub (say 5 acre's – in village grazing land to carry out farm based economic activities).The hub will have following main activites.

### **1. Kiosk Information Center:**

It will be a center to disseminate knowledge and information to farmers regarding the crops, new technology, domestic and overseas market. (Like aAqua portal)

### **2. Agri Clinic:**

Local agricultural graduates to operate the field level consultancy services equipped with the soil testing laboratories and be contract person between the farmer and Agri-business hubs. The graduates will become the connecting link between the farmers and the Hubs.

### **3. Farm Produce Collection Center:**

Central unit to collect village grown crops to create economy of scale to approach volume markets-Food processing industry, food department stores, hotels & institutions, exports-single contact point-by bulk purchasers.

### **4. Grading & Packing Units:**

The activities of proposed Value Addition Center will help farmers to gain from Graded farm produce market and for future marketing. Thus make Agri produce storable in the harvesting season to be market throughout the year & gain better price for the Agri produce.

### **5. Storage Houses (Production Handling Capacity):**

The graded –packed farm produce can be efficiently stored. Seek financial support from financial institutions in form of pledge finance or warehouse receipt-in the times when the market is flushed in the harvest time and save the farmers from distress sales-further helping them to create their own capital to be redeployed in their farm – to incubate new technology and better inputs.

### **6. Cold storage:**

Increase shelf life of perishable farm produce gain greater share of consumer rupee in the off season.

### **7. Logistic Support Units:**

Technically sound crop based logistic support-operated by educated unemployed can be supported as self help groups to transport farm produce from agribusiness hubs to designated high value market.

### **8. Formation of Farmers Clusters:**

Self Help Groups-Farmer Entrepreneurs Association-Separate Registration-similar to Small Scale Industries. In order to approach Govt.schemes & seek financial help from the Government & Financial Institutions.

## **O. RURAL MARKETING RESEARCH:**

**Marketing research** is a formalized means of obtaining information to be used in marketing decisions.

**The American Marketing Association (AMA)** defines marketing research as “The systematic gathering, recording, and analyzing of data about problems related to marketing of goods and services”.

### **Approaches of Market Research:**

- a) **Reactive Approach:** These organizations do not conduct research, but follow what others do & see it as a way to keep up with competition.
- b) **Proactive Approach:** These organizations anticipate development in the market & introduce new ideas & methods to exploit opportunities or to minimize problems so as to get ahead of competition.

### **Sources for conducting Rural Marketing Research:**

It is advisable for the company to tap the district than the whole state when preliminary research is conducted. However, established companies, which already have a presence in the rural market, can outsource their marketing research activity to specialized agencies that deal with rural markets. For example, Rural Relations, MART, IMRB, A. C. Nielson or ORG-MARG.

Companies seeking information about rural markets have to be familiar with the basic sources for conducting market surveys. These include:

#### **A. Primary Sources:**

Primary data are collected especially to address a specific research objective. A variety of methods, ranging from qualitative research to surveys to experiments, may be employed. Collecting this type of data is costlier and time-consuming. Some places where primary research may be conducted are:

##### **1. Retail shop/STD Booth:**

Retailers are well-informed about the market and can understand the objectives of the research. It is very easy to develop a rapport with a retailer. One cold drink can do the job and buy the researcher the time to initiate a talk with him. Retailers generally know everything about the village and can be a good source of information since a wide variety of people visit their shops. It is the best place to locate women who may not be otherwise found at tea stalls, open grounds, choupals. A retailer can use his influence to request the customers to respond to the researcher.

##### **2. Tea Stalls:**

A tea stall is one place where you can find people (especially middle aged and old persons) at any time of the day. The researcher can drink tea; this will give him time with villagers. He can gradually build up the conversation and involve them in the interview.

##### **3. Playgrounds/Schools:**

These are the best places to locate youth during the morning and evening hours. Usually Zilla Parishad schools are used for conducting research activity. Many of them may be busy playing but there are always some who come just to pass the time or watch the games. They can be easily targeted for the interview.

##### **4. Choupals:**

These are very good places to find middle aged and old people in the evenings. It is an important village gathering point where most of the influential people meet. A marketing researcher should be very

careful in understanding the psyche of a rural customer and thereby use the traditional tools in knowing him better.

**5. Haats and Melas:**

Called the 'weekly supermarkets' of rural India, around 48000 Haats and 25000 melas are held annually in rural India. People from surrounding villages come in large numbers to this gathering, which is useful for marketers conducting market research, especially for those who want to find out customer responses on FMCG products. Marketers can promote new products by giving free samples and asking villagers to give their opinion on them.

**6. Influence groups:**

The influence group involves reference groups, opinion leaders, sarpanches/village headmen, school teachers, doctors from primary health centres, etc. these groups have great influence over the behaviour of village folk, which a marketer has to analyse by drawing up a proper framework. It helps the marketer to understand the likes and dislikes of villagers and accordingly offer them a product suitable to their needs and budget.

**B. Secondary Sources:**

These are readymade sources of information that a marketer can use for his/her research. This kind of data can be collected from government publications, websites, research agencies, etc. They are one of the cheapest and easiest means of access to information than primary data. A marketer can just buy the data; sometimes available free of cost.

Some of the sources, from which a marketer can obtain information on rural markets, are:

**1. Government Websites:**

The government publishes information- specifically on rural India- on the internet from time to time. These can be obtained at a reasonable cost. There are many government websites from where this information can be had. They include [www.indiastat.com](http://www.indiastat.com), [www.ncaer.org](http://www.ncaer.org), [www.goi.co.in](http://www.goi.co.in), [www.censusindia.com](http://www.censusindia.com), [www.agroindia.com](http://www.agroindia.com), [www.mraid.org](http://www.mraid.org), etc.

**2. Private bodies (market research/advertising agencies):**

Many private firms conduct regular market research in rural areas to measure consumption pattern, awareness, reach, taste, etc. these companies publish their findings and make them available to marketers who are seeking information at a reasonable price. This way, the marketer saves money and time. Sources of such information on rural markets are: market research agency, Indian Marketing Research Bureau (IMRB), the RK Swamy Guide to Rural Markets, the Thompson Rural Market Index, and Linquest.

**3. Publications:**

Many newspapers, journals, government surveys and reports are published regularly for individuals seeking information on rural markets. Some government bodies like the ministries of agriculture, rural development, population, education, etc publish magazines, journals and reports on rural markets.

### **Do's and Don'ts for Rural Marketing Research:**

- Villagers historically exploited, so suspicious or sceptical.
- Wear simple clothes, greet simply.
- Conduct research in local language.
- Familiar with local language or accompany a know person.
- First discuss general topics of interest with them (invest time).
- Explain the purpose of the research and its benefits
- He should be made to feel ownership for the research project.
- Should give respondent importance by listening, even if unconnected with research.
- Should give him impression he is leading the interview, and is in control.
- Researcher should show keenness to acquire new knowledge.
- Touching a young male is ok after establishing rapport, not ok for women and elders.
- Sensitive issues to be handled carefully (education).
- Male researcher to approach women through husband or other male relative or known male.
- Provide mental break between questions with general topic questions.
- Villagers form groups, and getting individual replies is important.
- Avoid one to one interaction as they gather as crowd.
- Avoid being overfriendly to avoid biased answers.
- Carry food, water and first aid.

## **P. RURAL MARKET SEGMENTATION, TARGETING AND POSITIONING**

### **Segmentation:**

Process of dividing a heterogeneous market into several sub markets or segments, each of which tends to be homogeneous in all aspects.

### **Requirements of Market Segmentation:**

In addition to having different needs, for segments to be practical they should be evaluated against the following criteria:

- **Identifiable:** the differentiating attributes of the segments must be measurable so that they can be identified.
- **Accessible:** the segments must be reachable through communication and distribution channels.
- **Substantial:** the segments should be sufficiently large to justify the resources required to target them.
- **Unique needs:** to justify separate offerings, the segments must respond differently to the different marketing mixes.
- **Durable:** the segments should be relatively stable to minimize the cost of frequent changes.

### **The Process of Segmentation:**

#### **A. Identify Segment Variables**

##### **1. Geographic Segmentation:**

Segmenting rural consumers according to the geographic factors like, climatic zones, region, district and state.

##### **2. Demographic Segmentation:**

It is based on the population, sex, age group, literacy level, marital status, occupation, caste, education, family size, language and income of the rural consumer.

##### **3. Psychographics Segmentation:**

Such segmentation is done using variables such as Lifestyle of the people, (whether rigid, traditional or changing), personality traits, attitudes value system. Of these elements, lifestyles and attitudes are the core ones for marketers for segmentation process.

##### **4. Buyer Behavioural Segmentation:**

All variables are in some way or the other related to buyer behaviour, which very often confuses marketers. There's a difference between the buyers characteristics reflected in their geographic, demographic and psychographic profiles, and their buying behaviour. Buyer behaviour involves many elements like purchasing occasions, benefits, user status, and rate of product usage, loyalty rate, and attitude towards the product.

#### **B. Segment the Market**

Now that the marketer has different variables for segmenting the rural market, he has to decide which ones are the most suitable. Since the characteristics of the rural customer/consumer are widely spread across several variables, different bases can be used in combination to segment a given rural market. The different variables can be used in a suitable order for the market concerned; this type of segmentation is called multi-level segmentation. Multi-level segmentation provides the advantage of better selection of target markets and better choice of marketing mix.

**C. Develop the Profile:**

After deciding the variables according to which market segmentation is to be done, a marketer needs to develop the profile of the markets with the help of selected variables. Any elements from the variables listed above can be used by marketer for segmentation purposes. A marketer should use a combination of variables to segment the rural market, which is very large and scattered.

**D. Select the Target Market:**

Selecting the target market is related to, but not synonymous with, market segmentation. It is the next step to multi-level segmentation. A target market signifies only those segments that a company wants to adopt as its market. Here the step of selection is involved.

**E. Evaluate the Market:**

Evaluating the target market is the next step. Target markets can be evaluated with reference to their relevance, accessibility, size and profitability. The sales and profit potential of each segment must be assessed. The marketer also needs to evaluate resources and then accordingly choose the market.

**F. Evaluate the Segments:**

A segment should be selected only after a proper evaluation of different target segment is made.

- Size-wise, the segment should be bigger than other segments.
- It should have a high growth rate, and continue to grow in the future.
- Its profitability should be high.
- It should be accessible.
- It should be compatible with the firm's resources and capabilities.

**Benefits of Market Segmentation**

- Customers with similar wants, needs and characteristics can be focused.
- It is easy to design promotional activities for a specific segment.
- By targeting a specific segment, much investment can be saved.
- It is easy to manage a specific segment of market.

**Limitations of Market Segmentation**

- Targeting multiple segments increases marketing costs.
- Segmentation can lead to proliferation of products.
- Narrowly segmenting a market can hamper the development of broad-brand equity.

**Targeting:**

Targeting involves evaluating and selecting various segments. After a thorough evaluation of the selected segment, the marketer has to choose the target market and then formulate a marketing strategy, which is further linked to the positioning formulation. A marketer cannot formulate an effective strategy without proper targeting. It is through the process of segmentation and targeting that a market understands not only the characteristics of each of the segment but also the 'distinctive excellence' that he requires catering to the specific needs of consumers in each of them.

Target Marketing involves breaking a market into segments and then concentrating your marketing efforts on one or a few key segments. Target marketing can be the key to a small business's success.

