

Rural marketing assignment

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Rural marketing INTRODUCTION 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. Profile of Rural Marketing 1. Fast changing pattern and demand

During the last decade the rural consumers were in need for low end products which would meet their basic demands and necessities. But of lately due to change in technology rather advancement in technology the demand for people have also changed and the buying pattern which initially comprised of basic products have now shifted to luxiorous products. 2. Large and scattered market In the 1st place, in terms of number of consumers, the rural market of India is a very large market ; it consists of more the 600 million consumers. The second aspect is that geographically, it is a vast market.

Practically the role of India, barring the metropolitan cities and towns constitute the market. It is also highly scattered market: the consumers are scattered over 5, 70, 000 villages spread through the length and breath of the country. In terms of business generated too, it is a big market; 22000 crore rupees worth of non-food consumer goods are being sold per year in the market at present. 3. Heterogeneous market It is not as if the whole of rural India can be taken as one homogenous entity. There is a great deal of difference among the various states in this regard.

A study conducted by IMRB provides some clue to the relative status of the rural areas of different states. The study provides development index points for each state in the country collected village level data on various parameters such as availability of health and education facilities, the nature of facilities, availability of public transport, electricity transmission, banks, post offices, water supply and so on. A weight was decided upon for each facility, by type, based on the relative importance of that facility in industry to the extent of development reached by that village.

The study has demonstrated that while the average village in India has 33 development index points, Kerala's average is 88; Bihar's is just 22; MP, Rajasthan and UP are close to Bihar; and states like Maharashtra, Haryana, Karnataka range between 40 and 50. 4. Demand, Seasonal and Agriculture Dependent Regarding the nature of demand for various products, it can be seen that the demand is heavily dependent on agriculture. And as a natural corollary, it is seasonal in character. It is irregular as well, since agriculture in many parts of India still depends on the vagaries of the monsoon.

Rural demand is not only harvest linked but also festival linked ??? the festivals often coinciding with the harvest. 5. Characterised by Great Diversity The rural consumer of India are also vastly diverse in terms of religious social, cultural and linguistic factors. 6. Steady Growth Despite Inhibiting Factors Despite several inhibiting factors, the rural market of India has grown steadily through the years. This is evident from the data presented earlier. Not only has the market grown in quantitative terms, but qualitatively too, it has undergone a significant change.

Many new products have made their entry in to their rural market basket. The upper segment in particular have started buying and using a variety consumer products which were till recently unknown in the rural. In fact the impression that the rural market is confined to certain traditional consumer product and agri-inputs has totally lost its validity in today's context. Profile of Rural Consumer

1. Size of rural consumer population: The size of India's rural consumer group can be understood from the details provided in the following table: 1971 1981 1991

Year	Population in crores	Percentage to total	Year	Population in crores	Percentage total
1971	43.90	80.50	1981	50.20	76.36
1991	64.17	76.10	Urban Population	10.91	20.15
			1981	15.62	23.72
			1991	20.32	24.10
			Total Population	54.81	100.00
			1971	65.82	100.00
			1981	84.40	100.00
			1991	100.00	100.00

The table shows that now 76% of India's total population is rural. If we consider the state level picture, in several states like Uttar Pradesh, Madhya Pradesh, Rajasthan and Kerela, the rural population constitutes more than 80% of the total population.

And there are also states like Bihar and Orissa where as much as 90% of the total population is rural.

2. Significant Aspects of Rural Consumer Profile

Coming to consumer characteristics, it can be seen that in general sense, low purchasing power, low standard of living, low per capita income, low literacy level and overall low economic and social position are the traits of the rural consumers. By and large, the rural consumers of India are a tradition bound community; religion, culture and even superstition strongly influence their consumption habits. Colgate Herbal's priced at Rs. 12 for a 50 gm, Rs. 2 for a 100gm and Rs. 41 for a 200gms tube is an attempt to sell value added toothpaste at the lower end, where the Indian brands are

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hoping to shut the multinationals. This is a variant for the boring white Colgate cream, which is used over the years by the rural people. Also, since the literacy level is low its advertising campaign never gave emphasis to the same old calcium content rather this time more over giving importance to the latest technology and the natural qualities that are well defined by the character “ Billoo” in the advertisement.

3. Location Pattern of Rural Consumers

Whereas the urban population of India is concentrated in 3, 200 cities and towns, the rural population is scattered over 5, 70, 000 villages. Statistics show that out of 5, 70, 000 villages only 6, 300 have a population of more than 5, 000 people each. More than 3 lakh villages or more than 55% of the total number of villages are in the category of 500 people or less and more than 1. 5 lakh villages or 25% of the total are in the category of 200 people or less. The inference is clear; rural demand is scattered over a large area, unlike the urban demand, which is highly concentrated.

Take the case of Colgate again. Why is it the leader in the dental care products? It did not even leave the rural area with minimal of 200 people per village as compared to the heavily populated area with an average population of 5000 people per village. Now, it has established itself in such a way that people accept Colgate as the tube with red and white box. Hence, they haven't changed the color of the box for say a decade and a half.

4. Literacy level

It is estimated that rural India has a 23% literacy rate compared with 36% of the total country.

The adult literacy program launched by the government in the rural areas are bound to enhance the rural literacy rate in the years to come. Two aspects need to be specially emphasized: (1) In absolute numbers, there are 11.5 crore of literate people in rural India compared with 12 crore in urban India, and (2). Every year 60 lakh is getting added to the literate population of Rural India. Looking at the second point there's something for the company for the taking. Coco Care had a brilliant strategy to market itself in different Indian villages, depending on the most spoken language over there.

Say in Maharashtra it had flyer distribution done in Marathi as a medium of communication.

5. Rural Income An analysis of the rural income pattern reveals that nearly 60% of the rural income is from agriculture. Evidently, rural prosperity and the discretionary income with the rural consumer is directly tied up with agricultural prosperity. Anything that contributes to agricultural prosperity will directly result in increase income for the rural population and the consequent increase in their spending capacity. The predominance of agriculture in the income pattern has one more significance i.e. rural demand is more seasonal.

