RURAL MARKETING

"Rural Marketing is Real Marketing"

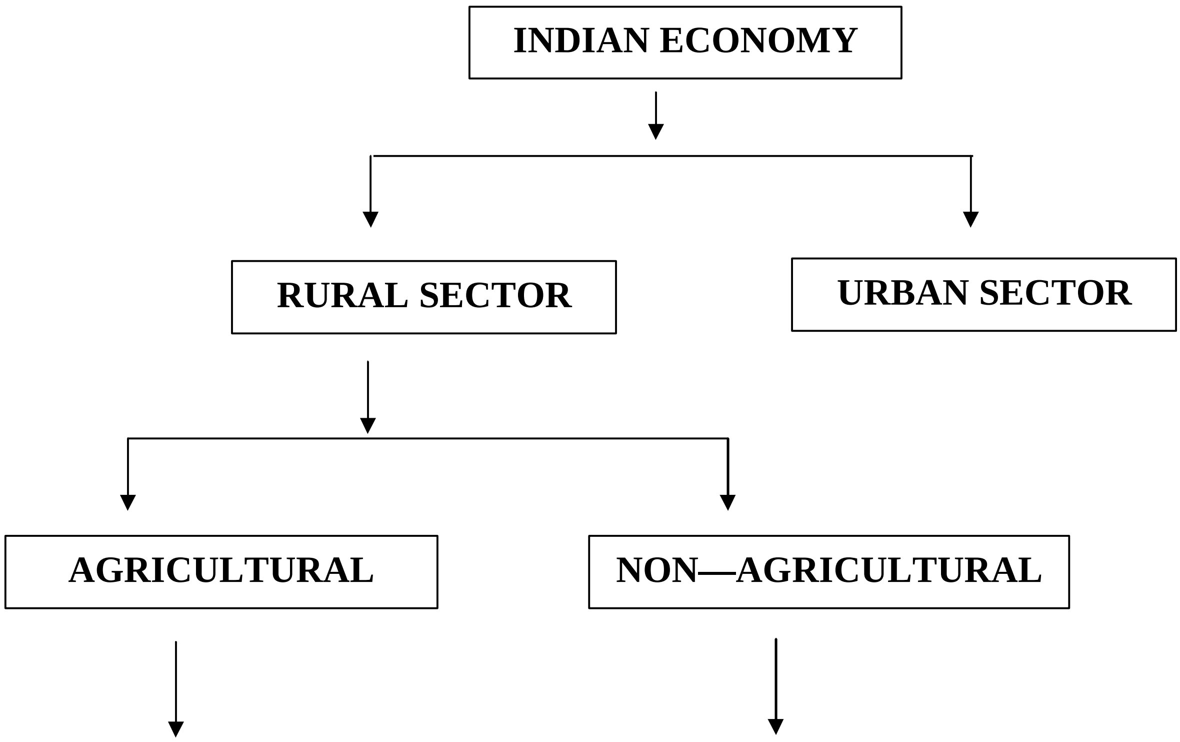
The predominantly rural character of India's national economy is reflected in the very high proportion of its population living in rural area's: They were

Year	Rural Population
In 1901	89 per cent
In 1951	83 percent
In 1971	80 percent
In 1981	76 per cent
In 1991	74 per cent
In 2001	73 per cent

With more than 700 million people living in rural areas, in some 5,80,000 villages, about two—third of its workforce was engaged in agriculture and allied activities with a contribution of 29 percent of India's Gross Domestic Product (GDP), India's economy is predominantly rural in character.

India's economy can be thought of as comprising of two main sectors, namely, the Rural Sector and the Urban Sector. The Rural sector is, in turn, composed of two main sub sectors i.e. the agricultural sub sector and the non—agricultural sub sector.

See Fig.:



<u>Fig.: Classification of Indian Economy</u>

The non-agricultural sub sector comprises agricultural and allied economic activities such as Crop Cultivation, Animal Husbandry, Dairying, Fisheries, Poultry and Forestry (Floriculture) etc.

The non—agricultural sub sector consists of economic activities relating to Industry, Business and Services. Industry have refers to cottage and village industries, Khadi, handloom, handicraft, etc.

Business refers to trading of general goods, small shops, petty traders etc., whereas services refers to Transportation, Communications, Banking, Postal, Education etc.

The size and potential market of the rural sector could be measured in terms of the rural population, the population of livestock, the extent of land, forest and other natural resources.

According to the population census of 1991, India's rural population was 62.87 crore, which accounted for 74.3 percent of the country's total population.

Till recently, the focus of marketers in India was the urban consumer and by large number specific efforts were made to reach the rural markets. But now it is felt that with the tempo of development accelerating in rural India, coupled with increase in purchasing power, because of scientific agriculture, the changing life style and consumption pattern of villagers with increase in education, social mobility, improved means of transportations and communication and other penetrations of mass media such as television and its various satellite channels have exposed rural India to the outside world and hence their outlook to life has also changed. Because of all these factors, rural India in now attracting more and more marketers.

Increase in competition, saturated urban markets, more and move new products demanding urban customers, made the companies to think about new potential markets. Thus, Indian rural markets have caught the attention of many companies, advertisers and multinational companies. According to a recent survey conducted by the National Council for Applied Economic Research (NCAER), the purchasing power of the rural people has increased due to increase in productivity and better price commanded by the agricultural products. By and large this rise in purchasing power remains unexploited and with the growing reach of the television, it is now quite easy for the marketers to capture these markets.

Rural marketing has become the latest mantra of most corporate. Companies like Hindustan Lever, Colgate Palmolive, Britannia and even Multinational Companies (MNCs) like Pepsi, Coca Cola, L.G., Philips, Cavin Kare are all eyeing rural markets to capture the large Indian market.

Coming to the frame work of Rural Marketing, Rural Marketing broadly involves reaching the rural customer, understanding their needs and wants, supply of goods and services to meet their requirements, carrying out after sales service that leads to customer satisfaction and repeat purchase/sales.

Earlier, the general impression was that the rural markets have potential only for agricultural inputs like seed, fertilizers, pesticides, cattle feed and agricultural machinery. There is a growing market for consumer goods as well.

For example: According to CIRCA 1998; survey report. The rural nail polish market was pegged at Rs 270 million against Rs. 81 million in the cities. The rural market for lipstick was around Rs 250 million, compared to estimated at about 1099 tonnes against 426 tonnes in the cities, while shampoos had a potential of 2257 tonnes in the villages compared to 718 tonnes in the cities. Even the mosquito repellent market was reckoned at Rs. 173 million to ignore such a big segment i.e., Rural India. This has particularly been music to ears of big corporate as well as multinational companies.

<u>Development indicators: India</u>

		1980	1985	1990	1995	Latest	CARG 1980	CARG 1990
Agriculture	Unit							
Average size of holding	Ha	1.8	1.7	1.6	-	-	-1.6	-
Gross sown area	% of RA	56.6	58.5	60.2	61.2	61.7	.6	.4
Area under Rice	% of GCA	23.2	23.1	23.0	22.7	23.0	.5	.4
Area under wheat	% of GCA	13.0	13.3	13.0	13.5	13.8	.7	1.1
Gross irrigated area	% of GCA	28.5	30.4	33.8	36.7	38.5	2.4	2.2
Fertilizer consumption	Kg/ha	30.7	45.7	63.9	68.0	78.7	7.6	3.0

Value of production	Rs/ha	1950.0	5462.0	8578.0	11691.0	-	16.0	6.4
Value of agriculture production	Rs/capita	501.0	1305.0	1899.0	2370.0	-	14.3	4.5
Value of mineral production	Rs/capita	-	-	228.3	294.5	-	-	5.2
Energy and infrastructure								
Villages electrified	% of villages	43.4	64.3	81.3	86.0	-	6.5	1.1
Road length	/100sq.km.	45.4	51.3	60.4	66.1	75.0	2.9	3.2
Railway route length	/100sq.km.	1.9	1.9	1.9	1.9	1.9	.2	.1
Post offices	/lakh pop	20.8	19.4	17.8	16.6	148.1	-1.5	30.4
Telephone connections	/100 persons	.3	.4	.6	1.1	2.2	6.3	16.3
Industries								
Banking								
Branches	/lakh pop	4.8	7.1	7.3	6.9	6.7	4.3	-1.0
Deposits	Rs/capita	466.0	1043.0	2075.0	4117.0	6967.0	16.1	14.4
Credit	Rs/capita	-	671.0	1259.0	2291.0	3816.0	13.4	13.1
Credit to agriculture	Rs/capita	-	118.0	201.0	271.0	408.0	11.2	8.2
Credit to industry	Rs/capita	-	277.0	614.0	1045.0	1876.0	17.2	13.2
Health								

Primary health centers	/lakh pop	.8	1.0	2.3	2.3	-	10.9	.4
Hospital and dispensary beds	/lakh pop	84.8	88.1	97.3	94.5	-	1.4	-.6
Education								
Primary schools	/lakh pop	73.7	70.9	67.7	66.3	64.9	-.9	-.7
Middle/ higher schools	/lakh pop	17.7	18.1	18.3	20.1	19.7	.3	1.3

Source: Center for management of Indian economy, 2000

Notes:

1. CARG: Compound Annual Rate of Growth
2. Ha: Hectare

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RURAL MARKETING

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UNIT-II CONTENTS

CHAPTERS

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CHAPTER I: RURAL MARKETING – CONCEPT AND SCOPE

Objective:

The objective of this chapter is to understand:

- The concept and scope of rural markets
- The nature and attractiveness of rural markets
- Roadblocks of Indian Rural Markets
- Solutions to problems of rural markets

Definition of Rural Market and Rural Marketing

India is a land of diversity and about 70% of the Indian population lives in villages. These villages contribute in the economic development of the nation through the production of food grains, vegetables, fruits, etc. Export of these agricultural commodities result in the generation of capital and earnings of foreign exchange.

There are 600,000 villages in India. 25% of all villages account for 65% of the total rural population. So we can contact 65% of 680 million or 700 million population by simply contacting 150000 villages – which shows the huge potential of this market.

Indian rural market has a vast size and demand base. Before going into more aspects on rural marketing, let us understand how rural is defined.

The Census defines urban India as - "All the places that fall within the administrative limits of a municipal corporation, municipality, cantonment board etc or have a population of at least 5,000 and have at least 75 per cent male working population in outside the primary sector and have a population density of at least 400 per square kilometer. Rural India, on the other hand, comprises all places that are not urban!"

The government of India only defines a non-urban market. An urban market is the one which has a population density of 400 people per sq/km. 7% of its population has to be involved in non-agricultural activities and there is a municipal body. If we go by statistics, roughly around 70% of the Indian population lives in the rural areas. That’s almost 12% of the world population.

To expand the market by tapping the countryside, more and more MNCs are foraying into India's rural markets. Among those that have made some headway are Hindustan Lever, Coca-Cola, LG Electronics, Britannia, Standard Life, Philips, Colgate Palmolive and the foreign-invested telecom companies.

Rural Marketing

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: 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: Here, a rural producer (involved in agriculture) sells his produce in urban market. This may not be direct. There generally are middlemen, agencies, government co-operatives, etc who sell fruits, vegetables, grains, pulses and others.
3. Rural to rural: These include selling of agricultural tools, cattle, carts and others to another village in its proximity.

Features of Indian Rural Markets:

- Large, Diverse and Scattered Market: Rural market in India is large, and scattered into a number of regions. There may be less number of shops available to market products.
- Major Income of Rural consumers is from Agriculture: Rural Prosperity is tied with agriculture prosperity. In the event of a crop failure, the income of the rural masses is directly affected.
- Standard of Living and rising disposable income of the rural customers: It is known that majority of the rural population lives below poverty line and has low literacy rate, low per capital income, societal backwardness, low savings, etc. But the new tax structure, good monsoon, government regulation on pricing has created disposable incomes. Today the rural customer spends money to get value and is aware of the happening around him.
- Traditional Outlook: Villages develop slowly and have a traditional outlook. Change is a continuous process but most rural people accept

change gradually. This is gradually changing due to literacy especially in the youth who have begun to change the outlook in the villages.

- Rising literacy levels: It is documented that approximately 45% of rural Indians are literate. Hence awareness has increases and the farmers are well-informed about the world around them. They are also educating themselves on the new technology around them and aspiring for a better lifestyle.
- Diverse Socioeconomic background: Due to dispersion of geographical areas and uneven land fertility, rural people have disparate socioeconomic background, which ultimately affects the rural market.
- Infrastructure Facilities: The infrastructure facilities like cemented roads, warehouses, communication system, and financial facilities are inadequate in rural areas. Hence physical distribution is a challenge to marketers who have found innovative ways to market their products.

As part of planned economic development, the government is making continuous efforts towards rural development. In this age of liberalization, privatization and globalization, rural market offers a big attraction to the marketers to explore markets that are untapped.

Roadblocks of Indian Rural Markets:

There are several roadblocks that make it difficult to progress in the rural market. Marketers encounter a number of problems like dealing with physical distribution, logistics, proper and effective deployment of sales force and effective marketing communication when they enter rural markets. The major problems are listed below.

1. Standard of living: The number of people below the poverty line is more in rural markets. Thus the market is also underdeveloped and marketing strategies have to be different from those used in urban marketing.
2. Low literacy levels: The low literacy levels in rural areas leads to a problem of communication. Print media has less utility compared to the other media of communication.
3. Low per capita income: Agriculture is the main source of income and hence spending capacity depends upon the agriculture produce. Demand may not be stable or regular.
4. Transportation and warehousing: Transportation is one of the biggest challenges in rural markets. As far as road transportation is concerned, about 50% of Indian villages are connected by roads. However, the rest of the rural markets do not even have a proper road linkage which makes physical distribution a tough task. Many villages are located in hilly terrains that make it difficult to connect them through roads. Most marketers use tractors or bullock carts in rural areas to distribute their products. Warehousing is another major problem in rural areas, as there is hardly any organized agency to look after the storage issue. The services rendered by central warehousing corporation and state warehousing corporations are limited only to urban and suburban areas.
5. Ineffective distribution channels: The distribution chain is not very well organized and requires a large number of intermediaries, which in turn increases the cost and creates administrative problems. Due to lack of proper infrastructure, manufacturers are reluctant to open outlets in these areas. They are mainly dependent on dealers, who are not easily available for rural areas. This is a challenge to the marketers.
6. Many languages and diversity in culture: Factors like cultural congruence, different behavior and language of the respective areas

make it difficult to handle the customers. Traits among the sales force are required to match the various requirements of these specific areas.

7. Lack of communication system: Quick communication is the need of the hour for smooth conduct of business, but it continues to be a far cry in rural areas due to lack of communication facilities like telegraph and telecommunication systems etc. The literacy rate in the rural areas is rather low and consumer’s behavior in these areas is traditional, which may be a problem for effective communication.
8. Spurious brands: Cost is an important factor that determines purchasing decision in rural areas. A lot of spurious brands or look-alikes are available, providing a low cost option to the rural customer. Many a time the rural customer may not be aware of the difference due to illiteracy.
9. Seasonal demand: Demand may be seasonal due to dependency on agricultural income. Harvest season might see an increase in disposable income and hence more purchasing power.
10. Dispersed markets: Rural population is highly dispersed and requires a lot of marketing efforts in terms of distribution and communication.

The entire points discussed above offer challenges to the marketer. He tries to uncover newer ways to market his product as he cannot afford to miss this huge opportunity existing in rural markets. He tries to identify solutions to these marketing problems.

Solutions to problems of rural markets:

To solve the problems of rural markets in India, the following suggestions can be used by marketers.

1. Regarding the problems of physical distribution, the marketer may have a joint network of stockist/ clearing-cum-forwarding (C&F) agents at strategic location for facilitation of physical distribution for its products in the rural market. The main advantage of this scheme is that the costs of physical distribution can be shared by the companies and stockists. The combination of different modes of transport based on availability of tracks will be beneficial to the companies. Presently, bullock-cart plays a very vital role in rural distribution where the roads are not available. Some of the leading companies use delivery vans in rural areas for resolving the distribution problems in rural market. The delivery van takes the products to the retail shops in every corner of the rural market and it enables the company to establish direct sales contact with majority of the rural consumers which helps in sales promotion.

2. The rural market is composed of a number of retail sales outlets along with fair price shops under the public distribution system. It is suggested that the government should encourage private shopkeepers and cooperative stores to come forward and establish their business in rural areas instead of the weekly market known as weekly bazaar. Fertilizer companies have opened their outlets for proper distribution of fertilizer among the farmers. Similarly, the companies dealing in consumer goods can apply this model. The company may also appoint a number of retailers in and around the feeder towns and attach them to the stockist who distributes the goods to the retailers as per the potential of the market. This system has the benefit of penetrating into the interior areas of the rural markets.

3. To solve the problems of sales force management, it is suggested that the company takes due care in the recruitment and selection of sales people because the traits they require are different from urban and suburban sales

persons. For the rural markets, only those sales people should be preferred for selection who is willing to work in rural areas. They must be aware of the local language and must have the patience to deal with rural customers and can discharge the duties of a bare-footed salesman. Administration of such a large and scattered sales force, supervising and supporting them in sales calls, guiding them, attending to their official and personal problems, and motivating them for better results should be an exacting task for the sales manager. Thus, the people operating in rural areas should invariably be from the rural background and should have a missionary zeal to serve the rural masses.

4. With reference to marketing communication in rural areas, the company should use organized media-mix like TV, Radio, cinema and POP (point of purchase) advertising. Television is gaining popularity in the rural areas but due to poor supply of electricity, radio is performing significantly better. Since, the rural people need demonstration, short-feature films with disguised advertisement messages, direct advertisement films and documentaries that combine knowledge and advertisements will perform better rural marketing communication. Here the companies may also use audiovisual publicity vans, which may sell the products with promotion campaign. To attract the rural consumers, companies can organize village fairs, dance and drama shows, group meetings to convince the rural consumers about the products and services. In most Indian villages, there are some opinion leaders. For the rural markets, only those sales people should be preferred for selection who is willing to work in rural areas like Sarpanch, Pradhan and other elderly persons. They can be approached by the marketers to propagate their messages; these persons can prove to be effective communicators within the rural masses.

The rural market in India is quite fascinating and challenging in spite of all the difficulties existing. The potential is enormous. Even though, these markets have weaknesses they also have tremendous opportunities which should be availed by the marketers. It is well known that “Markets are created and not born”. The market so created should be tapped effectively. An ideal example is that of LIC. The Life Insurance Corporation of India generates life insurance business by appointing the insurance agent from the village itself so that he can easily convince his near and dear ones. LIC started a scheme called Gram Vikas where the Sarpanch is given a target to sell a minimum of 10 policy plans and the commission so earned is spent on the development of their respective villages.

The marketers have to come up with innovative ideas through which the villagers also get involved in getting business from their respective villages.

The Indian rural market is quite fascinating and challenging. It provides tremendous opportunities which beckon a marketer to explore.

Summary

Indian rural market has a vast size and demand base. 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.

As part of planned economic development, the government is making continuous efforts towards rural development.

There are several roadblocks that make it difficult to progress in the rural market. Marketers encounter a number of problems like dealing with physical distribution, logistics, proper and effective deployment of sales force and effective marketing communication when they enter rural markets.

The rural market in India is quite fascinating and challenging in spite of all the difficulties existing. The potential is enormous. Even though, these markets have weaknesses they also have tremendous opportunities which should be availed by the marketers. The marketers have to come up with innovative ideas through which the villagers also get involved in getting business from their respective villages.

Questions

1. What is rural marketing and how do you define rural markets?
2. What are the features of rural markets?
3. What are the drawbacks of Indian Rural markets?
4. How do you solve the problems of Indian rural markets?
5. “Rural marketing cannot be neglected”. Explain.

CHAPTER II: CHARACTERISTICS OF RURAL CONSUMERS

Objective:

The objective of this chapter is to understand:

- Classification of rural consumers
- Changing profile of rural consumers
- Influencing the rural consumers

Classification of rural consumers

The rural consumers are classified into the following groups based on their economic status:

- **The Affluent Group:** They are cash rich farmers and a very few in number. They have affordability but not form a demand base large enough for marketing firms to depend on. Wheat farmers in Punjab and rice merchants of Andhra Pradesh fall in this group.
- **The Middle Class:** This is one of the largest segments for manufactured goods and is fast expanding. Farmers cultivating sugar cane in UP and Karnataka fall in this category.
- **The Poor:** This constitutes a huge segment. Purchasing power is less, but strength is more. They receive the grants from government and reap the benefits of many such schemes and may move towards the middle class. The farmers of Bihar and Orissa fall under this category.

Profile of rural consumers

IMRB (Indian Market Research Bureau) and NCAER "(National Council for Applied Economic Research) have made available a few studies based on which rural consumers profile can be arrived at.

- Literacy: 23% of rural Indian population is literate and people are getting added to this list year after year. There are still some villages which are underdeveloped. Maximum education is primary school or in some cases high school. To this group the marketing promotional strategy to be adopted is demonstration of product features and advantages. Print media and posters do not make any impact.
- Income: An average rural consumer has a much lower income than his urban counterpart. The disposable income has increased in the recent years to considerable extent. In spite of this, the common traits of rural consumers are low purchasing power, low standard of living, low per capita income and low economic and social positions.
- Density: Rural population is scattered across 7 lakh villages. This implies that rural demand is scattered and urban demand is concentrated.
- Influencers: There are many reference groups in a village. These include teacher, doctor, panchayat members, health workers, bank manager and co-operative board workers. These influencers need to be kept in mind when a marketer decides on rural marketing.
- Occupation: The main occupation is agriculture. The size and ownership of land determines the basis for differentiation and consumption patterns.
- Culture: Rural consumers are traditional in their outlook. They associate faster with messages that match their cultural behavior.
- Language: English is not a language of rural India. Hence a marketer should aim for communication in the local language.

- Media Habits: Television, radio, vedio and theatre are some of the traditional media that a rural consumer identifies with.

The above are some of the factors that differentiate the rural consumer from his urban counterpart. A marketer has to decide on all the above parameters while designing a marketing plan.

Changing profile of rural consumers

Rural consumers as studied are dependent on agriculture and were not very literate about products and services available. This scenario is slowly changing due to increase in literacy and disposable income.

Not long ago, rural consumers went to a nearby city to buy``branded products and services". Only select household consumed branded goods, be it tea or jeans. Earlier, big companies flocked to rural markets to establish their brands.

Rural markets today are critical for every marketer - be it for a branded shampoo or a television. Earlier marketers thought of van campaigns, cinema commercials and a few wall paintings to entice rural folks under their folds. Today a customer in a rural area is quite literate about myriad products that are on offer in the market place, thanks to television. Many companies are foraying into the rural markets and educating them on newer products and services.

The rural youth today are playing a far more significant role in influencing the purchase decisions. They travel frequently out in the village and are the drivers of purchase decisions regarding radios, television (black and white as well as color), automobiles and other goods. They may not be the end customers but often are the people who influence the purchase of high value products and they decide on which brands to choose.

Penetration levels of consumer durables in the rural sector have risen dramatically in the last decade or so. Even the rural woman is coming out of the closet. She is exercising her choice in selecting categories - the choice of brands may still be with the males of the household.

The prerogative of making the final purchase decisions stills rests with the chief male. In other words, the “chief wage earner” syndrome still applies in the rural markets.

Influencing the rural consumers

The biggest challenge today is to develop a scalable model of influencing the rural consumers’ mind over a large period of time and keep it going. This needs to be achieved in a limited or a reasonable budget. That’s where the marketers who really understand rural markets and advertising agencies can make a difference and develop a scalable media/communication model.

The mass media has the drawback that the time gap between the point of exposure and the time of purchase is long. Hence it is difficult to use it in rural communication.

The most important element in rural communications is that the marketer has to integrate 3 things in communication.

1. Exposure of a message
2. Trial or demonstration
3. Final sale.

There is minimal brand loyalty in rural consumers. This is mainly due to a bigger problem of brand recognition. There are a lot of looks alike in the rural market. The challenge is to create communication that would help the rural consumer in recognizing brands, logos, visuals, colors, etc., so that he or she actually buys the actual brand and not something else.

Summary

The rural consumers are classified into: the affluent group, the middle class and the poor based on their economic status.

IMRB (Indian Market Research Bureau) and NCAER "(National Council for Applied Economic Research) have made available a few studies based on which rural consumers profile can be arrived at.

The rural youth today are playing a far more significant role in influencing the purchase decisions. They may not be the end customers but often are the people who influence the purchase of high value products and they decide on which brands to choose.

The biggest challenge today is to develop a scalable model of influencing the rural consumers' mind over a large period of time and keep it going.

Questions

1. Who are the rural consumers? How are they classified?
2. The biggest challenge today is to develop a scalable model of influencing the rural consumers' mind. Explain.
3. What are the profiles of a rural consumer?
4. How do you influence a rural consumer?

CHAPTER III: RURAL VERSUS URBAN MARKETING

Objective:

The objective of this chapter is to understand:

- Characteristics of rural market
- Challenges of rural marketing
- The 4Ps of rural marketing

The Changing Scenario

A dramatic change is in progress in the villages. Villagers who used to crack open peanut candies, eat the nut and throw away the shell are now demanding chocolate candies that will melt in their mouths, not in their hands. The new advertisement of Perk featuring Rani Mukerjee speaks about the demand created in rural markets for chocolates.

Charcoal, neem twigs and twigs of babool tree to cleaned teeth are replaced by Paste. Today, the ultra bright shine of Colgate or some other international brand of toothpaste holds more appeal than the traditional methods of cleaning teeth.

The terminologies being used to describe activities are also undergoing change with respect to marketing appeal of products. Consumerism and globalization is invading parts of India where, as some would venture to say, time seems to have ceased for centuries.

These villages and small towns, which were once inconsequential dots on maps, are now getting the attention of global marketing giants and media planners. Thanks to globalization, economic liberalization, IT revolution, female power, and improving infrastructure, middle class rural India today has more disposable income than urban India. Rural marketing is gaining new heights in addition to rural advertising.

Characteristics of rural market

1 The rural markets are of diverse nature. There are people from diverse cultural, linguistic and religious background. No two markets are alike and it is dispersed across India.
2 Shift towards rural markets are mainly because of saturation and competitiveness of urban market. Marketers do not want to neglect this huge untapped market.
3 The incomes of rural customers are also increasing. As seen earlier disposable income of rural consumers have increased and they spend on FMCG and consumer durables.
4 Rising literacy has generated a demand of life style products. Lot of youth move out of the village and visit surrounding cities. They come back and influence decision making.
5 Cable television has also contributed to an increase in life style. The reach has increased and marketers are in a position to promote their products much more easily,

Challenges of rural marketing

The rural market may be attracting marketers but it is not without its problems: Low per capita disposable incomes that is half the urban disposable income; large number of daily wage earners, acute dependence on the vagaries of the monsoon; seasonal consumption linked to harvests and festivals and special occasions; poor roads; power problems; and inaccessibility to conventional advertising media.

However, the rural consumer is not unlike his urban counterpart in many ways. The more marketers are meeting the consequent challenges of availability, affordability, acceptability and awareness in rural market.

Availability

The first challenge in rural marketing is to ensure availability of the product or service. India's 7, 00,000 villages are spread over 3.2 million sq km; 700 million Indians may live in rural areas, finding them is not easy. They are highly dispersed.

Given the poor infrastructure, it is a greater challenge to regularly reach products to the far-flung villages. Marketer should plan accordingly and strive to reach these markets n a regular basis. Marketers must trade off the distribution cost with incremental market penetration.

India's largest MNC, Hindustan Lever, a subsidiary of Unilever, has built a strong distribution system which helps its brands reach the interiors of the rural market. To service remote village, stockists use auto rickshaws, bullock-carts and even boats in the backwaters of Kerala.

Coca-Cola, which considers rural India as a future growth driver, has evolved a hub and spoke distribution model to reach the villages. To ensure full loads, the company depot supplies, twice a week, large distributors which who act as hubs. These distributors appoint and supply, once a week, smaller distributors in adjoining areas.

LG Electronics has set up 45 area offices and 59 rural/remote area offices to cater to these potential markets.