The beauty of target marketing is that it makes the promotion, pricing and distribution of your products and/or services easier and more cost-effective. Target marketing provides a focus to all of your marketing activities. Market targeting simply means choosing one's target market. It needs to be clarified at the onset that marketing targeting is not synonymous with market segmentation. Segmentation is actually the prelude to target market selection. One has to carry out several tasks beside segmentation before choosing the target market.

Through segmentation, a firm divides the market into many segments. But all these segments need not form its target market. Target market signifies only those segments that it wants to adopt as its market. A selection is thus involved in it.

In choosing target market, a firm basically carries out an evaluation of the various segments and selects those segments that are most appropriate to it. As we know that the segments must be relevant, accessible, sizable and profitable. The evaluation of the different segments has to be actually based on these criteria and only on the basis of such an evaluation should the target segments be selected.

### **Positioning:**

It is the act of designing the company's offering and image so that it occupies a distinctive place in mind of the target segment. It serves as a platform for the brands to reach target customers. Positioning is a platform for the brand to get through to the target consumer. In positioning, the firm decides how and around what parameters the product offer has to be placed before target consumers. The need for positioning arises from the fact that a product cannot be 'everything to everyone' but has to be 'something to someone (segment)'. Positioning can be done by taking into consideration some unique features (USP) of the product, some special needs of the market or some noticeable gap in competitor's products and then positioning the product around some features or a combined one for particular target consumers.

#### **A. Identify the Positioning Concept:**

Here the marketer has to take into consideration the fact that the rural consumer is governed by certain motives while buying a product. A marketer who is trying to identify the positioning theme for his product has to study the possible buying motives of rural consumers and figure out how to appeal to them.

A marketer can position his product in various ways to develop or enhance its value to the consumer. He can do it according to:

- Product characteristics/consumer benefits.
- Price-quality.
- Use or application.
- Product user.
- Product class.
- Cultural symbols.
- Competitors.

#### **B. Select the Concept:**

Now that there are so many parameters for positioning the product, the marketer has to select the best and effective alternatives. A marketer has to select a positioning concept that is a bridge between the products and the target market. Often products fail in the initial stage due to improper selection of the positioning strategy when they are launched.

**C. Develop the Concept**

Once the positioning strategy is selected, concept in an effective manner such that it can be properly addressed to the target market. Then he has to find the most appropriate media that reaches the maximum part of the target market effectively. A positioning strategy should consider the competitor's plans as well. The marketer should try to relate and link the positioning strategy to the target consumers and ensure that it appeals to them.

**D. Communicate the Concept:**

The advertising agency needs to effectively communicate the positioning that the marketer seeks to the target consumer. The ad agency also has to come up with the appropriate media, message, source, headlines and display so as to effectively communicate the positioning to rural consumers. An effective advertisement is one that clarifies the target market, value proposition and the supporting product differentiation in other words clarifies successfully the positioning strategy of the product.

**E. Offer Product:**

After STP, the company should offer the rural product to the market for acceptance. As communication about the product has already been done, the company will just have to make it available to rural people with the help of its distribution network. This will further lead to sales of products.

**F. Post-Sales Feedback:**

After a few months (usually six months), the company should assess whether a product is a success or a failure. If the brand is not doing well, minor changes should be done. And if it's successful, the company should expand that market.

**G. After-Sales Service:**

A company needs to provide service for the product after it is sold, especially for consumer durables. Post-sales service is an important factor in purchase decisions in rural areas, because most of the sales are through reference groups.

**A company has to decide on its STP, well before designing the product, because in the present scenario a product will succeed only with the help of clear-cut segmentation, effective targeting and excellent positioning.**

## **Q. RURAL PRODUCT AND PRICES – INTRODUCTION, PACKAGING, RURAL BRANDING AND PRICING METHODS.**

### **I) Rural Product**

#### **INTRODUCTION:**

Lesser-known Indian brands and cheap Chinese products are giving branded consumer durable majors a run for their money in rural India. Cheap Indian colour television brands like Texla, Electron, Oscar and Chinese-made video compact disk (VCD) players and audio systems have managed to grab a big chunk of the market, forcing organized players to revamp their rural marketing initiatives. For instance, a Chinese-made single VCD player is priced at Rs 2,990 against an average price of Rs 6,000 for the better-known brands. Branded players are beginning to wake up to these threats given the estimates that rural India is going to account for more than 65 percent of colour television sales this year. So why didn't companies take any initiatives earlier to develop products tailored to rural areas like Philips did?

Godrej claims that its 165 litre classic model refrigerator is so popular among rural consumers that it has 11 different varieties of this model alone. In 1998, the 165- litre model accounted for nearly 85 per cent of all sales by volume for Godrej.

"Product in the rural perspective is a need-satisfying entity unique to a rural consumer and not a futile extension of an urban offering?"

The concept of a rural product is unique since it has been observed that the rural consumer's outlook is very different from that of his urban counterpart, and what works for the latter may not work for the former. Most companies treat rural markets as a dumping ground for lower-end products designed for an urban audience. They could benefit tremendously by using a little bit of their technological expertise to create specific products for the rural economy (e.g., Hindustan Lever Limited and LG).

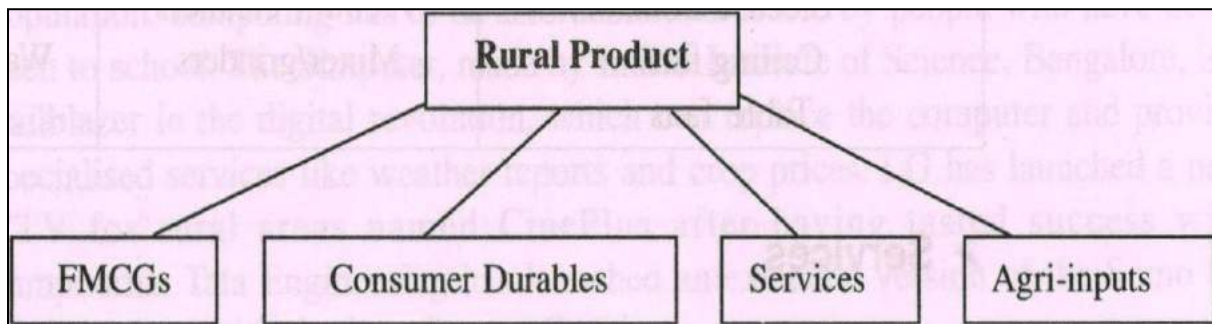
The product has to satisfy rural needs and must be affordable. The type of product that a rural consumer intends to buy, or has the potential to purchase, also depends on his attitude towards it and the cost-benefit analysis done by him before buying it. It has been observed that even when a rural consumer has the potential to buy expensive premium consumer durables like refrigerators, washing machines, VCRs, etc., he is largely governed by the social values of rural society and may not purchase them.

An example of a product tailored for the rural consumer is Tata Engineering's new MUV (multi-utility vehicle) christened 'Spacio'. This vehicle is a spacious 8-10 seater that doesn't have any doors to facilitate easier loading and boarding. It is also available in attractive colours like yellow that are more appealing to rural people. The company has put in a stronger suspension so that it can carry loads from the marketplace.

#### **RURAL PRODUCT CATEGORIES:**

The product is at the heart of the marketing effort for any company.

Rural products can be classified into:



### **Fast Moving Consumer Goods (FMCGs)**

Leading companies like HLL, Dabur, Marico, Colgate-Palmolive, and Cavin Kare are targeting rural markets with their personal care and beauty products. Soft drink majors like Coca-Cola, Pepsi are also going rural in a big way. The reach of FMCG companies now extends even to the remotest villages of India.

### **Consumer Durables**

Major companies like Philips, LG, Videocon and Onida are targeting rural markets. Specially designed products are the order of the day. LG launched Sampoorna TV exclusively for the rural market. Electrolux launched Bijlee, a refrigerator that can store power for 12 hours as back-up. The National Council for Applied Economic Research (NCAER) has classified rural consumer durables based on the incomes of consumers. It classified them into three categories according to the price range (ranging from Rs 100 to Rs 20000) following an incremental category for each product.

### **Services**

Rural services are on the rise as villagers are accessing information on the latest products. Companies are harnessing the potential of the hinterland by launching plethora of services ranging from telecommunications, healthcare, banking, insurance, Internet etc. Companies like Bharat Sanchar Nigam Ltd (BSNL), Tata Communications, Airtel and Koshika Telecom are providing rural telephony services. Leading banks like the State Bank of India (SBI), Dena Bank, Canara Bank and Andhra Bank are targeting farmers by launching Kisan Credit Cards (KCCs). N-Logue Communications has launched Internet services in the villages of Tamil Nadu. And ITC has launched e-choupals, using the Internet to provide information to farmers on agricultural products.

### **Agri-Inputs**

Rural products also include agricultural inputs, like seeds, pesticides, tractors, insecticides and agricultural implements. Major companies like Rallis India, Monsanto, Mahindra & Mahindra, IFFCO, Bayer, Novartis, play a significant part in the Agri-products business, especially in seeds, pesticides, fertilizers etc.

### **PRODUCT LIFE CYCLE:**

The product life cycle (PLC) refers to the stages through which the product passes over time. The PLC is graphically presented using a sales curve, ranging from the seeding stage to the perishing stage. Studying the PLC could give an insight into managing the profitable phases of the life span of the product. A rural product goes through four definite stages during the course of its life. These are:

- **Seeding stage.**  
In this stage, the product usually enters the market as a new born with a certain amount of vulnerability in terms of low sales, lack of demand and low profits. Customers have to be induced to try the product. The length of this stage depends on consumer acceptance and other variables like price proposition, innovativeness and nature of the product.
- **Sapling stage.**

Here, the product has gained a substantial visibility and its sales are shooting up. Eventually, with the emergence of new competitors, even the markets grow. Pricing here is very important because it is more competition oriented and companies cannot dictate to the customer.

- **Harvest stage**

This stage signifies a saturation point in terms of demand with heightened supply from several competing sources. Even though sales volume do not shrink, the price competition reaches a peak and the company has to stand out of the competitors clutter by applying a little bit of product differentiation or milking brand equity to fullest.

- **Withering stage.**

This stage is the waning of the product, which shows an evident sales drop. Demand diminishes, leaving the marketer to gradually phase out his shrinking product from the market. Some companies try to link it up with the other products they have developed and stretch the life of the declining product.

## **RURAL PRODUCT STRATEGY:**

Following are the strategies that a marketer launching a new rural product should use in order to make it successful:

1. The product for the rural markets has to be simpler, easy to use and supported by after-sales service or maintenance. For example, Eicher Tractors provided after-sales service for its tractors in the rural areas itself.
2. The product has to be conveniently packaged for low price and convenient use. Sachets were one of the popular methods through which companies targeted rural markets. Sunsilk shampoo, Parachute coconut hair oil, Pan Parag pan masala are some examples.
3. The product literature has to be simple enough for the rural customer to understand. There should be no product frills; only functional benefits should be communicated even on the packs. For example seed companies like Mahyco and Cargill provide the necessary details of the products in vernacular languages. Lack of information has led to rural folks finding alternative uses for the same product. In parts of Punjab, washing machines are being used to make lassi in bulk, while old Godrej refrigerators are used as cupboards.
4. Brand identity in rural markets is often created through the brand's logo or the colour of the product, at times even the taste of the product. People in rural areas identify ThumsUp by recognizing the logo and mention it as sweet black water that comes in bottles. The generic name is 'soda water' or 'thanda'.