6. Rural Savings

Statistics reveal that in recent years, rural consumers have been drawn into the saving habit in a big way. The commercial banks and the co-operative have been marketing the saving habits in rural areas for quite some years. Today, as much as 70% of the rural house hold are saving a part of their income. The habit is particularly widespread among salary owners and self employed non-farmers. Since the major income in the rural areas is from agriculture the demands turns out to be seasonal. Take the example of Hero

Honda Splendor; it had a major promotion done in the crop-cutting season, as this being that golden season for the farmers.

Potential and Changing Pattern of Rural Marketing Consumer products where rural consumption is more than urban consumption are Bicycles 80% Rural 20% Urban Safety razor blades 67% Rural 33% Urban Silk Clothing 59% Rural 41% Urban Books & Stationery 55% Rural 45% Urban Woolen Clothing 53% Rural 47% Urban Other Consumables 53% Rural 47% Urban Generators 95% Rural 05% Urban Products where rural consumption growth rates are higher as compared to urban markets are as follows: 1. Packed Tea 2. Alcoholic Beverages 3. Tobacco Products 4. Medicines 5.

Detergent Powder 6. Soap Cake/Bar 7. Detergent Cake/Bar Due to television the rural consumer is aware of? international products. Literacy has brought about a change with respect to? the rural outlook. New employment opportunities due to change in government? policies has resulted in round the year income for at least a certain section of the rural population. Green Revolution and after the Indian farmer has? become prosperous. The savings pattern of rural? India has resulted in better buying power for the rural consumer. Tapping the Rural Market Problems

While the rural market of India certainly offers a big attraction to marketers, it would be totally naive to think that any firm can easily enter the market and walk away with a sizeable share of it. A firm seeking a share of this market has to work for it, as the market bristles away with a variety of problems. The enterprise has to grapple with these problems and find innovative solutions to them. In fact, only because a few pioneering firms

correctly understand these problems and came up with innovative solutions to them, that we now see a wonderful trend of growth in rural markets.

What are these problems? How are they peculiar to the rural market? And how does a firm solve them? The existing problems in rural marketing are: a. Physical Distance b. Language/Culture c. Accessibility d. Money/Expensive e. Lack of Human Resource f. Competition g. Technology h. Rules & Regulation i. Lack of Information j. Size of the Market k. Buying Power l. Image Major

Problems in Tapping the Rural Markets and the possible solutions are as follows: 1. Managing Physical Distribution In Rural Markets 2. Channel Management In Rural Markets 3. Sales Force Management In Rural Markets .

Marketing Communication In Rural Markets 1. Managing Physical Distribution

In Rural Markets The main problems in physical distribution in the rural context relate to: a. Transportation: Inadequate railways? Bad or no roads? Immediate carriers or cargo? operators Eg. Accidents in India 1per day and 1 in 4 days complete loss to property and some life b. Warehousing Problems No electricity (only 35% of? India have electricity) Unavailability of godowns? Marketing purposes? c. Communication Problems Only 3% of? India is connected by phones Unreliable post and telegraph facility? 947 ??? 1 postman for 9000 people 2000 ??? 1 postman for 47000 people

Transportation problems Transportation infrastructure is quite poor in rural India. Though India has the 4th largest railway system in the world, many parts of the rural India remain outside the rail network. As regards road transport, nearly 50% of the 576000 villages in the country are not connected by roads at all. Many parts in rural India have only kacha roads and many parts of the rural interiors are totally unconnected by roads with

any mandi level town. As regards carriers, the most common mode is the animal drawn cart.

Because of these problems in accessibility, delivery of products and services continues to be difficult in rural areas. Warehousing problems In warehousing too, there are special problems in the rural context. Business firms find it quite difficult to get suitable godowns in many parts of rural India. And there is no public warehousing agency in the interiors of rural India. The central warehousing corporation (CWC) and the state warehousing corporation (SWC's) which constitute the top tier in public warehousing in India, do not extend their network of warehouses to the rural parts.

They go only upto the nodal points or major market centers. The warehouses at the mandi level which constitute the second tier in the warehousing chain are mostly owned by cooperatives. And the same is the case with rural godowns, which form the third tier. None of these tiers function as public warehousing agencies ; they provide the warehousing service only to their members. As such, a business firm has to manage with the CWC/SWC network which stops with the nodal points, or it has to establish its own depots or stock points run by its stockists / distributors.

Of course, in such cases, the commercial advantages of operating through a public warehousing agency like CWC/SWC are lost to the firm.

Communication problems Communication infrastructure, consisting of posts and telegraph and telephones, is quite inadequate in rural areas. Since communication is the first requirement of efficient marketing, lack of proper communication infrastructure poses difficulties, especially in physical

distribution. Cost-Service Dilemma Gets More Acute The effect of these problems on the physical distribution front is certainly felt by any business firm venturing into the rural market.

They adversely affect the service aspect as well as the cost aspect.

Maintaining the required service level in the delivery of the products at the retail level becomes very difficult. At the same time, physical distribution costs get escalated with 80 per cent Of the total rural consumers living in the ' less than 1, 000 people' category of villages. The scattered nature of the market and its distance from the urban based production points, compound the difficulty arising from the constraints in transportation, warehousing and communication.

Larger pipeline stocks and bigger inventories in warehouses are the natural outcomes of these constraints. It means higher costs of transportation, higher inventory carrying costs and transit and storage losses. And as we will see in detail in the next section, costs of distribution channels too are much higher in the rural context. Consequently, the total distribution cost per unit is higher by as much as 50 per cent on an average in the rural market, as compared to the urban market.