Affordability

The second major challenge is to ensure affordability of the product or service. With low disposable incomes, products need to be affordable to the rural consumer, most of who are on daily wages.

A solution to this has been introduction of unit packs by some companies. This ensures greater affordability.

Most of the shampoos are available in smaller packs.

Fair and lovely was launched in a smaller pack.

Colgate toothpaste launched its smaller packs to cater to the traveling segment and the rural consumers.

Godrej recently introduced three brands of Cinthol, Fair Glow and Godrej in 50-gm packs.

Hindustan Lever has launched a variant of its largest selling soap brand, Lifebuoy.

Coca-Cola has addressed the affordability issue by introducing the smaller bottle priced at Rs 5. The initiative has paid off: Eighty per cent of new drinkers now come from the rural markets. A series of advertisement for this was rune showing people from diverse backgrounds featuring Aamir Khan.

Acceptability

The next challenge is to gain acceptability for the product or service. Therefore, there is a need to offer products that suit the rural market.

LG Electronics have reaped rich dividends by doing so. In 1998, it developed a customized TV for the rural market named Sampoorna. It was a runway hit selling 100,000 sets in the very first year.

Coca-Cola provided low-cost ice boxes in the rural areas due to the lack of electricity and refrigerators. It also provided a tin box for new outlets and thermocol box for seasonal outlets.

The insurance companies that have tailor-made products for the rural market have also performed well. HDFC Standard LIFE topped private insurers by selling policies worth Rs 3.5 crore in total premia. The company tied up with non-governmental organizations and offered reasonably-priced policies in the nature of group insurance covers.

Awareness

A large part of rural India is inaccessible to conventional advertising media. Only 41 per cent rural households have access to TV.
Building awareness is another challenge in rural marketing. A common factor between the rural and the urban consumer is the interest for movies and music. Family is the key unit of identity for both the urban and rural consumer.

However, the rural consumer expressions differ from his urban counterpart. For a rural consumer, outing is confined to local fairs and festivals and TV viewing is confined to the state-owned Doordarshan. Consumption of branded products is treated as a special treat or indulgence.

Hindustan Lever has its own company-organized media. These are promotional events organized by stockists. Godrej Consumer Products, which is trying to push its soap brands into the interior areas, uses radio to reach the local people in their language.

Coca-Cola uses a combination of TV, cinema and radio to reach the rural households. It has also used banners, posters and tapped all the local forms of entertainment. Since price is a key issue in the rural areas, Coca-Cola advertising stressed its `magical' price point of Rs 5 per bottle in all media. LG Electronics uses vans and road shows to reach rural customers. The company uses local language advertising. Philips India uses wall writing and radio advertising to drive its growth in rural areas.

Also, in India, the retailers are highly fragmented, highly dispersed. At the same time, each of these regions serves a large population. The media penetration in rural areas is only about 57%.

It has been seen that, two out of five Indians are unreached by any media - TV, Press, Radio and Cinema put together. Haats, mandis and melas are opportunities.

The 4Ps of Rural Marketing

Most of the companies treat rural market as a dumping ground for the lower end products designed for an urban audience. But, this scenario is slowly changing and importance is given to the need of the rural consumer. Hence it is important to understand the 4Ps of rural marketing with respect to a rural consumer.

1. Product

A product is the heart of rural marketing. It is a need satisfying entity to a rural consumer. NCAER has classified consumer goods into 3 categories. These categories cover most of the products from Rs. 100 to Rs. 20000 and above.

Category I	Category II	Category III
Pressure Cookers	2-in-1 (mono)	C TVs (S)
Pressure Pans	2-in-1 (stereo)	C TVs (R)
Mono Cassette Recorders	B and W TV (S)	VCRs/ VCPs
Wrist watches (mechanical)	B and W TV (R)	Scooters
Wrist watches (quartz)	Instant Geyser	Mopeds

Radio/Transistors	Storage Geysers	Motor Cycles
Electric irons	Sewing Machines	Refrigerators
Ceiling Fans	Vacuum Cleaners	Washing Machines
Table Fans	Mixer/grinders	
Bicycles		

The hierarchy depends on the needs of the rural consumers. Most of the products under category 1 are of immediate use to the family. Category 2 products reduce the strain of the households and also act as a source of entertainment. Category 3 is a combination of means to supplement income.

Rural branding aims at creating and disseminating the brand name so that it is easily understood and recognized by the rural consumers.

In rural markets, brands are almost non-existent. They identify FMCG by three things:

1. Color,
2. Visuals of animals and birds and
3. Numbers.

So a 555, 777, hara goli, pila hathi, lal saboon, saphed dantmanjan are the kind of terms with which they identify brands.

Hence it is very important for us to understand that a lot needs to be done in terms of communications, media, marketing and branding. There are a number of cases which suggest that to sell brands in the rural market, it is necessary to simultaneously educate the consumers. If you have to create brand communication, marketing efforts must be supported by education.

The following have to be kept in mind while the marketer makes a decision on the product.

2. The product for the rural markets has to be simple, easy to use and provide after sales service or maintenance.
2. The product has to be packed for low price and convenient usage.
2. The pack has to be easily understood by the rural consumer. The information on the pack is preferred in local language communicating the functional benefit of the product.

2. Pricing

A rural customer is price sensitive and shops for value. This is mainly because of his lower income levels than his urban counterparts. Hence the marketer has to find ways of making the product affordable to the rural consumer.

Banks offer loans for tractors, pump sets, television sets and so on to make the product affordable to a rural consumer.

Smaller unit packs are preferred in the case of FMCG products to offer at lower prices. The product packaging and presentation offers scope for keeping the price low. Reusable packs or refills are also preferred and are seen as value addition.

4. Placement or Distribution

Distribution of products is one of the biggest challenges of rural marketing. There are CWC (Central Warehousing Corporation) and SWCS (State

Warehousing Corporations) set up in rural areas to store and distribute products. A three tier rural warehousing setup exists:

- CWC/SWCs
- Co-operatives
- Rural Godowns

CWC and SWCs reach up to the district levels. The co-operatives are at the mandi level. The Rural Godowns are at the village level wherein they are owned by panchayat heads. All these tiers provide warehousing facilities only to their own members. Hence it is a big problem for a company to store its goods in rural areas.

There are some problems of rural distribution:

- Transportation has not been fully developed.
- Lack of proper channels of communication like telephone, postal services, and so on pose a lot of problem to marketer to service the retailer as it is difficult to the retailers to place order for goods.
- Storage of goods in rural areas is also a problem for the marketers.
- Multiple tiers push up the costs and channel management is a major problem for marketers due to lot of middlemen in the process.
- Availability of suitable dealers
- Poor viability of rural outlets
- Rural outlets need banking support for remittances to principals, get fast replenishment of stocks, receive supplies through bank and facilitate credit. This gets handicapped due to inadequate bank facilities.
- There are a lot of private shops in the rural sector.

Retailers in rural markets

There are different kinds of retailers.

- Shops within the village
- Shops located on the main road and not exactly within the village
- Kasba market or the tahsil market.

The clientele for these markets also varies. For the shops within the village, the stocking pattern is very much dependent on the kind of investment the retailer can make in a one-time purchase.

Margins are very important to a rural retailer. The pushing by the retailers depends on margins and the pushing by the wholesalers depends on retailers. The gap is very wide because the local manufacturers do not undertake investments either in terms of advertising or anything. Hence they are very fast imitators. For rural retailers, it's the question of simple economics – Am I getting more money if I invest much less on these brands? He decides based on this question. More the margin better choice to stock and sell.

The rural retailer stocks few brands in each category. This may have important implications for a company and its managers because whoever reaches the market first gets the share of the market. The rural retailer may keep some amount of area or space for a certain product category and he won't keep more than one or two brands. So unless the marketer reaches there first and re-stocks at frequent intervals, he will not be able to sell more.

The other important development has been that more number of companies are offering smaller packs. The retailer today has far more shelf space than he had earlier. Shampoos are available in sachets. He can simply string the shampoo sachets and hang it.

4. Promotion

Communication to rural consumer is through organized media. More number of rural consumer (~70%) listen to radio and many go to cinema.
Rural communication can be through Conventional media or through a non-conventional media. The most common conventional media include: Print, Cinema, Television and Print. The Non-conventional media include: Theatre, Posters, Haats and Melas.

The conventional media have excellent reach, less expensive and create a better impact. But at the same time, it is not customized to each village and also offers unnecessary coverage at times.

Low literacy rates, culture, traditions, rural reach, attitudes and behavior are the other problems in rural communication.

An effective promotion should plan for a proper mix of media. This is very important to create a mind share in the rural consumers. Hence, talking to the customer in a language known to him, advertising the functional benefits and demonstrating the product go a long way in capturing the rural market.

The Indian rural market today accounts for only about Rs 8 billion (53 per cent - FMCG sector, 59 per cent durables sale, 100 per cent agricultural products) of the total ad pie of Rs 120 billion, thus claiming 6.6 per cent of the total share. So clearly there seems to be a long way ahead.

Hindustan Lever is the first company that comes to mind while thinking of rural marketing. Amul is another case in point of aggressive rural marketing. Some of the other corporates that are slowly making headway in this area are Coca Cola India, Colgate, Eveready Batteries, LG Electronics, Philips, BSNL, Life Insurance Corporation, Cavin Kare, Britannia and Hero Honda to name a few.

Until some years ago, the rural market was being given a step-motherly treatment by many companies and advertising to rural consumers was usually a hit and miss affair. More often than not, the agenda being to take a short-cut route by pushing urban communication to the rural market by merely transliterating the ad copy. Hence advertising that is rooted in urban sensitivities didn't touch the hearts and minds of the rural consumer. This is definitely changing now but is still a slow process. The greatest challenge for advertisers and marketers is to find the right mix that will have a pan-Indian rural appeal. Coca Cola, with their Aamir Khan Ad campaign succeeded in providing just that.

Corporates are still apprehensive to "Go Rural." Since, the rural consumers are scattered and it is difficult to predict the demand in the rural market. A few agencies that are trying to create awareness about the rural market and its importance are Anugrah Madison, Sampark Marketing and Advertising Solutions Pvt Ltd, MART, Rural Relations, O&M Outreach, Linterland and RC&M, to name a few. Also, the first four agencies mentioned above have come together to form The Rural Network. The paramount objective of the Network is to get clients who are looking for a national strategy in rural marketing and help them in executing it across different regions.

Summary

The rural markets are of diverse nature. There are people from diverse cultural, linguistic and religious background. The incomes of rural customers are also increasing. Rising literacy has generated a demand of life style products. The reach has increased and marketers are in a position to promote their products much more easily,

The marketers are meeting the consequent challenges of availability, affordability, acceptability and awareness in rural market.

Most of the companies treat rural market as a dumping ground for the lower end products designed for an urban audience. But, this scenario is slowly changing and importance is given to the need of the rural consumer.

In rural markets, brands are almost non-existent. They identify FMCG by three things: Color, Visuals of animals and birds and Numbers. Hence it is very important for us to understand that a lot needs to be done in terms of communications, media, marketing and branding. There are a number of cases which suggest that to sell brands in the rural market, it is necessary to simultaneously educate the consumers. If you have to create brand communication, marketing efforts must be supported by education.

A rural customer is price sensitive and shops for value. This is mainly because of his lower income levels than his urban counterparts. Hence the marketer has to find ways of making the product affordable to the rural consumer.

Distribution of products is one of the biggest challenges of rural marketing. There are CWC (Central Warehousing Corporation) and SWCS (State Warehousing Corporations) set up in rural areas to store and distribute products. All these tiers provide warehousing facilities only to their own members. Hence it is a big problem for a company to store its goods in rural areas.

Rural communication can be through Conventional media or through a non-conventional media. The most common conventional media include: Print, Cinema, Television and Print. The Non-conventional media include: Theatre, Posters, Haats and Melas.

Questions

1. What are the emerging characteristics of a rural market?
2. "A dramatic change is in progress in the villages". Explain.
3. What are the challenges of rural marketing?
4. Ensuring availability of products in rural markets is a great challenge. Explain.
5. Is affordability important to rural consumer? Why?
6. Why is building awareness a challenge in rural marketing?
7. Elaborate on the 4Ps of rural marketing.

CHAPTER IV: POTENTIAL AND SIZE OF THE RURAL MARKETS

Objective:

The objective of this chapter is to understand:

- The potential of rural markets
- The size of rural markets

Opportunity and size of rural markets

The Indian rural market with its vast size and demand base offers a huge opportunity that MNCs cannot afford to ignore. With approximately 128 million households, the rural population is nearly three times the urban.

Due to the growing affluence, fuelled by good monsoons and the increase in agricultural output to 200 million tonnes from 176 million tonnes in 1991, rural India has a large consuming class with 41 per cent of India's middle-class and 58 per cent of the total disposable income.

The importance of the rural market for some FMCG and durable marketers is underlined by the fact that the rural market accounts for close to 70 per cent of toilet-soap users and 38 per cent of all two-wheeler purchased.

The rural market accounts for almost half the total market for TV sets, fans, pressure cookers, bicycles, washing soap, blades, tea, salt and toothpowder. The rural market for FMCG products is growing much faster than the urban counterpart.

The market size has always been large. The size of this rural market is well over 700 million. All these individuals have needs, wants, desires and aspirations that anyone in Urban India has. The fulfillment of these needs was by an unbranded commodity till a few years back. Today, however, there is a rampant craving for the brand offering for a host of needs.

The main area of concern key dilemma for MNCs eager to tap the large and fast-growing rural market is whether they can do so without hurting the company's profit margins. As, capturing rural markets could be costly. Mr. Carlo Donati, Chairman and Managing-Director, Nestle, while admitting that his company's product portfolio is essentially designed for urban consumers, cautions companies from plunging headlong into the rural market as capturing rural consumers can be expensive. "Any generalization" says Mr. Donati, "about rural India could be wrong and one should focus on high GDP growth areas, be it urban, semi-urban or rural."

Trends indicate that the rural markets are coming up in a big way and growing twice as fast as the urban, witnessing a rise in sales of typical urban kitchen gadgets such as refrigerators, mixer-grinders and pressure cookers. According to a National Council for Applied Economic Research (NCAER) study, there are as many 'middle income and above' households in the rural areas as there are in the urban areas. There are almost twice as many 'lower middle income' households in rural areas as in the urban areas. At the highest income level there are 2.3 million urban households as against 1.6 million households in rural areas.

As per NCAER projections, the number of middle and high income households in rural India is expected to grow from 80 million to 111 million by 2007. In urban India, the same is expected to grow from 46 million to 59 million. Thus, the absolute size of rural India is expected to be double that of urban India.

The study on ownership of goods indicates the same trend. It segments durables under three groups:

(1) Necessary products - Transistors, wristwatch and bicycle,
(2) Emerging products – Black and White TV and cassette recorder,
(3) Lifestyle products – Colour TV and refrigerators.

Marketers have to depend on rural India for the first two categories for growth and size. Even in lifestyle products, rural India will be significant over next five years.

The price-sensitivity of a consumer in a village is something the marketers should be alive to. It is very difficult to establish a demand pattern in rural markets as the disposable income is dependent on monsoon.

Apart from increasing the geographical width of their product distribution, the focus of marketers should be on the introduction of brands and develop strategies specific to rural consumers. Britannia Industries launched Tiger Biscuits especially for the rural market. It clearly paid dividend. Its share of the glucose biscuit market has increased from 7 per cent to 15 per cent.

District Marketing

Mr. Francis Xavier, Managing Director, Francis Kanoi Marketing Research, wants to see the urban-like village dweller as an urbanised person from the districts. The district becomes the basic geographical entity. The village then becomes a location or a suburb of a district. Since the urban-like populations in the villages are taken as a part of the district, they will represent the dominant part of the market in most of the districts. This will compel the kind of attention that it deserves.

This perspective removes the complexities, heterogeneity, access and targetability that have hindered rural marketing initiatives. He feels that rural marketing requires every element of marketing including product, pricing, packaging, advertising, and media planning to have the rural customer as the target. This becomes applicable if we have districts marketing as a separate entity.

Impact of globalization

Globalization will have its impact on rural India also. It will be slow. It will have its impact on target groups like farmers, youth and women. Farmers, today 'keep in touch' with the latest information and also look up what is happening globally. Price movements and products' availability in the international market place seem to drive their local business strategies. On youth its impact is on knowledge and information and while on women it still depends on the socio-economic aspect.

The marketers who understand the rural consumer and fine tune their strategy are sure to reap benefits in the coming years. The leadership in any product or service is linked to leadership in the rural India except for few lifestyle-based products, which depend on urban India mainly.

There has been a substantial increase in the penetration of consumer durables in the Indian rural sector. One thirds of the premium luxury goods are now sold in the rural market. Two thirds of the middle-income households are now in the rural market.

A study which compared the rural income and buying power established that if the rural income in India goes up by 1%, there would be a corresponding increase of about Rs. 10,000 crores in the buying power. On the other hand, the urban sector has showed saturation in the recent years.

The fact remains that the rural market in India has great potential, which is just waiting to be tapped. Some have progressed on this road, but there seems to be a long way for marketers to go in order to derive and reap maximum benefits. Rural India is not as poor as it used to be a decade or so back. Things are looking up!

Summary

The Indian rural market has 128 million households. The rural market accounts for almost half the total market for TV sets, fans, pressure cookers, bicycles, washing soap, blades, tea, salt and toothpowder.

The rural market for FMCG products is growing much faster than the urban counterpart. The market size has always been large. The size of this rural market is well over 700 million.

The study on ownership of goods indicates the same trend. It segments durables under three groups: Necessary products, Emerging products and Lifestyle products. Marketers have to depend on rural India for the first two categories for growth and size. Even in lifestyle products, rural India will be significant over next five years.

The price-sensitivity of a consumer in a village is something the marketers should be alive to. It is very difficult to establish a demand pattern in rural markets as the disposable income is dependent on monsoon.

Globalization will have its impact on rural India also. It will be slow. It will have its impact on target groups like farmers, youth and women.

The marketers who understand the rural consumer and fine tune their strategy are sure to reap benefits in the coming years. The leadership in any product or service is linked to leadership in the rural India except for few lifestyle-based products, which depend on urban India mainly.

Questions

1. Indian villages offer a huge potential to marketers. Explain.
2. What is district marketing?
3. How will globalization affect rural India?

CHAPTER V: RURAL MARKETING INFORMATION SYSTEM

Objective:

The objective of this chapter is to understand rural marketing information system and its application.

Introduction

The villages are the backbone or the soul of India. With more than two thirds of the Indian population living in rural areas, rural India reflects the very essence of Indian culture and tradition. A holistic development of India as a nation rests on a sustained and holistic development of rural India.

Farmers could use the connected computers to get commodity prices faster, or get information on new agricultural techniques. The youth would get details on job opportunities across the state. The district administration could get details of problems in near real-time. The eligible could search for matrimonial matches across adjacent villages. The voters would communicate their concerns to the politicians and bureaucrats electronically, with a trail of the communication. The village officials could share governance best practices faster among their counterparts elsewhere.

The National Informatics Centre is proposing a "Rural Studio" initiative for developing reusable software components and services for the rural development sector,

Computers were used in the process of governance in India, way back in the 1980's with some of the early and popular initiatives such as the Computerized Rural Information Systems Project (CRISP, *http://crisp.nic.in*) by the Department of Rural Development (Government of India), the District Information Systems of the National Informatics Centre (**DISNIC**) Project, the National Resource Data Management System (NRDMS) by Department of Science and Technology (Govt. of India) and Surendra Nagar Experiments, among others.

The Land Records Computerization Project (LRCP, *http://dolr.nic.in*) was another key initiative taken by the Government of India in addressing issues related to land records management and ownership. These projects were conceptualized and executed when ICTs, particularly networking technologies, were in a very nascent stage in India and had not gained roots in the government segment. Most of these projects focused on exploiting the computing/processing power of computer systems. At the district level, computers were primarily used to process data (spatial, non-spatial or both) related to various developmental schemes to strengthen the monitoring and planning done by the district administration.

Now, ICT has advanced to levels where it is being used in various sectors and helps in providing efficient services round the clock.

ICT has emerged as a new way of reaching out to the people at grass root level. ICT applications into the domain of Indian Rural Development (RD) dates back to 1986 when the Computerized Rural Information Systems Project (CRISP- http://crisp.nic.in) was launched in 1986 by the Ministry of Rural Development (MoRD). Under this project, every district in the country was provided with computers and a software called CRISP (now re-named as RuralSoft – http://ruralsoft.nic.in) to help District Rural Development Agencies (DRDAs) to manage MoRD's Programmes more efficiently. The RD domain has come a long way now both in terms of ICT infrastructure as well as software solutions. The results have now started trickling down to the common people in rural areas.

Some of the major grass root level ICT initiatives by NIC include:

- **Land Records Computerization**

The Land Records Computerization aims at employing state-of-the-art Information Technology (IT) to galvanize and transform the way of maintaining land records in the country. The project is a collaborative effort with Ministry of Rural Development providing funds to states for data collection, collation and site preparation etc. while NIC provides technical support, training etc. Various kinds of land records software operational in different States include Bhoomi (Karnataka), Tamil Nilam (Tamil Nadu), e-Dharni (Goa), Bhuyan (Chhatisgarh), Apna Khata (Rajasthan), e-Dhara (Gujarat), Bhumi (West Bengal), Himbhoomi (Himachal Pradesh) etc.

- **eNRICH Community Software Solution Framework**

eNRICH (http://enrich.nic.in) is another ICT solution that has been developed as a Community Software Solution Framework addressing the needs of rural people. eNRICH, which was initially developed for UNESCO to facilitate intra-community communications, was subsequently enhanced to work as a framework capable of networking communities and building collaborations between government and citizens, particularly mainstreaming the rural people who are most disadvantaged and underprivileged.

- **AGMARKNET**

  AGMARKNET (http://agmarknet.nic.in) is a NICNET based Agricultural Marketing Information System Network that links all important Agricultural Produce Market Committees (APMCs), State Agricultural Marketing Boards/Directorates and Directorate of Marketing & Inspection (DMI) regional offices located through out the country for effective information exchange on market prices related to agricultural produce. This web based information system enables farmers to sell their produce in the nearest market at remunerative prices.

- **Community Information Centres (CICs)**

The North Eastern region has been traditionally less developed due to its remoteness and difficult hilly terrain. To provide a boost to all-round development of the region through ICT, 487 Community Information Centres (CICs) have been set up in all the eight States of the region as part of the CIC Project initiated by the Department of IT, Government of India. Each CIC has its own web-site accessible through http://www.cic.nic.in and provides information on forms, rules and procedures, government tenders, notification for employment opportunities, information on tourism, culture, examination results, schemes, legal issues, guidelines for bank loans, weather information etc.

- **ASHA**

NIC Assam in partnership with Agribusiness consortium has developed a model ASHA for facilitating agribusiness through CIC (http://www.assamagribusiness.nic.in). The site aims at building up of information useful for farmers and establish direct link between buyers and sellers thus promoting agribusiness.

- **RuralBazar**

RuralBazar (http://ruralbazar.nic.in) is an e-commerce solution developed by NIC to address the marketing needs of the rural producers. The software provides provision for simple showcasing of the products, off-line payment as well as on-line payment. It has been implemented in the States of Tripura, Goa and Tamil Nadu.

- **Property Registration**

NIC has developed Property Registration Systems that aim at setting quality and time standards for all registration services. The features include registration of deeds on the transactions relating to immovable properties between citizens and include calculation of stamp duty; Revising the rates of market values, Deed writing, providing computerized copies of Records of Right (ROR), computerized history of transactions on property & land record mutation etc.

- **Panchayat Informatics**

  NIC has also initiated efforts to provide ICT solutions for streamlining the functioning of panchayats to enable easy access to information and services by the common man. Some of the applications in this area include **National Panchayat Portal, Priasoft -** Panchayati Raj Institutions Administration Software, **e-Gram Vishwa Gram, e-Panchayat and InfoGram.**

- **e-Governance for Rural Masses**

  NIC has designed applications to deliver e-Governance services to the rural masses. Some of these include:

  - **Rural Digital Services**

    Rural Digital Services provide a single window for all government services at village level. In the first phase of the project, the services offered include Birth/Death Registration and Certificates (Caste, Income, Widow, Unemployment, No Tenancy etc.).

  - **Lokvani**

    Lokvani provides citizens an opportunity to interact with government without actually visiting the government offices. The services provided through the kiosks include information about various government schemes, forms, list of old-age pensioners, list of scholarship beneficiaries, allotment of food grains to kotedars, allotment of funds to gram panchayats, land records etc.

- **LokMitra**

  Lokmitra is an initiative of Government of Himachal Pradesh that envisages taking the benefits of IT to the door-step of general public, especially those living in rural areas through Lokmitra Soochana Kendras set up at 25 centrally located Panchayats. NIC provided the Lokmitra software and necessary training to the Soochaks, who manage the Soochana Kendras. The services offered through the Lokmitra Kendras include Classified Complaints, Forms download, Job Vacancies, Tenders, Schemes information, market rates etc. Efforts are underway to expand this initiative to all the districts in the State.

- **Gyandoot**

  Gyandoot is an intranet in Dhar District that connects rural cyber cafes catering to everyday needs of the masses. Some of the services provided, using the software applications developed by NIC, through the kiosks set up in the villages of the rural district include Commodity/Mandi Marketing Information System, Income Certificate, Domicile Certificate, Caste Certificate, Driving License, information regarding Rural Markets etc

- **Backend e-Governance Solutions**

The success of how efficiently the ICT services are delivered to the common man depends largely on the extent of backend computerization.

Some of the back-end rural informatics solutions developed by NIC are as Follows:

- **Ruralsoft**

  RuralSoft (http://ruralsoft.nic.in) is a solution that helps capturing monthly progress of various poverty alleviation schemes sponsored by the Ministry of Rural Development (MoRD) and State Rural Development Departments (SRDs).

- M**onitoring Software for DDWS Schemes**

  The Department of Drinking Water Supply provides funds to the states for rural drinking water supply and sanitation programmes.

ITC - eChoupals

ITC is setting up eChoupals across the agricultural belt in India to offer the farmers of India all the information, products and services they need to enhance farm productivity, improve farm-gate price realization and cut transaction costs. Farmers can access latest local and global information on weather, scientific farming practices as well as market prices at the village itself through this web portal - all in Hindi. Choupal also facilitates supply of high quality farm inputs as well as purchase of commodities at their doorstep.
This has been done in a phased approach:

In Phase I, the business goal was to create a physical infrastructure of eChoupals at the village level and create local level ownerships through the identified

Sanchalaks. At this stage the business goal was supported by creating a local language portal, which provided the required information to farmers such as local weather, market prices and best practices.

In Phase II, the business goal was to get the farmer registered and transacting by selling directly to ITC Ltd. through the virtual market. This goal was supported by creating a B2B site, which integrated the transactions directly to the back-end ERP and ensured that there was no latency in processing any of the procurement by the processing units.

In Phase III, the business goal was to create a full fledged meta-market. In this phase, the market would facilitate other operators like inputs providers and rural distributors to work effectively through the eChoupal to deliver and procure goods from every participating village.

The technology road map to support this phase was to have a secure, consolidated Farmers database with all information pertaining to their holdings and credit worthiness to be available online. This database, along with identification provided by smart cards would enable support for online transactions through the eChoupal leading to integration with participating financial institutions such as banks, insurance and credit agencies. A more detailed description of the ecosystem being created by the eChoupals comes from a note on the World Resources Institute Digital Dividend Knowledge Bank site:

This reorganization of the role of middlemen results in lower procurement costs for ITC, despite having to pay higher prices to the farmers. Transaction costs are also minimized for the farmer by buying output at the farmers' doorstep, and through transparent pricing and weighing practices. A substantial quantity has already been procured through this channel, resulting in overall savings. The savings are shared between buyer (ITC) and seller (farmer).

On the marketing front, ITC is able to maintain and grow the trust of its farmers by enhancing their productivity and wealth. ITC leverages this position of trust among farmers, as well as its distribution capabilities, to market its own consumer good brands and those of partner companies offering products and services that ITC does not. Sales of consumer goods through the e-Choupals have been particularly successful because the cost-savings associated with dealing directly with the manufacturer allow Sanchalaks to offer goods at lower prices than other village-level traders or retailers can afford to do.