## **II) Rural Packaging:**

Packaging at a primary level involves protecting the product, whereas at a secondary level, it adds to the aesthetic and sales appeal of the product. HLL has created 'bubble pack' shampoos, a combination of mini-packs for rural markets. These are neither sachets nor bottles and work on the principle of capillary action. This packaging was developed keeping in mind the convenience of storage after use. Priced at Rs 8 and Rs 14 against the normal sachet price of Rs 2, it is expected to upgrade the sachet user to the next stage of higher volume in shampoo. Sampling is another part of packaging. Sampling can be a difficult proposition because of the lack of brand awareness in rural India, coupled with the ignorance of the benefits that a brand offers. But since these products are not used, they could make rural folk apprehensive about accepting samples. The reactions of city-dwellers are no different, because of personal preferences and refusal to try something new. Door-to-door distribution of trial packs of consumer product does not achieve conversion to the brand and the

product in rural areas. Most of the time people are unsure about the samples reaching the right target, the decision-maker. The final decision-maker may be away in the fields, working through the day, and the trial packs may never reach him.

### Companies Targeting Rural Markets in India

COMPANY	PRODUCTS	STRATEGY
Bajaj Electricals	Home appliances	Pricing basic models closer to products made by the small-scale sector
Colgate Palmolive	Dental cream	Already tapped 80,000 villages
Dabur India	Chyawanprash, digestive lozenges	Creating awareness by taking bowling alleys to villages
Eveready India	Batteries	New campaigns for white batteries, increasing van coverage
Godrej Soaps	Toilet soaps	Setting task force to hike per capita usage
Hero Cycles	Bicycles	Modifying product for different needs of different regions
Hero Honda Motors	Motorbikes, mopeds	Sub-dealer distribution in villages
HLL	Personal products and detergents	Door-to-door selling in villages of populations under 2,000
Koshika Telecom	Cellular services	Setting up cell phones, PCOs in villages with populations of less than 10,000
LG	CTVs	Selling high-priced TVs with regional displays
Maharaja	Home appliances	Set up dedicated distribution channel for rural areas
Marico	Hair oil	Selling low-price sachets
Nippo Batteries	Batteries	Using CD-ROMs to plan van routes
Philips India	Consumer durables	Extending integrated communication campaign from AP, Tamil Nadu to Maharashtra and UP
Titan Industries	Watches	Launching pilot project for 'Sonata', a low-priced model
United Phosphorus	Pesticides	Targeting farmers, hiring ad agencies for rural campaigns
Videocon	Consumer durables	Launching functional products; pushing Walkmans into markets with populations - of under 50,000

Source: Business World

This is interesting considering that HLL, the doyen of rural marketing, claims to have had huge successes with its Operation Bharat launched in 1997. As many as 160 vans were operating during the entire project, but it

didn't add as many new users as HLL had envisioned. Therefore the discounted hampers did not amount to new users after the offer.

Technological developments have led to Internet access and the Simputer a cheap hand-held computer that allows rural users to handle sound files and email through icons on a touch-sensitive screen. Can it overcome the language and literacy barrier? The Indian Institute of Science (IISc) in Bangalore, which developed the Simputer (short for simple computer), have kept costs low by using free Linux software and cheap chips.

### **RURAL PACKAGING STRATEGY**

Packaging has become a crucial part of product management these days. Cut throat competition is forcing marketers to innovate packaging design, in order to establish a distinctive edge over competitors.

The following are factors that a marketer needs to consider:

- (a) Packaging material.
- (b) Packaging aesthetics.
- (c) Package size & convenience.

#### **(a) Packaging Material**

Over the years, a great deal of change has taken place in packaging materials. Plastics are the new packaging medium; low and high-density polyethylene films (LDPE & HDPE) are used today. The advantages of plastic material are that it is waterproof, provides effective barriers to vapours, sunlight-resistant, and lightweight. Shampoos and agri-inputs like fertilizers in rural areas are using plastic for packaging. In rural areas, especially for the FMCG sector the mantra is 'Small is beautiful'. These companies sell their products in low-unit packs (LUPs), otherwise known as a sachet. In the early 1980s, Pan Parag (the pan masala brand from Kothari Brothers) was the first company to use sachets to sell its products. Veltette Shampoo was first to launch shampoo sachets, priced at Re 1, in the rural markets. HLL followed suit with Sunsilk and Clinic Plus. Today the sachetization process has hit all parts of rural India, ranging from toothpaste to talcum powder, fairness cream to hair oil, etc...

#### **(b) Packaging Aesthetics**

A package design is like a salesperson; it has to attract the customer. Packaging plays a big role, especially in the design, appeal and functional aspect of the product. As per a MART survey, rural people like attractive colours that are bright and appealing. No wonder that all the tea brands use red packaging; tea is the most preferred product in the hot beverages category in many rural areas.

#### **(c) Package Size & Convenience**

As discussed earlier, 'small is beautiful' has to be the norm for FMCG brands. Consumer durables must be packed well because the products have to be moved a long distance on kuccha roads to reach the rural customer.

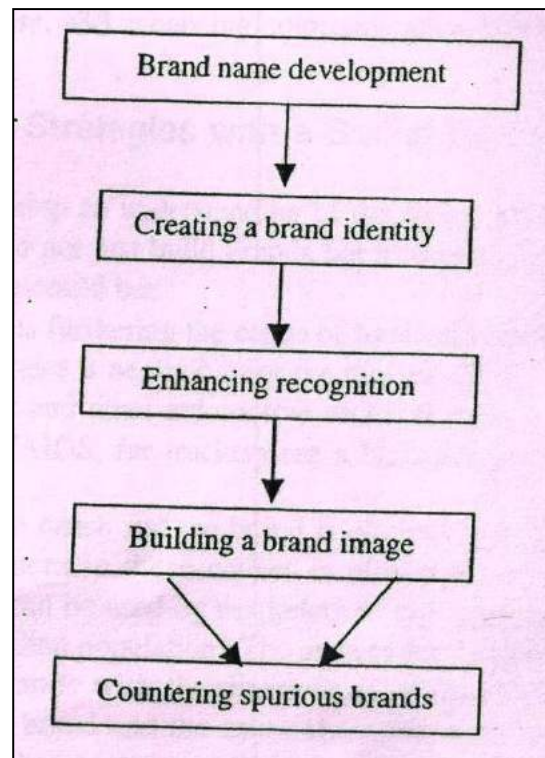
### **III) Rural Branding:**

A marketer entering the rural market has to go through the following brand building process for his products before launching them.

Rural branding is the process of creating and disseminating the brand name so that it is instantly understood and recognised by the rural consumer. The marketer should realise that as rural users are unfamiliar with English and absurd brand names, they tend to hesitate trying out such brands. Brands in rural areas are mostly

recognised through symbols, logos and colours, like the 'Billi walla cell' (battery with a cat as a symbol - Eveready), Lal saboon' (red soap Lifebuoy). Building a brand personality that stands out in a product category can be very tough.

The process of rural branding involves three steps:



The process of rural branding involves three steps:

### ***(1) Brand Name Development***

A brand name can be defined as "a name, term, symbol or design or a combination of them, which is intended to identify goods and services of one seller to a group of buyers, and to differentiate them from those of competitors". Brand names facilitate product promotion. In the case of LG Electronics, Rajeev Karwal convinced his Korean counterparts that the brand name 'Sampoorna' would help their rural foray because Sampoorna, which in Sanskrit (mother of Indian languages) means 'wholesome', cut across all regional linguistic barriers.

### ***(2) Creating a Brand Identity (Positioning)***

The brand name should be such that it creates a striking image in the consumer's mind thereby giving the product a clear identity. For example, ISPAT Industries, the L.N. Mittal controlled steel company, has branded its galvanised corrugated sheets 'ISPAT Kavach'. It is repositioning galvanised corrugated sheets as a quality. The branding strategy is aimed at penetrating deeper into the semi-rural and rural markets. 'ISPAT Kavach' (shield of steel) conveys strength, durability and toughness. Other steel majors, including SAIL and Tata Steel, also have begun branding their products. Tata Steel recently launched its galvanized corrugated sheets 'Tata Shakti', again a sign of power, which leaves a lasting impression in the consumer's mind.

### ***(3) Enhancing Recognition (through emblems and logos)***

The symbols of the brand are important because they have a lasting impact on rural consumers and eventually turn out to be the reference name during purchase. Some symbols that have been successful are 'Billi Walli

*Cell'* (battery with a cat as a symbol — Eveready batteries), *'Lal saboon'* (red soap Lifebuoy) *'Ladka Walla paint'* (Gattu, the Asian Paints mascot).

#### **4) Building a Brand Image**

The brand should have a personality of its own; it should emote, empathise and talk to its consumer. Such ability helps the brand connect with rural audiences and contributes a lot to brand equity and competitive advantage. Tractor major Mahindra and Mahindra has maintained a sterling image in the rural markets. The 'Bhumiputra' (son of the soil) series, with its rugged features, and the 'Sarpanch' (village head) series, with new features, have helped the company improve sales. The '475 DI Sarpanch' with improved features and a '255 DI' (25 HP) were aimed at the value-for-money segment.

#### **5) Countering Spurious Brands**

One threat that most companies face today is from spurious brands that surge through rural Indian markets, leading to flat sales figures despite increased consumer spending. An ORG-MARG retail audit found that for every 100 strips of genuine Action 500, there were 54 look-alikes. Recently, P&G got 55 injunctions against as many manufacturers. Vicks Vaporub and inhaler had about 20 clones. In fact, after One massive raid in Madhya Pradesh for spurious Vicks products, the company used the services of an elephant to destroy the counterfeit catch. Studies also show that the government loses around Rs 600 crore on account of tax evasions by unauthorised manufacturers. According to the Market and Research Team (MART) report, in traditional village haats, the main selling locales of rural India, the absence of original branded FMCG products was 100 percent. Spurious brands are passed off in three forms:

- (a) Look-alikes:** These are products that are similar in shape, size and colour to the prominent brands. Manufacturers of such spurious brands mostly ride piggyback on the advertising campaign of larger players and establish their own brand in the region. The look-alikes sport colour schemes that resemble that of popular brands, but the brand name is totally different. For example, Shagun for Lifebuoy and Lalita Amla for Dabur Amla. 'The look-alike business is done openly. The manufacturers do promotional campaigns and even go to the extent of displaying their manufacturing units' names and addresses on product wrappers. The product too may be of acceptable quality and is priced 10-15 percent lower than that of the established brands. The margins offered to wholesalers and retailers are also higher than what established companies offer.
- (b) Spell-alikes:** The spell-alikes are more dubious than the look-alikes. The packaging is similar to that of established brands, and you may have a 'Viggo' instead of a 'Vicco' or a 'Pomes' instead of a 'Ponds'. These are obviously intended to cheat. Such spell-alikes generally have the genuine product's MRP printed on them, but the retailer willingly lowers the price after a bit of bargaining. Most spell-alikes have an extremely vague manufacturers' address on the packaging that is impossible to trace.
- (c) Duplicates:** The third variety is the exact duplicate. These carry the name and address of the genuine company, but the product inside is spurious. Duplicates have the established manufacturer's address, as the packaging is usually bought from junk shops. Used packets are refilled with spurious products and passed off as the real thing. They are the most dubious of the lot because they can rarely be identified. Duplicates hit cold beverages hardest because the bottles are easily available and can be refilled with some colourful 'soda water'.