In fact, the experiences of some companies operating in the 2rural market show that the cost of distribution in rural areas is two and a half times that of urban areas. Solving of Physical Distribution Problem The marketers have to find solutions to the distribution problems. While deriving solutions, the marketers have to keep in mind cost and the service to the consumers.

Some of the solutions are as follows: The Firm can Share Physical

Distribution Responsibility with Its Stockists or C & F Agents With a view to keeping the costs low, some firms try out remote control marketing.

But experience shows that firms with major aspirations in rural marketing cannot depend on such remote control operations; they cannot take the route of ' simply consigning the goods' and retiring the bills through banks. ' For them, effective presence in the market is a must. While it may not be necessary to have a network of own stock points throughout the marketing territory, the firm should have a network of stockists or clearing cum forwarding agents(C agents) at strategic locations for facilitating physical distribution can be shared by the firm and the stockists.

Combining different modes of transportation may be advantageous As regards transportation, the system of rail-cum-trucks for long distance movement, trucks for medium/ short distance movement and delivery vans and bullock carts for local haulage should effectively serve the purpose. Water transport too, has a role in specific areas. Bullock cart has a special role in rural distribution. Business firms operating in the rural market of the country have to appreciate that the bullock carts play a major role in secondary transport. They are available in plenty and they are ideal for the rural roads.

Company delivery van Companies like Hindustan Lever, Tomco Brooke bond ??? Lipton and ITC who are the pioneers in rural marketing in India, have successfully experimented with company delivery vans, for resolving the distribution problems in the rural market. The delivery van takes the products to the retail shops in every nook and corner of the rural market.

Besides resolving the problem of product delivery, the van also serves certain vital secondary purposes ??? it enables the firm to establish direct sales contact with thousands of rural consumers; it also helps the firm in sales promotion.

But the cost of operating such vans is quite high. And the proposition can work only if the market/ area assures business potential enough to cover such costs. In the case of HLL, ITC, etc; they knew that such a level of business would accrue only out of a sustained and long term marketing effort and market presence. These firms had the resources, as well as the will to stay in the market. Through the system of operating the vans, they were not just solving a transportation problem, they were developing the market. And they were viewing the costs as a long term investment.

Syndicated distribution

While the company delivery vans are very useful in rural distribution, the idea cannot be easily implemented by firms with relatively less resources. Syndicated distribution may be of help in such cases, the firms can come together and encourage an independent agency to operate such delivery vans with a view to hiring its services. The delivery van here becomes a syndicated service. Assistance from stockiest The Company can also get assistance from stockiest. The stockiest can own or hire vans or trucks and accordingly distribute the goods to the retailers and the dealers.

The company should help finance such kind of plant and projects. Central Warehousing Facility The Central Warehousing Corporations (CWC) and The State Warehousing Corporations (SWC) should also pay attention in providing

suitable warehousing in rural areas. At present the CWC and the SWC concentrate their warehousing activities only at major markets. The smaller markets are handled by cash starved gram panchayat's or Satellite municipalities. There is an urgent need to have good warehousing facilities at local market to. These have to be provided either by the government or the companies operating in particular areas.

A system can be devised where in a group of companies can come together and have common warehousing facilities. Here the cooperative rule can also help provide good warehousing facilities in rural areas. Sorting out communication problems The communication problems in the villages can be sorted out (mostly) by the government alone. The marketer must make the government realize the importance of rural markets and the corresponding network of post, telegraph and telephones. Locally there are examples of private telephone exchanges that have worked wonders for specific areas.

However small exchanges have limited scope. Recently the government has alone sent corporate partnership in printing and disemursing postal and telegraphic material. However the experiment doesn't seem to have caught on. 2. Channel Management In Rural Markets Organizing an effective distribution channel is the second major task in rural marketing. This task too is beset with many unique problems. Problems in Channel Management Multiple tiers, higher costs and administrative problems In the first place, the distribution chain in the rural context require large no. of tiers, compared with the urban context.

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 distribution chain in the rural context needs the village level shopkeeper, the mandi level distributor and the wholesaler/ stockists in the wholesalers / stockists in the town. And on top of them, it involves the manufacturer own warehouses/ branches office operations at selected centers in the marketing territory. Such multiple tiers and scattered outfits push up costs and make channel management a major problem area.

Scope for manufacturers own outlets limited; greater dependence The scope for manufacturers direct outlets such as showrooms or depots is quite limited in the rural market unlike in the urban context. It becomes expensive as well as unmanageable. Dependence of the firm on the intermediaries is very much enhanced in the rural context as direct outlets are often ruled out. But controlling such a vast network of intermediaries is a difficult task. Control is almost indirect. And because of these factors the firm has to be more careful while selecting the channel members in the rural context.

Non availability of dealers In addition, there is the problem of availability of dealers. Many firms find that availability of suitable dealers is limited. Even if the firm is willing to start from scratch and try out rank newcomers, the choice of candidates is really limited. Poor viability of the retail outlets Moreover, sales outlets in the rural market at the retail level suffer from poor viability. A familiar paradox in rural distribution is that the manufacturers incurs additional expenses on distribution and still the retail outlets find that the business is not remunerative to them.

The scattered nature of the market and the multiplicity of the tiers in the chain use up the additional funds the manufacturer is prepared to part with. And no additional remuneration accrues to any of the groups. Moreover, the business volume is not adequate enough to sustain the profitability of all the groups and the retail tier is the worst sufferer. 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 the three important purposes: To facilitate remittances to principals and to get fast replenishments of stocks. To receive supplies through bank? To facilitate securing credit from banks As banking facilities are inadequate in the rural areas, the rural dealers are handicapped in all these aspects. It is estimated that there is only one bank branch for every fifty villages. Analysis shows that many companies hesitate to venture into rural markets largely because of the problems on the distribution front. They find it uneconomic to operate outlets in rural areas as in their perception, cost of selling, cost of transportation, cost of sub distribution and cost of servicing the outlets are all very high in the rural market. Possible Approaches for Effective Channel Management in the Rural Context Taking due note of the difficulties, let us see how a firm can go about these tasks. The Existing Market Structure It has been estimated that the Indian rural market is composed of 22, 000 primary rural markets and 20 lakh retail sales outlets of which nearly one lakh are fair price shops of the Public Distribution System (PDS). One retail shop serves on an average 60 to 70 families in the rural areas.