A digital transformation

The following have been some of the initiatives of e-choupal

- ITC began the silent e-volution of rural India with soya growers in the villages of Madhya Pradesh. For the first time, the stereotype image of the farmer on his bullock cart made way for the e-farmer, browsing the e-Choupal website. Farmers now log on to the site through Internet kiosks in their villages to order high quality agri-inputs, get information on best farming practices, prevailing market prices for their crops at home and abroad and the weather forecast – all in the local language. In the very first full season of e-Choupal operations in Madhya Pradesh, soya farmers sold nearly 50,000 tons of their produce through the e-Choupal Internet platform, which has more than doubled since then. The result marks the beginning of a transparent and cost-effective marketing channel. No doubt, this brought prosperity to the farmers' doorstep.

- Farmers grow wheat across several agro-climatic zones, producing grains of varying grades. Though these grades had the potential to meet diverse consumer preferences, the benefit never trickled down to the farmers, because all varieties were aggregated as one average quality in the mandis. ITC's e-Choupal intervention helped the farmers discover the best price for their quality at the village itself. The site also provides farmers with specialised knowledge for customising their produce to the right consumer segments. The new storage and handling system preserves the identity of different varieties right through the 'farm-gate to dinner-plate' supply chain encouraging the farmers to raise their quality standards and attract higher prices.

- ITC’s Aqua Care Centre in Kakinada, Andhra Pradesh, has revolutionized the concept of shrimp seed testing. Its sophisticated laboratory detects the deadly White Spot virus in the shrimp seed and advises farmers on appropriate remedial action.

- echoupal.com has become popular among coffee growers as an effective platform for global trade. Coffee planters in India have for years been tossed between the highs and lows of the international coffee market. The information needed to manage risks in the volatile global coffee market, price updates and prevalent trends in coffee trading were just not available to them. Launch of e-Choupal.com has equipped India's coffee planters with appropriate knowledge base and risk management tools. The site arms them with the latest prices posted on commodity exchanges like CSCE in New York and LIFFE in London. Planters have access to technical analysis by experts to help them comprehend trends, trading ranges and chart patterns in simple language. 'Parity Chart' and the 'Calculator' on the site convert the coffee prices quoted in international auctions into raw coffee equivalent for the benefit of the small growers in India. Tradersnet, a special link on the site, brings together a large number of coffee planters, traders and roasters, creating a virtual market for transparent price discovery. ITC empowers Indian coffee growers with expert knowledge in logistics and risk management, thereby enabling them to face global competition.

ITC has shown how the rural market can be tapped for mutual benefit of the customer and the marketer.

Hence, a Rural Information System caters mainly to agricultural marketing. All the above examples give us an idea of what the government and other organizations are doing to help in agricultural marketing.

Summary

A Rural Information System caters mainly to agricultural marketing. There have been a lot of initiatives by ICT in this regard.

Questions

1. What are the utilities of a rural marketing information system?
2. Explain some of the initiatives taken by ITC to computerize in rural areas. What has been the benefit of such schemes?

3. What are the lessons to be learnt from ITCs E-choupal initiative?
4. How will computers change the life of rural consumers?

UNIT-III

LESSON 3.1

SELECTION OF MARKETS

This Lesson explains the three tasks, viz. segmenting, targeting and positioning involved in the process of selecting markets.

Lesson Outline

Introduction

Concepts and Process

Segmentation

Degree of Segmentation

Guides to Effective Segmentation

Bases of Segmentation

Targeting

Positioning

Questions

INTRODUCTION

Companies are today developing different brands in different pack sizes and formulations to win over the consumers. Different people want different quantities and different mixes of benefits from the product they buy. Take detergents for example, Hall has Surf, Rin Shakti and Wheel powder to meet the needs of different income groups. Palmolive has three varieties of toilet soaps offering skin care benefits to three different types of skins of consumers. In reality they are dividing the markets into attractive segments to reach them efficiently, serve them effectively and achieve results economically.

CONCEPTS AND PROCESS

Selecting and attracting markets involves three key decisions, viz., segmenting, targeting and positioning

- Segmenting is the process of dividing or categorizing market into different groups based on one or more variables.
- Targeting is selecting the market segments, which can be served efficiently and profitability. It is, deciding on market coverage strategies.
- Positioning is a market attraction strategy, which involves placing the brand in the minds of the customers in the target market.

The various steps involved in the market coverage and attraction process are:

Decision	Actions
Segmentation	1. Identification of various bases for segmenting market 2. Developing profiles of the market segments
Targeting	3. Evaluating the market segments for their attractiveness 4. Deciding the market coverage strategy
Positioning	5. Communicating the chosen competitive advantage to the customers 6. Identifying a set of possible competitive advantages of the brand 7. Selecting the right competitive advantage

SEGMENTATION

Segmentation is the process of dividing a heterogeneous market into homogeneous sub-units. The division is based on the premises that different people have different preferences. The following are the basic market preferences:

- Homogeneous preferences where consumers have roughly the same preferences
- Diffused preferences where consumers are scattered throughout the market by their preferences.
- Clustered preferences where consumers are found in distinct preference groups.

DEGREES OF SEGMENTATION

If segmentation is considered as a process with two polar points from zero to complete, four distinct segmentation approaches are identifiable.

Degree of segmentation	Zero			Complete
Type	Mass marketing	Segment marketing	Niche marketing	Micro marketing
Approach	Considers all people as a bunch	Identifies people as different groups	Serves selectively one or very few groups of people	Focuses on individuals or very small groups

(i) Mass Marketing

In the early period of the twentieth century, many companies practiced mass production and mass distribution. As economies evolved and societies became civilized, consumer choice and requirements came into focus. Until now, the rural market was considered a homogeneous mass as was the Indian Market till some 20 years ago. Some companies depend on mass marketing, while many others do not.

(ii) Segment Marketing

The principal of segment marketing rests on the realization that buyers differ in their needs, wants, demands and behaviors. The need for segment marketing arises when:

- Consumers have become more diverse, sophistical and choosy.
- Competition has become tough

Benefits of segment marketing:

- Company can service its customers more effectively and efficiently
- Company gains the image of a creative and innovative organization
- Company may gain monopoly by virtue of its unique marketing offer.

Prerequisites for segment marketing:

- Understanding of consumer needs and wants
- Awareness of competitors, products and services

- Innovative capabilities of marketers to fine tune products and services to the varied customer groups.

(iii) Niche Marketing

A niche is a very small group with a distinctive set of traits, who seek a special combination of benefits. Niche marketing identifies special sub-groups within larger segments and offers different products and services.

(iv) Micro Marketing

Micro Marketing involves tailoring products and programs to suit the tastes of specific locations and individuals. It includes local marketing and individual marketing.

(a) Local marketing: It involves and programs to suit the tastes of specific locations and wants of local customer groups on a geographical basis.
The advantages of local marketing are:

- Effective marketing in the face of difference in demographics and life styles and communities in different regions.
- Supports and stimulates retailers, who prefer offers customized to their locality.

Disadvantages:

- It may create logistical problems as companies try to meet the varied requirements of different regions.
- It may reduce economies of scale.

- It may affect the overall image of a brand as promotion programs vary from place to place

(b) Individual marketing: Individual marketing is customized marketing or one-to-one marketing. Tailoring units, hotels, tourist operators and doctors provide individualized services. Building contractors build houses or flats to the specific requirements of customers.

GUIDES TO EFFECTIVE SEGMENTATION

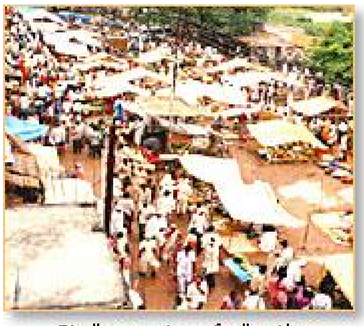
Any process can be effective, if it has a sound philosophy and practical validity. Segmentation can be effective only if it satisfies the following requirements:

(i) Measurable

Segments are formed with the help of certain variables. These variables should be distinct, clear and measurable. Only then segments can be described in exact terms and differences understood. Companies, so far, are not able to reach rural markets due to lack of proper data. In the absence of information related to size, purchasing power and profiles of rural consumers, they considered them similar to urbanites.

(ii) Accessible

Reach is important to serve the segments. Till recently, marketers preferred urban markets to rural ones because of the inaccessibility of the latter. They were dependent on the mobile vans and nearby town distributors and retail outlets to reach rural consumers. Now, research has established that effective means of reaching rural folk is possible by participation in *haats or shandis* organized weekly. Also, there is considerable improvement in the infrastructure


Bird's eye view of a 'haat', weekly bazaar

Making several villages accessible.

(iii) Differentiable

Segments merit consideration of marketers only when they have distinguishing features. Rural marketers are identified as a different segment, for their responses are different from the urban in case of some products and programmes. For instance, in case of buying wrist watches, rural consumers differ with urbans. Rural buyers are more worried about the value for money and weigh the watch in hand to know how heavy it is. On the contrary, urban consumers prefer light ones with latest technology.

(iv) Substantial

A segment is attractive only when it is profitable. A segment should as such possess the following characteristics:

(a) Homogeneous—It should consist of people, who are similar in perceptions, learning, preferences, attitudes and action. As such, covering them will be easy.

(b) Large—It should comprise of either large number of light users or small number of heavy users so that marketing becomes beneficial to the companies.

It is observed that rural areas are not homogeneous. Region-wise differences are found in language, thinking and behaviour. However, it is difficult to design separate promotional programmes as the size of consumers is not large enough to make the effort viable.

BASES OF SEGMENTATON

There is no one way of segmenting the market. A marketer may look for one or more variables viz., geographic, demographic, psychographic and behavioral, to distinguish and describe their market segments.

(1) Geographic Segmentation

Geographic segmentation is made based on variables like zones/regions, states, districts, cities/town/ villages by size, density, climate and culture.

(a) Zones: The country is divided into four zones.
East : West Bengal, Assam
West : Maharastra, Punjab, Haryana
North : Delhi, UP, Bihar. Himachal Pradesh
South : Tamil Nadu, Andhra Pradesh, Kerala, Karnataka.
The number of villages with a population of less than 5000 people is:
East : 1,61,982,West : 1,35,936,North : 2,00,106,South : 73,585

(b) States, Districts and Villages: The country is divided into states on the basis of language. For the convenience of administration each state is divided into districts.

(c) Density: The density of population per square kilometer in the rural areas is very low

(d) Climate: The country is divided by climatic conditions as follows:
• Tropical• Rainy• Cold

(e) Culture: Media will be effective when its messages are fine-tuned to the culture of the people. As such, the political division is immaterial for the various media. Ogilvy-Rural has divided the country into 56 Socio-Cultural Regions (SCR).

(ii) Demographic Segmentation

Markets are divided into segments based on variables such as age, life-cycle, gender, family size, income, occupation, education, religion and nationality.

Age	:	Under 6, 6—12, 13—19, 20—40, 41—60, 60+.
Life—cycle	:	Infants, children, teens, young adults, elders, seniors.
Gender	:	Male—Female.
Marital status	:	Married—Unmarried.
Family size	:	1—2, 3—4, 5+
Income	:	Rs.25, 000 and below, Rs.25, 001-50,000, Rs.50,001-75,000, Rs. 75,001, Rs. 1 lakh, above Rs. 1 lakh.
Occupation	:	Farmer, agricultural labourer, artisan, non-agricultural labourer, Business, Professional employee, retired, student, unemployed.

Education	Illiterate, literate, elementary school, high School, college, university.
Religion	Hindu, Muslim, Christian and Others.

(a) **Age and Life-cycle**: The age and life—cycle classification applicable to urbans is valid to rurals as well. The specific products for the age segments are:

Age Segment	Products	Typical Brands
Infants	Milk, Powder, cereals, soaps, diapers	Glaxo, Nestle, Johnson and Johnson, Wipro, HLL
Children	Toothpaste, confectionery, sports cycles, story books, magazines	Pepsodent, NUTRINE Britannia, Parle, BSA, Atlas, Hero, Amar Chitra Katha series, Chand Mama, Balamitra
Teens	Toothpaste, Face creams, shoes, mopeds, soft drinks	Close-up, Fair & Lovely, North Star, Nike, TVS, Luna, Coke, Pepsi, Thums Up
Young Adults	Magazines, shoes, TV, music systems, computers, scooters	Sport star, Computer Digest, Reebok, Philips, Sony, Samsung, HCL, Compaq, Bajaj, LML
Elders	Briefcases, spectacles, suitings, cell phones	VIP, Samsonite, Ray ban, Bosche and Lamb, Raymond, Park Avenue, Tata Cellular, Magic
Seniors	Rocking chairs, knee pads, self diagnostic kits,	Modfurn, Conybio, Cipla, Glaxo, Reddy Labs

	medicines	

(b) Gender: Gender differences are observed in terms of dress, footwear, cosmetics and other products. The peculiarities of women like gynecological problems and beauty consciousness offer marketers an opportunity to supply unique products like sanitary napkins, estrogen medicines, bust creams, and face packs.

(c) Marital Status: The influence of marital status is obvious. Some companies can benefit on this ground.

Unmarried:

Residence - Small size houses/flats, working women's hostels

Eat out - Fast food centres

Occasions - Valentine's Day

Married:

Tourism and Hotels - Honeymoon packages

Events - "Best Couple" competitions

(d) Family size: As family size increases, consumption of consumables will increase. In rural areas, it is found that large families with low incomes are buying consumer durables like TV. The promotion of consumables as 'family product' particularly in economy refill packs works well with large families. Large families may buy more than one brand of a product to meet specific individual preferences and tastes. As such, multi-brand consumption of a product may be there. While, Colgate is family toothpaste, Close-up is more personalized with its focus on the youth. Naturally, it makes inroads into families with young members and adequate buying power and co-exists with Colgate.

(e) Income: Rural households fall under different income categories as shown below.

Income Range	% of Rural Households
Above Rs.1,00,000	3.8
Rs.75,001 – 1,00,000	4.7
Rs.50,000 – 75,000	13.0
Rs.25,001 – 50,000	41.1
Rs.25,000 & below	37.4

The importance of income in influencing the purchase decisions relating to quantity and quality need not be over emphasized. The rural rich buy premium brands like the urban rich. It is interesting, that today even the low-income groups buy some brands that the rich rurals buy. The sale of the premium brands to low income groups is made possible through sachet revolution. Products offered in sachets like Velvettee shampoo, Dairy top and Colgate are highly successful in rural markets. The high-income group provides market potential to durables like refrigerators, CTVs and washing machines.

(f) Occupation: Occupational needs vary.

Farmer	:	Seeds, fertilizers, pesticides, tractors, harvesters, Pump sets, etc.
Employee	:	Pens, stationery items, etc.
Doctor	:	Stethoscope, BP kit, medicines, syringes,
Animal husbandry	:	Feed, medicines, consultancy.

The identification of specific products provides an opportunity to marketers to develop, design and distribute products to cater to the particular markets.

(g) Education: Education provides knowledge and skill. It improves the thinking process and facilitates understanding of issues on a higher and wider plane.

(h) Religion: The influence of religion on the consumer purchase behaviour is an important consideration for marketers. Religion provides a ‘code of life’ and links the visible real world, with invisible world after death. It furnishes the do’s and don’ts to be followed.

Religion	**Product / Items**	**Occasions / Events**
Christians	Church, Holy bible, cross, candles, rose, water, Christmas trees, bells, stars	Good Friday, Easter, Christmas
Hindus	Temples, rivers, icons of God, cotton thread for lamps, lamps, license sticks, camphor, coconuts, fruits, betel leaves, nut powder sandal paste, Kumkum	Deepavali, Vinayaka, Chaturthi, Krishna Jayanthi Sravan Fridays, Kartika month Margasira month
Muslims	Mosque, perfumes, white caps. license sticks, Holy Quran, Agar	Id-ul-Fitr, Bakrid, Miladun-nabi, Muharram

(II,) Psychographic Segmentation

While geographic and demographic segmentations provide a physical view of the markets, the true dynamics of purchase can be assessed and marketing offer can be designed only on the basis of psychographics of the people. An example, to prove this point:

Market is divided into different segments based on three variables viz.

- Social class
- Life style, and
- Personality

(a) Social class: Society consists of a structure, which represents a hierarchy of classes or grades of people. Caste was one of the divisions of class system in India along with wealth. However, in recent times, social class is determined by a combination of factors like education, occupation, income, wealth and others.

Media Research Users Council (MRUC) and Indian Readership Survey (IRS)—95 have come out with a new rural Socio-Economic Class (SEC), which maps the rural market on three variables.

- Education of the chief wage earner
- Ownership of durables
- Type of the house (Pucca, Semi-pucca or Kuchha)

The social classes may be categorized into six groups as shown in Table 3.1.

Table 3.1 Social Classes: Characteristics and Preferences

S.No.	Class	Characteristics	Preferences
1.	Upper-Upper	Social elite, wealth inherited, well known family background, ascribed status, aristocrats, small in number	Jewellery, antique, farm houses, vacations, luxury, products at high prices

		reference group for others.	
2.	Lower-Upper	Social elite, wealth earned, educated and professional active in social and civic affairs, aspire, and associate with upper, upper stratum.	Status symbols – cars, homes, refrigerators, expensive schools, exhibition products, art pieces, sculptures, etc.
3.	Upper-middle	Career oriented dependent on education and hard work, dual career families seek comfort, ambitious	Quality of life, products and entertainment, good interior decoration, vacations, travel and tour regular but economics entertainment.
4.	Lower-middle	Average paid employees, small businessmen, college background, fashion, oriented but traditional dual career families.	Better life products, nice, homes, nice furniture, decent school, occasional vacations, travel and tour regular but economical entertainment
5.	Upper-lower	Above poverty line – Depend on loans and advances, hand to mouth, dual career families, traditional, strong family ties, school education	Economy, products, installment and credit buying, low priced popular brands and local unbranded products.

6.	Lower-Lower	Below poverty line, daily incomes, low per capital income poor health and hygiene, dependence on petty loans and charity	Local unbranded products, daily purchases, cheap varieties, buy seconds or collect thrown out clothes, food etc.

(b) Life style: With the rural populace has the advent of satellite television and cable networks all across the country, been exposed to the rich life style of the urban households. The rural consumer's brand choices are not that different from his urban counterparts. But while the brand choices tend to converge, packing preferences don't. By and large, the rural preference is for smaller packs. Wherever an option exists in case of durables, premium models are preferred by the rural rich.

One way of life style classification is:

• Trend setters• Traditionalists• Chameleons

A separate classification for woman may be helpful. One such classification is:

A capable home maker, career women, and a free spirit

(C) Personality: Personality refers to the set of psychological and physical characteristics of a zdividua1 that determine individual behaviour. These characteristics are unique making individuals different from one another. Personality can be defined with the help of characteristics like self-confidence, sociability, adaptability assertiveness, autonomy, creativity, sensitivity, and so on.

(iv) Segmentation

Behaviour of consumers is a better guide to segment the markets. To understand the behaviours the following questions may be raised.

When do people buy?	Occasions
Why do people buy?	Benefits sought
Do they buy? Once? More?	User status
How much do they buy?	Usage rate
Do they repeat the buy?	Loyalty status
Where do they buy?	Place-retail outlet.
What do they buy?	Products possessed.

(a) Occasions: Most of the durables are purchased during the month of January when farmers incur agricultural income. Other occasions are festivals like Diwali and Dussehra. Also, rural people prefer buying required goods when melas and jaats are organised. As a routine, weekends are the times of purchase by rurals at shandies and haats.

(b) Benefits sought: The benefits sought from a product vary from consumer to consumer. A rural consumer may buy a motor bike seeking one or more of the following benefits.

- Status symbol
- Sense of fulfillment
- Convenience of transport
- Economy in commuting

Based on the benefits sought, consumers are grouped and positioning is effectively done to pull them to buy.

(c) User status: Consumers may be categorised as follows based on their user status. The corresponding marketing actions can be given as under.

User Status		**Marketers action**
Ex-user	• Stopped using • Using other brand	Convince then about benefit
First time user	• Trial	Assure benefits
Regular users	• Repeat buy	Appreciate them and advice them on usage. Assure service
	•	

Evidently, each category of users is to be treated as a separate segment and marketing offer should be designed to suit each one of them.

(d) Usage rate: Based upon the size of their consumption, consumers may be categorised as:

- Light users
- Medium users
- Heavy users

(e) Loyalty status: A market can also be segmented on the basis of consumer loyalty to brands, stores and companies. In rural areas, brand loyalty is higher, as decisions are collectively made. Strong loyalty is reported only in the case of Lifebuoy.

Company may design marketing actions based on loyalty status.

Loyalty Status	Goal	Marketing Action
Strong	To retain	Improve the features and promotions
Weak	To attract	Support with good promotion
Non-loyal	To convert	Heavy Sales promotion campaign

(f) Place: Rural people may buy at the following places:

- Weekly haats or shandies
- Occasional Melas and Jaataras
- Nearest town, the feeding centre for villages
- Mobile vans

Products may be promoted by developing an understanding of the place where the potential buyers congregate mostly and prefer to buy the products. Marketers are today considering the traditional retail spaces viz., haats or shandies as they realise their potential in promoting sales of several products.

(g) Product possession categories: Targeting the buyer on the basis of products he already possesses is appropriate. NCAER has categorised products to help marketers of durables target the next customer.

Category I products are of immediate use to the family or things which tend to be instrumental in supplementing the income in these households.

Category II products consists of a combination of the products that ease the households, works train and act as a source of entertainment.

Category III products show a combination of classy products that fulfill all the above needs.

Category	Product price	Products
I	Below Rs.1000	Wrist watches, Transistor, Fan, Bicycle, Electric irons, Mono cassette recorder, Pressure cooker / Pan
II	Between Rs.1000 and Rs.6000	Two-in-one, TV (B&W), sewing machine, Mixer-grinder, Geyser, Vacuum cleaner
III	Above Rs.6000	Two-wheeler, Refrigerator, TV (Colour) VCR / VCP Washing machine

This categorization can be used as a guideline to target the next customer. Purchases in Category II are made after purchase of 3 or 4 items in category I. Purchases in category III are made after purchasing 5 to 6 products in category I and II. Some times it can be a straight jump from category I to category III.

Multi-variable segmentation

Very rarely, marketers depend on a single variable for segmentation. Target market to be meaningful requires the use of several variables. One of the recent developments in multi-variable segmentation is geo-demographic segmentation.

(a) Thompson Rural Market Index (TRMI): Hindustan Thompson Associates Ltd. developed TRMI as a guide to segment markets in the rural areas in 1972 and improved it in 1986. They compiled a data out of 335 districts, based on 26 variables. Further, they collected the value of agricultural output data for each district. It is considered to be the overall indicator of rural market potential as it has strong correlation with 10 selected agriculture-related variables viz.,

- Agricultural labourers
- Gross cropped area
- Gross irrigated area
- Area under non-food crops
- Pump sets
- Fertilizer consumptions
- Tractors
- Rural credit,
- Rural deposits and

- Villages electrified

Based on the index number, the districts have been classified as A, B, C, D and E class of markets as shown in table below.

Table: Classification of Markets

Class of Markets	**Index Range**	**No. of Districts**	**Percentage of Market**
A	60.00 to 100.00	22	17.8
B	40.00 to 59.99	39	20.5
C	30.00 to 39.99	54	20.4
D	20.00 to 29.99	86	23.0
E	Below 20.00	154	18.3
	Total	355	100.00

(b) Lin: Quest: Initiative Media developed Lin: Quest, a software package that provides marketers with data on rural India. The data can be sorted on five parameters:

- Demographic
- Agricultural
- Income
- Literacy
- Civic amenities

Depending on the product being launched, marketers will be interested in certain parameters such as literacy levels, male-female ratios, bank deposits, income levels, accessibility (via road, rail and water), dispensaries, schools, and distance from the nearest town. The software allows marketers to assign a weighted

average on each of these. The package then lists all the places that satisfy the marketer's criteria. For the rural launch of a regional daily newspaper the parameters could be villages (population over 10,000), income (over Rs.2000) distance from the nearest town (not more than 45 km) and literacy levels.
Lin: Quest provides a list of districts and villages within the district.

(c) MICA rating: MICA has developed "MICA Rural Market Rating". It is available in a CD-ROM with digital maps and provides the relative market potential of a particular district. The ratings have been arrived at by using six parameters.

- Total value of agricultural output
- Bank advances
- Cropped area
- Irrigated area
- Number of cultivators, and
- Fertilizer consumption

It also highlights the village haats- when and where they are held and the proximity to the centre by road and rail.

TARGETTING

Segmentation is the process of identifying and establishing alternative market segments. As a next step, targeting involves evaluating the various segments and selecting how many and which ones to target. The three aspects in targeting are evaluation, selection and coverage.

(i) Evaluation of Segments

In evaluating market segments a company has to first identify the criteria for evaluation. The following criteria may be applied to determine the attractiveness of segments.

(a) Profitability: The Company has to collect information on aspects required to conduct cost benefit analysis and ascertain profitability of the segment. Relevant information includes:

- Sales volumes
- Distribution costs
- Promotion costs
- Sales revenues
- Profit margins

(b) Attractiveness: Marketers should know whether they should design effective programmes to attract and serve the market skills. Smaller companies or new companies may lack the skills, experience and resources needed to serve the larger segments. Some segments may be less attractive when there is already more competition.

(c) Growth rate: A segment's attractiveness depends not only on its current profitability but also future prospects. The growth rate of the segment in terms of growth in population, rise in purchasing power, and increase in preferences for the use of the products is to be considered.

(d) Company objectives: Company should evaluate the segment opportunity with reference to their short term and long term objectives. If a company's objective is to expand the sales, it has to go rural instead of pulling rural consumers to the nearby town.

(e) Limitations: Finally, a company should examine whether the entry into the segment is acceptable to the society and government. If its entry provokes unnecessary criticisms, the company may have to struggle hard to explain its stand and safeguard its image.

(ii) Selection of Segments

Segments may be ranked based on the scores obtained and be considered for selection. Those with high scores will be accepted and others will be kept aside for future consideration.

(iii) Coverage of Segments

Organization has three alternative coverage strategies to suit their segmentation approaches.

Segmentation	Type of marketing	Coverage strategy
Zero	Mass	Undifferentiated
Substantial	Segment	Differential
Selective	Niche	Concentrated

(a) Undifferentiated strategy: Undifferentiated marketing strategy focuses on “What is common” among the consumers and tries to employ it in the design of its marketing offer. For instance, many toilet soap users prefer medicinal value, cosmetic strength, economy and freshness feeling in toilet soap. Medimix offers all these and claims that, it is a beauty care Ayurvedic family soap. This soap appeals to all types of consumers.

Undifferentiated marketing strategy is adopted by some firms to promote their products in urban and rural markets. Despite certain differences between rural life styles and urban life style, they find some convergence. “Fair & Lovely” proves this point. In the skin cream market, Fair & Lovely fairness cream, which has spread its tentacles in the urban market has a high penetration of 75 percent in the rural market. Other such products are Lifebuoy, Ponds talcum powder, and many others.

(b) Differentiated strategy: Differentiated marketing strategy investigates and identifies differences between segments and tries to match the market offer to the desires and expectations of each segment.

The results of such exercise would be-Strong identification of the company in the product category. More costs but higher sales. Hence more profits and more loyal consumers.

Are companies using differentiated strategy within rural areas? Obviously, there are products, which are exclusive to rural areas like fertilizers, tractors, seeds, etc. Following examples explain the use of this strategy.

S.No.	Product	Type	Segmentation
1	Tractor	25 - 30 HP	Marginal or small farmer
		50 HP	Large farmer
2.	Pepsodent	50 g	Middle and high income
		15 g	Low income

(c) Concentrated strategy: Concentrated strategy directs all marketing efforts towards one selected segment. It facilitates specialization in serving the segment

and achieving higher level of consumer satisfaction, delight and loyalty.
However, it is not without risks. In course of time,
Preferences of consumers may change, and
Large companies may become competitors seeing the success of this company.

Generally, large companies may prefer to offer specialized services as a part of their diversification move. O& M has set up "O& M Rural Communication New Work" to implement rural communication packages and devise distribution strategies.