Since the rural consumer is illiterate and exposed to various brands only through the media, the chances of him going to the market with a flawed brand recall and being duped are high.

This eventually affects his post-purchase decisions and can harm the image of the company. Eliminating spurious brands is not an overnight affair, but their campaign to do so may get them negative publicity as well; consumers may avoid the product altogether, fearing that they may be buying duplicates. And finding the counterfeiters is very difficult as these fly-by-night operators can easily change the locations they operate from. Besides, even if a manufacturer is nabbed, getting bail is not difficult as the offence is non cognisable. It merely halts the illegal activity for a temporary period. It's soon back to business at a different address, in a different garb.

### ***Strategies to Counter Spurious Brands***

**Setting up a special task force:** Company can set up an alert task force to curb the menace of duplicate manufacturers, offering incentives to informers. For example, Coke has been conducting raids against such manufacturers. To counter the problem, it has put into place an elaborate system. It has 48 consumer response coordinators across the country who works with their teams and redress consumer complaints directly, including overcharging and spurious bottling. Besides, it has a large network of route salesmen who have a one-to-one relationship with the retailers on their beat and keep their ears to the ground. When they spot suspicious activity, they inform company officials. So though it is impossible to stop counterfeiters totally, it is possible to minimise the damage they cause.

**Upgrading packaging:** Constant upgrading of packaging makes it difficult for manufacturers of counterfeits to replicate products. Dabur is making its packaging more sophisticated and capital-intensive to foil counterfeiters. In 1999, 67 percent of the sales of its Lal Dant Manjan were eaten into because its plastic blow-moulded container was easy to duplicate. Now it has come up with premium four-colour shrink sleeve packaging, which has a grainy texture and water bubbles, making it difficult to replicate. This resulted in sales growth of 12 percent for the company. Dabur's popular Amla Hair Oil too has been facing an increase in counterfeits during the past year-and-a-half, and the company is trying to find a solution to the problem.

**Better rural distribution network:** In order to tackle spurious brands, increasing their presence in rural markets is more important for marketers than legal action. A better rural distribution network will force manufacturers of fake products to flee the scene. Colgate, for instance, has such high rural penetration that fakes are hardly to be found. In fact, the MART study suggests that it is the demand-supply gap that fuels the problem in this sector. Distributors appointed by companies stick to the villages closest to their town, while counterfeit products are serviced by mobile distributors who service tiny shops and paanwallas on cycles. Besides, in some seasons fake products reach retailers well before the genuine brand can. For instance, during summer, fakes abound in cold drinks and talcum powder, while in winter it's cold cream and petroleum jelly (Vaseline).

**The perils of going small:** Another interesting observation is FMCG counterfeits only occur in the smallest size of packaging. In the rural segment and slums, the consumer's low purchasing power makes sachets of 25 g and 30 g packs popular. And these consumers are duped easily as the quantity is not large enough for them to pay\* attention to its quality. This is specially so in sachets of shampoos, hair oils, detergents and so on. Around 50 manufacturers, legal experts and the research company AC Nielsen have come together to form a Brand Protection Committee under the aegis of the Federation of Indian Chambers of Commerce and Industry (FICCI). Its members consist of prominent players such as Procter & Gamble, Hindustan Lever Ltd, Colgate, Marico, Glaxo SmithKline, Coca-Cola, PepsiCo, Gillette, Britannia, etc. The idea is to curtail fake products and work with industry and consumer associations, government vigilance wings and trade associations towards this end. The Brand Protection Committee has put in place a four-fold strategy, including focusing on the enforcement of laws, publicising the negative economic impact of fake products, taking direct action against illegal manufacturers, traders, wholesalers and retailers, and enhancing communication among the stakeholders.

## **Building Brand Strategies with a Social Perspective**

Companies should develop an understanding of the factors that affect the lives of consumers. They should not just build brands but also play a useful role in social development. Examples could be:

- Soaps and detergents furthering the cause of hygiene and sanitation, given the fact that access to these is negligible for the majority of the Indian population.
- Oil, lubricants, tyre and other automotive sector companies partnering in the cause of, say, HIV/AIDS, for truckers are a high-risk group.

The linkage between the cause and the brand is obvious to any observer in these examples. Yet, investment in these causes is almost non-existent. Is there a proven strategy, which can be used by marketers to tap into the hearts and minds of the majority of the Indian population? The answer lies in systematically linking the attributes of the brands with the dimensions of the cause and creating a synergy where both the brand and the cause share the same value connotations. Simultaneously, there has to be an effort to communicate effectively with consumers to address the bathers in their minds, their knowledge, their attitudes and their practices.

The process starts by facilitating thorough planning for corporates wanting to implement cause-related marketing programmes in relation to their brands. At the same time, there is a need to understand how the social sector, represented by various civil society organisations, functions across the country. As a sector closest to the hopes and aspirations of the common people, it makes business sense to partner with such organisations to support a cause. For the brand, the investment results in developing a long-lasting relationship with the consumer.

The moot point in the strategy development process is the role communication can play to address not only the brands' stakeholders but also the corporate entity itself. Unless a company applies the belief internally to its employees and business processes, and until working for the cause is institutionalised by the corporate, the results of partnering in a cause will be hard to obtain. Experience at Ogilvy Outreach Communication Network while working on issues of health and drought, among others — does show that it makes business sense to partner with causes. All it takes for brands and their managers is to extend to the arena of brand marketing their sensitivities to the issues surrounding us.

## **IV) Rural Pricing:**

### **RURAL PRICE**

#### **INTRODUCTION**

Pricing is the only element in the marketing mix of a firm that generates revenue. Price is also the most important determinant of the profitability of the business and is an important constituent of the rural marketing mix. Value-for-money (VFM) brands are expected to be the biggest grossers for consumer durables goods companies in 2004-05. Industry majors say mass brands did better than premium brands in 2004 on account of sharp downgrading by consumers. This trend is expected to pick up in 2005. Consequently, FMCG majors are trying to boost top line growth through low-unit packs (LUPs) in order to push growth. Consumers are increasingly opting for more LUPs in segments like toilet soaps, washing soap and detergents, toothpastes and biscuits. LUP brands like HLL's toilet soap brands Breeze and Lifebuoy, Nirma's Nima soap, Godrej's No.1, Colgate's Cibaca Top and Britannia's Tiger are doing better than other premium brands from these companies.

However, being low-priced isn't enough. There's a lot of calculation behind the actual price points of products in the market. Companies not only have to offer value for money, they also should ensure that the price points

are convenient for both retailers and consumers. The biggest problem is the perennial shortage of change in India. So prices need to be in easily available denominations. This is why Cadbury's experiment with the Rs 6 price point for its 5 Star brand didn't work. So is the case with Rs 7 and Rs 9 price points. Shopkeepers don't have change and hence don't push the product. Relish tried at Rs 3 but was withdrawn for the same reason.

## **RURAL PRICING OBJECTIVES**

Rural marketing companies have a number of objectives as far as pricing is concerned. These objectives are part of the corporate and marketing strategies of the company. The following are the pricing objectives of a marketer in the rural market:

### **Profit Maximisation in the Long Run**

Rural marketing is a different ball game. A company entering the rural market should not anticipate short-term profits, but instead be patient and wait for the fruits of success in the long run. Penetration pricing would be the best option for products in rural markets. For example: sachets of Chik shampoo, a Cavin Kare brand, were priced at only 50 paise each.

### **Minimum Returns on Sales Turnover**

Instant profits are passed in rural markets. A company thinking of going rural should prepare its pricing objectives in such a way that it can recover the costs involved in distribution, production, dealer margins, etc.

### **Deeper Penetration of the Market**

Rural marketing is basically a strategy that a company adopts for market expansion. So pricing objectives are different for rural and urban markets. For example, HLL sells its Vim washing bar in urban markets for Rs 15 (400 gm), but offers it at Rs 4 (200 gm) in rural markets.

### **Keeping up with the Competition**

With cut-throat competition, smart companies are studying the pricing strategy of competitors and trying to price their products accordingly to maintain parity. For example, Videocon launched its audio range of products like radio and personal cassette players at prices lower than other models. Today it is way ahead in its rural marketing initiative.

### **Increasing Sales Volumes and Market Share**

Profitability will be determined by the pricing strategy of the company. Its main objective will be to increase sales volumes and in order to achieve this, pricing will play a crucial role. The increased sales volume will eventually result in increased market share. For example, Anchor White toothpaste positioned itself as India's first 100 percent vegetarian toothpaste and effectively priced it much lower than the leading brand, Colgate.

## **RURAL PRICING STRATEGIES**

- Low Cost/Cheap Products
- Avoid sophisticated packing
- Refill Packs/Reusable packs
- Value Engineering

## METHODS OF PRICING

In order to be successful in rural markets, companies have to carefully select their pricing methods. Urban pricing methods may not suit rural areas. The following are the pricing methods that can be used by a company to sell its products in rural areas.

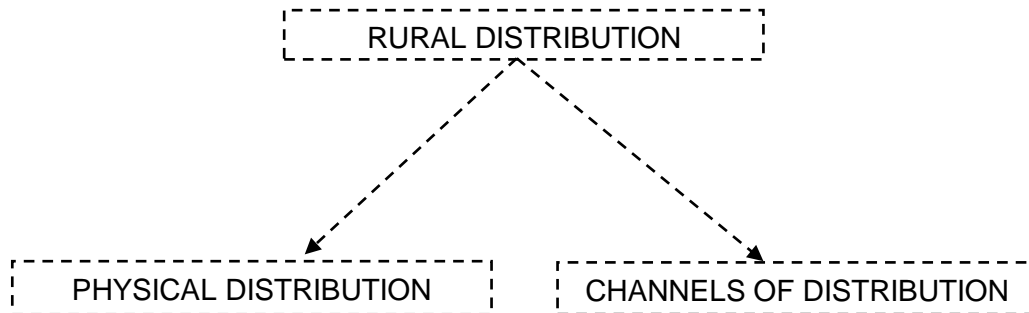
- **Cost Plus Pricing**  
This method is prevalent in urban markets also, but suits the rural market more, because a company has to incur the cost of the product, distribution expenses and also add a small profit margin. Cost-plus pricing basically takes into consideration all these aspects. E.g. Onida TV-IGO series.
- **Value Pricing**  
Popularly known as VFM (Value For Money). Value pricing means assigning a low price tag for a product and providing the benefits of low-cost mass production to the customer. E.g. Lifebuoy follows the pricing method for rural markets.
- **Power Price Points**  
Coined by AC Nielson ORG MARG. Power price points are mostly used for FMVG brands for rural markets. They include price points of Re 1, 2, 3, 5, 8 and 10 respectively. In order to deliver products with this price method, they should be packaged in sachets. E.g. Marico had launched a Re 1 foam pack of Parachute Coconut Oil in the rural market.
- **Penetration pricing**  
Under this price method, a company introduces a product in the rural market at a low price, and hikes the price once the brand succeeds. E.g. Nestle first launched its wafer chocolate brand Munch for Rs 2 (Chhota Munch); once a market was established for the product, it launched a new pack of Rs 5.
- **Differentiation pricing**  
This involves different prices for different markets. A product may be priced differently in rural and urban markets. Differentiated pricing can also be used to attack the competition in rural markets. E.g. Videocon is offering a stripped- down version of its washing machine, the 'Washer', for just Rs 5500; the same brand is sold at Rs 11000 in the urban market.