The structure involves stock points in feeder towns to service these retail outlets at the village level. The stock points belong to either the

manufacturer or the marketer / distributor for the area. In either case, the stock point in the feeder town is the key to rural distribution. The Available Channel Choices Today, the channel types that are available in the rural markets are as follows: The private shops? The co operative? societies The Fair Price Sho? ps (FPS), (co operatives or private), of the PDS The village shandy or weekly market?

Out of the above, the cooperative societies are mainly concerned with the distribution of agricultural inputs and the FPS with the distribution of essential commodities consumed by the common man. The ‘village shandy’ is a widely used channel of the rural market. But its role in marketing branded products is somewhat limited. The Private Village Shops For a large variety of consumer products, the private shops are the main channel in the rural markets; they are also the cheapest and the most convenient channel to align with.

As such, we shall examine in some detail how the private village shops are utilised by the business firms in their rural distribution effort. According to a census of retail outlets carried out by the Operations Research Group(ORG), there are 2.02 million sales outlets in rural India, with a major chunk constituted by the private shops. In fact, the private village shops are seen to be one of the cheapest distribution channels in the world. This is quite striking, considering the many handicaps with which the village shopkeeper in India has to operate. He is forced to deal in a large number of products in order to make his operations viable.

That means a larger inventory. The longer lead time for replenishments from the urban based production point enlarges the inventory holding further. And as his sales are not uniform throughout the year, he has to carry the inventory over a longer period of time. All these factors lead to the blocking up of his capital. The scope of compensating for the higher costs through increased mark up is rather limited. He cannot add a higher mark up on many of the products he is handling simply because the consumer he is catering to cannot afford to pay a higher price. Nor is he able to make up by increased turnover.

The average daily turnover of a rural shop is often less than Rs200. Even this level of turnover is generated only when he extends credit to his customers. And he incurs additional expenses for the frequent trips he has to make to the supply points in the towns/market centres. But in spite of all these handicaps of low turnover, high inventory costs and inadequate marketing support from the principals, the village shopkeeper operates quite efficiently. He achieves this feat largely through his inborn ability for astute management of money and other inputs. He also puts in hard work.

He keeps his shop open for 14 hours a day compared to the 8 hours service provided by the urban shops. And he keeps his shop open for 365 days in the year with the support of his wife and children and ensures that he does not miss a single possible sale. In fact, it is mainly this human labour, the cost of which neither, gets accounted or paid for that makes the traditional private village shops of India one of the cheapest distribution channels in the world. It is quite natural that firms seeking an effective presence in the rural market

willingly embrace the private village shops as the major component of their distribution outfit.

And on their part, the village shops function as an effective bridge between the scattered rural consumers and the urban-based producers. Organising one's channel out of these private shops, however, requires assiduous efforts on the part of the firm. It has to select its outlets from out of existing shopkeepers or select a few freshers and appoint them as the outlets. The choices are usually confined to the following categories:- Existing traditional private? shops Money lenders willing to branch off to trade? Land owners? willing to branch off to trade

Educated Unemployed persons? The firm has to select personnel from among the above groups depending on the product line and other relevant factors and then train them and develop them into competent dealers.

Satellite Distribution A concept that has come to be known as satellite distribution can be tried in developing a distribution channel in the rural market. Under this system, to start with, the firm appoints stockists in feeder towns. They take care of financing goods, warehousing of goods and sub-distribution of goods in the area covered by the feeder town.

The firm also appoints a number of retailers in and around the feeder towns and attaches them to the stockists. The firm supplies the goods to the stockists either on cash or on credit or on consignment basis. The stockists take care of the sub-distribution job on the terms and conditions determined by the firm. The sales volume of the retailers will vary depending on the potential of the area covered and the capacity of the dealer concerned. Over

a period of time, some retailers grow in terms of business turnover. If such retail points also happen to be transportation centres within the feeder town area, the firm elevates them as stockists.

The area of operation of the original stockist shrinks in this process, but care is taken to see that his, volume of business does not shrink. This is achieved, in practice, on account of the growth in demand and deeper market penetration. If twenty retailers operate in the network of an original stockist, five or six of them get elevated over a period of time as stockists. Out of the retailers some remain attached to the original stockist and others are attached to the new stockists, depending on location, service convenience and other relevant factors.

The process continues as long as the market keeps expanding just like the second-generation stockists, a set of third generation stockists get established in course of time. And at any point of time, enough retail points invariably hover around a particular stockist. Hence the name satellite distribution. The main advantage of this system is that it facilitates market penetration in the interiors of the rural market. However, the firm must ensure that in the process, the motivation of the earlier generation stockists is not destroyed due to overzealous and premature elevation of the retailers into stockists.

The Experience of Hindustan Lever and Lipton India We can understand some of the practical dimensions of running an efficient distribution channel in the rural markets by analysing the experience of Hindustan Lever Ltd. (HLL) and Lipton India who are pioneers in rural marketing in India. The

salient features of HLL's rural distribution system are as follows: From the factories, the products move to about 40 C & F agents. From there, the products reach 3, 500 stockists located in towns with population of upto 20, 000.

From these stock points, the stocks reach the remotest rural markets going through the semi-wholesalers; some stocks move directly to village shops. The company's salesmen spend 30 per cent of their time visiting the rural dealers and consumers. Special distribution methods are used to suit specific regions, specific climatic zones and villages with specific conditions of accessibility. The products are sold at a uniform price in 3, 500 towns and 70, 000 rural locations. Lipton India, now Brooke Bond-Lipton India Ltd, also has an extensive rural marketing outfit.