(iv) Choosing a Coverage Strategy

The following check list guides companies in making their coverage strategy choices, with reference to the state of the four variables for example, company resources, product variability, product life-cycle stage and market variability. For instance, undifferentiated strategy is to be chosen, when company resources are moderate, product variability is less, and product is in the introduction stage in a market that has less variability.

Variable	Strategy		
	Undifferentiated	Differentiated	Concentrated
Company resources	Moderate	Large	Limited
Product variability	Less	More	Less
Product life-cycle stage	Introduction	Growth	Introduction
Market variability	Less	High	High

Positioning is the act of finding a place in the minds of consumers and locating the brand therein. Companies have to plan positions that give their products the necessary advantage in the target markets.

Positioning involves three tasks—

Identifying the differences of the offer vis-a-vis competitors' offers.

Selecting the differences that have greater competitive advantage.

Communicating such advantages effectively to the target audience.

Identify Differences

The marketing offer may be differentiated along the following lines:

- Product
- Services
- People, or image

(a) Product differentiation: Products can be differentiated on attributes like shape, size, colour, quality, composition, and performance. Functional differentiations signify ease in process and benefits of use.

- Coke has 400 calories where as Diet coke has 1 calorie. Diet Coke is for diabetics.
- 'Singer' sewing machine stitches, 'memory craft' can even scan designs.
- Usha 'fighter' is low priced fan whereas 'senator' delivers air to the far corners of a room.
- Cinthol Sandal promises twin benefits of flawless, blemish free complexion and freedom from perspiration odor owing to TCC. (Trichlora carbanalide content)

- Products come in different sizes, shapes and colours.

Brand	Shape	Size	Colour
Mysore sandal	Round	150 g	Sandal
	Oval	75 g	Sandal
	Square	25 g	Sandal
Mysore Sandal Special	Round	150g	White, Lilac, Sandal
Mysore sandal classic with	Oval	75g	Sandal, Translucent
Close Up	Sachet	25 g	Red, blue, Green
	Tube	50 g	Red, Blue, Green
	Tube	100 g	Red, Blue, Green
	Tube	150 g	Red, Blue, Green

(b) Services differentiation: Services may be differentiated in respect of delivery, installation and maintenance. Long warranty periods, free service coupons, service at phone call distance, 24 hours service, emergency care, etc., are some examples.

(C) People: People, who come into contact with users, may quite often influence the decision of consumers. In this era of relationship marketing, differentiation by people is worth considering.

Service organisations like hospitals, schools, banks, road transport and telecommunication, require people who serve with smile and are efficient. Service organisations mainly emphasise on the competencies of their people.

(d) Image: The image of a brand or company may win the consumer, even though the product is very much similar to a competitive one. Image is built by advertisements, symbols, signs, colours, logos, atmosphere of organisation, and social activities.

Selecting the Right Differences

When a company identifies several differences it can evaluate them with the help of the following criteria.

Attractive	—	Does it provide value to the customer?
Distinctive	—	Is it different from that of its competitors?
Preemptive	—	Is it very difficult for competitors to copy it'?
Affordable	—	Can buyers pay for it?
Communicable	—	Can the difference be clearly expressed? Is it visible? Understandable?

The evaluation requires the following steps:

1. Identification of attributes, which can give competitive advantage. For example, quality, service, technology and economy.
2. Use of a rating scale. Say, 10 point scale.
3. Rating the attributes on the five criteria viz., attractive, distinctive, preemptive, affordable and communicable.
4. Then, developing a comparative table of competitive advantages to arrive at an appropriate decision.

Communicating

Once the company has chosen the differences, it has to choose an appropriate marketing strategy.

QUESTIONS

1. Explain the rationale for segmentation.
2. "Marketing approaches vary with degree of segmentation". Explain with examples.
3. What are the prerequisites for effective segmentation?
4. List the bases of segmentation.
5. How do you segment markets based on geographical variables? Explain with examples.
6. Using demographical variables, segment markets for
   a) TVs b) Cosmetics c) Tooth paste
7. What is psychographic segmentation? Is it superior to other types of segmentation?
8. Identify life styles of men and women and show their influence on product preferences with suitable examples.
9. Explain how Indian marketers are differentiating their products based on personality variables.
10. Examine the importance and possibilities of multi-variable segmentation.
11. How do you evaluate and select target markets?

UNIT-III

LESSON -3.2

PRODUCT STRATEGY-PRODUCT MIX DECISIONS

In this Lesson, the product related concepts, and classifications are explained. The significance of product strategy for a company is outlined and the strategic alternatives are briefly discussed. Finally, the different strategies adopted by Indian companies for rural markets are also highlighted.

Introduction

Product Concepts and Classifications

Concept and Significance of Product Strategy

Scope

Product Mix Decisions

Product Item Decisions

Competitive Product Strategies

Questions

INTRODUCTION

How well do we know Rural India?

Rural India buys 46% of soft drinks sold

49%of motor cycles

59% of cigarettes

18 million TV sets are in rural India

Of 2 million BSNL mobile connections,

50 % are in small towns/villages

11% of rural women use lipstick and fastest growing markets of the world.

Rural Markets need to be understood thoroughly, before they can be serviced.

A clear understanding has to be obtained of the rural environment, its limitations and opportunities, before effective strategies can be formulated.

A sensitization to the rural environment is absolutely vital, to ensure effective implementation of strategies, in the framework of new paradigms that are emerging, due to the transformations taking place in Rural India. This has to be furthered supported by an on-line monitoring mechanism that enables timely mid-course fine tuning.
The learning cycle becomes complete, only when, the knowledge and experience gained from every implementation, can be systematically transferred, through effective training and dissemination

The central decision in marketing mix strategy is product decision. In the emergent dynamic, competitive environment, multi-product firms are fighting hard to gain commanding market through their product strategies. It is through continuous design and redesign of product mixes a company lays its way to success and fame.

PRODUCT CONCEPTS AND CLASSIFICATIONS

Products required in rural areas may be classified in different ways. In the process, let us whether there are any significant differences between urban and rural product classifications.
(i) Based on tangibility goods are classified into two groups:
Tangible goods referred to as products
Intangible goods referred to as services
The following Table compares them.

Characteristics	**Product**	**Service**
Tangibility	Yes	No
Separability	Yes	No
Variability	Some times, customization	Yes
Perish ability	Some products	Yes
Examples	Soft drinks, office furniture, houses, etc.	Repairs, construction services, legal services, medical services etc.

(ii) **Based on the purpose of use**

Purpose	Type	User	Products
Composition	Consumer	Households	Toiletries cosmetics, beverages, home appliances, etc.
Production	Industrial / Agricultural goods	Industries frame / poultries etc	Raw materials, components, agricultural inputs and machinery, animal feeds, etc.

(iii) Based on the functional life of the products

Type	Nature of use	Functional Life period	Example
Consumables	One time	Short	Food & beverages, soft drinks
Durables	Life time	Long	Furniture, computers, cars, cameras

Cheaper goods are those, which are characterized by, low quality and low price. They perform the core function but they lack certain attributes, which make their use less comfortable, less pleasant and less desirable.

Shopping goods (clothing. furniture, home appliances, etc.)

Moderate Occasional Complex.

For example: Jewellery. silk sarees, cars, bungalows, high priced cosmetics, toiletries and perfumes

(vi) Based on product development:

Innovations

Imitations (Novelties, Me-too goods, Copy Cats)

Innovations: Innovation is the key for survival in a highly competitive environment. A company which innovates always has an edge over others.

1. Every organization will have to learn to innovate and this can now be organized in a systematic process.

2. Product mix of the companies is heavily skewed towards "me too" types of products and their success largely depends upon the company's expertise in developing and using marketing innovations thereby enabling them to get differential advantages for their "me too" products against those of their competitors.

3. Implementation of marketing innovations on a national scale involves a lot of risk and therefore it is desirable that the companies experiment these innovations in controlled areas and verify their results before they are finally adopted on a national scale.

Imitations: Imitations may result in two types of goods depending upon the purpose commitment, and competence of imitator. A poor imitator will end up in producing deceptive spurious, fake, copy cat products. He dupes the gullible customer by offering products having close resemblance with the original. In quality, it is a poor cousin to the original. On the other hand, the competent imitator may even produce an improved version of the original product.

Original Product	**Limitations**	
	Novelties	Copy cat
Lifebuoy	Nirma buoy	New Lime Buoy, Nimba buoy
Colgate	Pepsodent	College
Nirma	Wheel	Neerbha, Nima, Narima
Fair & lovely	Fairever	Friends & Lovely

CONCEPT AND SIGNIFICANCE OF PRODUCT STRATEGY

Concept

Product strategy refers to the long-range competitive plan involving decisions on products, product line and product mix to make proper utilisation of resources and achieve marketing goals.

Significance

An effective product strategy offers the following benefits.

(i) Achieves product—market fit: A well thought out product strategy will be able to offer products based on market needs. Thus, it achieves product market, fit and avoids the pitfalls of marketing myopia. Consequently, it provides insurance for survival.

(ii) Encourages innovativeness: The key of product strategy is innovation with a view to fine tune the market offer to the current and future needs of customers. Product strategy relies on creativity processes, methods and techniques. Innovation is an in-built feature of product strategy.

(iii) Provides competitive edge: In this competitive era, marketers need good intelligence on how to anticipate competitive moves and launch their new product. Companies will have to use product strategy to attack and to flank their competition, to defend their positions, and to wage guerilla warfare.

(iv)Makes better use of resources: The product additions and deletions, based on rational appraisal of marketing and production strengths and weaknesses allow for better utilization of physical, financial and human resources. It thus helps achieve high productivity levels. Consequently, there will be no idle capacities and no demoralized work force.

SCOPE:

Product strategy embraces decisions at three levels.

i) Product mix

ii) Product line, and

iii) Product item

Various strategies adopted at these levels are given in Table

Table: Product Strategies—An Overview

Level	Strategy
Product Mix	Width extension – New Product lines
	Length extension – New product items
	Depth extension – new product variants
Product Line	Stretching – Upward, downward, both ways line pruning – line modernization
Product item	• Quality, Features, Design, Brand and Package • Augmentation

PRODUCT MIX DECISIONS

Product mix is a set of all product lines and items offered by the company.

Horizon one	Horizon two	Horizon three
Soaps and Detergents	Popular foods	Direct-to-home products
Beverages	Culinary products	Value-added foods
Oil and Dairy fats	Personal products	Bread and biscuits
Specialty chemicals	Ice-creams	
Animal feeds	Home care products	
	New Beverages	
Profitable growth	Top line growth	Development and learning

Product line is a group of closely related products priced within a range and distributed the - some channels to the same customer groups. It has two dimensions: Length and Depth.

Length - It refers to the total number of items in the line.

Depth - It is the total number of variants to product items.

Length of Product line: How long the product line should be? It is like asking, 'how long re legs should be? The reply to this question is: 'long enough to reach the ground.' Similarly, product- line length should be evaluated in the light of company profitability. If profitability can be increased by dropping items, the existing length is more than necessary. If profitability can be increase: 'adding items, the existing length is short.

There is a need to work out optimal length. It should be neither too short nor too. Arguments in favour of short and long lines are summarised below.

Short line	Long line
1. When focus is on specialization	If companies want to be positioned as full line companies
2. As a consequence of contraction defense strategy	As a result of flanking strategy
3. If profitability is the objective	If market growth and market-share are the objective
4. When line pruning is done, Loss making products are dropped	Product line proliferation. Zealously new products are added. A sort of undisciplined growth.

Life Stretching: Line stretching is lengthening the product line beyond its current range. The stretch can be in three directions:

Down ward - adding lower end items

Upward	-	adding high end items
Both ways	-	adding items at both higher and lower ends

Reasons: The line stretching decision is made for the following reasons:

- Reaction- As a reaction to competition, innovative product items are added.
- Opportunity- To utilise the existing market gap, new items are introduced.
- Image- To have a full line company image, rolling upward or downward or both ways is done.
- Pressure- Yielding to pressure of sales force and dealers, new product items is introduced.
- Strength- To use the available excess capacity, line stretching is done.
- Desire- To fulfill the desire of a top executive or product manager, to introduce a new product item, line stretching is done.

Line Pruning: Product lines tend to lengthen over time. Some times they are stretched on rational rounds. At other times, they are lengthened because of emotional reasons. In either case, some dead wood will accumulate. It is weeded out based on periodical review of the contribution of product items. The product items can be classified as:

(i) Traffic builders—which attract customers but generate marginal incomes

(ii) Bread winners—which generate major share of incomes

(iii) Parasites—which incur losses and depend on bread winners.

Product line pruning may be done when:

- It is identified that dead wood is depressing profits, and

- It is found that the production capacity is limited and cannot handle all the existing products.

Line Modernisation: When technological developments change the products, a decision to amp the old line and design a modem line becomes inevitable. The modemisation decision is to - taken with great care. The aspects to be considered are:

1. Timing—It should not be too early or too late. Remember, 'Strike the iron while it is hot'. Proper timing of modernisation decision is important. The timing decision requires information about
    - Conversion readiness of consumers from old to new products
    - Competitors moves
    - Profitability levels of existing product line.
2. Approach- Whether the change is total or piece-meal? The merits (+) and demerits (-) of these two approaches are given below.
3.

Total	Piece-meal
- Requires heavy cash flow	+ Less draining on company's cash flow
+ Surprises, competitors no chance to imitate	- Allow competitors to see changes and start designing their own time.
- Implementation of change involving dealers and customers is difficult	+ People affected by change easily understand and adopt.

The example of HLL provides a clear understanding of contemporary line modernizations attempts.

HLL's soaps, detergents and 'household care business continued to grow ahead of market despite the recessionary trends and growing competition Rapid innovations in Products and the supply chain, backed by aggress, marketing and distribution achieved this performance, Rural market accounts for about 50-60 per cent HLL's Sales of detergents soaps and household care products division which in turn contributes 40 per cent of HLL's total sales.

***I Personal wash category*:** The top-end (premium toilet soaps) segment witnessed the launch of Savfon and Lint Rain Fresh Lux International was re-launched Intensive sampling activities were initiated on Dove, Liril Lux and Rexona continued to gain sales. In the• discount segment, a new herbal variant of Breeie was put on test market, Breez and Jai continued as before. Lifebuoy Gold and Lifebuny plus were relaunchad,

***II Fabric wash category*:** In concentrates segment at the top end of the market international, Surf Excel was re-launched with properties to remove even dried stains. In the mid-price segment, fin Shakti powder and bar were re-launched, With superior formulations Sunlight powder and Super 501 bar be are re-launched.

In the mass-market segment, Blue Wheel powder was re-launched with new active system. Wheel powder was also made available in sachets priced at Rs1 to further increase penetration among low-income rural consumers, The franchise was extended with the test market Of international Wheel Active offering stain removal at an affordable price and the entry of Wheel laundry soap.

3. Household category: Vim Dish wash Bar was re-launched with a superior formulation, Vim Bar, the first such product fuelled the growth of dish wash bar segment by Over 200 per cent in the last five years. It is converting consumers from unbranded proxy products like ash and mud to branded products

The Domex range of surface cleaners also sustained growth,

PRODUCT ITEM DECISIONS

Product or service is an offer made by marketer that has the ability to satisfy the needs and wants of customer. Products are physical and tangible. Examples are fertilizers, mosquito repellants, analgesics and footwear Services are intangible and people-based or equipment Examples is soil testing, retailer advice, training and health care.

The key consideration in individual product/service offer is developing of the product at three levels.

1. Core product development
2. Tangible product development
3. Augmented product development

(1) Core Product

Core product refers to the benefits, which are specified by consumer needs. What is the consumer really buying? Core product developer has to focus on the needs of consumer. Product is to be seen not from manufacturing point of view but from marketing point of view. Business is to be viewed as a customer satisfying process, not a goods-producing process. Products are transient, but basic needs of customer groups remain. The below Table illustrates this point.

Table Need—Product relationships

Needs	Old products	New products
Brushing Teeth	Neem sticks, Charcoal, Ash Rock salt, Husk, Powder mixtures	Tooth paste, tooth powder and liquids
Washing vessels	Coconut fiber, Earthy materials, brick powder, Ash	Washing soaps, powders, and liquids
Transport	Bullock cart, Horse, Donkeys Chariots, Palanquins	Tractors, LCVs Mopeds, Scooters, Motor Cycles, Trains, buses
Irrigation	Wells, Canals, Water lifters Wind mills	Bore-wells, Motors, Powers generators, Pump sets
Hair wash	Shikakai powder, Aricanut (soap nut), Besan	Shampoos And Hair Care Soaps

A product that provides the important form utility and ensures performance of the basic function is the core product. The testing question therefore is:

Is the product capable of fulfilling the needs of customers?

Taking the above examples, the relevant questions are:

• Can the toothpowder brush the teeth clean?

• Can the tractor run, even when, the soil is muddy, and roads are rough?

(ii) Tangible Product

When psychological needs are specified in physical terms, product concept becomes visible and operational. Any product or service has five characteristics.

1. Quality
2. Features
3. Style/design
4. Packaging
5. Branding

It is in these terms that a consumer expresses and expects benefits from a product to satisfy his needs. Accordingly, marketers have to design and communicate ‘product’ with the above five Characteristics. The task involves answering two questions:

1. What is each characteristic to the consumer?
2. How much of each is to be incorporated in product design?

(a) Quality: It is the first characteristic of a product and service. What quality signifies the ability of product to meet the following expectations?

- Durability-It should last for a certain period
- Capacity-It should possess the requisite ability to function
- Efficiency-It should function better to give desired outcomes with less inputs
- Economy-Its operational cost, time and energy are less
- Reliability-It is dependable in providing the desired function and results.

Product designers should necessarily interact with marketers to know how consumers evaluate quality of a product. Is the consumer dependent on technical specifications? Or has he any other parameters to decide quality levels?

Experience tells that consumers develop their norms, notions and beliefs to sense quality. By knowing them, product designer has to provide physical signs and cues, which represent them. These are termed as emotional specifications. For instance, a rural consumer views heavy watches as quality watches; he judges quality of cement by its bitter taste. Table provides technical specifications and emotional specifications of a few products.

Product	**Technical (Rational) specifications**	**Sensory (emotional) Specifications**
Watches	Mechanical or Winding type	Weight
Moped	Fuel efficiency, power Capacity in liters	Style and colour Noiseless
Coffee	Coffee, Chicories content	Smell

How much? Success in marketing depends on offering the desired quality products to market segments which will be profitable. We find successful products on a quality spectrum in the market. The following figure shows examples of products on the quality continuum

Quality	High		Low
Product Detergent	Surf Excel	Rin	Nirma Wheel
Toilet Soaps	Lux Supreme	Santoor	Lifebuoy

Fig. Quality Spectrum

(b) Features: Humans are progressive in thinking and behaviour. They are never happy with what they have. They continually seek improvements, for more comfort and convenience. In a lighter vein, someone remarked, "when hunger is satisfied, people demand music. Evidently, bare-bone models of product do not satisfy consumers. They look for features.

What? Features are extras to a product, which are of value to the buyers. Features are of two types.

1. Rational, problem-solving
2. Emotional, fancy

The consumer of a product seeks solutions to the problems he has in using the product. Also, he is willing to pay for the solutions. It is the willingness to buy solutions that leads marketers to add features to the 'stripped-down' model.

The second type of features is those which capture the attention of the buyers. They are less functional and more fanciful. The below table presents the features of some products.

Table Features of Products

Product	Rational		Emotional
35 mm Camera	Focusing	Auto-focus	Color
	Lighting	Flash	Size
	Carrying Flash		

'Bare-bones' models do not completely satisfy people. Consumers look for features which are of value to them.

How many? Based on market research studies, one can identify numerous feature ideas. They require screening and evaluation on the prime considerations outlined here below.

1. Consumer point of view—desirability and affordability of consumer. What is the perceived value of the feature? What price is he willing to pay?

2. Competition point of view—Is it necessary, in view of competition? What are the features of the products of competitors? What features they propose to add? What features we have to add to become even with competitors? To excel them?

3. Company point of view—Js the feature profitable? If cost-benefit analysis reveals that feature costs are lower than the price, the feature is viable. It can be added.

(c) Design and Style: Design means the arrangement of parts, form, colour, etc., so as to produce an artistic unit with functional structure and attractive shape. Style represents the characteristic manner of appearance and function.

A designer has to give consideration to the functionality, aesthetics, ergonomics, and convenience of operation, ease of repair and service and costs. Good design contributes to product usefulness and attractiveness. Design descriptors include words like compact, sleek, elegant, sensational, unusual etc. Table illustrates the designs and styles of some products.

Table: Design and Style of Products

Product	Design	Style
Gold Flake Filter Kings	Elegant	Gracious
Annadatha Magzine	Trim and Plain	Smart and wise
Garden Sarees	Geometric	Modern

It is through design that a product acquires structure, shape and style, the three components of personality. Brand personality considerations occupy central place of marketer’s decision making in respect of positioning and target marketing.

Packaging: Every product requires a package and label. Packaging is providing a container or wrapper for a product. Packaging is done at three levels.

1. Primary Package—It holds the product for example, bottle
2. Secondary package—It holds the primary package for example, Cardboard box
3. Shipping Package —It helps carry the packed products from one place to another for example, corrugated box

All products need shipping packaging as they are to be transported to different places. It mainly protection and handling convenience. Some products need secondary packaging for example, after-shave lotion, hair dyes, toothpastes, fairness creams, toilet soaps, etc. Some products are sold with primary packaging for example, talcum powder hair oils, edible oils, beverages, etc. Therefore, marketer has to make primary packaging appealing in case of all products. The secondary package should be made attractive, wherever necessary.

Today, we see a variety of packages in use. They appeal consumers at three different levels: sensory, emotional and rational. Various considerations are necessary for creating appealing packages at the three levels as given in Table below

Table Three Levels of Appeal by Packages

S. No.	Level	Purpose Package	Package characteristics	Determinations
1.	Sensory	Attention	Attractive Distinctive Visibility	Easy to identify
2.	Emotional	Interest Desire	Adoptability Compatibility Communicability	Easy to carry Easy to use Easy to store Attractive to reuse Easy to dispense
3.	Rational	Evaluation	Informative Interactive Preservative Economical	Easy to know Easy to store Good to reuse Fair price

Now we consider the examples of different packages that offer different benefits.

(i) Easy to identify and easy to recognize:

Different shapes

Different sizes

Different colours

(ii) Easy to carry, easy to use and easy to dispense:

Tetra packs—Soft drink, Milk

Polythene covers—Sanitary napkins, Dairy milk

Metal, Plastic tubes—Toothpaste, Medicines (ointments), Fairness

Creams Cardboard/paper packs—Toilet soaps, Hair dyes, Shaving creams, Mosquito coils Small bottles—Honey, Sauce, Jam, Tonics and Synips (kids)

Spray bottles—Air fresheners

Tear sheets—Medicines (tablets), mosquito mats

Tins-Threptin biscuits, Protex, Ovaltine, Lamitubes,Cherry blossom

(iii) Good to store: Food grade plastic/glass bottles-Beverages like Bournvita, Boost and Horlicks, Edible oils like Saffola and Sakola.

(iv) Attractive to reuse: Good to store bottles are often reusable.

(v) Easy to evaluate: Purchase decisions are based on evaluation of the following.

1. Product quality
2. Product use information
3. Life period of the product.

Through labeling or by presenting information on the package, evaluation process is made easy. Packages are becoming interactive to permit easy evaluation by sight and smell.

Branding: Contemporary marketing relies on branding to give products an identity, personality, image, equity, and attractiveness

Brand Concept: Brand is a name, term, sign, symbol, design or colouring or a combination of them, which help identify seller's products and differentiate them from those of competitors.

Examples:

Brand Name	Marks
Lion Honey	Lion
Dabur Chyawanprash	Rishi
Asian Paints	Gattu
Goodlass Nerolac	Tiger
Kelvinator	Penguin
Kingfisher	Kingfisher

Brand Name	Marks
Nivean	Bright Blue
Eveready, Coke, Lifebuoy	Red
Maggi noodles	Red and yellow
Liril	Lemon green
Tata Tea	Green
Max Tea	Green
Maxtouch cellular	Orange and black
Tide	Orange

Branding Policy: Branding decisions are not easy ones. Branding dilemmas include:

(i) To brand or not to brand?

(ii) Sponsorship—company or middlemen?

(iii) Name—Individual or family?

Branding- The need: The arguments for and against branding are briefed here.

Arguments for

1. **Identity helps processing**: Brand name gives identity to a company's product. It helps recognition and processing easy for the company, distributors and consumers. It thus saves costs and time in manufacturing, warehousing, transporting and order processing for the company in selling. Distributors can reap similar benefits in handling the products and selling them. Consumers find it easy to spot and select the product.

2. **Image gives competitive advantage**: Brands earn recognition and reputation by their performance. The image helps the existing products in the line as well as new products. It gives commanding position to the marketer to charge higher prices than competitors and to convince distributors to carry the products.

3. **Personality convinces consumers**: Brands in course of their association with consumers develop personality. Advertisers take this opportunity to match personality of brands with that of prospects. It helps build brand loyalty-a lasting companionship, a strong bondage between a brand and consumer.

4. **Equity enhances value**: Brands by their popularity not only enhance their value-in-use but also value-in-exchange. A company that has built brand image over a period of time by its incessant innovative effort gets a reward for example, premium price offer for its brand from a competitor or interested entrepreneur willing to own it.

Arguments against

1. Investment-returns doubtful: Brand building is not an easy task. It requires a great deal of long range investment. It is to be supported by R & D investment, advertising budget and dealer discounts. However, there is no assurance of returns. Many brands have failed. Many are struggling hard despite the good images they have built over a time.

2. Image and personality an emotional nonsense: All the talk about brand personality and image are psychological fantasies created by self-seeking marketers. No product sells on brand name. Only when it fulfills a need, it stays and succeeds in the market. The image of a product or brand cannot help other brands. Instances of such failures are many. Brand personality issues are more academic rhetoric. It is an overstretched concept with little practical value. When a person buys the product, the overriding, considerations are cost (price and operational economics) and functional benefits. It is true with a vast majority of consumers.

3. Brand equity—sensible but not new: Brand equity concept replaces the old term good will'. It is not, something new to be argued in favour of a 'brand'. It is outcome of business built over a period. Why marketers glorify branding in this context? It is only an identification factor that helps marketers promote distinctiveness.

Brand Sponsoring

The marketer has to decide "who has to sponsor the brand"? Alternative ways are:

1. Manufacturer brand (National brand)
2. Distributor brand (Private brand)

The development of super markets and retail chains provides the opportunity to leave branding to distributors. The go and no go reasons for manufacturer brands are stated below.

Manufacturer brand

Go	**No Go**
1) Consumer prefer certain national brands	National brands are high priced, Local brands are relatively cheap. Due to price advantage, sales will be low.
2) Many product categories are not feasible or attractive on a private brand basis.	National brands are quality products. But consumers accept product in a quality range. If there is a low priced local product in the same quality range, they prefer it.
3) Branding reduces marketing costs and improves sales opportunities by its	

Only when consumer's affordability and quality consciousness are reasonably fair, national brands will be successful. Today, companies are seriously considering supply chain management to make distribution more active, creative, competitive, productive and profitable. The change in this direction favours branding by manufacturers.

Brand Identity: The primary purpose of branding is creating an identity of the product. However, there are two important considerations.

1. Name what?
2. Name how?

Name What? The key questions are:

- Should each product be given a brand name?
- Should each group of products be named with a family brand name? Or all products?
- Should company trade name be associated with the brand name?

The branch naming options are related to product levels, as indicated below:

(1) Product 1evel-1ndividua brand names

(ii) Product line level-Product group family names

(iii) Product-mix level-Blanket or umbrella family name.

Individual names: The policy envisages a separate brand name for each individual product. This can be done with or without associating the company trade name.

(a) Individual names without company name.

The examples are:

Godrej	:	Cinthol, Marvel, Ganga
HLL	:	Lifebuoy, Liril, Lux, Pears
P & G	:	Peposdent, Ariel

Merits

The image of the company is not affected by failure of the individual brands.

