

Question Paper Pattern

Each paper carries 100 marks. 25 marks Internal assessment through assignments and 75 marks for year end examination. The duration of Examination for theory papers will be three hours.

Pattern :

The question paper is divided into 3 sections. Section A, Section B and Section - C

Section - A (3 x 5 = 15 marks)

Section A consists of 6 questions out of which the candidate has to write 3 questions. Each question carries 5 marks. Totally 15 marks.

Section - B (3 x 15 = 45 marks)

Section B consists of 6 questions out of which the candidate has to write 3 questions. Each question carries 15 marks. Totally 45 marks.

Section - C (15 marks)

Section C Consists of one compulsory question (either case study or problem) which carries 15 marks.

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- Unit - I Rural Markets in India
- Unit - II Understanding Rural Environment

BLOCK - 2 : UNDERSTANDING THE RURAL CONSUMER

- Unit - III Differential Aspects of Buying behaviour and Major Influences on Rural Buying Behaviour.
- Unit - IV Trends in Consumer Behaviour
- Unit - V Rural Marketing Research

BLOCK - 3 : PRODUCT AND PRICING DECISIONS FOR THE RURAL MARKETS

- Unit - VI Product Development, Adoption Process and Modification Decisions.
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BLOCK - 4 : MANAGING THE PROMOTION

- Unit - VIII Understanding Rural Media and Current Opportunities
- Unit - IX Message Design and Development for Rural Markets
- Unit - X Rural Sales Promotion Effort.

BLOCK - 5 : ACCESSING RURAL MARKETS

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- Unit - XIII Physical Distribution Process

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 - Case - II Mass Media and Social Advertising
 - Case - III Rural Distribution for the FMCG Sector - A Case Study of HLL
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RURAL MARKETING

Welcome to MS-611, your elective course on Rural Marketing. This course is one of the several electives on offer in the Marketing area for the Master in Business Administration programme with the Marketing specialization and also an elective in the Postgraduate Diploma in Marketing Management, offered by the School of Management Studies, IGNOU. Ideally, if you are pursuing this course as part of your MBA programme, you should have acquired a basic understanding of the basic concepts of marketing through your core course MS-6, Marketing for Managers. Several of the inputs in the course presuppose an awareness of basic marketing concepts and build upon the same.

ABOUT THE COURSE

This Course, MS-611, introduces you to the complexities and opportunities in a rapidly changing rural market in India and enables you to identify the various choices available to you in planning the marketing effort in the evolving and slowly but surely transforming rural markets.

MS-611 does not cover the entire gamut of activities included in the broad umbrella of Rural marketing processes. It, for example, does not cover the processes involved in marketing of agricultural products and non-agricultural products by the rural producers to consumers. The course is focussed on marketing of goods and services to the rural consumers.

You will, while going through the course, be exposed to the vast differentials between urban and rural marketing environment, the institutional and physical infrastructure available in rural India to support the marketing efforts as well as the variety of existing marketing initiatives that are being made to unravel the rural market puzzle. While pursuing the course, you will also come to appreciate the relevance an entirely different approach to the marketing effort, be it distribution, communication or marketing research, needed for rural markets.

COURSE AIMS

Like all other courses in the Management Programme this is a six credit course, requiring you to put in 180 hours of work, all inclusive. The course aims to

1. Provide you with an awareness of critical issues involved in rural marketing as well as possible approaches to successful marketing effort in this segment
 2. Develop in you a capability to analyse the trends in rural marketing environment and identify the marketing implications of the trends
 3. Provide you with the awareness of how marketing mix elements need to be adapted and planned for the rural markets
 4. Bring to you an understanding of the rural consumer behaviour
 5. Develop your capacity to design or advise on designing effective rural marketing efforts
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LEARNING OBJECTIVES OF COURSE MS-611

This is a relatively new area of marketing knowledge and we hope that you will enjoy going through a comparatively uncharted terrain. Rural markets represent a domain where our understanding of the behavioural processes, rural perception and attitudes, the value propositions sought and the post purchase evaluation is still evolving. It is therefore a good experience to learn through a mix of available research findings, actual experiences, case illustration and analysis of the situation at hand, so as to cull out marketing implications from the same. After going through this course you should be able to:

- Identify the complexity, diversity, scope and nature of the rural markets in India
- Discuss the economic, social, political and infrastructural rural environment and what it signifies to the marketer
- Explain the various influences on rural buying behaviour including the opinion leadership process and the reference group influences
- Outline and analyse the trends in rural consumer behaviour
- Evaluate the options available for conducting rural marketing research
- Identify the factors influencing the product development and modification decisions for rural India
- Evaluate the pricing options available and help in designing appropriate pricing strategies for rural markets
- Discuss the need and relevance of innovative distribution solutions against the backdrop of the rural infrastructure of roads, transportation and warehousing
- Identify effective modes of accessing the rural markets
- Develop an understanding of issues involved in creating and implementing suitable marketing communications for rural India
- Identify and evaluate media options for the rural markets
- Develop analytical skills to evaluate issues critical to successful marketing effort, through your analysis of the case studies included in the course

COURSE STRUCTURE AND SCHEME

The course consists of 6 blocks. The inputs in each block are as under.

Block I on Rural Markets: An Overview is the introductory block of the course and gives you a comprehensive overview of what rural markets mean and comprise in India. The block comprises two units, the first is on rural markets in India, giving you inputs on scope, size, dispersion and diversity of rural markets in your country. The second unit in the block is on Rural environment, which tries to enable you to understand the social, economic and political context within which the marketing effort would take place.

Block II on Understanding the Rural Consumer makes an attempt at identifying the key differences between rural and urban consumer behaviour and outlines the marketing implications arising from them. The block comprises three units, the first one focusing on the variety of influences that operate on rural consumer behaviour. The second unit of the block outlines, through extensive use of available data the trends in rural buying behaviour in an effort to enable you understand the direction that marketing effort should take. The third unit in the block is on rural marketing research. The unit identifies the constraints in applying traditional research tools and methods, in the wake of widespread illiteracy and lack of exposure the rural consumers; and suggest appropriate approaches to marketing research in such markets.

Block III on Product and Pricing Decisions is where the course begins to address the marketing mix elements as they operate in the rural market. This block consisting of two units presents inputs on the product and pricing decision in the context of rural markets. The unit on Product decisions, focuses on the need for product adaptation and required modifications for rural markets, the imperatives for branding and packaging decisions as well as the scourge of spurious products that rural consumers often face. The unit on pricing explores the value proposition as it may operate for the rural consumers, the influence of distribution channel decision on pricing promotional pricing and the adaptations manufactures make when venturing into the rural markets.

It is a well understood fact that the most significant challenger for rural marketers is the one of access, both physical and communication access. Blocks IV and V

respectively address the issue of physical and communication access to the rural consumers.

Block IV on Managing Rural Promotion consists of three units. Unit 8, the first unit in the block is devoted to understanding rural media. It explores the media choices available and introduces you to the opportunities presented by innovative media solution in these markets. Unit 9 discusses the inputs for appropriate message design and development, looking at the profile and diversity of rural consumers and the issue of heterogeneity of language Unit 10 focuses on the sales promotion element of the promotion mix. The diversity of sales promotion tools applied in rural markets have been covered and inputs on planning effective sales promotion programmes have been discussed.

As you will notice where going through the course, the rural India, in terms of dispersion of population, access through motorable roads and patterns of purchase presents a distribution challenge very different from the urban markets. You will, through **Block V** find some interesting distributions that characterise the rural market. The block, entitled **Accessing rural markets** consists of three units on various aspects of the distribution mix. Unit 11 introduces you to the infrastructure for physical distribution in rural India, while Unit 12 focuses on participants in the distribution process. The various institutions operating in these markets, their relationship and market dynamics have been brought to you. The last unit in the unit discusses the physical distribution process followed rural markets.

Block VI, last one in the course brings to you four case studies to enable you to understand the decision making imperatives, the choice alternatives and the routes taken in the context of rural marketing effort.

This course utilises a large number of references from published literature and from the net. To enable you to explore further, all these references are marked in the body of the unit and given as a separate section at the end of the unit.

As mentioned earlier, this is an evolving field and you can further update your knowledge by visiting some of the internet sites mentioned along with relevant units. Not only would you be able to keep pace with new developments in the exciting and evolving land of new market opportunity that the rural market represents today for most FMCG and durable marketers, the updating effort would also enable you to add to a deeper understanding of the direction that rural marketing in India is taking.