In fact, today, their distribution network is the largest rural market network. Lipton's network alone is composed of 660, 000 selling outlets consisting of 430, 000 dealers and 230, 000 catering points serviced through a network of 3, 000 redistribution stockists. The network is indeed mammoth in width and depth of distribution and market coverage. Many of the 230, 000 catering points are serviced each and every day and others serviced every week by a large sales force comprising 1, 260 salesmen. And this mammoth distribution outfit endows Lipton with a unique ' bazaar power' in the rural market.

While the major part of sales turnover of most big business firms comes from 12 big towns in the Country With a population of more than one million, more than 70% of Lipton's sales comes from semi- urban and rural areas and only 11% of it sales comes from the 12 big towns. Promoting the Viability of the

Village Level Outlets Promoting the viability of the retail outlets is an important part of channel management in the rural context. In the first place, the firm -must appreciate that maintaining a network of retail outlets in the rural market becomes a viable proposition only over a period of time.

The firm must be willing to view rural marketing as a long-term venture. Secondly, the firms must help improve the viability of the retail outlets by encouraging and helping them deal in a number of product lines. Quite often, the retail dealer is not in a position to organise such activity by him. The firm can assist him in this regard. In fact the firm can go a step further - it may collaborate with other firms and make a joint retailing offer, promoting thereby viability of the retailer's operations. The firms and the government should launch a drive? o develop retail outlets and arrange for loans for the retailers who are willing to take up ownership. The companies can provide financial assistance in terms of credit and initial write off. Assistance as far as handling and training in areas alien to the rural retailer should be provided free of cost. Other necessary infrastructural facilities like construction? material, know how, etc should be provided by the manufactures and the government in a joint venture type basis. Loans to this effect may be provided on a low interest basis. Adequate training may be provided to the retailers? o improve their sales efficiency. The company should conduct special workshops and training jamborees and refreshers for an enterprising rural retailer. ? Village cooperatives must be encouraged to handle distribution of consumer goods. The stockiest can directly supply to cooperatives. Here the cooperatives act may benefit the stockiest that does not have to pay local taxes for the product that he supplies to the

cooperatives. Infact an amendment should be suggested in a cooperative act that may provide for a further discount to such stockiest for a percentage of goods supplied elsewhere. 3.

Sales Force Management In Rural Markets Let us now turn to personal selling and sales force management in the rural context. As a general rule rural marketing involves more intensive personal selling effort compared to urban marketing. Rural Marketing Calls for Some Unique Traits on the Part of Salesmen While the basic traits of personal selling such as empathy, enthusiasm, communication skill and knowledge of selling techniques are required in equal measure by urban and rural salesmen, the latter require certain additional traits and capabilities in order to match the peculiar conditions of the rural market.

Willingness to Get Located in Rural Areas First of all, only those who are genuinely happy in living and working in the villages can become good rural salesmen. It is common knowledge that the rural areas lack modern amenities compared with the urban areas, Because of this factor, salesmen are generally reluctant to work in rural centres. To circumvent this problem, some firms locate their salesmen in towns and allow them to cover the rural areas assigned to them from these towns. Experience has shown that such an arrangement does not produce optimum results.

Experience has also shown that successful rural marketing firms locate their rural salesmen right in the midst of the rural market to be covered. Lipton India for example, has located one of its salesmen in Khategaon, an interior place in Deva district in Madhya Pradesh. It takes three hours by bus to

reach the location from Indore. Similarly, it has located a salesman at Anthiyoor in Tamil Nadu, which can be reached (only after a 2 1/2 hours journey by bus from Coimbatore followed by half an hour's walk through paddy fields). The company proudly cites this practice as one main source of its bazaar power.

Cultural Congruence Location is just the starting point. The salesmen must have proper acquaintance with the cultural pattern of rural life in the given rural territory. Since the cultural pattern of rural communities differs from one another, a cultural background that is in consonance with the culture of the given rural community is a specific requisite of success for the rural salesmen. Urban markets in contrast, present a cultural convergence. Rural salesmen must also be able to guide the choice of products. They should not hook the customers into buying all the products in the catalogues.

On the contrary, they must help them eliminate items that are outside their specific requirements and those that are beyond their financial reach.

Attitude Factors Attitude factors are of particular significance in the rural context. For example, the rural salesmen must have a great deal of patience, as their customer is a traditional and cautious person. Perseverance is another essential trait. It will not be possible for the rural salesman to clinch the sale quickly. He may have to spend a lot of time with the customer and make several visits to him to gain a favourable response from him.

Knowledge of the Local Language Another special requirement is that the rural salesman should be well versed with the local language. Whereas his urban counterpart can successfully manage with English and a working

knowledge of the local language, the rural salesman needs a strong background of the local language. In fact, he has to go one step further; he must be well versed in the specific lingo and idiom of the local area/community, for, in rural India, within each major language group, the colloquial expressions and speaking manners vary considerably from locality to locality.

Capacity to Handle a Large Number of Product Lines The rural salesmen are often required to handle a much larger number of product lines compared with their urban counterparts. In urban marketing the salesmen are able to generate economic size of business through a limited number of product lines. As such, their employers do not have to load them with too many items. The rural salesmen on the contrary, usually do not generate economic volume of business if they handle just a few products. They are compelled to handle a large variety of items.

Quite often, the items differ widely from one another. In other words, the rural salesmen are required to become a jack of all trades. The rural salesmen are also required to travel more compared with their urban counterparts. Whereas the urban salesmen move in highly concentrated and compact market segments, the rural salesmen have to cover larger territories and scattered customers. Their workload and strain could therefore be more. **Greater Creativity** Rural selling also involves greater creativity. Often, the products concerned may be very new in the rural context.