The company is free to introduce low quality products without any adverse impact on the image of high quality products in the line. Also, it can introduce high end products without being bogged down by low end products.

The strategy allows searching for brand names that evoke desired associations and positive response from target consumers.

Demerits

- Too many brand names result in confusion. Also identification of products with their company is difficult.
- Development costs (name, identification, research, expenditure and name recognition advertising expenditure) are to be incurred for each brand. When added up they make development costs high.
- The 'spill—over benefits' of successful brands are marginal.
- Over zealous product managers may launch new brands without proper analysis and caution.

(b) Individual names with company name.

Some companies prefer to tag individual brand names with the company trade name.

Examples:

Ponds	:	Ponds Dream Flower Talc, Ponds Magic
TVS	:	TVS5OXL

Wipro : Wipro-Shikakai

Merits

- Company name legitimizes, whereas an individual name individualizes the product.
- The image and benefits of successful products help other products of the company.

Demerits

Product failures tarnish the image of the company.

Product group family name: Multi-product group companies may choose to name different groups with different family brand names.

Examples:

Merits

Helps promote a group of products. Hence development costs are less.

Failure of a product will have limited negative impact on its group only.

Different groups need different psychological associations. Different brand names help evoke different and appropriate responses.

Demerits

Individual items will not have sufficient brand power and recognition.

Blanket family name: This policy advocates naming all the products of a company with one name family brand name.

Examples are:

Usha- fans, sewing machines, industrial pumps

Nirma- detergent. toothpaste, soap

Colgate- dental cream, toothbrushes

Merits

- Development costs are very less. Under the umbrella brand name all products get easy recognition.
- The fear of failure makes management cautious in launching new products.
- Marginal products also do better aided by the success of other products.
- New products get instant recognition. It saves time and money during product launch.

Demerits

- Unsuccessful products may dilute the company image.
- Brand name alone cannot help sell products. A variety of cues, stimuli and associations for different products are to be created to make the 'brand' desirable.

Name How? Names generate some distinct thoughts in the minds of the people. The name Sita is associated with 'Virtuousness', Bhima with 'strength' and Arjuna with 'Chivafry'. Brand names in similar way, reflect particular characteristics and accomplishments.

Following guidelines help name brands effectively.

Easy to use

Easy to understand

Easy to distinguish

The Table below shows examples of effective brand names.

Table Effective brand names

Guideline	Description	Example
Easy to use (Learning and memory)	Short, simple and easy to pronounce, read and remember	Tide, Surf, Rin, Colgate
Easy to understand (Associate)	Meaningful and suggest characteristics, and functions of product	Ever youth Coltage, Super Shakthi, Medimix, Kleenex, Amrutanjan
Easy to distinguish (Preference)	Unique, peculiar and distinctive, Not a close imitation to another product like the ones given as examples	Clinic plus, Pepsi, Oraagnics, Vicco Vajradanti, Parachute, Kit kat

The association of brand grows larger beyond the product with which it is first associated. Brand identity starts slowly with the product to which the name is given. It grows next to become a symbol, a person and finally an organisation. Take Philips. Philips brings to our mind electrical products; it stands as a symbol for quality, it presents an energetic, capable, illustrious person, and an innovative great company. Thus, a brand is a product, a person and finally on organisation.

(iii) Augmented Product

Marketers should have vision to look at the specific needs (core products) of consumers, and also their related requirements. He needs a broader view to have the whole picture of the consumption c the consumer to woo him or her with the right offer. It also helps differentiate his offer with that of the competitors. The holistic approach helps to systematically differentiate the offer. The Table given below shows components.

Table : Components of an Offer

Product related	**Services – related**	**Channel**
Quality	Ordering	
Design / Style	Delivery and credit	Expertize
Features	Installation	Performance
Packaging	Customer tracking	Courtesy

Augmentation requires fortifying the product strategy with additional force drawn from other Products as a result, the product offers make buying and using a pleasant and exciting experience. As Karl Van Clause with advised: The greatest possible number of troops should be brought into action at the decisive point This is the principle of force

Following it, to win brand battles, a marketer has to assemble a wide range of benefits to make the offer complete, different and strategically superior.

UNIT-III

LESSON-3.3

COMPETITIVE PRODUCT STRATEGIES FOR RURAL MARKETS

The basic product strategies of different companies in the market arena are as follows:

(i) Leader

• Product innovation strategy
• Quality improvement strategy
• Multi-brand strategy
• Brand extension strategy
• Superior service strategy
• Image building strategy

ii) Challenger

• Cheaper goods strategy
• Prestige goods strategy
• Economy goods strategy, and
• Reacting or Pro-acting in the above strategies of a leader on a high or moderate level

iii) Follower

• Innovative imitation strategy, and
• Other strategies of leader and challenger maintaining low profile

iv) Nicher

• High quality strategy
• Narrow product line
• Superior service, and
• Indifference to other companies as none of them is a competitor.

From the above list, we can take the following strategies for the consideration of marketers.

i) Identity Strategies

- Commodity strategy
- Branding strategy

ii) Customer Value Strategies

- Mass product strategy
- Premium product strategy

(iii) Innovation Strategies

- Rural common
- Special for rural

iv) Quality Strategies

- Quality improvement strategy
- Spurious goods strategy

v) Packaging Strategies

vi) Brand Strategies

  - Brand extension strategy
  - Multi brand strategy
- Co-branding strategy
- Brand image/Equity management

Identity Strategies

Commodity strategy: Commodity describes products and services that are highly standardized perceived to be homogen05 They are unbranded products Examples are food grains, vegetables, fruits, edible oil, sugar, steel, and edibles It is reported that as many as 75 per cent of oil consumed in rural households is unbranded and locally branded.
When sold as commodities, the marketer can differentiate them in the following ways:
(i) Grading
(ii) Delivery
(iii) Services
(iv) Relationships

(b) Branding strategy: According to a famous marketing researcher "Branded goods comprise 65 per cent of sales in villages today. The share of non-branded goods is shrinking dramatically". Realising this, Castrol branded lubricants successfully in a product category where consumers bought the product as a commodity: They aggressively targeted non-conventional outlets like automobile and mechanical shops and built awareness and loyalty for their lubricant brands through powerful advertising

Brand names make products familiar and evoke possessiveness.

This has become true in case of LG Electronics of India. It named the customised TV developed for the rural market, Sampoorna The word is a part of Bengali, Hindi Marathi and Tamil language The strategy worked About Rs 114 crores worth TV sets were sold in the villages in a year.

Strategy becomes effective when other elements are in consonance with it.

The case for branding is gaining strength. It is reported that in 18 categories, branded consumption accounts for 80 per cent of sales in rural India.

(ii) Customer Value Strategies

Mass product strategies: While urban consumers are brand conscious, rural consumers are price sensitive. They are more concerned about functional benefits of the products and the value for money they pay. Accordingly, several companies have launched 'no frills', economy products to attract rural consumers and low-end urban markets.

Bonus

Maharaja Appliances Limited (MAL) has launched a range of “no frills” home appliances, Bonus, specially for the rural and semi-urban markets. MAL realises that the demand for home appliances is mushrooming. It has already a share of about 40 per cent in the rural market Since branded and quality products -are unavailable, rural -folk have to make do with substandard or--illegal, products More over, the difference between the price of grey products and legal branded products is also a major detergent. Maharaja counters this by sliding a sturdy Bonus Washing Machine without a driver, priced at Rs.2990. Thus, it filled the gap between the cheaper unbranded goods and the more expensive, branded ones. Maharaja will have something of edge, as it is an entrant.

Rajdoot 223

Escorts launched: Rajdoot 223 priced at Rs. 33300 to meet the needs and expectations of the rural market. It is cheaper than most motorbikes and is preferred over mopeds and scooters because of its sturdiness and its weight carrying capability Moreover rural folks know that it is easy to maintain (spares are easily available). Today Escorts has about 2000 authorised service points

To tackle the young village .yuppie demand for something more fancy Escorts launched: ‘Ace” with 175 cc engine. It is much sleeker and priced just marginally high at As. 37560. Though not many models are seen in the urban areas, it has done quits well in the rural market demanding 15 per cent of the production capacity of Rajdoot.

Agni Tea

'Rural households consume more than half of all the tea sold in India. Tata Tea is a major player with brands like Tata Tea, Kannan Devan, Chakra Gold (Premium tea in the dust grade) Gemini and Tata Tetley (tea bags). Each of these brands is positioned for a particular region and with a distinct blend to satisfy the customer's choice in the targeted market.

Videocon is launching the lowest priced TV in a tie-up with a Chinese manufacturer.

Premium product strategy: Rural consumers exhibit preferences similar to those of urban consumers at least in case of some products. Historically, most companies, especially those that hawk consumer durables, have always believed that cheap products do well in the villages. That is necessarily true. Premium brands are gaining wide acceptance in the rural bastions.

(iii) Innovation Strategies

(a) Rural-urban common: The products that are common to rural and urban markets are also many. Example: toiletries, comotics,washing powders, communication services, postal services, etc.

(b) Special for rural: Some companies choose to develop products especially to meet rural needs. Others experiment with packaging.

Rural Transporter: Mahindra & Mahindra is busy developing the prototype of what it calls a 'Rural Transporter'—basically a hybrid between a tractor and a rural transport vehicle. The product at 20-25HP will be targeted at those who cannot afford a normal tractor and would also fulfill the need of a family transporter that could take in the rural roughs but would be much more comfortable and safer than the conventional tractor-trolley. TVS—50 XL: TVS—50 XL India's first indigenously developed moped by Sundaram Clayton, hit the roads in 1980. It was the first entry of a two-seater moped. At that time there were other models in the market such as Luna and Suvega, but these were single seater mopeds. TVS—50 were powered by a 48 cc engine and had enough strength to carry a load of over 120 kg. It was, therefore the most powerful in its class.

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• **Sampoorna TV**: LG Electronics, the Japanese firm has re-jigged the TV to appeal to local needs. It spent $50,000 (Rs. 21 lakhs) to develop a set that would have on-screen displays in the vernacular languages of Hindi, Tamil and Bengali. The logic, rural consumers unfamiliar with English would still be able to use the TV without being intimidated.

• **Nyle Shampoo:** Nyle Herbal Shampoo has identified the problem in brand identification. Who reads? Who can read brand names in rural areas? Among shampoos, it is known by its green colour. The health freshness of green is symbolised by a lady wearing similar looking green colour.

• **Hero Cycles**: It is modifying its cycles to meet different needs in different regions. It has. as such, a special orientation towards rural needs.

• **Titan Watches:** A recent NCAER study revealed that there is a great potential for watches in rural areas. In fact, it is considered to be a high priority item. Impressed by this the company is launching a pilot project for low—priced models.

• **Green Cards:** Andhra Bank and Allahabad Bank issued credit cards known as 'Green
Cards' to the farmers. The cards issued by Allahabad banks are:

Damond Card (for farmers having more than 9 acre land)

Gold Card (for farmers having 7-9 acre land)

Silver Card (for farmers having 5-7 acre land)

(b) Market

(iv) Quality Strategies

Quality is one of the major differentiators. Many companies utilise the quality aspect to win the customers. In the organized sector, competition requires quality improvements.

(a) Quality improvement strategy: TVS—50: In 1980, TVS—50 XL was introduced by Sundaram Clayton. It was powered by 48 cc engine and a load carrying capacity of 120 kg. In 1983, the company researched the uses that the vehicle was being put to. Its utility varied from a farmer in the village taking his family of four to the nearby town or carrying sacks of paddy to be sold in the local market, to a dhobi carrying a massive bundle of clothes for washing. The company decided to give TVS—50 XL a 53.3 cc engine, which was, at that time, the highest powered in its class. The Luna was a 49 cc moped.

After some time, the engine capacity of TVS—50 XL was reduced to 49.9 cc, as the company it this size had the right combination of power and mileage. However, in 1991, to again give the vehicle more power as it was primarily being used as LCV on two wheels, a multi-port engine and a full chain cover for safety were introduced.

(b) Spurious goods strategy: Corporate marketer, often finds the competition from copy cats as a big menace and debates on the ways of mitigating it. Spurious products, generally marketed by the unorganized, low—end entrepreneurs, somehow, make their way into the market and eat away the large chunk of corporate marketer’s profits. The imitations will have resemblances that dupe the gullible consumer. Look at these examples:

Lifebuoy : Loveboy

Tata : Teta

They use similar pack designs and pack sizes. In case of bottled products, the company logo is embossed.

We will now discuss the spurious product marketer’s strategies as well as the encounter strategies. Loosely defined, spurious products are look-alike products with similarity in packaging and minor alterations in the name.

The primary motive is to capitalize on the trust built by established brands. The marketer of spurious products has less experience and limited resources. As such, he seeks to benefit from the images of the popular brands and low prices of his brands.

Facilitators: Ambient conditions in the operating environment would be:

(i) Acceptance of substitutes with dubious antecedents.

(ii) Best sale point having substantial influence on the consumer buying decision.

(iii) Price consciousness outreaching quality consciousness.

(iv) High costs to trace and pin down multiple sources of look a like products.

(v) Lack of clearly defined or effective legal remedies.

(vi) Poor literacy levels make brand recall primarily a mix of phonetics, colour and symbols.

(vii) Users in villagers are largely first generation and long term brand associations are rare.

Timing: The ideal time to launch a spurious brand is just after the entry and initial consolidation of the original.

Marketing strategy: The four Ps of the marketers are:

(a) Product resemblances: The copy cats resemble the original in many Ways.

i) Brand: Phonetics: To woo the largely illiterate customer, the names usually have a close phonetic resemblance to the original—Loveboy for Lifebuoy, Nirbha for Nirma, Teta for Tata.

ii) Package: Visuals: Similar pack designs and pack sizes are adopted. Colours bear close resemblance to the original. Bottled products have the company logo embossed. Generally empties of the original are collected and retailed by these entrepreneurs.

iii) Quality. Intangible: Generally inferior in quality. However, consumer can not gauge it before using it. As such, consumer relies on retailer opinion largely to decide the buy.

b) Low prices: Lower end consumer prices are fixed attracting price sensitive, value-for-money al consumers.

c) Silent Promotion: As higher margins are given to retailers, they advocate consumers to buy these products. Retailer push goes a long way to induce fist time trials.

(d) Limited and anonymous distribution: The copycat seller keeps his identity unknown. He prefers distribution in the local areas where he can establish secret links with retailers. This is necessary to avoid future litigations.

Consequences: As a consequence of operations of the spurious product marketers, corporates loose in two ways.

- Loss in sales, and
- Spoiled image of the brand as well as the company

The most affected products are personal care products. A rural marketer believes in value—for- money and would not compromise on quality say, in the case of a tractor or a torch.

The Encounter Strategy: Corporate marketers may analyse the situation and embark on an offensive strategy to push out the imitators.

Encounter Problems

1. Limited rural reach of media makes educating the consumer cumbersome.

2. Spurious brands have highly localized presence. A successful brand may face a different set of fakes every 200 km, which makes tracing each duplicate source both difficult and costly.
3. Litigation is cumbersome.

Strategy Components: The formulation of encounter strategy requires an intelligent understanding of consumer needs and wants, their perceptions of products and weak points. The strategy components are:

(a) Complicated packaging: Packaging could be made more difficult to replicate. Liquid soaps in tetra packs with design patterns as complicated as currency notes with a hologram thrown in for a measure—expensive but unique—could settle for a test for differentiation.

(b) Products at low end: A range of products targeted for the rural consumer could be launched with low price and low quality to counter the spurious products. This can be done by developing franchisee units to manufacture low-end products with a highly localized

(c) Rural pull promotion: Rural sales schemes to reach consumers and enlist support of retailers should be envisaged.

(d) Promoting quality consciousness: Local promotion in individual village markets could be an effective route to educate them. Area specific examples, of the harm spurious products can have, could be communicated.

Example: Bindis, which have an adhesive coating, are hawked by many tiny units in the north. On sustained usage, the spurious ones discolour skin, at times triggering allergies.

(e) Boosting ego needs: In the highly status conscious village society with rigidly defined community structures, the spurious brands be depicted as the ideal fit for the down and out.

(J) Syndicated: National players could join hands to promote their products in rural areas as well as counter spurious products.

(v) Packaging Strategies

Packaging is defining new paradigms in rural marketing, making it perhaps the most vital component in the marketing mix. According to the survey of National Council for Applied Economics and Research (NCAER) in 1998, it is the low-income group which now comprises an overwhelming majority of consumers for mass consumption products. The study indicated that almost 90 per cent of goods surveyed were purchased by people earning less than Rs. 18,000 per annum. Marketers have realised, "To enter the rural market, it is necessary to offer products at the lowest unit price". At the same time, innovative packages are necessary to add value to the premium products. Particularly, innovations, which help lower the price, are desirable. Small packs and combi-packs have become a major attraction in rural India.

(a) Small packs: The reasons for high preference to small pack low—unit prices are:

(i) Affordability: The income of rural consumers is unsteady. The sources of income as well as the size of income earned per day vary. They cannot hence make planned purchases and large purchases. Small pack sizes help the rural consumer pick the product at a price that he can afford.

(ii) Usage: Certain products like detergent and paste are bought in larger quantities, whereas shampoos, toilet soaps, eatables are bought in small pack sizes. The reason for this is: 'The products that are common to family members are bought in large pack sizes whereas individual—use products are preferred in small packs'.

(iii) Storability: The storage life of a product also has a bearing on this decision. Edibles, for example, cannot last long unless preserved and kept under ideal conditions. Further, the shelf space of rural consumers is also limited as they live in small huts or semi-pucca houses.

(iv) Benefits to Retailer: The small pack sizes are convenient to the retailer to do his business and promote the national brands. The shelf space of rural retailers is less. He cannot afford big premises. Small pack sizes do not demand shelf space.

(v) Display: Smaller sizes are easy to display. They increase the visual appeal they carry compared to large ones, the colours on the smaller packs are looked at with more interest.

(vi) Implications to Marketers: Manufacturers prefer producing large pack sizes. The economies of scale indicate that small pack sizes are less feasible. However, on the marketing side, benefits are revealing.
They induce strongly the rural consumers to buy.

• Trial sales of national brands are on the rise.

• Regular sales are growing up for many products. The regional/local players are finding it difficult to face competition from the big players on their home turf.

Examples: Many companies have become participants in the package revolution that is sweeping the rural side and the economy strata in the urban area.

- JK Dairy came up with a 50 gm sachet of Dairy Whitener at Rs.6.50.
- P & C introduced Vicks VapoRub in a tiny 5 gm tin and Tide detergent in 30 gm sachets priced at Rs.3.
- Godrej sells its Velvette shampoo in sachets priced at Rs.1.25.
- Marico Industries launched low prices sachets of hair oil.
- Kothari Products offers Faan Parag in sachets.

(b) Combi-packs: Another packaging innovation is 'combi-packs'. When related products are racked together and sold at economy prices, the consumer finds it a better option to buy. The Combi-Pack may become an 'assortment' when more than two products are packed together. Johnson & Johnson's baby care assortment package priced around Rs. 175 consists of a powder, soap, shampoo, hair oil and cream.

(c) See-through packs: Many companies are coming up with new packages that are attractive as all as economical.

The transparent packing of new Palmolive Naturals is not lust a matter of aesthetics The see through wrappers, which are a first of its kind in India enable Colgate Palmolive to offer a :premium product at a competitive price of Rs.17 for a 100 gm pack.

vi) Brand Strategies

a) Brand Extension: Product innovations are a regular feature for a competitive organisation. Should they be launched as separate brands or as extensions of the existing strong brand? The decision in favour of brand extensions is made for one or more of the following reasons.

- To make a brand more visible
- To reduce development costs of a brand
- To reduce risk, by banking on the image of a reputed brand.
- To meet competition or to complete the line of offer.

Types of Extensions: In pursuance of the two types of product—related growth strategies, three types of brand extensions are observed. The three types of extensions are elaborated and illustrated with suitable examples as given below:

expansion—new products but related

Unrelated

Diversification growth

Horizontal diversification

Product—mix width

expansion—new products, unrelated

Category related: The parent brand name is given to product variants, which have the same use but slightly different benefits. Here, the common point is—same customer needs. Only tastes differ. It satisfies variety seekers. It is part of the flanking strategy of a company.

Image related: The parent brand name is given to the product items in a different product—line. Here, the common factor is customer group. The related needs of the customer groups will be satisfied by these product items. The image of the parent product and its emotional benefits can be transferred to the brand extensions.

Unrelated: There is not even one common factor between the parent brand and the extension. It is entirely a different product line requiring a different marketing strategy catering to different customer groups.

The three brand extensions are illustrated in the following table:

S.No.	Product	Category related	Image related	Unrelated
1.	Godrej Shaving cream	Godrej shaving cake	Godrej hair dye	Godrej refrigerator
2	T-Series folk music audio cassettes	T-series film music audio cassettes	T-series video cassettes	T-series washing power
3.	Usha ceiling fan	Usha table fan	Usha sewing machine	Usha industrial pumps

Evaluating brand extensions: Whether brand extension is beneficial? Or would it harm company's prospects? Marketers have to make follow-up study of the impact of brand extensions. The brand extension decision is considered sound when the following outcomes are observed:

• When the new brand is successful.
• When the new brand does not cannibalize the parent brand.
• When there is no brand dilution due to the failure of the brand extension.
• When there is no brand dilution by brand proliferation.

Category brand extensions (variant brands) generally cannibalize or eat away the shares of parent brands partly. But they may open up a new segment and boost sale. But on the whole, there are more sales. In some cases, the brand extension may surprise the company by increasing the sales of the Parent brand or shock it by hurting the brand image.

When Godrej introduced 'New Cinthol', the sales of old Cinthol had gone up, P & 0 introduced low paced detergent powder under the brand name Mel super soaker It was a mistake as it hurt the image of the mother brand Ariel' which s a premium detergent Later it was re-launched as Garn' detergent

Brand extension of HLL

Hindustan Lever Limited (HLL) Plans to lead the development of the branded food market by upgrading consumers from unbranded commodities to superior branded products. By doing this, the company hopes that the popular food division would emerge as the largest division of the company.

'Relentless creativity leading to innovation' will be the company's strategy for its growth. The company currently markets the Kissan Annapurna iodized salt and wheat atta in the Indian market. The company also plans to extend the Kissan brand into a whole range of food products..

(b) Multi—Branding: A company may introduce several brands in a product—line with different features to appeal to different categories in the same customer group. Many FMCG companies follow this strategy.

Benefits include:

• Flanking of the major brand
• Occupying more shelf space of retailers
• Gaining more profits

Disadvantages include:

• Each brand may have a small market share
• Cannibalization of some brands of the company
• High development costs as many brands are to be developed.

Company	Product Group	Multi-brands
HLL	Soaps	Lifebuoy, Liril, Lux
Godrej	Soaps	Cinthol, Ganga, Marvel, Fair flow

(C) Co—Branding: Today, we find offers with two or more brands of the same company or different companies. When a marketer offers one brand with another brand of the same company or another company it is called co-branding. Such offers may take two different forms

(i) Ingredient co-branding
(ii) Product co-branding

Ingredient co-branding takes place when

• The maker of the parts. to he visible to the market and to gain image for the brand, insists on publicizing it.

• The part is important and the maker has an image that enhances the consumer acceptance of the ultimate product, and when

• Competitors are following such practices

(d) Brand Image/Equity Management: When brands are effectively managed they acquire 'value' and become 'assets' with 'good-will'. Effective brand image management involves

Enhancing brand personality Protecting brand identity

Brand personality: Like a person then, brand is a psychosocial being having an appearance, emotional feelings and rational behaviors. Brand personality can therefore be described at three levels.

Sensory—How would the brand see, smell, taste, touch, and hear if it is a person? What are its 'demographics'? Is it having an attractive and socially acceptable personality? Emotional—If a brand were to become an emotion what would it be? What are the underlying subjective, non-functional, emotions of the brand? Is it trustworthy? Is it a desirable companion'?

Rational—What would the brand, as a person, do? Achieve? What are the functional benefits? Is it a person with expertise?

Brand	Sensory	Emotional	Rational	Image
Onida	Ugly Male devil	Greed, Irritation	Quality	Hi-tech
Lux	Beautiful, Feminine	Aspiration and Achievement	Soft, high quality	Star with charisma
TAFE	Sturdy, Rugged male	Macho, tough	Fuel efficient comfort	Reliable hard working

Interaction out come	Attractiveness	Trustworthiness	Expertise	

The interaction of a consumer with the brand at the three levels produces an image, which may reflect attractiveness, trustworthiness and expertise. Generally, these evoked feelings as strengthened by the testimony or assurance of popular and credible celebrities. Following Table illustrates this.

Level	Feature	Image	Celebrity	Product
Sensory	Attractiveness	Beautiful	Madhuri Dixit	Lux
Emotional	Trustworthiness	Reliable	Kapil Dev	Boost
Rational	Expertise	Knowledge	Sachin Tendulkar	Rocker Shoes

Brand personality creates impressions in the minds of people. The impressions left by a brand in the minds of people are summarily explained by the word—brand image. Brand image as perceived by both users as well as non—users is important to marketers because purchase behaviour is influenced by it. Three behavioural patterns are predicted:

1. Consumer buys products consistent with self-image.
2. Avoids buying products inconsistent with self-image.
3. Upgrades to brands that enhance self-image.

2. Protecting Brand Identity: To protect brand identity, a marketer has to depend on semiotics and mnemonics. The dictionary meaning of semiotics is the study of signs, symbols and their interpretation. In the rural context, the interpretation of these signs and symbols becomes the deciding factor to build the brand value and image. Semiotics primarily works best for products that have low-involvement at the time of purchase and have very frequent usage. FMCGs such as soaps, shampoo, tyres and tea are the ones that fit the bill best. Though the signs and symbols help identify products, they may not always succeed in making the consumer remember the product. Mnemonics also become crucial to nurture and retain products in mind space.

Brand names depicting numbers or animals or symbols like 555 soap, Monkey brand toothpowder Gemini tea (with elephant), Cheetah light matches, Sheru beed) Tiger Msik cigarettes, 3 Roses tea, Tortoise mosquito coil etc.

ITC sells its Gold Flake brand with yellow colour in the South, where it is associated with prosperity and purity, compared to a golden one in the North, where yellow is often associated with jaundice and ill—health Many companies have changed their logos to make them contemporary Brooke Bond is one These boo enshrines better the pioneering attitude, dynamism and charitable the brand About 60 per cent of the brand equity of Asian Paints.

Selling in Rural India

The Indian rural market with its vast size and demand base offers a huge opportunity that MNCs cannot afford to ignore.

To expand the market by tapping the countryside, more and more MNCs are foraying into India's rural markets. Among those that have made some headway are Hindustan Lever, Coca-Cola, LG Electronics, Britannia, Standard Life, Philips, Colgate Palmolive and the foreign-invested telecom companies.

Opportunity

The Indian rural market with its vast size and demand base offers a huge opportunity that MNCs cannot afford to ignore. With 128 million households, the rural population is nearly three times the urban.

As a result of the growing affluence, fuelled by good monsoons and the increase in agricultural output to 200 million tonnes from 176 million tonnes in 1991, rural India has a large consuming class with 41 per cent of India's middle-class and 58 per cent of the total disposable income.

The importance of the rural market for some FMCG and durable marketers is underlined by the fact that the rural market accounts for close to 70 per cent of toilet-soap users and 38 per cent of all two-wheeler purchased.

The rural market accounts for half the total market for TV sets, fans, pressure cookers, bicycles, washing soap, blades, tea, salt and toothpowder, What is more, the rural market for FMCG products is growing much faster than the urban counterpart.

The 4A approach

The rural market may be alluring but it is not without its problems: Low per capita disposable incomes that is half the urban disposable income; large number of daily wage earners, acute dependence on the vagaries of the monsoon; seasonal consumption linked to harvests and festivals and special occasions; poor roads; power problems; and inaccessibility to conventional advertising media.

However, the rural consumer is not unlike his urban counterpart in many ways.