## R. RURAL DISTRIBUTION

### INTRODUCTION

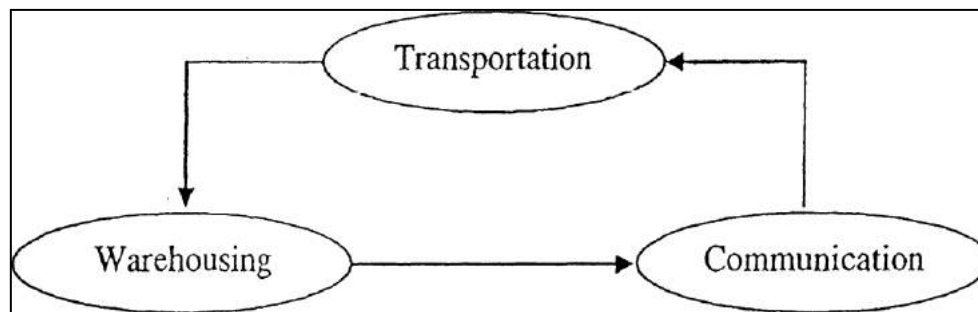
Rural distribution is considered a nightmare because of the 638,667 villages spread across the country. To make it easier, one needs to ask from where rural consumers buy. In the case of durables, 90 percent is purchased from towns with a population of 20,000 plus (as per an IMRB study), totalling only 2,300. The situation with FMCG's is more complex but not insurmountable. Direct supply up to the 20,000-plus-population feeder towns should be quite sufficient, as each distributor would, in turn, have supply networks of 100-plus outlets in 50-odd locations, which can cover all villages up to the 2,000-plus-population category.

Distribution in rural markets can be categorised into:



### Physical Distribution:

Physical distribution is the process of delivering products to the marketing channels and consumers. It encompasses the various activities involved in the physical flow of the product, from the manufacturer to the consumer. The following diagram illustrates the various processes of physical distribution:



### Transportation

The transportation infrastructure remains underdeveloped in rural India. Although India has the fourth largest railway network in the world, many parts of rural India remain outside its reach. As regards road transport, nearly 50 percent of the 6 lakh-odd villages do not have all-weather roads. Waterways are an easy transport option in states like Kerala, Jammu and Kashmir etc.

**Strategies:** Many marketers, like LG and HLL, use animal carts to carry their goods. Mobile traders are of immense help to FMCG companies that are penetrating rural India. There are around two lakh mobile cycle traders in rural India, who sell brands like Topaz, Lifebuoy, etc.

## Communication

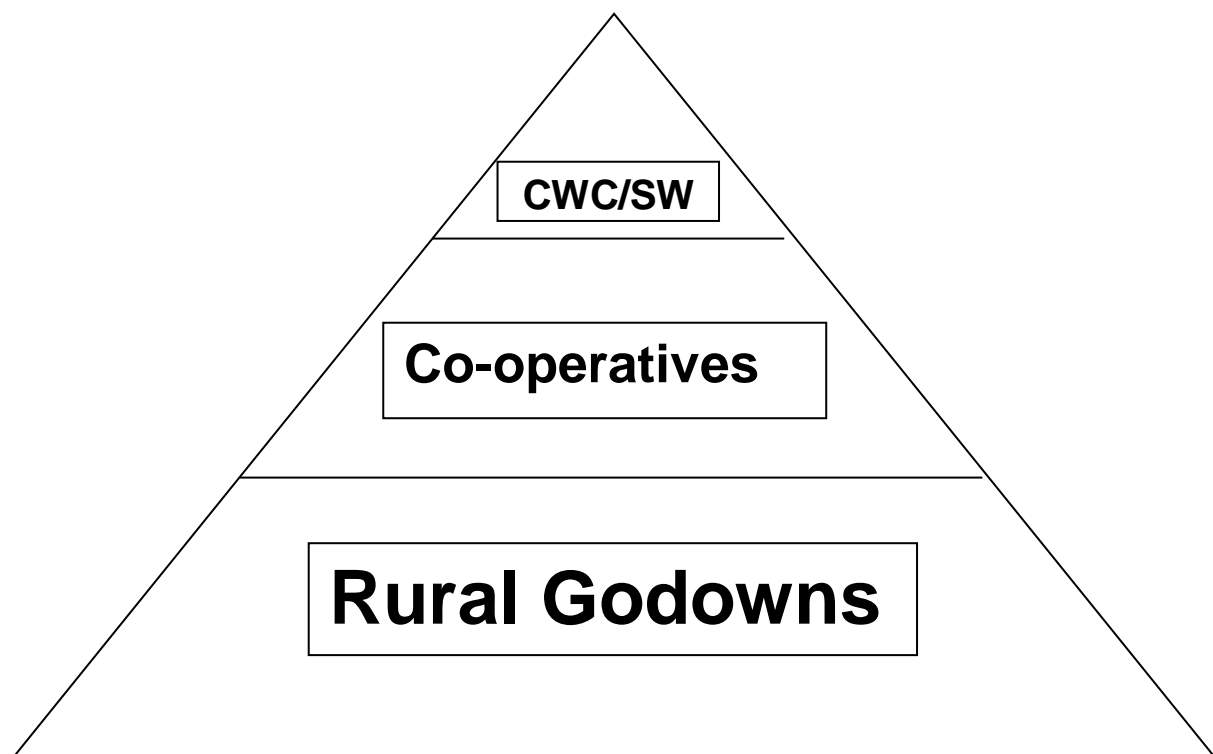
Communication plays a pivotal role in distribution for rural markets. Lack of proper facilities like telephones, postal devices, Internet etc in rural areas poses a lot of problems to marketers in servicing their retailers.

**Strategies:** Companies like ITC are using the Internet (e-choupal). Others like n-Logue Communications are harnessing the power of Internet for communication in rural areas. It provides e-mail services in vernacular languages. Companies that are in rural markets can take the help of such organisations and use them to communicate with dealers. The transportation infrastructure remains underdeveloped in rural India. Although India has the fourth largest railway network in the world, many parts of rural India remain outside its reach. As regards road transport, nearly 50 percent of the 6 lakh-odd villages do not have all-weather roads. Waterways are an easy transport option in states like Kerala, Jammu and Kashmir etc.

## Warehousing

Companies find it difficult to find suitable godowns in many parts of rural India. There are no public warehousing facilities in the interiors of rural India.

### ***THREE-TIER RURAL WAREHOUSING SET-UP***



At the apex level, Central Warehousing Corporation (CWC) and State Warehousing Corporations (SWCs) do not provide their services beyond the district level. They reach only up to the nodal points or major market centres. In the middle tiers are cooperatives at the Mandi level. Then there are rural godowns, which are owned by panchayat heads etc. All these provide warehousing facilities only to their own members. As a result it is a big problem for a company to store its goods in rural areas.

**Strategies:** HLL and ITC, the pioneers in rural marketing in India, have a fleet of delivery vans for rural distribution. The vans take the products to retailers in every nook and corner of the country. It is better for companies to have their own mobile warehouses rather than using cooperative or central godowns. And thereby they save on the cost of constructing warehouses of their own.

## **CHANNELS OF DISTRIBUTION**

Channels play a pivotal role in marketing by performing a number of vital distribution functions. Firms rely on marketing channels to generate customer satisfaction and to achieve differentiation over the competition. Channels are thus a vital source of competitive & advantage for the firm.

The following are some problems of rural channels of distribution:

### **Multiple Tiers, Higher Costs and Administrative Problems**

In the first place, the rural distribution chain requires a larger number of tiers, compared to the urban one. The long distances to be covered from the product points and the scattered locations of the consuming households cause this situation. At the minimum, the rural distribution chain needs the village-level shopkeeper, the Mandi-level distributor and the wholesaler/stockist in the town. And on top of them are the manufacturers' own warehouses/branch office operations at selected centres in the marketing territory. Such multiple tiers and scattered outfits push up costs and make channel management a major problem. The scope for manufacturers' direct outlets such as showrooms or depots is quite limited in the rural market unlike in urban areas. It becomes expensive as well as unmanageable. The dependence of the firm on intermediaries is much greater in rural areas as direct outlets are ruled out. But controlling such a vast network of intermediaries is a difficult task. Control is mostly indirect. And because of these factors the firm has to be more careful while selecting channel members in rural areas.

### **Non-Availability of Dealers**

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

### **Poor Viability of Retail Outlets**

Retail sales outlets in the rural market suffer from poor viability. A familiar paradox in rural distribution is that the manufacturer incurs additional expenses on distribution; still the retail outlets find that the business is unremunerative! The scattered nature of the market and the multiplicity of tiers in the chain use up the additional funds the manufacturer is prepared to part with. And no additional money comes to any of the groups. Moreover, the business volume is not enough to sustain the profitability of all the groups and the retail outlet suffers the most.

### **Inadequate Bank Facilities**

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

To facilitate remittances to principals and to get fast replenishment of stocks.

To receive supplies through bank' (retiring documents with the bank).

To facilitate credit from banks.

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

### **Inadequate Credit Facilities**

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

**In order to tackle the problem of channels of distribution effectively, a marketer needs to implement the following strategies:**

#### **Relying on Private Village Shops**

For a large variety of consumer products, private shops are the main channels in the rural markets. They are also the cheapest and the most convenient channel to align with. We will examine in some detail how private village shops are utilised by business firms in their rural distribution effort. According to a census of retail outlets carried out by Operations Research Group (ORG), a major chunk of the 2.02 million sales outlets in rural India are private shops. In fact, Indian private village shops are one of the cheapest distribution channels in the world. This is striking, considering the many constraints that the village shopkeeper in India has to operate under. He is forced to deal in a large number of products in order to make his operations viable.

#### **Satellite Distribution**

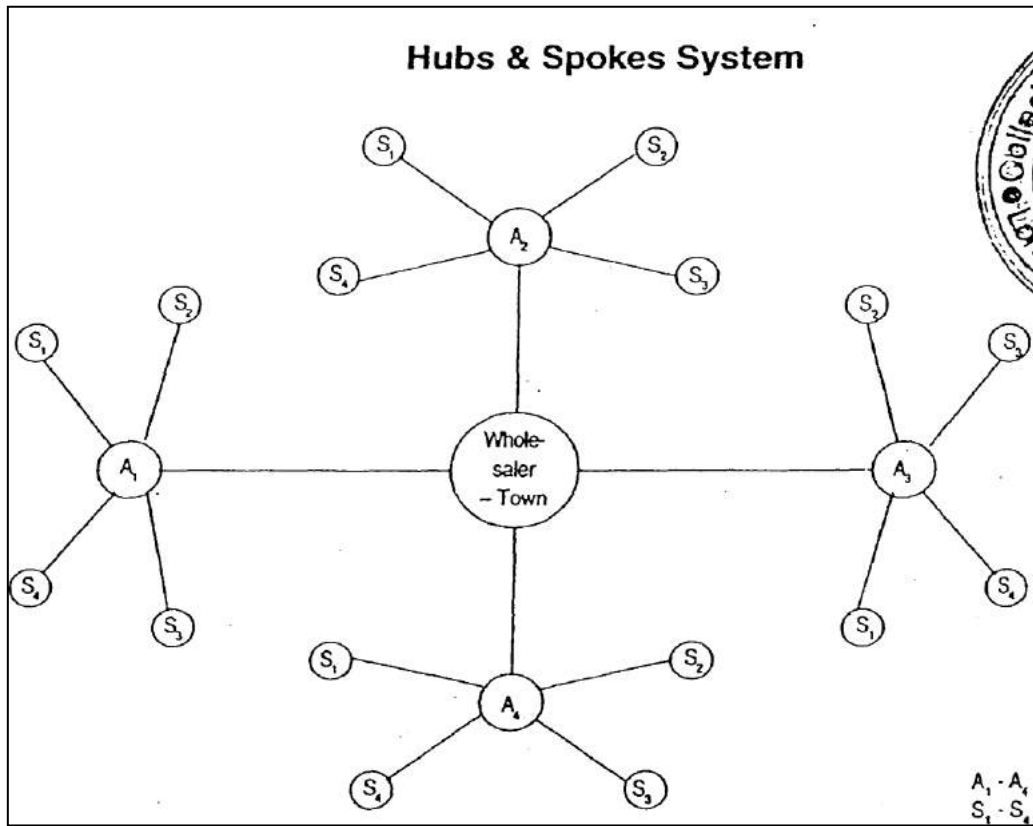
The concept of satellite distribution is strongly recommended to penetrate the rural market. The system works like this: Stockists are appointed in major towns and feeder towns. They, by and large, discharge the following functions: (a) financing, (b) warehousing, and (c) sub distribution. Depending on the size of the stockists and the product line, these functions are performed with varying degrees of competence.