The rural salesmen cannot sit back and say that it will take, several years for a particular product to penetrate the rural market. On the other hand, he must endeavour to introduce them in the rural areas through creative selling, using the consumption pioneers and opinion leaders. Rural marketing also presupposes the delivery of a new standard of living to the rural masses. It is essentially developmental marketing. The rural salesman has to be a carrier of a developmental message to the less privileged rural community. Solving Sales Force problems by managing sales force in rural areas Managing the Rural Sales Force In tune with the special requirements which the rural sales force has to meet, the task of sales force management too carries certain added dimensions in the rural context. In selecting the salesmen, in giving them orientation, in motivating them and in developing them the sales manager has to adapt to the unique requirements of rural selling. For example, while providing orientation to the newly recruited rural salesmen, the sales manager may have to devote a longer time.

And mere classroom training will not meet the requirements of orientation of rural salesmen. The salesmen need comprehensive on the job coaching in selected village markets. And they need to be educated about the rural marketing environment in addition to being trained in salesmanship and selling techniques. The rural sales manager must also support his salesmen with non-conventional means of market promotion suitable to the rural consumers. Rural salesmen also need more intensive sales training & as they have to handle a variety of products.

In short, sales force management in the rural context becomes an exacting job, especially when the firm has big stakes in rural marketing and when it

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operates on a nation wide basis. For example, Hindustan Lever's rural salesmen have to cover 70, 000 rural locations. Administering such a large and scattered sales force, supervising them, supporting them in sales calls, coaching them on the job, attending to their official and personal problems and above all, motivating them for better results in an exacting task for the sales manger. 4. Marketing Communication In Rural Markets

Constraints in Marketing Communication in the Rural Context Marketing communication, and promotion too, poses problems in rural markets. There are many constraints emanating from the profile of the audience and the availability of media. The literacy rate among the rural consumers being low, the printed word has limited use in the rural context. In addition to the low level of literacy, the tradition bound nature of the rural people, their cultural barriers and taboos and there overall economic backwardness adds to the difficulty of the communication task.

The situation is further compounded by the linguistic diversity. Rural communication has to necessarily be in the local language and idiom. The constraints of media further compound the difficulty. It has been estimated that all organised media put together can reach only 30 per cent of the rural population of India TV is an ideal medium for communicating with the rural masses. But its reach in the rural areas is limited even today. As regards the print media, the various publications reach only 18 per cent of the rural population. Even in areas reached, the circulation is limited.

And as already mentioned, the low literacy level of the rural population acts as a further inhibitor in the use of the print media in rural communication.

Cinema is relatively more accessible. It has been estimated that 33 per cent of the total cinema earnings in the country come from rural India. Rural communication has also become quite expensive. For rural communication to be effective, repeat exposures is a must; and if the gap between exposures is long the message loses its edge during period. These factors make rural communication more expensive.

Rural communication has to go through all the time consuming stages of creating awareness, altering attitudes and changing behaviour. In addition, it also has to work against deep-rooted behaviour patterns. In short, the crux of marketing communication in the rural context is one of finding a medium' that will deliver the required message in a cost effective manner to target an audience that is predominantly illiterate. 1. Promotion and Marketing (Communication) a. Consumer/market composition related problems. 1. The literacy rate is low. Therefore usage of print media or for that matter any print material is redundant.

Moreover even the segment that can be serviced by printed material is multi-lingual in nature. 2. There is social backwardness in rural areas. This implies that in most of the consumer durable segment the user is seldom the buyer or the decision maker. 3. There is an indifferent attitude towards the purchase of certain goods such as packed food, high price premium soaps, hair oils, toothpaste etc. because they are used to the traditional way of consumption. b. Media related problems. 1. About 30% of the rural masses can be reached through organized media such as TV, radio, newspapers etc.

Theoretically TV covers 25% of the rural population, radio about 90% and the press around 20%. But in reality the %'s can be still lower. Solving of promotion and communication problems Media Mix: Apart from the organized media like TV, Radio, Newspaper and the press, the rural marketer or the advertiser is expected to make correct use of the following: i.

Hoardings in the market place ii. Van publicity iii. Village mela kind of events iv. Sponsorship to drama troops v. Organizing as well as advertising lottery tickets vi. Use of bus tickets as a method of advertising vii. Post and telegraph publicity iii. Effective point of purchase advertising ix. Puppet shows (both sponsorship as well as advertising) x. Music rewards and mike announcements Interpersonal Media: Interpersonal media has a special advantage in rural marketing in the sense that it facilitates 2 way

communication and interaction. Infact it is observed that rural buyers prefer face-to-face communication. They take and adhere to advice from the seller in the most responsive manner. The interpersonal media can be conducted

in the following manner: i. Group meetings of consumer or prospects (prospective buyers) with the marketing people. i. Information centers or service centers where rural consumers can sort information and advice regarding the use of certain products such as agricultural inputs and machinery. iii. Live demonstration about products. iv. House to house or door-to-door promotion campaign. v. Sponsoring product related quizzes and other contest in schools or at community centers. vi. Sponsoring local sports, festivals or cultural events. Motivating the Rural Consumer What works in the urban market may not in the rural areas that are with respect to marketing.

Pesticide used by the farmers are same or similar to what are used in urban households but have to be packed or packaged and distributed differently due to the differentiation in usage. Also pricing becomes a factor here.

Similarly water is the universal commodity i. e. either piped or bottled for the urban consumer and canalled or irrigated for the rural farmer. Therefore the marketer must bring the right product to suit the needs of the rural

consumer. In this connection the following can be considered motivating. 1.

Packaging: Unlike the Eg. , given earlier the rural consumer prefers smaller packages this is because The? ural consumer buys in low quantity due to low

purchasing power. Secondly? the rural consumer may be trying out the

product and doesn't like to be saddled by the larger quantities. While

designing the packages, the color, design and quality of the pack is of great

importance. The rural consumer may prefer a pack with either dark or bright

or both dark and bright colors in a contrasting combination. He may also

prefer packs that have fancied designs. As far as the quality of the pack is

concerned he may not mind medicour packaging and even no packaging if

this results in lower prices. . **Product Quality:** It is of utmost importance. The

dimensions of the quality that are to be considered are durability, features

and serviceability in that order. In no way, the marketer must ever even

think of sacrificing quality or manipulating its winning combination

dimensions. This is because the fragile rural consumer may loose faith in the

product and may either resort to alternative brands or traditional products.