Course Assessment

Like all your other courses, you will be required to do three assignments for this course. As all the assignments are expected to have a strong application orientation, you are requested to keep yourself abreast of your environment and develop an understanding of the market adequately through a perusal of your course. Your term end examination will comprise of 70% of the total weightage and follow the IGNOU pattern of using a mix of conceptual and application questions to evaluate you on the course. We also bring some video and audio inputs to supplement the print material being sent to you. These audio/video inputs will be available for your use through your study centres.

We look forward to you feedback on the course inputs. To help you provide your feedback on the course, a feedback form is being sent along with your course material.

BLOCK 1 RURAL MARKETS : AN OVERVIEW

There has been for some time, a dawning realisation on part of the Indian industry that rural markets are evolving into promising territories with possibilities of consolidating market shares and achieving growth targets. Appreciable levels of growth in rural incomes, comparable consumption figures and spread of awareness have all buffeted marketer interest in rural markets. The context the environment and the buyer are all significantly dissimilar to demand a different and relevant approach to marketing in the rural segment. This introductory block to your course in Rural Marketing introduces you to the subject, by providing you with an overview of the rural markets in India, the rural environment and the challenges presented by them. The block comprises two units.

Unit 1 on Rural Markets in India outlines the scope and nature of rural marketing and the aspects of it addressed in this course. As an introductory unit it outlines the various challenges posed by the rural markets and the marketing implications of the same.

Unit 2 on Understanding Rural Environment presents to you a fairly detailed description of the economic, social, political and infrastructural environment in rural India, and how do these translate into implications for the marketers venturing into these markets.

UNIT 1 . RURAL MARKETS IN INDIA

Objectives

After going through this unit you should be able to:

- get a complete overview of the rural market scenario in India,
- describe the demographic profile presented by the rural markets,
- explain the important socio economic indicators characterizing the rural market,
- discuss the developmental trends in rural markets in India,
- comment upon the dispersion of rural population,
- described the ways in which rural buyers differ from urban buyers,
- identify the challenges for marketers in the rural context.

Structure

- 1.1 Introduction
- 1.2 Why Rural Marketing
- 1.3 Rural Markets: Nature of Transactions
- 1.4 What Constitutes Rural in India
- 1.5 Rural India: A Brief Demographic Profile
- 1.6 Marketing Challenges Presented by the Rural Markets
- 1.7 The Rural Consumer
- 1.8 Summary
- 1.9 Self Assessment Questions
- 1.10 Further Readings

1.1 INTRODUCTION

The rural market in India are undergoing a silent but definite revolution in terms of vastly enhanced purchasing power, consumption priorities and overall volume of consumption of goods and services. The sheer size of the market, as large sections of rural population get converted into consumers, is enough to demand focused attention from both marketing practitioners and academics, to convert the emergent opportunity into realizable market shares and growth targets. In this unit, you will be exposed to some of the indicators of purchasing power in the rural segment, the structure and dispersion of rural markets in India, the market mechanisms in place and those recently emerging or being developed. Let us also, as an outcome of the inferences drawn from the statistical trends on growth and consumption, look at the challenges facing the marketer in creating demand, access and satisfaction in the rural context. As the introductory unit, this unit tries to bring to your attention the sheer dimensions and diversity of rural markets in India.

1.2 WHY RURAL MARKETING

The underlying reasons for undertaking specific efforts to understand marketing practices and to evolve a suitable framework for developing appropriate marketing strategy for the rural India have their basis in two major developments. The first is that on account of rising purchasing power in the rural India, corporate sector is discovering the huge potential that must be realized by creating access and focusing marketing efforts in the rural segment. The second reason is that rural markets and the rural consumers are different enough to demand differential marketing effort and it is important for you to be able to understand these differences as well as the marketing implications that flow from them. The infrastructure and the marketing institution that characterise the rural markets are very different from the urban setting which the marketers are used to. You will study about these variations and the structures as you go through this course. There is therefore an immense opportunity for the marketer to create innovative and creative solutions to tap the rural potential. The other reason, as

mentioned above for studying rural marketing as a specific course emanates from the knowledge that the rural consumer on account of his socio-economic and lifestyle profile, as you would study in block 2 of this course, presents a differential challenge to the marketer. The reference points used by the rural consumer are different from those used by his urban counterparts, his ability to discriminate between alternatives may be different and his value assignment behaviour has been shown to be different. We today do not really have an adequate body of knowledge to understand all aspects of rural buying behaviour and application of appropriately modified research methods has only recently started being made.