Retailers in and around the feeder town get attached to these stockists. In some cases they function as authorised retailers or franchised dealers of the company and are recognised officially as forming part of the company's marketing network, operating through the stockists. In other cases, they are not franchised dealers, but by custom form part of the stockist network.

The manufacturer supplies goods to the stockists either on a consignment or on a cash or credit purchase basis. The stockists take care of sub-distribution on the terms and conditions determined by the manufacturer or agreed upon by the parties. Often, the stockists operate their own delivery vans to take care of secondary transport and local delivery jobs. They are fully responsible for financial arrangements.

The volumes of business done by the retailers vary, partly because of the location and partly because of their own capacity for doing business. Over a period of time, some retailers grow in stature and importance. If such retail points also coincide with centres of demand and transportation within the feeder town area, they are elevated to stockist points. Of course, the area of operations of the original stockist shrinks on account of this, but care is taken to see that their business volumes do not shrink. This is achieved with ease because of the ever growing demand as well as increased market penetration. If 15-20 retailers were operating as part of the original stockist's network, five or six get elevated over a period of time to stockists. Fresh retail points get established simultaneously, out of which some get attached to the original stockist and others to new stockists depending on location, service convenience and other factors. This process continues as long as the market and consumption level keep expanding and the supply also catches up. Just like the second-generation stockists, sets of third-generation stockists get established with the passage of time. At any point of time, a certain number of retail points always hover round a particular stockist. Hence the system is known as the 'satellite distribution system'. The satellites can have their own satellites too!

The main advantage of this system is that market penetration takes place in the interiors of rural markets without the manufacturer having to expand his direct stock point network. If care is taken to see that the motivation of the stockists is not destroyed due to overzealous and premature expansion of the network, the system will indeed bring ample rewards in terms of increased sales and lesser distribution costs.



## **S. FUNCTIONS OF RURAL SALES PERSON**

### **Maximising Sales**

Systematic working with potential customers will enable the salesperson to achieve planned sales volumes. He has to identify his own potential and the customer's, call on more customers (farmers, dealers and influencers), increase sales by making use of technical knowledge and selling skills and by undertaking field work. During the season, organising campaigns with special emphasis on farmer contacts and demonstrations will be important to increase demand for the company's products.

Training and motivating distributors, dealers and sales assistants help improve sales. Another area of emphasis is giving extension services to farmers on allied inputs and educating them on the right-use technology for the products. A well managed territory is characterised by consistent and systematic demand generated at the farmer's level. This is essential for developing and establishing research-based specialty compounds in the market. Regular feedback to the manager will help the management take timely decisions on technical and commercial matters.

### **Effective Use of Resources**

Sales programmes take into consideration the cropping season, pest incidence, sales targets, product under promotion, inventories at the dealer and distribution levels etc. A sale is completed only when the money is collected. Therefore salespersons should not resort to dumping of stocks with dealers and distributors to achieve sales targets. He should ensure that stocking of goods is proportional to expected sales. This will enable him to collect the dues as per the company's credit policy.

Many organisations provide vehicles to the field force at a considerable cost; it is the responsibility of the employee to make optimum use of and to take good care of the vehicles. Sales promotion materials such as posters, leaflets and samples have to be used judiciously.

### **Developing the Market for the Future**

The salesperson has to keep in touch with changes in cropping patterns, pest incidence, competition, government policy, local practices, etc. He has to extend the use of the products in new crop segments and new geographical areas. Identification of new markets, developing a distribution system, including a network of dealers, and undertaking demand generation activities are essential for developing the market for the future. Giving prompt feedback will help the management prepare mid-term and long-term plans.

## **T. RURAL COMMUNICATION**

### **INTRODUCTION**

Advertising is a Rs 10,000 crore industry in India. Ad agencies today are seeking greener pastures and entering rural markets through communication models. Their presence is increasingly becoming evident throughout the countryside in rural India. A majority of the advertisements are for fertilisers, hybrid seeds, diesel pumps and pesticides, not to mention the message of family planning. Others include those of FMCG majors like HLL, Nirma, Dabur, Marico, P&G and Nestle, consumer durables like Philips, Samsung, LG, Videocon and Godrej, and services like LIC, Met Life Insurance, 11-4VCO-Tokyo, SBI, ICICI etc. Therefore, advertising in the Indian rural context must be seen as consisting of techniques to improve economic mobility within the country. The emergence of an active cash economy is bound to create strong rural demand and promote consumption. The traditional dominance of urban industrial centres is changing as far as economic growth is concerned. This will lead to more equitable distribution in rural areas and help slow down the influx of rural people into urban centres.

### **Top Ad Agencies in Rural India**

- Outreach — Ogilvy & Mather.
- HTA Rural (Fulcrum) — JWT.
- Linterland — Lowe.
- Anugrah Madison — Madison Groups.
- RCM (Rural Communication & Marketing).
- Sampark.
- McCann Erickson.

### **FACTORS AFFECTING RURAL COMMUNICATION**

- **Literacy Levels**

Literacy levels are low in rural areas. However, it has been growing at a steady rate. As per the Indian Demographic Report 2001, the literacy rate at present is at 55 percent. Most rural people read newspapers in vernacular languages. For eg: Dainik Bhaskar is planning to launch newspapers in all 28 states.

- **Media Habits**

Market research on the media habits of farmers in Andhra Pradesh, Haryana and Punjab are quite revealing. They clearly show that, contrary to popular belief organised media have considerable reach among rural consumers. Over 70 percent of the population listens to the radio, about 65 percent in Andhra Pradesh go to the cinema. The corresponding figure for Punjab and Haryana is 26 percent. In both these areas, over 30 percent read newspapers regularly.

- **Macro Environment**

In rural India, advertising plays a minor role. It can enhance demand only when favourable environmental conditions have been created. Advertising does not create immediate demand. There is always an information gap. Rural India is set of regional markets where cultural factors play a very important role. The raw materials come from the soil, and the relatively low productivity of Indian farms is reflected in the low purchasing power of the rural buyer.

Rural advertising in a country like India faces political, social and economic issues. With low farm incomes, the question that arises is: can we afford the infrastructure of the mass media for the rural markets? The Indian rural market is very heterogeneous. Nevertheless, public advertising is an

important precondition for the creation of demand. The problem with the Indian rural consumer is that he is traditional; there is homogeneity to some extent, and there are high-resistance and low-resistance products amongst rural buyers. Rural buyers show a great many contradictions, and the advertiser has to understand them. For example, the poor spend lavishly on marriages, the caste system still maintains a rigid hold in some areas, the community is content with whatever little it has, and many preach non violence and practice violence. It is therefore difficult for advertisers to motivate rural buyers to change their lifestyles. The concept of sufficiency is a hurdle to development, and the problem of huge distances and inadequate outlets is quite considerable.

- **Growing Purchasing Power**

Bumper crops and higher agricultural production have resulted in a considerable increase in the incomes of farmers and in their purchasing power. The increase in purchasing power in rural areas has generated vast potential markets for manufactured goods because people want to raise their standard of living. Market research and consumer surveys are essential and cover a fairly wide area of rural life, including the attitudes and aspirations of the rural buyer.

- **Increasing Penetration in the Hinterland**

More than 70 percent of India's total population is in villages and about 26 percent of the national income comes from rural areas. There is an inequitable distribution of this rural income among rural folk: the majority has low incomes and consumption levels; a few are rich.

- **Area of Coverage**

Companies are getting aggressive in rural markets, as competition is intensifying. Companies are extending their distribution networks to satellite villages and interior tribal areas. It will be a challenge to advertise in these areas. Advertising can harness the potential of the rural people by creating rural specific campaigns.

## **TYPES OF RURAL MEDIA**

Media is as much a channel of communication as it is a tool for social change in rural areas. Media can be broadly divided into traditional (non-conventional) and mass media (conventional media).

### **CONVENTIONAL MEDIA**

**Television:** Television is the prime medium for delivering a campaign's advertising message. The large size of the audience tends to result in relatively broad demographics for most television programmes. The buyer should go beyond demographics and consider the content and nature of the TV programmes included in the buy. As a result of its large audience, TV is an extremely cost-effective method of delivering the advertising message. On a cost per point basis, TV is excellent for reaching an overall audience. Television (Doordarshan) has a reach of 97 percent in rural areas. The media buy determines the mix of network and spot television. This is a key strategic decision and is based on the campaign's geographic targeting priorities. If a national audience is desired, some of the television buy will be placed on network programming. This is extremely expensive. If the advertising strategy is based on reaching consumers in a limited number of specific states and cities, then spot television is the preferred media choice. A combination of network and spot television is an attractive option for some campaigns. HLL uses DD1 to promote its brands.

**Radio:** The major advantages of radio are that airtime is relatively inexpensive and it provides much tighter targeting than is possible on television. Radio stations employ formats, or types of programming, that are designed to attract a narrower audience than is possible with television. Radio formatting tends to reduce waste in the audience desired in a media buy. Radio has a reach of 99 percent of rural India. Radio stations sell time by appealing to the advertiser's need for concentrated,

narrow demographics. Radio is effective in reaching defined geographic targets. It is a localised medium and concentrates on a tight geographic region. Although advertising time is sold on a limited number of network radio programmes, the vast majority of radio time purchased for political campaigns is bought on a spot basis by selecting specific radio media markets. Fertiliser companies, pesticides and FMCG brands use more radio in rural marketing.

**Word of mouth:** Word of mouth is an important method of communication in rural areas. Opinion leaders like schoolteachers, village headmasters, panchayat heads, primary health centre doctors, bank managers may play an important role in the decision-making process. In today's world, this is better known as rural marketing. Companies are now concentrating on influencing these opinion leaders to have a better impact. For example, Asian Paints' rural salesmen selected opinion leaders in villages and painted their houses or offices to demonstrate that the paint does not peel off.

**Cinema theatres:** In the rural parts of southern states like Tamil Nadu, Andhra Pradesh and Karnataka, cinema has a wider reach and a great impact on the lives of people. In these places, movie stars are almost like demi-gods. Even temples of actors and actresses are built! Cinema houses are an important medium for advertising as there is a lot of scope for localising the advertisement and taking advantage of the big screen and a better picture. For example, Vicco Vajradanti uses cinema theatres more to promote its antiseptic cream. Fertilisers firms, seed companies and pesticides manufacturers also use movie theatres to promote the brands. In western Indian villages film stars like Govinda and Salman Khan have been used to promote Wheel and nuns up.