The new product should not only excite him but also satisfy him. 3. **Pricing:**

The product pricing must be reasonable and must depend upon the quality of the product.

Distributing to various rural areas is very expensive. However the cost of this should not be transferred under any circumstances on to the rural buyer. It should be noted here that the rural consumer is highly price sensitive and competition is not between competitors but with the fact of “ no-use”. 4.

Branding: The rural consumer prefers to buy nationally advertised brands as compared to local brands. They consider or perceive powerful national brands to have more value than locally available brands. Naming a particular brand is an important activity.

Brand names should be such that the rural consumers don't find it difficult to pronounce and remember. Short, sweet and simple brand names can work wonders with the rural market. At times marketers will try to experiment with brand names that have local connections. Agricultural Marketing Concept and Importance The study of agricultural marketing comprises all the operations, and the agencies conducting them, involved in the movement of farm-produced foods, raw materials and their derivatives, such as textiles, from the farms to the final consumers, and the effects of such operations on farmers, middlemen and consumers.

Agricultural marketing is the study of all the activities, agencies and policies involved in the procurement of farm inputs by the farmers and the movement of agricultural products from the farms to the consumers. The agricultural marketing system is a link between the farm and the non-farm sectors. It involves all the aspects of market structure or system, both functional and institutional, based on technical and economics considerations, and includes pre and post-harvest operations, assembling, grading, storage, transportation and distribution.

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A dynamic and growing, agricultural sector requires fertilizers, pesticides, farm equipments, machinery, diesel, electricity and repair services which are produced and supplied by the industry and non-farm enterprises. The expansion in the size of farm output stimulates forward linkages by providing surpluses or food and natural fibers which require transportation, storage, milling or processing, packaging and retailing to the consumers. Importance Agricultural marketing plays an important role not only in stimulating production and consumption, but in accelerating the pace of economic development.

The agriculture marketing system plays a dual role in economic development in countries whose resources are primarily agricultural. Increasing demands for money with which to purchase other goods leads to increasing sensitivity to relative prices on the part of the producers, and specialization in the cultivation of those crops on which the returns are the greatest, subject to socio-cultural, ecological and economic constraints. It is the marketing system that transmits the crucial price signals. 1.

Agricultural Marketing is one of the manifold problems, which have direct bearing upon the prosperity of the cultivators, as India is an agricultural country and about 70% of its population depends on agriculture. 2. Most of the total cultivated area (about 76%) is to under food grains and pulses. Approximately 33% of the output of food grains, pulses and nearly all of the productions of cash crops like cotton; sugarcane, oilseeds etc. are marketed, as they remain surplus after meeting the consumption needs of the farmers.

Development of technology, quick means of communication and transportation has introduced specialization in agriculture. 3. Agriculture supplies raw materials to various industries and therefore, marketing of such commercial crops like cotton, sugarcane, oilseeds etc. assumes greater importance. 4. With the introduction of green revolution agricultural production in general and food grains in particular has substantially increased. Agriculture once looked as a subsistence sector is slowly changing to a surplus and business proposition. 5.

The interaction among producers, market functionaries, consumers and government that determine the cost of marketing and sharing of this cost among the various participants. 6. The producer, middleman and consumer look upon the marketing process from their own individual point of view. The producer is primarily concerned with selling his products. 7. Any increase in the efficiency of the marketing process, which results in lower costs of distribution at lower prices to consumers, really brings about an increase in the national income. 8.

A reduction in the cost of marketing is a direct benefit to the society. 9. Marketing process brings a new varieties, qualities and beneficial goods to consumers and therefore, marketing acts as a line between production and consumption. 10. Scientific, systematic marketing stabilizes the price level. 11. An improved marketing system will stimulate the growth of number of agrobased industries mainly in the field of processing. 12. A marketing system can become a direct source of new technical knowledge and induce farmers to adopt upto date scientific methods of cultivation.

Marketing is therefore, playing an important role in the economic development and stability of a country. Most Indian farmers are small cultivators, they produce crops that are seasonal in nature, vulnerable to failure, differ from area to area (region to region) and are certainly perishable. Economically agricultural produce is inelastic because it is difficult to vary the output in response to the price. Agricultural produce is bulky in nature hence difficult to transport and very much vulnerable to the forces of nature. Next, these small cultivators are unorganized and scattered all over the country.

They have little time or inclination for gaining knowledge about the marketing side of their operations. These farmers cannot organize themselves so as to bargain on equal terms with buyers to operate on a large scale and have powerful organizations behind them. Further most of the Indian farmers have loans for sowing and are heavily in debt. Thus they are forced to sell their produce immediately after the harvest and that too in their own villages. Significance of agricultural marketing The 2 basic elements of agricultural system are production and marketing.

Marketing of agricultural produce is as important as production itself. As a link between producers and consumers marketing plays an important role not only in stimulating production and consumption but also in increasing the pace of economic development. Its dynamic functions are thus of primary importance in promoting economic development activities and for this reason it has been described as the most important multiplier of agricultural development. The problem of marketing agricultural produce has assumed

added significance particularly after the advent of modernization in agriculture.

The call to “produce more” without providing efficient marketing machinery, which can ensure fair returns to the producer-seller. Carries no conviction with the farmer. The United Nations conference on food and agriculture held in October’ 95 at Quebec says, “Marketing is the crux of the whole food and agricultural problems”. It would be useless to increase the output of food and would be equally futile to setup optimum standards of nutrition unless means could be found to move food from the producer to the consumer at a price, which is remunerative to the producer and within the consumer’s ability to pay.