Another development which has focused marketer attention now on to the rural markets is that slowly but surely the infrastructural scenario in the rural India is changing. Supported by thirteen consecutive good monsoons (barring the bad patch of 2002-2003), the rural economy is definitely looking up. A look at the successive plan outlays will demonstrate the attention that the policy makers are now directing at Rural Development. The plan outlays have progressively escalated from Rs. 14,000 crores in the seventh plan to Rs. 30,000 crores in the eighth plan, and Rs. 60,000 crores in ninth plan to a mammoth 90,000 crores in the tenth plan. This resource allocation is expected to be invested in the road network, communication linkages, power, health and educational services, making incremental changes to the rural lifestyles. Added to all this, has been the growth in institutional credit for agriculture in rural India, a sector typically dependent on unorganized credit services. There was a 250% increase in institutional credit for agriculture between 1995 and 2000, and a total of 24 million kisan credit cards have been issued since the inception of the scheme in 1998. Let us look at some interesting facts about the rural India which were presented as part of the background paper at the FICCI Conference Rural Marketing and Communication on 24th April 2003, by Pradeep Kashyap, President, Marketing and Research Team, New Delhi. Consider the following:

- The number of transient rural supermarkets in India (haats) is around 470,000, which is more than the total number of retail chain outlets in the US (35000).
- The Life Insurance Corporation of India in the year 2001-2002, sold 55% of its policies in rural India.
- The 24 million kisan credit cards issued in the rural sector far outstrip the 17.7 million credit+debit cards issued in the urban sector. The amount of money sanctioned under the KCC scheme is a phenomenal Rs. 52,000 crores.

The consumption of electricity by the agriculture sector went up from 17.6% of the total consumption in 1980-81 to 29.2% in 1991-2000. During the same period the industry share has dropped from 58.4% to 34.8%.

These indicators show a definite trend towards growth of markets and indicate towards the potential of rural India. We must however, while looking at these statistics be always conscious that these figures are contributed by more than 70% of the population and therefore while indicative of the directions of growth, are still, in per capita terms, small. Efforts at market making and creating wider access may create a far more healthy picture but only if these developments are also accompanied by a parallel accretion of income and purchasing power in the rural sector. You would read more about the trends relating to the latter, in brief in following sections of this Unit, but in detail in Unit 4 of the course.

It is, however, important for you to understand at the very outset that rural market are not linear extensions, in more difficult terrain, of the urban market and since the context of the marketing effort and the consuming behaviour of the target segment are both different, specific efforts to analyse the dynamics of the rural market are required to be made, hence the need to study rural marketing as a specialized course of study.

Activity 1

Talk to representatives of at least 2 consumer durables companies and some FMCG companies. Discuss with them to understand their definition of, in terms of market delineation, what constitutes rural markets. Report on your discussion here. Also find out whether and why they want to venture into the rural markets.

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1.3 RURAL MARKETS: NATURE OF TRANSACTIONS

The rural market may mean many things to many people. For quite some time, rural markets were synonymous with agricultural marketing or agriculture input marketing. If you try to visualize the diversity of transaction that fall under the definition of marketing or related activities you would be able to identify a number of classes of transactions. To name some

- Rural markets involve transactions of agriculture produce and agribusiness products including dairy products, produced in the rural areas but sold all over, including rural and urban markets.
 - Rural markets involve transactions in non-agricultural products, made in villages but sold in primarily urban locations. Handspun cloth, hand/block printed fabric, handicraft items, paintings and other local or heritage craft are included in this class of transactions.
 - Rural markets involve goods and services produced and created in the villages and sold and consumed largely within the village as part of the sustained self sufficient rural economy. These include products like earthenware pots and pans, local carpentry and tailoring, services like hairdressing and transportation as well as local products, produced and consumed locally.
- Rural markets also involve sale and consumption of goods made by organized industry in both urban and rural sectors.