The more daring MNCs are meeting the consequent challenges of availability, affordability, acceptability and awareness (the so-called 4 As)

Availability

The first challenge is to ensure availability of the product or service. India's 627,000 villages are spread over 3.2 million sq km; 700 million Indians may live in rural areas, finding them is not easy. Over the years, India's largest MNC, Hindustan Lever, a subsidiary of Unilever, has built a strong distribution system which helps its brands reach the interiors of the rural market. To service remote village, stockists use auto rickshaws, bullock-carts and even boats in the backwaters of Kerala. LG Electronics defines all cities and towns other than the seven metros cities as rural and semi-urban market. To tap these unexplored country markets, LG has set up 45 area offices and 59 rural/remote area offices.

Affordability

The second challenge is to ensure affordability of the product or service. With low disposable incomes, products need to be affordable to the rural consumer, most of whom are on daily wages. Some companies have addressed the affordability problem by introducing small unit packs. Godrej recently introduced three brands of Cinthol, Fair Glow and Godrej in 50-gm packs, priced at Rs 4-5 meant specifically for Madhya Pradesh, Bihar and Uttar Pradesh — the so-called `Bimaru' States.

Hindustan Lever, among the first MNCs to realise the potential of India's rural market, has launched a variant of its largest selling soap brand, Lifebuoy at Rs 2 for 50 gm. The move is mainly targeted at the rural market. Coca-Cola has addressed the affordability issue by introducing the returnable 200-ml glass bottle priced at Rs 5. The initiative has paid off: Eighty per cent of new drinkers now come from the rural markets. Coca-Cola has also introduced Sunfill, a powdered soft-drink concentrate. The instant and ready-to-mix Sunfill is available in a single-serve sachet of 25 gm priced at Rs 2 and mutiserve sachet of 200 gm priced at Rs 15.

Acceptability

The third challenge is to gain acceptability for the product or service. Therefore, there is a need to offer products that suit the rural market. One company which has reaped rich dividends by doing so is LG Electronics. In 1998, it developed a customised TV for the rural market and christened it Sampoorna. It was a runway hit selling 100,000 sets in the very first year. Because of the lack of electricity and refrigerators in the rural areas, Coca-Cola provides low-cost ice boxes — a tin box for new outlets and thermocool box for seasonal outlets.

The key dilemma for MNCs eager to tap the large and fast-growing rural market is whether they can do so without hurting the company's profit margins. Mr. Carlo Donati, Chairman and Managing-Director, Nestle, while admitting that his company's product portfolio is essentially designed for urban consumers, cautions companies from plunging headlong into the rural market as capturing rural consumers can be expensive. "Any generalisation" says . Donati, "about rural India could be wrong and one should focus on high GDP growth areas, be it urban, semi-urban or rural."

THE Rs 1,425-crore shampoos market bubbled over in 2005, riding on the back of a surge in rural demand. According to industry sources, the overall shampoo market, which sees annual volume sales of approximately 63,000 tonnes, saw rural off take grow by 40 per cent last year, while urban demand grew half that, at 21 per cent.

Industry players say that the fierce price cuts and volume rejigs have been good for the shampoo industry, a product which has an all-India penetration of only 46 per cent. "Small packs have been driving penetration and growth. There has also been a drive towards pricing shampoos in a way to drive penetration," says the CEO of an FMCG company.

QUESTIONS

1. Attempt a classification of product.
2. What is the significance of product strategy in the current marketing environment?
3. Identify the three levels of product decisions with suitable examples.
4. Stating a company of your choice, explain its product—mix decisions. How do you evaluate the effectiveness of product—mix?
5. Do you prefer short or long product—line? Give arguments to support your answer.
6. State the reasons for line stretching. Provide examples of line stretching.
7. Explain when and how line pruning or line modernizations are done. Give examples.
8. What are the considerations in developing a tangible product?
9. How do you design products for rurals and urbans?
10. Discuss the customer value strategies used in rural markets with suitable examples.

UNIT-IV

4.1 Pricing Strategy

Pricing decisions have strategic importance in any enterprise Pricing governs the very feasibility of any marketing programme because it is the only element in a marketing mix accounting for demand and sales revenue. Other elements are cost factors. Price is the only variable factor determining the revenues or income. A variety of economic and social objectives came into prominence in many pricing decisions. We now come to the most absorbing question of pricing.

What is Price?

Economist defines price as the exchange value of a product or service always expressed in money. To the consumer the price is an agreement between seller and buyer concerning what each is to receive. Price is the mechanism or device for translating into quantitative terms (Rupees and Paise) the *perceived value of the* product to the customer at a point of time. We shall define the *price* as the amount charged for the product or service including any warranties or guarantees, delivery, discounts, services or other items that are part of the conditions of sale and are not paid for separately. To the buyer price is a package of expectations and satisfactions. Thus, price must be equal to the total amount of benefits (physical, economic, sociological and psychological benefits). Any change in the price will also bring about alterations in the satisfaction side of the equation. To the ultimate consumer, the price he pays for a product or service represents a sacrifice of purchasing power. Prices paid by resellers are also sacrifices. Price is the only objective criteria (although an imperfect measuring rod) for the consumer for comparing alternative items and making the final choice. To the consumer price is a product disfeature, *i.e.*, a feature of which he disapproves. However, to the seller price is a source of revenue and a main determinant of profit. To the seller it is a product feature most welcome.

Pricing is equivalent to the total product offering. This offering includes a brand name, a package, product benefits, service after sale, delivery, credit and so on. From the marketer's point of view, the price also covers the total market offering, *i.e.*, the consumer is also purchasing the information through advertising, sales promotion and personal selling and distribution method that has been adopted. The consumer gets these values and also covers their costs. We can now define price as the money value of a product or service agreed upon in a market transaction. We have a kind of price equation, where :

Money (Price) = Bundle of Expectations or Satisfactions.

Included in the bundle of expectations may be physical product *plus* other attributes such as delivery, installation, credit, return privileges, after-sales servicing and so on.

Importance of Pricing

Price is a matter of vital importance to both the seller and the buyer in the market place. In money economy, without prices there cannot be marketing. Price denotes the value of a product or service expressed in money. Only when a buyer and a seller agree on price, we can have exchange of goods and services leading to transfer of ownership.

In a competitive market economy, price is determined by free play of demand and supply. The price will move forward or backward with changing supply and demand conditions. The going market price acts as basis for fixing the sale price. Rarely an individual seller can dishonour the current market price. In a free market economy, we have freedom of contract, freedom of enterprise, free competition and right to private property. Price regulates business profits, allocates the economic resources for optimum production and distribution. Thus, price is the prime regulator of production, distribution and consumption of goods. Economics revolves around pricing of resources. Price influences consumer purchase decisions. It reflects purchasing power of currency. It can determine the general living standards. In essence, by and large, every facet of our economic life is directly or indirectly governed by pricing. This is literally true in our money and credit economy.

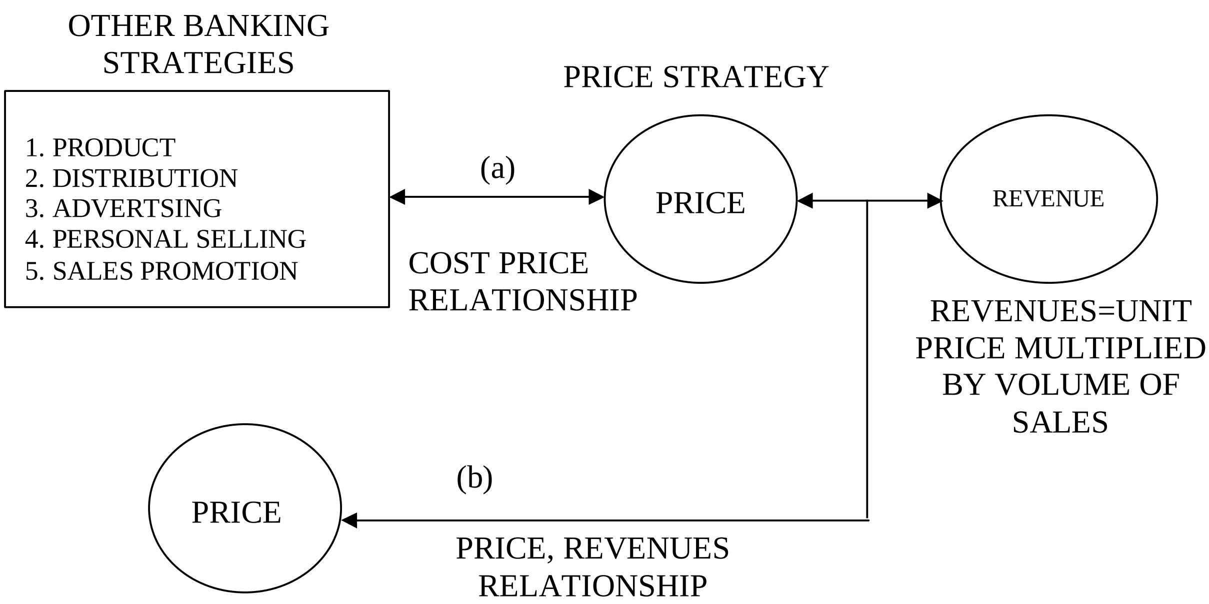
Pricing decisions interconnect marketing actions with the financial objectives of the enterprise. Among the most important marketing variables influenced by pricing decisions are: 1. sales volume, 2. profit margins, 3. rate of return on investment, 4.

trade margins, 5. advertising and sales promotion, 6. product image, 7. new product development. Therefore, pricing decisions play a very important role in the design of the marketing mix. Pricing strategy determines the firm's position in the market vis-a-vis its rivals. Marketing effectiveness of pricing policy and strategy should not suffer merely on account of cost and financial criteria.

Price is a powerful marketing instrument. As a marketing weapon, pricing is the *big-gun*. However, it must be used with great caution. It is a dangerous and explosive marketing force. It may doom a good product to failure. Low pricing strategies are irreversible decisions. They must be used correctly from the outset. Every marketing plan involves a pricing decision. Therefore, all marketing planners must make accurate and planned pricing decisions.

The Significance of the Price Factor

The selling price plays a unique role in business because the price level: 1. controls the sales volume and the firm's market share, 2. determines the total sajes revenue (sales revenue=sales volume X unit price), 3. regulates the rate of return on investment (ROI) and through ROI price influences sales profitability, 4. creates an impact on unit cost in mass production. Low price increases total production and sales turnover, and ultimately mass production (through economies of scale) leads to the lower unit cost of production. Law price induces also efficiency in production and marketing. Henry Ford stated: "Our policy is to reduce the price, extend operations and improve the product.



1. Place of Prince in the Marketing Strategy

Comments

1. All other elements (except price) in the marketing mix are called non-price factors. They influence price and are also influenced by price. All elements are interdependent interacting factors.

2.We have two relationships: (a) Cost/Price relationship, and (b) Price/ Revenue relationship.

3.Price and other marketing mix variables are complementary factors. They may be partial substitutes for each other.

4.Together all elements in the marketing mix collaborate to accomplish a common objective, *viz.*, to produce sales and sales revenues.

5.All non-price factors of the marketing mix are cost factors involving expenditure — outflow of funds.

6.Price is the only marketing variable to determine revenues or income —inflow of funds. Revenues must be high and must exceed production costs as well as marketing costs. Thus, price has a unique role extending beyond the area of marketing policy.

7.A firm is an organisation producing economic utilities. Within the firm, price factor tries to achieve an equilibrium between revenues and costs. It aims at profitability. Hence, revenues must exceed total costs. Price also acts as a balancing force to maintain the balance between firms' own marketing mix and those of rivals.

Typical Pricing Objectives

A variety of objectives may guide pricing decision:

1.**Growth in Sales:** A low price can achieve the objective of increase in sales volume. A low price is not always necessary. A right price can stimulate the desired sales increase. In practice, price and non-price objectives are co-ordinated to produce the desired increase in sales. Competitive price, if used wisely, can secure faster increase in sales than any other marketing weapon.

2.**Market Share:** Price is typically one of those factors that carries the heaviest responsibility for improving or maintaining market share — a sensitive indicator of customer and trade acceptance.

3.**Predetermined Profit Level***:* Return on Investment, say 20 to 25 per cent is a common decision in marketing. Pricing for profit is the most logical of all pricing objectives.

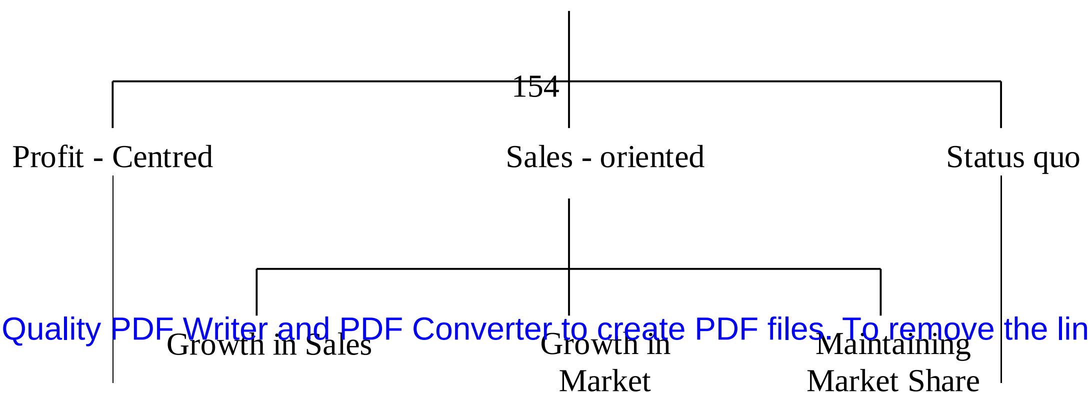
4.**Meet or Follow** *Competition:* Many firms desire the stabilisation of price levels and operating margins as more important than the maintenance of a certain level of short-run profits. The price leader maintains stable prices in the industry. Follow the leader.

Control Cash-flow: A principal pricing objective is to return cash as much as possible (the funds invested) within a given period. Investment in research and development, market development, promotion, etc., should pay back within a specified period. Capita] expenditure on any project must be recovered within 5 to 10 years. Pay-back or cash-flow objectives fits in easily with other corporate objectives.

Note: 1. While determining objectives of a pricing policy, marketers must take into account reactions of a number parties such as customers, competition, resellers or dealers, government, public opinion, and so on.

2. The objectives may not be mutually exclusive. Marketers have to resolve their conflicts. For instance, there may be a conflict between sales maximisation objective and a return on investment or profit objective. However, it should be noted that maxmium market penetration in the short-run (in the early phase of the product life cycle) is the key to maximum ROI. in the long run.

Probable Pricing Objectives



Market Price

The market price is the price determined by the free play of demand and supply. The market price of a product affects the price paid to the factors of production — rent for land, wages for labour, interest for capital and profit for enterprise. In this way, price becomes a prime or basic regulator of the entire economic system because it influences the allocation (distribution) of these resources (factors of production). For example, when the price of a commodity has a rising tendency, we shall have higher wages attracting more labour, higher interest attracting more capital, and so on, in the industry in which prices are rising. Conversely, under falling prices, low wages, low rent, low interest, and low profits will reduce the availability of labour, land, capital and risk-takers in a free market economy. Prices direct and control production and consumption.

Since market price is determined in an impersonal way through the general relations of demand and supply, the individual seller has no control over the market price and the actual market price at any given time may be above or below the costs of individual sellers. Market price is indicated by published prices, market reports, etc. A seller will have to change his output to adjust with the current market price in order to secure maximum gains or minimise his losses. He can also minimise operating costs.

Price as a Measure of Value

Economic theory of price has a few simple assumptions regarding products and buyer behaviour. Buyer's tastes and preferences are considered as given (constant). Buyer is considered essentially a rational human being. The marketing concepts like brand image, brand loyalty and benefit segmentation 'emotional motivation' are outside the scope of price theory. Hence, in practice, the classical price theory, saying price determines value of the product, is not true.

Marketers have recognised the importance of perception, learning, and attitudes creating psychological reactions to price, at least in consumer goods. The social and psychological factors must be recognised in the evaluation of pricing strategies. The social and psychological influences are responsible to support the consumer's inclination to use price as an indicator of quality for certain products *e.g.*, cosmetics, jewellery, and clothing. Such products have concealed values and benefits which the consumer cannot evaluate rationally or on objective basis. Consumer does not have physical cues or guides suggesting product quality in many cases and social psychological dimensions may dominate in the consumer behaviour. Under such situations, price is the most handy (but rough) available indicator of product quality and value for many customers. Buyers believe in the implicit subjective process *viz.*, "You get what you pay for", "If it costs more, it must be better". Marketers are bound to exploit buyer's emotions, preferences and habits. Price-quality relationship applies to products whose quality is difficult to judge and whose brands vary widely in quality, *e.g.*, cosmetics jewellery, clothing, wine, floor wax, etc.

Charm pricing is another psychological dimension of pricing. Accepted pricing conventions have a charm for the consumer, *e.g.*, price like Rs. 99. The quotation of Rs. 19.90 sounds better value than Rs. 20.

Price lining is another psychological dimension of pricing accounting for a common marketing practice. For example, a reasonable price range for a new Television set is between Rs. 8,000/- and Rs. 14,000/- for most people. Only handful of buyers would seriously consider purchasing TV set costing Rs. 20,000/- or more, and new TV set costing less than Rs. 4,000/- would generate doubts and suspicion.

The consumers answer the question (Is it worth it?) in terms of the familiar equation:

Satisfaction = Benefit — Cost

The price is the cost part of the equation. It indicates sacrifice of purchasing power.

The reasons for the inability of price to determine the perceived value . of the product are:

1. There are considerable differences in the market information available to consumers. 2. We have significant differences in the bargaining power of consumers. 3. In large parts of the retail market we have non-price competition replacing price competition. The purpose of non-price competition is also to make sales or demand curve less sensitive to price and the price of an article

might be raised without adverse effect on sale (demand has become less price elastic due to promotion). The higher price compensates for promotion costs incurred in stimulating demand.

Multistage Price Determination Process

The marketing manager knows that the 'cost-plus a reasonable profit' doctrine is self-defeating. Pricing strategy must be based on the consumer (on the demand side), just as strategies on product distribution and promotion are based on the consumer. Of course, costs (the supply side) are not forgotten but they are given proper place in the pricing process. Pricing process must start in the market, in the circle of exchange.

Decisions on pricing are taken in the light of marketing opportunities, competition and many other variables influencing pricing. The price decisions must take into account all factors affecting both demand price and supply price. The price determination process involves the following steps: 1. Market segmentation, 2. Estimate of total demand, 3. Market share, 4. Designing the marketing mix, 5. Estimate of total costs, 6. Selecting pricing policies, 7. Determining pricing strategies, 8. Developing the price structure!

1.**Market Segmentation***:* On the basis of market opportunity analysis and assessment of firms' strengths and weaknesses marketers will find out specific marketing targets in the form of appropriate market segments. There should be a perfect match or a kind of marriage between the firm and its market. Marketers will have firm decisions on: *(a)* the type of products to be produced or sold, *(b)* the kind of service to be rendered, (c) the costs of operations to be estimated, and *(d)* the types of customers or market segments sought.

2.**Estimate of Demand***:* Marketers will estimate total demand for the products. It will be based on sales forecast, channel opinions and degree of competition in the market. Prices of comparable rival products can guide us in pricing our products. We can determine market potential by trying different prices in different test markets. Once we know the expected prices, we can compute sales volume at several prices.

The Market Share*:* Marketers will choose a brand image and" the desired market share on the basis of competitive reaction. Market planners must know exactly what his rivals are charging. Level of competitive pricing enables the firm to price above, below, or at par and such a decision is easier in many cases. Higher initial price may be preferred if you anticipate a smaller market share, whereas *if* you expect a much larger *market* share for your brand, you *will* have to prefer relatively lower price. Proper pricing strategy is evolved to reach the expected market share either through skimming price or *through* penetration price or through a compromise, *i.e., fair trading,* or fair price — to cover *cost of goods, operating* expenses and normal profit margin.

4. The Marketing Mix: The overall marketing strategy is based on an integrated approach to all *the* elements of marketing *mix. It* covers: l. Product-market strategy, *2.* promotion strategy, *3. pricing strategy, and 4.* distribution strategy. *All elements* of the marketing mix are essential to *the overall* success of the firm. Marketers will have *to* assign an appropriate role to price as an element *of the marketing mix. Price plays* an important role in *relation to* and *in* support of other elements of the marketing mix. Promotional strategy *will affect pricing decisions. The design of the marketing mix can indicate the role to be* played by pricing *in relation* to promotion and distribution policies. Price *is* critical *strategic element of the marketing mix* as *it influences the* quality perception and enables product or brand positioning. It *is also a good* tactical variable. Changes in price can be made much faster than *in* any other variable of marketing mix. Hence, price has a good tactical value.

5. *Estimate of Costs:* Straight cost-plus *pricing is not desirable* always as it is not sensitive to demand. Marketing must take into account all relevant costs as *well as price elasticity of demand*, if necessary, through market tests.

6. Pricing Policies: *Price policies provide the general* framework *within which managerial decisions are* made on pricing. Pricing policies are *guidelines to carry out pricing strategy. Pricing policy* may desire to meet competition or we may have *pricing* above or below *the* competition. We may have *fixed or flexible pricing policies. Pricing policies* must *change and* adapt themselves with the changing objectives and *changing environment.*

7. *Pricing Strategies:* *Pricing policies* are general *guidelines for recurrent and routine* issues in marketing. *Strategy is* a plan of action (a movement or *counter* movement) *to adjust with changing conditions* of the market place. *New and unanticipated developments may occur, e.g., price-cut by rivals, government regulations e.g.,* (mandatory Environment Audit) economic recession, *fluctuations in purchasing power* of consumers, changes *in* consumer demand, and so *on.* Situations *like* these demand special *attention and relevant adjustments in our pricing policies and* procedures.

8. The Price Structure: *developing the price* structure on *the* basis of pricing policies and strategies is *the final* step in price determination process. The price structure *will now define selling* prices for all products and *permissible* discounts and allowances to be *given to middlemen* as *well* as various types of buyers.

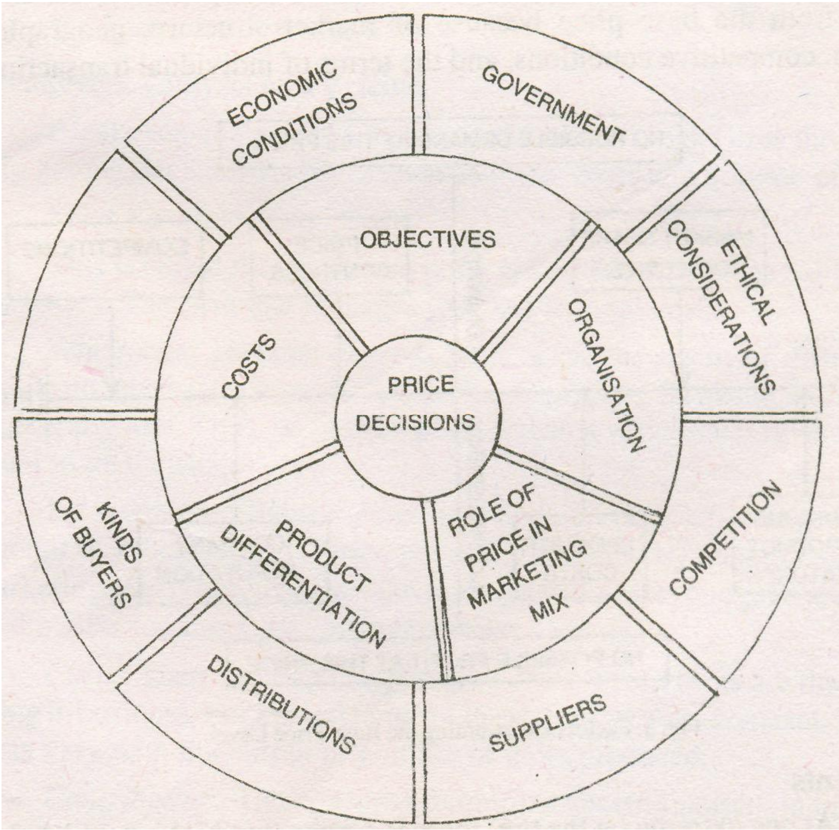
Note: *The* ultimate goal is to set a price that is in tune with the rest of the marketing mix ingredients and that will enable the firm to achieve its objectives, (bottom line profit through consumer citizen satisfaction)

Price is a vital managerial function. Price determination function involves consideration of many relevant internal and external variables or factors.

Internal variables are involved under the multi-stage process of price determination, *e.g.*, pricing objectives, roleofprice in marketingprogramme, costs of production and marketing, image of the firm and its products, and so on.

The internal forces are controllable pricing variables. But there are also external variables mostly uncontrollable by an enterprise and these include such factors as government regulation, competition, buyer behaviour, economic conditions, social and ethical considerations, characteristics of demand and so on.

Every marketer involved in price decision must take into consideration the impact of both the controllable and uncontrollable variable when he is called upon to develop pricing policies and procedures. The price decision as it is affected by all variables is shown in the model of pricing forces.



Note: 1. Reactions to pricing policy can be expected from: 1. Resellers, *i.e.*, the wholesale and retail trade, 2. ultimate users *i.e.*, individuals, organisations, 3. competitors, 4. the government, suppliers, trade unions and public opinion. 5. compulsory pollution control. 2. Inner circle indicates internal variables and outer circle indicates external variables — affecting price decisions (core circle).

Base Price

After pinpointing the market, estimating demand, and discovering rival's prices, marketer can identify basic price alternatives. Basic price is a realistic market price. It resembles an ideal price. However, it is only a starting point in the determination of actual pricing structure.

Pricing decisions are guided by overall organisation objectives. A base price is usually established, and adjustments from that base price is made to ensure closer correlation between the product of the firm and consumer wants and desires, *i.e.*, matching the product offering with the expected bundle of satisfactions (perceived value by consumer). The figure given below indicates number of choices in setting the base price. A base price acts as a reference price. It is a price from which actual prices can be determined by adding extras and deducting discounts. The actual prices reflect differentials from the base price because of market structure, geographical location, competitive conditions, and the terms of individual transactions

Comments

1. At one extreme (at the top) there is a price (too high) at which there is no demand at all. At the other extreme (the bottom) there is aprice (too low) at which no amount of demand will yield enough revenues to cover costs.
2. Skimming price (skim the cream) is rather high in the range of possible prices. A new product enters the market with a high price to generate the most profitable sales. At the introduction stage demand is more inelastic.

Rich buyers are not price conscious. Too high price can be lowered more easily subsequently.

3. A low price may be deliberately fixed to penetrate the market easily. It provides maximum product exposure. Sales growth potential is very high.
4. Under usual circumstances, marketer selects base price somewhere between skimming price and penetration price for each product line. Factors influencing the choice of base price are shown in the figure.
5. Unique product features, rising costs or a company reputation for quality and services are me factors influencing the base price in an upward direction. A unique product offered by reputed and respected company can have a high price and buyers may be prepared to buy it. Sophisticated Vimal fabrics of Reliance Industries adopted high premium price to the fashion conscious upper middle class of urban India and buyers welcomed the premium quality fabrics.
6. On the other hand, objective of a large market share, government price controls, intensive competition from rivals would compel the marketer to fix the base price lower and lower.

4.2 Pricing Policies

Price is an important element in the marketing mix. Arrival at the right selling price is essential in a sound marketing mix. Right price can be determined through pricing research and by adopting the test market techniques. A price policy is the standing answer of the firm to recurring problem of pricing. It provides guidelines to the marketing manager to evolve appropriate pricing decisions. If competition is mainly on a price basis, then each company generally prices its products at the same level as its competitors. If there is non-price competition, each marketer chooses from among the three alternatives:

1. Price in Line (Pricing at the mark et): The sale at c urren t market price is desirable under free competition and when a traditional or customary price level exists. It is preferable when product differentiation through branding is minimum, buyers and sellers are well-informed, and we have a free market economy. Under such conditions price loses its importance as a weapon ofcompetition and sellers have to adopt other means of non-price competition, *e.g.*, branding, packaging, advertising, sales promotion, credit, etc., to capture the market.