The cost of marketing agricultural produce forms a substantial percentage of the price the consumer pays for it. This cost includes expenses borne by the cultivators till the assembly stage and those borne by wholesalers, distributors and retailers. The total marketing cost cannot be considered independently without relating it to the ultimate price realized by the producer. The marketing sector, in fact, plays an active role under certain circumstances by changing the demand and cost functions in agriculture in such a way so as to encourage its expansion.

According to the National Commission on Agriculture “Agricultural Marketing is a process which starts with a decision to produce a saleable farm commodity and it involves all aspects of market structure or system, both functional and institutional, based on technical and academic consideration and involves pre and post harvest operations assembly, grading, storage,

transportation and distribution”. In Agricultural marketing we are concerned with demand and supply conditions, marketing operations including marketing functions, functionaries and cost, price fixation, market structure, conduct and performance and marketing efficiency.

Fundamentally there are 3 entities involved in the marketing system they are as follows: 1. Producer 2. Consumer 3. The Middlemen Each of these entities has its own objectives, which often conflict with the others interest. The producers after making a lot of investment and putting in lot of hard work would naturally look forward to get the largest/best possible returns for his produce. The consumer on the other hand would like to get his required quantities of goods of pure quality at the least possible price.

The middlemen would aim at realizing the largest possible net profits from the deal. An efficient marketing system should, therefore, aim at balancing this conflicting interest in such a way that each entity gets a fare deal.

Increase production resulting in greater percentage increase in marketable surplus accompanied by increase in demand from urban population calls for a rapid improvement in the existing marketing system. It is necessary to improve the marketing system to aid the process of agricultural development for 2 reasons.

Firstly, If the additional produce? does not move to the market to bring additional revenue to the farmers, it may work as a disincentive to increase production. Secondly, If the system does? not support supply food-grains and other agricultural commodities at reasonable prices to the consumer at the time and place needed by them, increased production has no meaning and

plays no role in the welfare of society. Thus the farmer in general sell his produce at an unfavorable place at an unfavorable time and usually gets very unfavorable terms.

It could be observed that inadequate credit facility to the farmer is the root cause of all defects in the agricultural marketing system in India where the poor peasants are under the firm grip of the moneylenders. The market structure in India is saddled in the long chain of middlemen between the cultivators and the ultimate consumer. These middlemen take away the Lion's share of the price paid by the consumer and consequently the farmer-seller gets a poor price in his share. Markets for agricultural commodities may be broadly classified into 3 categories viz. 1.

Wholesale 2. Retail Markets 3. Fairs There are various dimensions of markets which can be classified on the basis of the following dimensions: 1. On the basis of free intercourse or degree of competition 2. On the basis of time 3. On the basis of nature of commodities (Type of goods transacted) 4. On the basis of area of coverage 5. On the basis of location or importance 6. On the basis of nature of transaction 7. On the basis of volume of transaction 8. On the basis of no of commodities in which transaction take place 9. On the basis of stage of marketing 10.

On the basis of extent of public intervention 1. Wholesale Market The wholesale markets fall into 3 subcategories Primary? Secondary? Terminal? Primary wholesale markets Primary wholesale markets, where the bulk of arrivals is from village or village hats. These market are periodically held, either once or twice a week or at longer intervals or on special occasions.

Agricultural produce, or livestock or both are sold in these markets. There are about 22000 such markets located mostly in the interior of the country. The area served by a hat or a shandy varies considerably.

In some cases it is only one village but in others it may have a radius of 6 or 7 miles. These markets deal in sale of Fruits and vegetables, food grains, cloth; earthen wares, lac and glass bangles and articles of daily use and transactions take place either for cash or exchange in household requisites. Such markets are organised by village panchayats and every shopkeeper has to pay some rent for the space he occupies. Here haggling and bargaining is a common feature. The village bania acts as a middleman in return for a small commission. Such markets are known as Painths or hats in U.

P. , Bihar, Orissa and West Bengal, and Shandies in south India. For the upkeep of such markets superficially 3 types of taxes are collected viz. a. Sales Tax b. Service Tax c. Place Tax However in practice a large number of ritualistic deductions and local taxes are applied to the produce sold here. Secondary wholesale markets Secondary wholesale markets, also known as mandis and Gunjs, stretch over a wide area covering from 10 to 20 miles. There are about 1, 700 such markets in the, country. In these markets, the bulk of the arrivals is from other markets.

These are usually situated in the district and taluka headquarters, important trade centres or near railway stations. Here transactions are generally between wholesalers or between wholesalers and retailers. Secondary Markets functions are usually in urban and semi-urban areas. Here facilities

of storage and banking are available. Mostly wholesale as well as retail trade both take place in the same complex simultaneously. A large number of intermediaries exist in these markets. The traders who purchase from the primary markets in wholesale trade, they buy in these markets.

The manufacturers who use agricultural produce as a primary input purchase raw material in wholesale in these markets. The wholeseller performs the marketing function of assembly and distribution. It may be noted that the actual producer the " Farmer is completely absent in wholesale markets".

Terminal Markets Terminal Markets are those in which the produce is either finally disposed of directly to consumers or processors or assembled for shipment to foreign destinations or for redistribution to surrounding areas.

Such markets are usually the ports, which possess sufficient warehousing and storage facilities and cover a very wide area extending over even a State or two. It may be observed that a particular market may function as a Primary wholesale market for some agricultural commodities, which are produced locally and as a secondary market for other commodities. Again, even for the same commodity a market may function as primary wholesale market for certain parts of the year and as a secondary wholesale market for the rest of the year.

2. Retail Markets

These markets are found scattered all over the town or a city or concentrated in particular localities. They are owned by the retailers subject to municipal control. They usually deal in all types of produce and serve the needs, of the city people as well as the surrounding villages. Cloth market, sharafa market, grain mandi, vegetable market