**Print:** Print is gaining dominance as an advertising medium because of the increasing literacy levels among rural folk. Newspapers like Dainik Bhaskar, Navbharat Times, Eenadu and Malayala Manoranza are very popular in Indian villages. Print has an advantage in that messages can be localised and can be used to advertise any particular sales offer. It can also be customised. For example, a fertilizer company can use the newspaper to announce the unique property of the fertilizer according to that particular region with regard to the crops grown there.

**Cable television:** In planning and buying advertising, cable TV is similar to radio. Both media require high frequency levels to influence the voter, and feature specialised programming designed to attract a defined segmented audience. Cable TV spots can be bought nationally from cable networks. This is an excellent way to reach tightly defined target markets throughout the country. Buying cable spots directly on local systems is a good way of reaching a tight geographic area. Many towns and cities are tied together by a cable interconnect; a group of cable systems are linked together permitting a commercial to be aired simultaneously over several different systems.

**Video on Wheels:** India's leading ad agency for the promotion of video vans is Video on Wheels located at Andheri. It is an innovative concept to advertise to the target market. The van moves around villages, with side panels exhibiting the products. The van plays videos with product information in every village.

#### **Advantages of conventional media (mass media)**

- Excellent reach; useful for national rural brand launches.
- Less expensive, wider coverage; picture and word can create a better impact.

#### **Disadvantages of conventional media**

- In some instances unnecessary coverage is bound to happen.
- No customized messages can be shown for each village/district.

Companies like HLL, Onida, Videocon, Eveready Batteries, Mahindra Tractors, and RCF are using this medium to its fullest extent.

## TRADITIONAL MEDIA

Villagers are more conservative buyers than their urban counterparts. Their desire to experiment with new products is restricted. Traditional media can be used to market new concepts in rural areas. It's effective reach, powerful input and personalised communication system will help realize these goals. Besides, when advertisements are presented as entertainment, it goes down easily with villagers.

### Traditional media comprises:

- Puppetry
- Folk theatre
- Demonstration
- Haats and melas
- Wall paintings
- Video Net
- Booklets/Calendars for rural areas

**Puppetry:** It is the indigenous theatre of India and the most popular form of entertainment available to rural people since times immemorial. It is an inexpensive activity. The manipulator uses the puppets as a medium to express and communicate ideas, values and social messages. These include string puppets, or *kathputlis* of Rajasthan, string puppets of Orissa, shadow puppets of Andhra, Kerala and Karnataka etc.

The Life Insurance Corporation of India (LIC) uses puppets to educate the rural masses about its insurance policies. These shows are held in the villages of Uttar Pradesh, Madhya Pradesh and Bihar. The government of India also uses puppets in its campaigns to promote various projects like family planning, etc.

**Folk theatre:** These are mainly short and rhythmic in form. The simple tunes help in informing and educating people in an informal and interesting manner. It has been used as an effective medium for social protest against injustice exploitation and oppression. *Burrakatha*, *Veethi Natakah* of Andhra, *Bharai* of Gujarat, *Tamasha*, *Sondha*, *Dashavatar* of Maharashtra are some different types of folk theatre prevalent in India. Brook Bond Lipton India Ltd (BBLIL) used magicians quite effectively to launch its Kadam Chhap Tea in Etawah district. The government of India uses folk theatre to sell a wide variety of seeds and fertilisers.

**Demonstrations:** Demonstrations play a significant role in raising the awareness of rural customers. Due to the lack of awareness of product features, rural customers need product demonstrations. Audio-visual media can add value to the demonstrations. Many consumer durable and FMCG companies are now using demonstrations. Asian Paints launched its Utsav range by painting *mukhiyas'* (village headman's) houses or local post offices to demonstrate that the paint did not peel off.

**Haats and melas:** Called the 'weekly supermarkets' of rural India, around 48,000 *haats* and 25,000 *melas* are held annually in rural India. The annual sales from these *haats* are around Rs 825 crore a year, and the *melas* account for Rs 350 crore. NCAER estimates that around half the items sold in these *melas* and *haats* are FMCG brands and consumer durables. Dabur uses *haats* and *melas* to sell some of its products like Janam Ghuti (gripe water).

**Wall paintings:** Wall paintings are an effective and economical medium for advertising in rural areas. They are long-lasting, and remain as long as the weather permits. Retailers normally welcome the painting of their shops, walls, name boards, etc. since it makes the shop look cleaner and better. The message should be simple, direct and clear. The best way of attracting attention is to use bright colours that do not

fade. Some FMCGs like Coke and Pepsi, and agricultural implements companies like HMT and Tata traders, use wall paintings to capture the attention of their audience.

**Video Net:** A new media is emerging in rural areas, i.e., computers: Companies like n-Logue Communication are providing Internet services for rural people in vernacular languages. And ITC has launched e-choupal web sites, which provide information to rural people on agricultural inputs. If tapped properly, the Internet can be an excellent medium to advertise in rural areas.

**Booklet/Calendars for Rural Areas:** There are booklets in rural areas on folk heroes, folk songs, and religious activities. There are also rural calendars (Panchang), which can be effective media tools for rural advertisers. For eg: Lifebuoy prints Lakshmi calendars with the soap packaging. The advantage of this medium is that a calendar will be used for the whole year.

**Advantages of traditional media:**

- High accessibility
- Involves more than one sense
- High interest arousal capability
- Can be administered at a minimum cost.

**Disadvantages of traditional media:**

- Range of modes is narrow
- Potential for cognitive gain retention is possible but restricted
- Depends on the skill of the performer but for optimum effect all elements in the rural communication system will have to be orchestrated into a united whole.
- Companies like Bajaj, Rajdoot, HLL and Nirma have used these methods to the fullest extent.

**PROBLEMS OF RURAL COMMUNICATION**

**1. Literacy rate:** The literacy rate among rural customers being low, the printed word has limited use in the rural context. The situation is compounded by linguistic diversity. Rural communication has to be necessarily in local languages and idioms.

**2. Culture, traditions:** It is difficult for marketers to break cultural barriers Traditions, taboos and overall economic backwardness add to the difficulty.

**3. Rural reach:** It is estimated that organized media can reach only 30 percent of the rural population. As regards the print medium, the various publications, have a reach of only 18 percent in rural areas.

**4. Altering attitudes and changing behaviour:** Rural communications have to go through all the time-consuming stages to create awareness, alter attitudes and change behaviour. The main task would be to change the mindsets of rural consumers and to get them to adapt to changing lifestyles thus increasing consumption. In order to be effective, a company should plan a judicious mix of both conventional and non-conventional media. A good media mix is very important to create an impact on rural minds

- Talk to the rural customer in his own language
- Don't advertise frills, only the functional benefits
- Don't advertise dreams; demonstrate the product.

**5. Too many Languages & Dialects:** The Constitution of India recognizes 18 official languages, and there are 1,700 dialects. Unlike other nations, an Indian agency has to come up with two campaigns for the same product urban and rural. To make matters worse, the ad for rural areas should be prepared in 18 languages, a very tough task.

## **U. MARKET INFRASTRUCTURE**

### **INTRODUCTION**

Efficient marketing infrastructure such as wholesale, retail and assembly markets and storage facilities is essential for cost-effective marketing, to minimize post-harvest losses and to reduce health risks. Market infrastructure is required at all stages of the supply chain, from local retail and assembly markets through to wholesale and retail markets in major urban centres.

Governments and local authorities generally have a poor appreciation of the importance of markets and a reluctance to invest in them. As a consequence markets are often congested, unhygienic and inefficient. They are also fire risks. Local authorities frequently see markets as revenue raising opportunities, not as institutions that necessitate investment. Although there have been significant developments with regard to supermarket development and the improvement of farm-to-agro processor linkages, the great bulk of food products are still distributed through more traditional channels using traditional market infrastructure.

Infrastructure is required to ensure free flow of the farm produce and its efficient marketing. Since the technologies on the production front has changed the supply scenario, adequate infrastructure is needed to handle the huge quantity of farm produce and make the same available to all the consumers both inside and outside the country in a acceptable form. Infra structure creation is gigantic task, requiring huge capital investment to cop up; with the demand of; the distributive system.

A big network of well planned regulated markets for general or commodity specific is spread throughout the country. These markets are having shop cum godowns, covered auction platforms cattle shade, farmer's rest house, banking and postal service, well designed market yard, security, input shops and other amenities. All regulated markets are well connected with production points by link roads. Some of the markets have most modern electronic market intelligence system in the form of "AGMARKNET" to facilitate the understanding of market sentiments by the market users. These regulated markets are developed and maintained by respective State Marketing Boards. Departments to provide credit facility to the farmers, pledge loan service is also available in some of the regulated markets.

### **MARKETING INFRASTRUCTURE**

The structure, conduct and performance of the marketing system depend, apart from the regulatory measures, on the status of infrastructural facilities. Infrastructure consists of a combination of public and private assets, which sustain the addition of place, time and form utilities to the products and services. These include, apart from the institutions and organizations, roads, railways, warehouses, cold stores, processing units, research and training institutions, means of communication and transportation and market yards and sub-yards.

### **IMPORTANCE**

Marketing infrastructure serves as the wheels for carrying economic activities. Market infrastructure is important not only for the performance of marketing functions and the expansion of the size of the market but also for transfer of appropriate price signals leading to improved marketing efficiency.

Infrastructural facilities lead to reduction in marketing costs which is crucial for increasing the realization of farmers and reducing the costs to the consumers. The basic rationale of any infrastructure is the sustenance it provides to production activity, income generation and social service supplies. It has also positive effect on income distribution because the low per capita infrastructure limits the access of small and marginal farmers to the market. The relationship between agricultural development and investment in infrastructure has been long recognized. A study conducted by Ahmed<sup>16</sup> while attempting to quantify the impact of investment in rural infrastructure concluded that improved infrastructure is a primary driving force under every condition for

commercialization. The benefits of commercialization and specialization to a great extent depend upon infrastructure and both have push and pull relationship. The availability of infrastructure not only affects the choice of technology, reduces transportation costs and produces powerful impetus to production but also affects income distribution in favor of small and marginal farmers by increasing their access to the market. The expansion of different infrastructural facilities has been instrumental in increasing the integration of spatially separated markets. Studies have shown that market infrastructural facilities (transport and communication) have significantly increased horizontal and vertical integration of agricultural produce markets, which improved the process of price discovery and transmitting the price signals from deficit to surplus areas (Acharya16, 2003). The role of adequate infrastructure for accelerated growth of the agricultural sector and in turn of the entire economy has assumed great importance in recent years due to several developments viz.,

(i) Growth of agricultural production depends almost entirely on the growth of productivity of land and availability of modern technologies. Infrastructure development is necessary for transfer of technologies, supply of modern inputs and facilities for market clearance.

(ii) The creation of adequate infrastructural facilities in a liberalized and market driven economic environment is necessary particularly in rural area for minimizing economic disparities between rural and urban areas.

(iii) Creation of infrastructure in rural areas is justified for reducing the migration of people from rural to urban centers; and

(iv) Development of infrastructural facilities is also necessary to reduce the marketing costs for increasing the realization of farmers.