2.Market-Plus (Pricing above the market): The sale above the market prices under free competition is profitable only when your product is distinctive, unique and it has prestige or status in the market. Customer is inclined to put a greater value on the product if the package is very good or he brand is well-known. Otherwise, it will be akillingpricepolicy, specially if the customer is price-conscious. Reputed brands have higher prices. Price of a product is associated with value, quality, durability, performance, service after sale, credit, and many other attributes. Product-differentiation through branding introduces monopoly element in pricing and established brands can afford higher prices without reducing volume of sales. In foreign countries, such as the U.S.A. and the U.K., almost all consumer goods are branded and large national concerns have used branding as an instrument of monopoly.

3.Market-Minus (Pricing below the market): The sale below the market price, particularly at the retail level, is profitable only to large chain stores, self-service stores and discount houses. These large retailers can sell well-known nationally advertised brands 10 to 30 per cent below the suggested retail prices, list prices or fixed resale prices by the manufacturers. If you have lower costs because your product is of inferior quality, you may have to fix lower price. Similarly, you may prefer a lower price without promotion expenses (which your rivals are undertaking on a large scale). A lower price is a substitute for sales promotion and advertising. Prices of national brands are higher as there is heavy expenditure on advertising and sales promotion to maintain the brand loyalty.

Right Pricing: In the long run, the best pricing policy in a *competitive market is the market based metliod of pricing.* It is safer to follow the prices of important competitors who dominate the market. Such a price policy will prevent price war, and assure normal profits.

Non-Price Competition: The seller should rely more on non-price factors to capture the consumer demand. At present in many countries business firms avoid price reduction as a means of competition. With or without price competition, increasing emphasis is being given on the various weapons of non-price competition. Non-price competition devices are: 1. Branding, 2. Attractive packaging, 3. Service after sale, 4. Liberal credit, 5. Free home delivery, 6. Money-back guarantee (return of goods), 7. Sales promotion, 8. Advertising, 9. Personal salesmanship, 10. Product improvements and innovations. We can also consider indirect price competition when a seller offers certain benefits in the form of indirect price concession *e.g.*, advertising allowance, free merchandising services, dealer training programme and so on.

Price is not the sole determinant of purchasing. Besides fair price, consumers demand better services, better quality and reliability, fair trade practices, personalised relation with sellers, quality guarantee, credit, etc. Non-price factors are important selling points, in addition to price. Non-price competition tends to increase as buyers put more stress upon quality, fashion, variety, style, finish and service than on price.

Conditions Favouring Premium or (Higher) Prices: 1. Higher sales promotion expenditure is needed, 2. Production is as per order, 3. Initially small market share is preferred, 4. Sales turnover is slow, 5. Good many ancillary services are needed, 6. Goods are durable, 7. Package is unique. 8. Product itself is unique. 9. Customers are rich.

Conditions Favouring Lower Prices: 1. Little sales promotion is necessary, 2. We have mass-production, 3. We are ready for mass-distribution and we want larger market share, 4. Sales turnover is quick *i.e.*, fast selling is anticipated, 5. Very few or no additional services are needed, 6. There is no special package, and 7. We have perishable goods demanding quick clearance. 8. Buyers are not rich.

Skim-the-cream Price (high Pricing): A manufacturer introducing a new product may adopt this pricing strategy deliberately to build up the image of quality and prestige for his new product.

In the earlier stages of product life cycle, a strategy of high price associates with heavy expenditure on promotion, and at the later stage of the product life cycle, a strategy of lower prices with normal promotional expenditure pays a rich dividend.

Reasons for Skimming Price Policy: There are a few reasons supporting skim-the-cream pricing for a new unique product in its introduction stage: I. In the initial stage, we have less elastic demand. Price is less important in purchase decisions. There are buyers who are not sensitive to price and they do not mind higher price. As the product is new and distinctive, there is little competition. 2. When entry of rivals is difficult, costs are uncertain, life-cycle is short, we should prefer skimming price. 3. Skimming price enables the firm to take the cream of the market, at a higher price and then it may attempt to appeal price-sensitive sections of the market by adopting penetration, *i.e.*, lower price. 4. High initial price can provide a large margin which generates cash flow easily, and if the price is too high, it can be easily lowered. Reverse is not practical. 5. High initial price can keep demand within limit of your productive capacity.
There are two disadvantages of skimming price: 1. It attracts competition. 2. If entry of rivals is easy, this policy is risky.

Penetration Pricing (Low Pricing): The approach is favourable under **the** following conditions:

1. Product has greater elasticity of demand.
2. Mass-production provides substantial reduction in unit cost of production.
3. Very strong competition is expected soon after the product enters the market.
4. High-income section of the population is not adequate. We have bulk of the population in the middle and lower income group.

Reasons for Low Pricing: When product has long life cycle, it has a mass market, entry of rivals into the market is easier and demand is elastic, penetration price is always preferable as rivals are discouraged to enter the market and you can establish a strong hold on the market share, incidentally making future entry of rivals difficult. The only disadvantage of this pricing is you may have excess demand within a short period.

One-Price vs. Variable Price Policy

Under one-price policy, a seller will charge all similar types of buyers exactly the same price and there will be no discrimination or difference among the buyers of the same commodity. There is no question of negotiation, bargaining or higgling. No favouritism is shown to any buyers. Terms of sale are the same for similar quantities of the product. Discounts **and** allowances are granted on equal terms to all buyers. It is a fair trade practice. It gains customer confidence. A fair and fixed policy in line with the normal market price and providing for normal margin of profit is the best pricing policy. Through efficient management and best marketing mix, the manufacturers and dealerr, should bringdown marketing costs and improvequality of services to the ultimate consumers. The consumers should be offered lower price and better quality under any normal pricing policy.

In the U.S.A. and other developed countries, particularly at the retail level, they have adopted one-price policy. In India and many other developing countries, sellers have usually variable-price policy, *i.e.*, prices are subject to negotiation and higgling.

Under variable-price or negotiated price policy, the seller will sell same quantities to different buyers at different prices. Certain favoured customers are offered lower prices. The terms of sale, *e.g.*, discounts and allowances, are granted on unequal terms to buyers. Especially in developing countries, sellers commonly use variable pricing for most consumer items. In retail trade the price discrimination is usual. A foam leather handbag was quoted by **a** well-known retailer at Rs. 300/- in the first instance. The price was reduced to Rs. 250/- and then to Rs. 225/-. On sensing that the customer was aware of its real price, the price was scaled down ultimately to Rs. 200/- only. Street sellers use this pricing.

Advantages of One Price Policy

1. Uniform return from each sale — assured and certain profits.
2. Lower selling costs, saving of time in sale as no question of price bargaining. Many a time, higgling drags on the sales talk and it is a time killer.
3. Customer confidence is secured. In the absence of a preferential price, there is no risk of losing of a customer. Timid or weak bargainers are not at a disadvantage. The seller can maintain his goodwill. 4. It is eminently suitable for self-service retailing, mail order selling and automatic vending or selling. Large retailers follow this policy.

Advantage of Variable Price Policy

1. Seller can have flexibility in his dealings with different customers. 2. Certain valuable customers can be offered lower price, *e.g.*, a promising large-scale buyer in the near future. 3. Flexible price policy enables to attract customers of other competitors and thus new business can be secured.

4. When the size of the transaction is large, price should be negotiable, *i.e.*, subject to bargaining *e.g.*, sale of a motor car. 5. The sellers of consumer durables often adopt variable price policy. 6. Some buyers have greater bargaining power or they are able to pay cash. They will always insist on negotiated price.

On the whole, one-price policy is the best policy. Variable price policy creates ill-will and spoils the seller's reputation. It can lead to a price war and unhealthy competition. Managerial control is also less on selling cost and on profits. It reduces confidence. It is not equitable.

Cost-plus or Mark-up Pricing

This method is considered the best approach to pricing. It is based on the seller's per-unit cost of the product *plus* 'an additional margin of profit. There are four items in determining the sale price: I. Cost of producing/ acquiring goods. 2. Cost of operating/selling expenses. 3. Interest, depreciation, etc. 4. Expected profit margin-mark-up. The mark-up is indicated as a percentage of the cost of goods. The mark-up as a percentage of selling price is a very common practice particularly in retail trade.

Cost-plus pricing is very popular in retail trade and wholesale trade. Some form of customary mark-up pricing or cost-plus pricing is most practical in trade, as items for sale are innumerable.

Discounts and Allowances

Discounts and allowances are price concessions offered to traders or buyers in the form of deductions from the list price or from the amount of a bill or invoice. They are forms of indirect price competition.

The common forms of discounts and allowance are:

1. Trade discount, 2. Cash discount, 3. Quantity discount, 4. Seasonal discount, 5. Promotional discount, 6. Advertising and display allowances, 7. Freight allowances.

We will now describe some of the important discounts and allowances.

Trade Discount

Trade discount is a kind of functional discount. It is given to the buyers buying for resale, *e.g.*, wholesaler or retailer, in payment for marketing functions which these traders are expected to perform. Sellers quote price less discount rather than net price.

Illustration: A manufacturer feels that Rs. 10 per unit of his product can be a fair retail price. The manufacturer's list price is Rs. 120 per dozen. He quotes trade discount at 33.33% and 15% from the list price. This indicates that the wholesaler pays Rs. 120 less 33.33% (Rs. 40) less 15% of Rs. 80 (Rs. 12), or Rs. 68 for one dozen items. In selling to the retailer, the wholesaler retains 15% which is his margin to cover his expenses and profit. The wholesaler will quote Rs. 120 less 33.33% or Rs. 80 per dozen to the retailer. Thus, the retailer also has a margin of 33.33% to cover his expenses and profit and he can sell the product at the list price or suggested retail price, viz., Rs. 120 per dozen or Rs. 10 per unit. Please not that 33.33% and Rs. 15% do not constitute a total of 48.33% off the list price. Each trade discount percentage in the chain is calculated on the remaining amount after the preceding percentage has been deducted.

Purposes of Trade Discount

1. Trade discount provides the cover for expenses and profit of each middleman in the chain of distribution, when the manufacturer fixes the retail price and it is advertised and printed on the packages. It is a remuneration for marketing services rendered by the traders. It is paid only to the resellers.

2. The catalogue or price list has printed prices. Actual market price may be fluctuating. If the actual price changes, the seller will merely change the rate of discount for adjustment of the two prices — list price and current market price. He need not print a new price list or catalogue. These are revised periodically, *e.g.*, once in three months. Trade discount is altered inversely to change in prices, *i.e.*, falling prices will invite rising discounts, and *vice versa*.
The trade discount can also act as a weapon of price competition. It makes price structure flexible. The seller can offer a larger trade discount to attract business from the rivals. The dealer is enabled to sell to consumers at the price even lower than the list price as he is given a higher discount. The dealer can show the price list to the consumer and point out that he is getting a good bargain.

Limitations of Trade Discount

1. The manufacturer may offer a larger trade discount to the wholesaler and retailer so that they do a better selling job and take greater interest in his products. But the traders may pass on the additional margin to their customers in the form of price reductions rather than using it for additional sales promotion efforts.

2. The increased discounts given to the traders may lead to unhealthy competition and competitors may follow the initiator by raising their trade

discount. So ultimately there may not be any real gain. In fact, it may result in cut-throat competition.

Cash Discount

It is merely a rebate or a concession given to the trader or consumer to encourage him to pay in full by cash or cheque within a short period of the date of the bill or invoice. It is a deduction from the amount of the bill or invoice amount to be paid. The period to avail the cash discount is usually 10 days.

Illustration: The wholesaler quotes to the retailer as a term of payment, *"2%* 10 days, net 30". This indicates that if the invoice amount is paid with 10 days he will get rebate of 2% but if he pays after 10 days and of course, within 30 days, he has to pay the net invoice amount without any rebate. It means if the retailer forgoes the cash discount, he has to pay *2%* price for 20 days accommodation, or in effect he has to pay 36% interest per year. The retailer would prefer to borrow from his bank at 15% and pay the wholesaler cash within 10 days of the invoice. In the absence of bank credit, trade credit may be inevitable.

Purpose of Cash Discount: 1. The wholesaler need not have a larger working capital as he need not sell on credit to the retailer. 2. There is relief in the recovery of debts and no danger of bad debts. To the seller cash sales are always welcome. In practice, trade credit becomes necessary, as a lesser evil.
Cash discount is calculated on the net amount due after first deducting trade and quantity discounts from the initial list or catalogue price. It is a percentage reduction on the *net amount due.*

Quantity Discount

In order to encourage a customer to make bulk or large purchases at a time or to concentrate his purchases with the seller, quantity discount may be offered to large buyers.

Quantity discount can reduce the prices for bulk purchase order. These may be even cumulative, *i.e.*, on the total volume of purchases made during a certain period. They are really patronage discounts.

Purposes of Quantity Discount: 1. Sales of slow moving items can be stimulated. 2. Manufacturer can have real economies in production as well as in selling. This will reduce his total costs. 3. The manufacturer will have no problem of accumulated stocks or inventories.

Seasonal Discount

The manufacturer may offer additional seasonal discount of say 5, 10 or 15% to a dealer or a customer who places an order during the slack season. This will ensure better use of his plant and production facilities.

Allowances

The manufacturer may offer promotional allowances, Eg.., advertising allowance, window display allowance, free samples, free display materials, free training in sales demonstration and sales talk, etc. It amounts to a price reduction of an equal amount of service expected.

Comments

1. Discounts and allowances are rarely given in selling to the ultimate consumers. They are offered to resellers only. 2. They are common in wholesale and retail trade—in the sale of manufactured goods. 3. Such price concessions are good weapons of healthy competition and sales promotion. 4. If these price concessions are given to all dealers and merchants without discrimination there is no problem of ill-will in trade. But in practice, many a time, they are not offered to all competing customers on *Proportionally equal terms,* in which case they are considered as unfair and unwise trade practices. In many countries, promotional allowances are controlled by law to ensure fair trading. 5. We also come across secret or confidential discounts given by manufacturers to preferred customers. These are given in highly competitive lines or especially during a trade depression. These are also undesirable and unfair trade practices. It is difficult to control these malpractices by legislation alone. Business itself must evolve *a code of conduct* to prevent such malpractices. Self-regulation and self-discipline are always superior than compulsory rule or forced discipline. Fair trading is now recognised as a *social responsibility* of the business.

Price Leadership

In every industry, we do have a few big and dominant business enterprises who act as leaders for setting the price by others. When the leader raises or lowers the price, all others usually follow the leader. The non-leading firms have no other practical alternative but to follow the leader in their price-fixing. In many consumer goods industries we do come across one or a few price leaders and the market price is dictated by them.

Psychological Pricing

It is used to create an illusion of a bargain. It is a popular practice of setting the prices at odd points, *e.g.*, Rs. 17.95, Rs. 49 00, Rs. 995, etc. This policy is followed usually in consumer goods industry, *e.g.*, Bata Shoe Company has psychological pricing in shoe prices. Prices of consumer durables such as cars, refrigerators, etc., are usually fixed in odd amounts. Such a pricing strategy is based on the belief that a buyer is mentally prepared to pay a little less than the rounded figure, *e.g.*, Rs. 10.85 instead of Rs. 11 for a product. Even prices create an impression that the product is of high quality. Thus, pricing can create expected motivation.

Charging What the Traffic will Bear

There are two principles, in pricing. One is called cost of service principle and another is called value of service principle. The second one is also termed as charging what the traffic will bear. It points out demand price. It is usually adopted by railways in our country. Professionals like doctors, lawyers, chartered accountants, consultants, etc., adopt this principle of charging what the customer will bear. They charge their fees on the basis of ability to pay and the cost factor is secondary in their charges. In business, particularly in commodity markets, we do not have such a price discrimination based on the customer's ability to pay. A monopolist, of course, can afford to adopt this principle to maximise his profits. In a sense, such pricing renders justice to customers. Dual pricing of sugar in India is based on this principle of ability to pay. Electricity company also has different rates for domestic and industrial customers.

Premium Pricing

Premium pricing is a mix of *What the traffic will bear'* idea and the *value for money'*. Marketer has a premium product, *i.e.*, superior quality / good variety. He uses best technology. He employs premium promotion programme. He has at his disposal premium distribution process. Hence, he opts out for non-price competition. Thus, he is ready to adopt premium pricing strategy. Of course, under this pricing approach, we need aggressive and proactive (not reactive) pricing. Again, premium pricing can give rich dividend when buyers are not price conscious and they are willing to pay higher price if they get a better product and wider choice.

Reliance adopted this pricing strategy for *vimal fabrics:* Price is nothing but *perceived* value — what the customer perceives as value. Reliance assured that its buyers perceived the prices of *Vimal* textiles as really good value for money. Premium pricing is an aggressive pricing strategy. Upper middle-class buyers constitute the target market for premium pricing. In India, this approach is now adopted by renowned marketers. It assures growth and higher profits through higher customer satisfaction and service. Going premium is the latest trend in respose to the consumer's desire for high quality products on par with foreign goods.

The Indian cosmetics and toiletries market is now adopting premium pricing. Indian marketers are hurrying into the premium segment in order to prempt foreign competition. That it is going to be a tough fight for a niche consumer segment is undoubted. Exposure to western lifestyles on television, and an increasing trend towards perfect gfooming has opened up ample scope for selling beauty at a premium price. Similar trend in favour of premium pricing is noticeable in the sale of fashion clothing, wrist watches (Titan), Ray Ban goggles and clolured TV sets.

4.3 DESIGNING RIGHT PROMOTION MIX

(A) PROMOTION

Promotion is a fornrftf communication with an additional element of pursuasion to accept ideas, products, services and hence pursuasive communication becomes the heart of promotion, the third element of marketing mix. In essence, promotion is the spark plug of our marketing mix and an important marketing strategy. People must know that the right product at the right price is available at the right place. It is said that in a competitive market without promotion nothing can be sold.

In marketing, effective communication is absolutely necessary even though you have a supurb product, best package and also you offer a fair price. People will not buy your product, if they have never heard of it and they are simply unaware of its existence.

What is Promotion?

Promotion is the process of marketing communication to inform, persuade, remind and influence consumers or users in favour of your product or service. Promotion has three specific purposes. It communicates marketing information to consumers, users and resellers. It is not enough to communicate ideas. Promotion persuades and convinces the buyer and influences his/her behaviour to take the desired action. Promotional efforts act as powerful tools of competition providing the cutting edge of its entire marketing programme.

Promotion has been defined as "the co-ordinated self-initiated efforts to establish channels of information and persuasion to facilitate or foster the sale of goods or services, or the acceptance of ideas or points of view," It is a form of non-price competition.

Essentially promotion is persuasive communication to inform potential customers of the existence of products, to persuade and convince them that those products have want satisfying capabilities. Consumers really speaking buy a bundle of expectations (a package of utilities) to satisfy their economic, psycho-social wants and desires. The promotion offers the message, *viz.,* the communication of these benefits to consumers. Hence, promotion message has two basic purposes: 1. persuative communication, 2. tool of competition. Promotion is responsible for awakening and stimulating consumer demand for your product. It can create and stimulate demand, capture demand from rivals and maintain demand for your products even against keen competition. Of course, it is taken for granted that your product has the capacity to satisfy consumer expectations and can fill their wants and desires. It is a truism that nothing can be sold and nothing can make money (except mint) without some means of promotion.

Marketers have adopted a communication view of their firms' promotional activities. Receiver is now regarded as an active participant in the process of communication. All marketing communications must be planned as part of a total system, not as independent pieces. The promotion mix includes four ingredients, *viz.,* 1. advertising, 2. publicity, 3. personal selling, and 4. all forms of sales promotion. All forms of promotion try to influence consumer's attitudes, beliefs, ways of living or life style, values and preferences towards a company and its products, and thereby influence his/ her behaviour.

1.*Advertising:* It is defined as any paid form of non-personal presentation and promotion of ideas, goods and services by an identified sponsor. It is impersonal salesmanship for mass selling, a means of mass communication.

2.*Publicity:* It is non-personal stimulation of demand for a product, service or a business unit by placing commercially significant news about it in a publication or obtaining favourable presentation of it upon radio, television, or stage that is not paid for by the sponsor.

3. *Personal Selling:* It is the best means of oral and face-to-face communication and presentation with the prospect for the purpose of making sales. There may be one prospect or a number of prospects in the personal conversation.

4. *Sales Promotion:* It covers those marketing activities other than advertising, publicity and personal selling that stimulate consumer purchasing and dealer effectiveness. .Such activities are displays, shows, exhibitions, demonstrations, and many other non-routine selling efforts at the point of purchase. Sales promotion tries to complement the other means of promotion given above.

All kinds of promotion play the role of communication channels between the marketer (the source and the sender of message) and the consumer (the receiver of the message). Promotion as an element of marketing mix has three broad objectives: (a) information, (b) persuasion, (c) reminding. The overall objective of promotion is, of course, influencing the buyer behaviour and his predispositions (needs, attitudes, goals, beliefs, values and preferences).

Four promotion mix elements have a definite role in all stages of the selling process. Publicity is more effective in the awareness stage. Advertising gradually becomes less and less effective over a time span. Hence, reminder advertisement is necessary. Personal selling becomes more and more effective as interpersonal interaction assumes increasing importance. Closing of sales needs not only personal selling but also sales promotion tools at the point of purchase in order to provide additional incentives for buyer's action.

Today, promotion is not regarded as the sole tool of marketing communications. We have now the wider concept of the term 'marketing communications.' In the communication mix of the firm we now include all the four components of marketing mix (the four Ps): 1. The total product personality covering product quality and other features, brand name, company name, package and label. 2. Price conveying quality, status, fair charge, and unique technological features. 3. Promotion-mix covering personal salesmanship, advertising, publicity, and sales promotion. 4. Place or point of sale indicating store choice, store image, store display and store services.

Thus, all 4 ps. (product, price, promotion and place of distribution) communicate and act as senders of marketing messages. Of course, promotion proper is the most substantial and most eminent component of marketing communication mix. Without it marketing is impossible in a competitive and changing marketing environment.

The Process of Communication in Marketing

There are three essential parts of communication, *viz.*, the source, message and receiver. True communication takes place only when the message means the same thing (in common) to both the parties *i.e.*, the sender of message and its receiver.

Marketing communication involves sharing of meaning, information, and concepts by the source and the receiver about products and services and about the firm selling them. Marketing communication is undertaken by marketers through the devices of promotion *viz.*, advertising, publicity salesmanship and sales promotion. We have also word-of-mouth communication to accelerate the spreading over of marketing communication.

The effective communication occurs when a sender (source) sends a message and a receiver responds to the message in a manner which satisfies the sender. Both must have identical meaning of the message.

Effective communication is equal to: receipt of the message *plus* understanding *plus* acceptance *plus* action. In marketing action means decision to purchase.

In marketing management, the source or communicator is the marketer who desires to promote his product. He attempts to deliver a message to a receiver. He can deliver the message in many ways. All forms of promotion are media or channels of communicating or sending the message. The receiver or audience is the target market segment, *i.e.*, the group of consumers for whom the message is sent. Message is received and interpreted by consumers and if their predispositions become favourable, they decide to purchase. Feedback is the reverse How of communication from the consumer to the marketer.

When the message is transmitted through personal salesmanship, the seller may have prompt feedback from the receiver. The sender can find out how the message is being received as we have face-lo-face direct communication through sales talk and conversation. The salesman can balance the message on the basis of feedback from the buyer. *This is the real advantage of personal selling.* Personal interaction is the most efficient form of communication. Under mass communication or advertising, mass sellers must rely for information feedback (returned message from buyer) on dealers, consumerism, complaints from consumers, marketing research or total sales results given through sales analysis. Mass communication is essentially one-way communication. Feedback is difficult and usually delayed. Consumer surveys, electronic devices, and other types of marketing research are used to get the feedback. However, this feedback is delayed and it is of no use in altering the future advertising message.

Distortion and Noise in the Promotion Channel

Marketing communications may be distorted particularly when a message passes through a number of channels. Noise is a more serious problem. It can arise due to faulty transmission, faulty reception, or interference. Competitive communications constitute the most serious noise. A consumer may be tuned to many communication flows (advertisements) at the same time.

Promotion Messages

The message transmitted through all forms of promotion must describe the product features in terms of customer wants and desires. The problemsolving or need-satisfaction approach is better while transmitting the message. It develops better understanding of customer needs and problems. Remember that customers are buying a bundle of benefits services. The promotion message must communicate effectively these benefits and services to consumers. Hence, promotion message must achieve two basic objects: Communication *and* persuasion. For effective communication, sender and receiver must have a common background of experience, *e.g.*, a common culture, common language so that they will be able to symbolise certain ideas, concepts and events in a manner easily understandable to each other.

Promotion by definition is persuasive *communication.* The message is arranged to facilitate the consumer decision-making process (awareness, knowledge, liking, preference, conviction and action). Promotion message is one source of information (though very important) at the disposal of a buyer. The buyer behaviour is influenced by many other sources of information available from many sources. If promotion message is useful, relevant and credible, the buyer will be influenced and persuaded to take action as desired by the marketer or communicator.

Unfortunately, we come across fraudulent, deceitful and misleading promotion message. The innocent consumer, relying on the promotion message, purchases the product but very soon he discovers the dissonance and frustration in his post-purchase experience. Without satisfaction, repurchase and consumer loyalty will be impossible, on the other hand, word of mouth communication will act as anti-advertisement.

The Message Form: We have spoken and written words, picture and music. Communication involves transmission of ideas, not merely words. Message need not always be translated into the language. There are other ways for transmission of ideas. A picture communicates a message very effectively. Any visual, non-verbal media can attract attention. Visual contact is stronger and longer than a word contact. Picture permits easier association for the viewer.

Spoken word is also an effective communication tool. Music contributes to effective communication. Hence, television is perfect advertising medium.

Main Purpose of Promotion

The overall purpose of promotion is to influence buyer behaviour and alter the location and shape of the consumer demand curve in favour of the products. All promotional efforts, i.e., marketing communications are directed to alter the demand curve or buyer behaviour. The following figure demonstrates the effect of promotion on the demand curve.

1. Large quantity OQ2 sold at the same price OP,
2. Same quantity OQ1 sold at the higher price OP,

Promotion tries to alter demand curve to the right (from D_{l} to D_2). Thus, promotion is employed to retain the price and secure increasing sales at the same price. Promotion can also raise the price but retain the sales level by making the demand relatively inelastic *e.g.*, through creating brand loyalty and patronage by intensive advertising and sales promotion. Either through shifting the demand to the right or making the demand more inelastic, the object of higher sales revenue can be accomplished with the help of persuasive marketing communications. In short, all forms of promotion can act as the best means of non-price competition, and without any change in the price, marketers can succeed in influencing to a certain extent the buyer behaviour and partially exercise control over demand and market without using the weapon of price to meet competition.

The favourable change in the pattern of consumer demand is secured through commercial information, persuasion and influence with the help of personal selling, advertising, publicity and sales promotion devices.

Note: 1. Each tool of promotion is a vehicle or medium of communication in the field of marketing management.

2. The marketer as an artist creates the most favourable blend of all promotion elements to influence buyer behaviour and the process of decision-making in purchases. Thus, sales can be promoted through a promotion campaign.

Is there a Promotion Opportunity? There are five conditions indicating favourable opportunity to promote: 1. favourable trend in demand, 2. strong product differentiation, 3. hidden product qualities, 4. emotional buying motives, 5. adequate finance to promote.

4.4 Innovating Pricing Methods for Rural Markets

Present Marketing Environment

By the middle of 1994, India's population has reached 920 million. With the advent of 21 st century, we may almost touch 1000 million. World population stands at 5.63 billion. China's population is around 1.2 billion. U.S.A., 261 million, Indonesia 195 million. Per day 236,000 persons enter the world.

The middle class explosion accounts for 300 million consumers. The upper middle class accounts for 60 million, with annual income over Rs. 10 lacs (like a fabulous 16 lacs annually in U.S.A.). There are around 10 million rural families (around 50 million consumers) with annual income over Rs. 40,000. India is considered the 5th largest market in the world. By the year 2001 A.D. we would have around 500 million middle class buyers.

India's new prosperity and market potential is attributable to the government's ongoing commitment to economic reforms introduced in 1991. These reforms — deregulation, liberalisation, privatisation — have allowed India to rebuilt its economy and foreign exchange reserves, reduce inflation and most importantly improve competition and efficiency in the market place by relaxing substantially economic, trade and investment controls.