#### **IMPORTANCE OF MARKET INFRASTRUCTURE**

- Pressures for change, both within and outside the food marketing system.
- To obtain an increased value for an asset, allowing higher rents and charges to be introduced
- To use an asset more effectively
- To achieve reductions in overall costs (of maintenance, wages, services and other costs)
- To allow the adoption of new operating procedures and equipment
- To comply with new statutory requirements (such as public health, safety and environmental standards)

#### **TYPES OF MARKETING INFRASTRUCTURAL FACILITIES**

The infrastructural facilities for marketing can be classified in various ways:

One of the ways to classify marketing infrastructural facilities is into physical and institutional.

**(a) Physical Marketing infrastructure** includes roads, railways, transport vehicles, electrification, storage structures, cold stores and cold chains, tele-communication, grading, packing and processing units. Creation of physical infrastructures is a capital-intensive activity with a long payback period (PBP).

**(b) Institutional Marketing infrastructure** can be grouped into the following:

**(i) Public sector organizations** — Food Corporation of India, Cotton Corporation of India, Jute Corporation of India, Commodity Boards for tea, coffee, tobacco, spices, rubber, cardamom, coir, silk etc; National Horticulture Board; National Dairy Development Board; Commodity Export Councils; State Trading Corporation; Directorate of Marketing and Inspection; Commission for Agricultural Costs and Prices (CACP), Agricultural Produce Market Committees; State Agricultural Marketing

Boards and Council of State Agricultural Marketing Boards are some of the marketing institutions which have been created in the country during the last 60 years.

**(ii) Cooperative Sector Organizations:** Primary, Central and State level marketing societies/unions/Federations; Special Commodities marketing societies viz., for sugarcane, cotton and milk; Processing Societies viz., for cotton, oilseeds, milk, sugarcane, fruits and vegetables; National Agricultural Cooperative Marketing Federation (NAFED); and Tribal Cooperative Marketing Federation (TRIFED) are the marketing institutions created in the country in the cooperative sector.

The other way to classify the marketing infrastructure is on the basis of capital requirements.

**(a) Capital Intensive Marketing Infrastructure:** Most of the physical infrastructure viz., roads, storage structures and processing plants require large initial capital investment and are included under capital intensive marketing infrastructure.

**(b) Capital Extensive Marketing Infrastructure:** The institutional infrastructure falls in this category. They require limited initial capital investment but their operational and maintenance cost is quite substantial. The difference between capital intensive and capital extensive marketing infrastructure is of degree rather than of kind.

#### **ROLE OF PUBLIC VERSUS PRIVATE SECTOR IN MARKETING INFRASTRUCTURE**

Till about the late eighties marketing infrastructure was created mainly in the public sector. Electricity, railways, roads, tele-communication, postal services and ports were among the marketing infrastructure, which remained reserved for the public sector. However, after 1991, virtually all sectors of infrastructure have been opened for private sector investment. A large number of infrastructure projects have come up under public-private partnership mode. However, the public sector even today continues to play an important role in creation of infrastructure in backward, remote and difficult desert areas because of their low utilization and poor returns to investment.

#### **MARKETING INFRASTRUCTURAL FACILITIES**

##### **(1) Main Trading Facilities.**

- Common Covered Auction Halls.
- Common Open Auction Platforms.
- Common Drying Yards
- Traders Models Coffee, Auction Hall & Godown,
- Retail shops.

##### **(2) Ancillary Trading Facilities.**

- Storage Godowns.
- Cold Storage.
- Weighing Equipment and Facilities.
- Processing Units.
- Grading equipment.
- Pledge finance.

**(3) Administrative Facilities.**

- Banks.
- Post Office.
- Police Posts.
- Security Posts.

**(4) Farmers Facilities.**

- Farmer's Rest House.
- Dormitory Accommodation
- Agricultural Inputs Shops
- Tea Shops.

**(5) Common Facilities**

- Bath Rooms
- Toilets
- Urinals
- Daily needs/Sundry Shop
- Canteen

**(6) Water Supply Facilities.**

- Open Wells
- Tube Wells
- Municipal Water Supply
- Electric Pump sets
- Overhead Tanks
- Drinking Water taps

**(7) Publicity and Communicational Facilities.**

- Rate Display Boards
- Public Address System
- Public Telephone

**(8) Parking and Traffic Facilities**

- Area for loading and unloading operations Parking
- Internal Road.
- Boundary Walls
- Electric Lights

- Avenue Shade Tress
- Avenue Platforms/Sitting Benches

**(9) Garbage Disposal and Drainage Facilities**

- Garbage Disposal Systems.
- Drainage Systems.

**An integrated approach for market development: -**

Marketing infrastructure comprises of facilities relating to functional infrastructure like drying, cleaning, grading etc; market user common facilities like platforms for loading / unloading and auctioning of produce, parking shades etc.; infrastructure for supply of production input other need based services for the farmers and infrastructure of e- trading, market intelligence, extension and market oriented planning.

**Directorate of Marketing and Inspection, Government of India, has launched a scheme “Capital Investment Subsidy for Development/Strengthening of Agricultural Marketing Infrastructure, Grading and Standardization-2003-2007”, with the following objectives-**

**Objectives:**

- To provide additional agricultural marketing infrastructure to cope up with the large expected marketable surpluses of agricultural land allied commodities including dairy, poultry, fishery, livestock and minor forest produce.
- To promote competitive alternative agricultural marketing infrastructure by inducement of private and cooperative sector investments that sustain incentives for quality and enhance productivity thereby improving farmers' income
- To strengthen existing agricultural marketing infrastructure to enhance efficiency
- To promote direct marketing so as to increase market efficiency through reduction in intermediaries and handling channels thus enhancing farmers income
- To provide infrastructure facilities for grading, standardization and quality certification of agricultural produce at farmers/ market level so as to ensure assured price to the farmers in commensurate with the quality of the produce
- To promote grading, standardization and quality certification system for giving a major thrust for promotion of pledge financing and marketing credit, introduction of
- Negotiable warehousing receipt system and promotion of forward and future markets so as to stabilize market system and increase farmers' income.
- To promote direct integration of processing units with producers.
- To create general awareness amongst the farmers, entrepreneurs, market functionaries, NGOs, etc. about market practices including grade standards, standardization and quality certification.
- To provide education and training to entrepreneurs, market functionaries, etc. on agricultural marketing including standards, grading and quality certification
- To create additional employment opportunities in rural areas.

**Salient features:**

1. Credit linked back-ended subsidy on Capital Investment will be provided for setting up of general or commodity specific infrastructure for marketing of agricultural commodities and for strengthening and modernization of existing agricultural markets, wholesale, rural periodic or in tribal areas.
2. 'Agricultural Marketing infrastructure project' for the purpose of this scheme may comprise of any of the following facilities:-
  - Functional infrastructure for collection/assembling, drying, cleaning, grading, standardization, SPS measures and quality certification, labeling, packaging, ripening chambers, retailing and wholesaling, value addition facilities (without changing the product form) etc.(Transportation facility will not be covered under this Scheme);
  - Market user common facilities in the project area like shops/offices, platform for loading/unloading/assembling and auctioning of the produce, parking sheds, internal roads, garbage disposal arrangements, boundary wall, drinking water, sanitation arrangements, weighing and mechanical handling equipments etc.
  - Infrastructure for Direct marketing of agricultural commodities from producers to consumers/ processing units/bulk buyers etc.
  - Infrastructure for supply of production inputs and need based services to the farmers
  - Infrastructure (equipment, hardware, gadgets etc.) for E-Trading, market intelligence, extension and market oriented production planning.
3. The assistance will be available to individuals, group of farmers/ growers/ consumers, partnership/Proprietary firms, Non-Government Organizations (NGOs), Self Help Groups (SHGs), Companies, Corporations, Cooperatives, Cooperative Marketing Federations, local bodies, Agricultural Produce Market Committees & Marketing Boards in the entire country.
4. Back ended subsidy @ 25 per cent of the capital cost of the Project will be provided under this Scheme after its completion as an incentive to the entrepreneur. In the case of North-Eastern States, hilly and tribal areas and to entrepreneurs belonging to SC/ST and their cooperatives, the rate of subsidy shall be 33.33 per cent of the capital cost of the project.
5. Maximum amount of subsidy shall be restricted to Rs. 50 lakh for each project. In the case of North Eastern States, hilly and tribal areas and to entrepreneurs belonging to SC/ST maximum amount of subsidy shall be Rs. 60 lakh for each project.
6. The amount of Central assistance/subsidy availed of for the project or any of its components from any other central scheme would be deducted from the amount of subsidy admissible under this scheme.
7. Assistance to be provided under the scheme would be credit linked and subject to sanction of the infrastructure project by commercial/ cooperative banks based on economic viability and commercial considerations. Entrepreneurs/institutions who invest their own money without the instrumentality of financial institution shall not be eligible under the scheme.
8. Bank assisted projects of State agencies, including projects assisted by NABARD, for setting up of new marketing infrastructure and for strengthening/modernization of existing marketing infrastructure would also be eligible for assistance under the scheme provided the concerned State Government/ UT Administration undertake to appropriately amend their respective APMC Acts, wherever needed, to implement the following reform measures in agricultural marketing:-

- a) Allowing private and cooperative sectors to establish and operate agricultural marketing infrastructure projects in any area as per their commercial judgement
  - b) Permitting 'Direct marketing' of agricultural commodities from producing areas and farmers' fields, without the necessity of the commodity going through the licensed traders and/or regulated markets.
  - c) Permitting 'Contract farming' arrangements between the processing or marketing firms and the producers of agricultural commodities. The contracted commodities may be allowed to move freely from farmers' field to any destination in the country or abroad without the necessity of going through licensed traders in regulated markets.
  - d) Rationalization of market fee structure by introducing single point levy of market fee in the entire process of marketing in the State. Levy of market fee may be more in the nature of service charge based on the quality of services provided. Levy of fee may be at different slabs in consonance with the type and scale of services/facilities provided to market users.
  - e) Extend support in respect of allocation of suitable and sufficient land/facility with necessary approvals to set up the marketing infrastructure; provision of village common land for Farmers Associations and Collection Centres and fast approval from local authorities for services like electricity, water, sewage, etc.
9. The subsidy shall be released by the Directorate of Marketing & Inspection, an attached Office of Department of Agriculture & Cooperation through NABARD in respect of projects financed by the commercial banks, cooperative banks and RRBs and through NCDC for projects financed by the cooperatives.
  10. RBI will be requested to issue instructions to all commercial and cooperative banks and RRBs to provide long-term credit for the creation of market infrastructure treating it is 'indirect finance' to agriculture under the priority sector.
  11. The Agmark laboratory network of the Directorate of Marketing and Inspection will be strengthened to facilitate promotion of grading, standardization and quality certification for various agricultural produce across the country.
  12. A general awareness programme for farmers, publicity, training programme for trainers and entrepreneurs for construction, maintenance, grading, standardization and various standards for operation of these projects will be organized through the National Institute of Agricultural Marketing, Jaipur and other national and State level institutions/ Universities including NABARD. Monitoring of the project implementation shall be done by the Directorate of Marketing and Inspection, Faridabad. Suitable consultancy agency will be appointed for evaluation and impact assessment of the scheme.
  13. Total outlay on the scheme during Tenth Plan is proposed at Rs. 642.00 crore, with a central subsidy of Rs. 175 crore @ 25 per cent of the capital investment and @ 33.33 per cent for NE, hilly and tribal areas and to SC/ST entrepreneurs. In addition, there will be a central allocation of Rs. 15 crore for strengthening laboratory network and for general awareness/training programmes and studies etc.