The result has been a sharp rise in incomes and private consumption, especially among the India's growing middle class (not only in urban but also in the rural areas) and similar growth in the affluent class. Private consumption in 1991 was around Rs. 4000 billion ($125 billion), 15percentincrease over the previous year and fourfold increase over 1981. By the year 2001 the total private consumption may exceed Rs. 8,000 billion.

However, though our consumer market is estimated to be the 6th largest in the world, the total private consumption at present is quite low by any measure. The present consumption levels are: toothpaste at just 50 gms; per head annually against Brazil's 300 gms; four bottles of soft drinks per head annually as against the U.S.A.'s almost 30 bottles; 70-TV sets per 100 households against 145 per hundred households in Japan. Of course, this state of low consumption indicates that potential of the Indian market is quite remarkable and marketers in India have ample opportunity to exploit this potential with the help of modern tools of advertising and sales promotion. For marketers the ever-growing urban and rural markets, in India, represent an unprecedented opportunity. As the poverty reduces, and as the middle classes continuously migrate up the economic ladder, and as the professionals representing the elite class also grows with further industrialisation, so their consumption patterns change almost radically. For food they move out of the wet market and enter into the super or hyper market; they trade commodities for reputed branded goods and even premium price brands and become home builders rather than members of an extended family. So they buy the latest white and brown goods to fill their new homes. The large urban middle class and growing richer rural class (due to green/white revolution in India) is wealthy, entrepreneurial and happy to spend money lavishly.

India's growing rural market is also experiencing increasing demand for fair-priced, fast moving consumer goods as well as for some consumer durable goods such as cycles, scooters, cookers, mixers, radios, televisions and so on. Lacs of upper class rural households do have an income level high enough to allow for discretionary spending.

A distinct change in rural India is also quite visible. In the countryside poverty may be widespread; nevertheless there are regions where tractors and agricultural machines have replaced bullock carts and old traditional methods of farming. Silent green and white revolutions are responsible for agricultural prosperity in many regions,e.g., Punjab, Gujarat, and Maharashtra. Television aerials are common place and satellite dishes are booming, particularly in Punjab, India's richest agricultural state, where farmers come in from the wheat and rice fields at midday to watch the BBC news broadcasts on Star TV in their homes.

Suddenly, India's burgeoning population (slated to outrun China's 1.2 billion in the next 25 years), for long was in its dark spot, now has worked out to its advantage. The return of multinationals to India such as Coca-Cola and IBM and entry of many other MNCs such as General Electrics, Pepsi, Motorola, Proctor & Gamble, and Japan's electronic gaints clearly proves that India has a vast market....rising incomes .... a booming middle class, rising rural elites with adequate purchasing power offering long-term opportunities for Indian as well as foreign industries forprofitable marketing and distribution even in the buyers markets.

India Vs. China

1993 was China's year. It suddenly became the *key issue* on every nation's agenda. China became acceptable as a stable market and every country wanted to be there. In 1990, advertising budget of $ 1 million was considered as huge. In 1993-94, $ 10 million was regarded usual and normal in China.

Almost all important press reports compared India with China and announced that 1994 onwards it would be India's years. They recommended investing in India over China from 1994 onwards.

There is twice as much American direct investment going into India as in China since 1994. Unlike China, India, they say, operates within a rule of law. India has also a much larger and far more capable infrastructure of local companies which serve as good partners *(e.g.*, Ambani, Godrej, Tata, Birla, Modi, Bajaj, and so on) and tough competitors. Unlike China, India has much more cheap labour to offer. India has the *enormous pool* of skilled and professional labour. More engineer graduate each year are there in India than in China and South Koria combined. For instance, motorola wants to make India a " *Brain Centre"* for engineering and design work. Even Japan chose Indian software engineers over its own Japanese employees.

In short, in the International world, India is today recognised as one of the best emerging markets. Till J 990, business planning was the monopoly of the bureaucrats. Since 1991 onwards business/marketing planning is being done by businessmen and marketers in India, and business management has adopted customer-oriented approach in marketing and distribution.

The Consumer Market

The consumer market has changed radically during the last ten years. We are witnessing a complete transformation of the consumer markets in India. There is a definite shift from seller's market to buyers' market, from *Caveat Emptor* (Buyer Beware) to Caveat Vendor (Seller Beware). The Indian Consumer has really begun to consume and that too with a revenge. The reasons are many: 1. rapid growth in the market supply of goods and services, 2. increasing effective demand due to rising purchasing power of middle class population, 3. remarkable prosperity both in the vast rural areas and in the highly concentrated population in the urban regions, 4. overflowing unaccounted money every where, 5. inflationary conditions compelling everybody to enter the market and maximise their purchases from time to time, 6. Aggressive advertising on TV, radio and in the press inspiring the children, the youth and the women to go all out and buy either from current income, or/rgrn savings or on creditThe cyclonic changes in the Indian marketing environment *preceding* the advent of 21st century ought to be intelligently forecast through marketing research so that enlightened marketer can prepare himself for the *Big Leap* in the 21st century.

Intense competition in the market is really proving a big boon or a windfall for Indian consumers who is emerging as the *king/queen* after over two generations (more than five decades) labouring under shortages of even *essential* consumer goods. It is really surprising that though inflation has become a *permanent guest* in our life, it is not creating any obstacle to the new market boom even in the midst of poverty and unemployment still persisting in India.

A real boom in consumer products market clearly points out its growth in size, range and sophistication.

Year	*Size of Consumer Market*
1960-61	Rs. 2,400 Cr.
1986-87	Rs. 30,000 Cr.
1995-96	Over Rs. 50,000 Cr. (Estimate)

The Middle Class Explosion

The emergence of large middle class as the *dominant* consumption community of the country can be regarded as one of the most noteworthy developments in India. It has grown in size, and prosperity. Its disposable and discretionary income has gone up considerably. The upper middle class is now regarded by marketers as a distinct profitable target market. Its consumption of non-food items is continuously growing. The upper middle class has money to invest on the stock exchange. They constitute a lucrative market for consumer durable goods, for electronic entertainment goods for status symbol goods, and for all the modern amenities of life. They are now reaching out to satisfy their higher level psychological wants after satisfying their economic needs. Its new and growing pattern of consumption is determined not merely by its econoomic profile but also by its new social and life style profile. The potential of this market segment in India is now almost on par with the total potential of major European countries like U.K. France or West Germany. Middle Class **Life-style**

The current life-style of the middle class and the upper-income class consumers acting as the consumption community of modern, India is depicted below:

1. Modern Kitchen appliances, 2. entry of white goods such as T.V., V.C.R., Freeze, Washing Machines, Sophisticated music system, microwave ovens, etc., 3. interior home decoration, furniture and fixture, 4. personal means of transport, 5. fashionable readymade garments for both sexes *eg.* Levi Jeans, Lotto Shoes, Double Bull, Arrow Shirts, 6. lots of jewellery, and countless varieties of cosmetics and personal items, craving for new status symbols. The new-man-about city is not going to scrimp where it comes to showing off his status. All the mega cities in India faithfully reflect the new life-style of Indian urban population.

Comments

1. Middle class explosion in reality reflects faithfully urban and suburban markets as this class is the backbone of urban target market.
2. Any marketer in India is deeply interested in this class as it offers the maximum demand potential and wide scope.
3. Though one has to consider cultural, linguistic and to some extent regional differences, in general middle class life-style, buying behaviour and also consumption pattern are *similar* throughout India.
4. Urban consumer is receptive to new ideas, welcomes innovation. However, by temperament, a middle class consumer is usually price-conscious, cautious and he wants economic/emotional security. Comforts and a few luxuries are regarded by him as status symbols and marketers selling consumer durables ignite his sense of prestige or status.
5. The middle class housewife is educated, employed and plays an active role in home management. She is cost-conscious, quality-conscious, cautious but not against change, fashion-loving but not crazy for fashionable goods. Please note that she is the main decision-maker in all family purchases.

6.The intense competition among the marketers in India should assure cost-effectiveness and quality of goods to consumers. Consumer Protection Act would also induce good business response to growing consumerism and to fair trading.

The glamour of Western life and culture is responsible for the revolutionary changes in the life-style and culture of urban and semi-urban Indian population, particularly in the teenager Indian youth.

Rural Markets

India has now achieved self-sufficiency in its food grain needs and can even export food and fruit products. White revolutions are considered as economic marketing miracles.

65 per cent population is rural. Rural market, however, accounts for hardly 40 per cent of total expenditure on consumption. Rural market is vast but *partially* tapped. The top 15 per cent of farmers account for about 40 per cent of expenditure on consumer goods in the rural markets. It should be noted that rural market's *untapped potential* is throwing a big challenge/' opportunity to marketers in India and now as rural market is duly exposed to radio. TV. and satellite communications and a? literacy is also growing in rural India, marketers can have integrated marketing plans and programmes and meet the challenge by capitalising immense marketing opportunity. If they succeed in exploiting rural market potential, we will witness a new era of economic prosperity in the Indian villages in the near future.

The communications revolution is also now influencing rural India. Around 66 per cent of our population is intensely exposed to the electronic media power, specially TV. Seeing is believing. Union of sound, sight and movement in television makes it the most powerful sales medium to influence the consumers. Rural consumers are also increasingly exposed to this media.
The marketers are exploiting fully this media to convert millions of rural prospects into actual customers for their brands. The rural folk are also responding though with some resistance to the attractions of materially good life.

Typical Problems Encountered in Rural Marketing

1. Large Market: The rural market of India consists of about 60 crores consumers. It is a big market having considerable potential as it is still *partially* tapped. Even then it is offering a market worth Rs. 20,000 crore of non-foods per year at present.

2. Scattered Market: The rural markets are very widely scattered covering about 5.6 lacs of villages spread over the entire length and breadth of India.

3. Seasonal and Irregular Demand: Not only the rural market is very large and very widely scattered (fragmented) but the demand is also seasonal (not regular or constant) because the rural demand is closely associated with farming and farming in India depends on the vagaries of monsoon even today. Hence, rural demand is tied down to agricultural harvesting seasons and also to fairs/festivals which many a time coincide with harvests.

4. Economic and Social Backwardness: Average per capita income and purchasing power in rural India is low though *gradually* growing. Literacy is also low. The village life is still governed by custom and tradition though it is *slowly* being exposed to modernism. We have also to face diversities relating to language, customs, and culture.

5. Special Problems in Marketing: We have already noted that the marketing of goods in rural India is a big challenge to marketers. There are special problems in rural marketing: 1. problems in physical distribution. 2. problems of distribution channels, 3. problems of promotion and market ing communication, and 4. problems of salesforce management.

Rural marketer is not called upon just to find the market and tap it with the help of promotion and distribution. In a sense, the marketer must adopt *creativity* and create the market and develop it through innovative marketing management. 'Markets are *made* and not merely found' is literally true in the case of the rural market of India.

Marketing Communication in Rural India

In the evolution of a proper mix of marketing communications, there are two major problem areas: 1. Appropriate media mix, 2. Nature of rural consumer. Let us deal with these problems.

Communication media*:* It is a fact that a high degree of illiteracy is still existing in rural India. We have hardly 40 per cent male literates and 25 per cent female literates in rural India. Hence, press and other print media is playing a very minor role in our rural markets. TV and radio are ideal media with the rural consumers. But they are only partially available for use in the rural regions. Hardly 20 percent of the rural consumers can be tapped by the print media of advertisement. Cinema is relatively acting as a better medium of communication in rural markets. 35 per cent of total cinema income in India is emanating from rural viewers.

Nature of Rural Consumer: Marketer cannot use printed word or message as a means of communication. In addition to low literacy, we have diverse cultural backgrounds, different languages changing from region to region, varied customs, and traditions, economic backwardness. As we cannot use Hindi and English languages for marketing communication, the problem of rural communications becomes quite formidable.

About 200 million of the rural population have the purchasing power but hardly 100 million adults in the rural areas are the target consumers. There are less than 15 newspapers for every 1000 people. 50 per cent of the total circulation of newspapers is confined only to *thefour metros* and hardly 2 per cent of the copies of newspapers circulate in rural India.

Thus, marketer encounters a great difficulty in the formulation of appropriate media mix to establish effective rural communication to a target rural market.

4.5 Appropriate Media

Media Selection

In making media decision, we have to consider the following factors: 1. The financial allocation for advertising. 2. The nature of the product and the demand for it. 3. The type of prospects, their location and other characteristics.

4. The nature of competition and the extent of coverage required. 5. Cost of media, co-operation and promotional aids offered by media, media circulation. Right media of advertisement will enable the advertiser to deliver the message effectively to the intended markets or prospects.

Note: 1. Displays, Shows, Exhibitions, Showrooms, Arcades, Trade Fairs, Point-of-Purchase Materials are normally included in sales promotion devices. 2. Advertising Specialities such as Calendars, Diaries, Blotters, Pen Stands, Ball Pens, Pencils, Key Rings, and many other novelties are partly for advertising and partly for sales promotion. These are business gifts and means of publicity and patronage.

Characteristics of Important Media

1. Mural Advertising: Mural or outdoor advertising has long life. It has a general and wide appeal. It can attract attention of numerous people It is good to remind prospects. An advertiser has ample scope to use his skill and art in advertising.

However, outdoor advertising has certain limitations. Ii cannot have a long message. It is not useful in selective advertising or for specialised products. It has a low retention value. Its effectiveness cannot be accurately measured and it may lead to considerable wastage also hill boards and hoardings are not welcome today on Ifce highways due to adverse public opinion.(They spoil the natural beauty and environment).

2. Press Advertising: Newspapers have a general and wide appeal. It is very common method of publicity. Newspapers are flexible and timely.

Repeat advertising is possible. Periodical change in size and contents is also easy. Selective advertising to some extent is available. Effectiveness of advertising can be estimated by having keyed advertisements. Newspapers offer promotional assistance. Coloured and attractive advertisements are now available even in newspapers. They are the best source of market information. Newspapers are truly a way of life to most of the literate people. They have short closing times. Closing times refer to the period before publication when the copy must be submitted. For newspapers, this period is only 24 hours. The adage *'seeing is believing* is applicable to press advertisements. It offers greater prestige and believability.

However, newspapers have short span of life. Waste in advertising is considerable. Illiteracy affects its utility. Magazines and trade journals are other means of press publicity. They are best for coloured and attractive advertisements. They have longer life, greater retentive value as well as reference value. Selective appeal is possible. We can approach particular market segment only. Waste can be reduced. However, they need advance planning, do not facilitate repetitive advertisements. They have limited circulation. They have higher unit cost per contact.

3. **Film Advertising***:* It has a wide appeal. It can overcome language barriers. Audio-visual (sound and sight) technique has maximum impact on audiences. Sound and sight both are employed for communicating our message. Repeat advertising is possible. However, both cost of production as well as cost of distribution of slides and films are quite high. Selective advertising is not possible. Effectiveness cannot be measured. Waste in film publicity can be considerable.

4. **Radio Advertisement:** Of all the media, radio has the shortest closing times: Radio uses only an audio (sound) signal. The copy can be submitted ip to air time. Announcements can be made very quickly. It can secure dealer support. It has a very wide appeal. It is suitable even for illiterate people. Repeat message is quite common. Spoken word has greater impact than written word. With the entry of FM radio programme ranging from all-talk to Indian and Western Music, certain target markets can be easily approached. However, radio cannot permit selective advertising. It cannot give detailed information. It has low memory value. People remember far more of what they see than of what they hear. It may not be very effective as listeners may not like it. Many a time, they are bored by repeat messages. The length of time media is momentary. The message may be lost, if the radio is not tuned. Radio has low listening level as it is often used as background for working, studying or some other activity.

5. **Television Advertisement***:* Television uses both video (sight) and audio (sound) signals. It is a unique combination of vision, motion and sound. Products can be demonstrated and also described. We have best sales presentation. Television has all the advantages of radio, namely, *sound* and explanation, plus the additional advantage of *sight.* It can appeal through ear as well as eye. Product can be demonstrated with explanation. Television reaches the audience almost like personal face-to-face contact. To that extent it is just like personal salesmanship. Full opportunity exists for product demonstration and the amplification of selling points with audio presentation. It is really a wonderful means of mass communication for creating market. Television combines all of the elements of communication: 1. Illustration, 2. Music, 3. Spoken words, 4. Written words. We can have short commercials as well as

sponsored programmes combining entertainment with advertisement. It represents typical combination of salesmanship and advertising.

TV Advertisements in India: The total number of TV sets in India by 1994 had gone up to 16m. Exceeding 100 million Indian's have now access to TV. By the year 2001, India should have appreciable nation-wide TV audience. More than 70 per cent TV advertisements represent all types of consumer (softs/durable) goods.

Please note that TV is expensive medium. It lacks permanence. TV message must be seen and understood immediately. Hence, TV does not allow complicated messages. The remote control device for changing channels and for fast-forwarding to skip over the commercials — this reduces audience size. TV advertisers, therefore, must have shorter and more entertaining commercial spots.

In India, within a few years we would have round the clock coloured TV. Programmes with multi-channel facilities. TV programmes can be tailor-made for each age-group or each market segment. TV has penetrated even in rural India.

6. **Transit Advertising:** Transit advertising consists of *card* advertising, which is located within buses, subways, railways and *outside displays*, which appear on the fronts, sides, and backs of buses or other public transport and at transportation terminals. Transit advertising is the lowest-cost media. It gives geographic selectivity and seasonal selectivity. It has high readership. It can reach pedestrains and travelling public. However, non-riders are not exposed to car-cards located inside the vehicle. Car-cards have small size and they can

carry only short copy. Transit advertising is limited in quantity by the number of public vehicles in operation.

7. **Direct Mail:** Direct mail is any advertising sent by mail (postal transmission) including sales letters, folders, pamphlets, booklets, catalogues and the like. Direct mail is the most personal and selective media. It reaches only the desired prospects. It has minimum waste in circulation. The advertising copy can be very flexible. It has maximum possible personal features even without personal contact. It can provide detailed information about the product or service, creating lasting impression. Its effectiveness is measurable. It can be timed as per advertiser's will. It has maximum personal appeal. It can take any size, shape or form permitted by the post office. It is not in direct competition with the rival's matter. Extensive testing can be done on the product, price, appeal or other factors before the entire mailing is sent out. The results of direct mail advertising can be checked by means of an offer incorporated in the mailing. However, direct mail is costly. We may not have proper mailing list. Receiver may consider it *as junk mail* as it may not have entertainment value. It is not a good means of mass communication.

8. **Advertising Specialities:** These include a wide variety of items, such as calendars, books, matches, pens, pencils, knives, key rings, diaries, memopadvertisements, cigarette lighters, blotters, paper weights, electronic clocks, purses, rainhats and so on. They are given to advertising targets without cost or obligation. Advertiser's name, address, phone number, and a short sales message are imprinted on the item. The advertiser can choose from among 5,000 specialities in the market. Advertising specialities are reminder type of promotion. It is hoped that they will lead to customer's orders and re-orders. However, they have limited space available for sales message. They are also costly.

9. Point-of-Purchase Advertising: It really represents sales promotion devices. It covers the display material used in advertising programme. Such point-of-purchase material may include advertising on the package, window banners, shelf-talkers, merchandise tags, package stuffers, information folders and booklets and such other displaying materials.

Advertising Spends/Estimates 1990-1993

				(Rs. in
	1990	1991	1992	1993
Press	1050	1200	1400	1600
Doordarshan/Satelli	280	350	406	500
Outdoor	60	75	87	100
Radio	40	50	60	70
Video/Cable	10	15	20	25
Cinema	8	5	5	5
Total	1452	1695	1978	2300

4.6 PROMOTIONAL COMPAIGNS

Sales promotion is an important instrument in marketing to lubricate the marketing efforts. Today, sales promotion is a necessity and not merely a luxury or a fashion. It is not an expenditure; it is an investment which can pay rich dividends. It is an integral part of the marketing effort.

What is Sales Promotion?

Sales promotion is referred to the promotional activities other than personal salesmanship, advertising and publicity, which stimulate consumer purchasing and dealer effectiveness, e.g., displays, exhibitions and showrooms, demonstrations, free samples, coupons, premiums, contests and various other non-recurrent selling efforts not in the ordinary routine. It is a plus ingredient in the marketing mix, whereas advertising and personal salesmanship are essential and basic ingredients in the marketing mix.

In short, sales promotion is a bridge or a connecting link covering the gap between advertising and personal salesmanship, the two wings of promotion.

The manufacturer or wholesaler may have a good product, reasonable price, attractive package, etc. He may have a good sales force. He may have spent a lot on advertising. Even then he knows that the product may not sell by itself. He can get orders from dealers or retailers. But many more things than orders are required to he arhip.ved The sale of the product has to be promoted through a number of influences at the place where retailers and prospective buyers meet face to face, i.e., *at the point of purchase.* In short, all prospective buyers must be attracted, urged and even persuaded to buy *your product.* Sales promotion is a vital link between advertising and fieldselling. It aims at stimulating consumer purchasing at the point of sale and dealers effectiveness at the retail channel of distribution, particularly because retailing is a highly competitive field.

Why Use Sales Promotion?

Sales promotion and publicity, when combined with advertising and personal selling programmes, really add up to more than the sum of the parts. Sales promotion is that *"something extra"* (2 + 2 = 5). It can arouse enthusiasm, create a buying mood or spark an immediate reaction from consumers, dealers and the firm's salesperson. Many sales promotion campaigns involve the use of incentives. Incentives are something of financial value added to an offer to encourage some obvious behavioural response. Sales promotion is often thought as special selling effort to accelerate sales. Point-of-purchase displays give a real pay off, sales rising by 25 to 50 per cent or even more.

Sales Promotion Objectives

Sales promotion has dual objectives: 1. to increase buying response by ultimate consumers, and 2. to increase selling efforts and intensity by dealers as well as by sales personnel. 3 to supplement and co-ordinate efforts of Advertising/Personal Selling. The result of an effective total marketing programme is sales success, which entirely depends on positive customer reaction and an intense, well organised selling effort by resellers and salespersons.

One study suggested the following reasons for undertaking actively all forms of sales promotion: 1. calling attention to new products and product improvements, 2. informing buyers of new brand and new package, 3. Improving market share, 4. increasing usage rate by present customers, 5. maintaining customer patronage and brand loyalty, 6. obtaining dealer outlets, 7. securing additional shelf-space and added display, 8. creating talking points for salepersons, 7. meeting competition.

Sales Promotion/Advertising: 1. Sales promotion is a direct and open persuasion to the consumer to try the product immediately. Advertising is indirect and subtle approach persuading consumers to buy a product. 2. Sales promotion performs an immediate job of boosting sales. Advertising has usually longer-term goal, *e.g.*, to build brand awareness, image or loyally, or repositioning of a brand. 3. Sales promotion only alters price-value relationship of the product. Advertising adds some value to the product. Sales promotion supplements both personal selling and advertising and co-ordinates them and helps to make them effective.

Strengths of Sales Promotion

1.It stimulates positive attitudes toward the product. 2. It gives extra incentive to the customer to make a purchase. 3. It gives direct inducement to take immediate action *now* rather than later. 4. It has flexibility and it can he used at any stage of a new product introduction. Sales promotions are very effective: (a) when a new brand is introduced, (b) when we have to communicate a major improvement in our product, (c) when we want to amplify the results of the advertising, (d) when we want to increase the number of retail stores to sell our products.

Limitations of Sales Promotion

1, Sales promotions have temporary and short life not exceeding three months. Sales promotion alone cannot build up brand loyalty. 2. Sales promotions are only supplementary devices to supplement selling efforts of other promotion tools. 3. They are non-recurring in their use. They have seldom reuse values. 4. Too many sales promotions may affect adversely the brand image, suggesting its lack of popularity or overstocking by a company. 5. Advertising agencies accord low status to sales promotions and usually employ junior staff for sales promotion so that they may be trained for more creative jobs. Sales promotions are ineffective: (a) when established brands have a declining market, (b) there are no product improvements, (c) when there is intensive competition on consumer sales promotion.

Kinds of Sales Promotion

There are two kinds of Sales Promotion:

(a)Activities intended to educate or inform the consumers and those intended to stimulate the consumers. These are called consumer sales promotion.

(b)Activities to increase the interest and enthusiasm of dealers and distributors. These are called dealer/distributor sales promotion devices.

Consumer Sales Promotion: These devices are: 1. Sampling, usually called consumer sampling. Free samples are given to consumers to introduce a new product or to expand the market. The consumers can try the product. 2. Demonstrations or instructions educating the consumers in the manner of using the product. 3. A coupon is a certificate that reduces price. When a buyer gives a coupon to the dealer, he gets the product at a lower price (Regular price is Rs. 20; with a coupon it is Rs. 18). Coupons (same as money) are accepted as cash by retailers. 4. Money-refund orders, *i.e.*, full purchase price is refunded, helping the introduction of a new product. Refund offer creates additional interest and increases sales considerably. It is a good device for creating new user and to strengthen the brand loyalty. 5. Premium (gift) offers are temporary price reductions, which appeal to bargain instinct, *e.g.,* instant coffee sold in carafes by one company was very successful. Towels, dinnerware, hair-brushes, key chains, artificial flowers, ball pens, toilet soaps, blades, were given as inpack premiums. Attractive reusable jars costing separately Rs. 8 may be given at an extra charge ofRs. 4 only. Liril gave a soap box almost free with two toilet soaps. 6. Price-off, *e.g.,* Rs. 2 off on a Brooke Bond pack of 500 grams; the price-off label is printed on the package. It gives a temporary discount to the consumers. 7. Fashion shows and parades are good promotion aids or helps in men's and women's sophisticated clothings. 8. Contests or quizzes for consumers help to stimulate consumer interest in the product. In these contests, and quizzes, participants compete for prizes on the basis of their skill or creative ideas. In sweepstakes, they submit their names to be included in a drawing of prize winners. This type of sales promotion is not a lottery because there is chance or luck, prizes are offered and a payment to participate is there. 9. Trading stamps are given for purchasing in a particular shop

The Quiz/Contest Craze

The advent of Star, Zee and Metro (Satellite TV) Channels has thrown open to business concerns the possibilities of brand promotion *via* the countless quizzes and contests now being telecast at a small percentage of norma! promotional cost. With quizzes and contests on television gaining increasing popularity, many companies are gifting their own products in an attempt at gaining mileage for their brands.

Sponsor companies on the television are adopting the quiz and contest route as a profitable means of establishing brand equity over a period of time. In programmes like *Philips Top Ten. Boumvita, Close-up Antakshari, Bajaj Ke Tarane and Lux Kya Scene Hai,* brand equity has been used as a format. These programmes have gained considerable popularity and they will be remembered for a long time. T. V. has gained substantial audience in India.

The basic strategy in contests is to provide an extra-incentive to the consumer for buying a product. Full exploitation of contests at retail level must be planned. Retailers must be briefed about the contest and enough merchandise should be available to satisfy all customer demand. A well planned quiz contest has to be unique, interesting to the buyer, related to the product being sold, and tied in with sales in some way.

Contests are used to reach short-term sales goals. If properly designed, they can achieve other objectives as well. In fact, they are even used as versatile ways to hit non-sales related targets. As markets evolve, contests will be used for winning the upper hand, by emphasising a particular aspect of a product, coping with competitive pressures or increasing recall. But competitions, like any form of sales promotion, have their limitations—they cannot, for instance, sell an inadequate product or one with a poor distribution network overnight or work miracles.

Currently the companies are caught up in the contest/quiz fever. Viewers are not complaining either. Marketers should make the most of the quiz and contest opportunity before the magic fades. And then they may latch on to some new fever, for there is never an end to new opportunities.

Dealer's Sales Promotion: These devices or helps are: 1. There is a provision of free display material either at the point of purchase (POP) or point of sale (POS), depending on one's viewpoint. Display reaches consumers when they are buying and actually spending their money. 2. Retail demonstrators are supplied by manufacturers for preparing and distributing the product as a retail sample, *e.g.*, Nescafe instant coffee to consumers for trying the sample on the spot or demonstration regarding the method of using the product. 3. Trade deals are offered to encourage retailers to give additional selling support to the product, *e.g.*, toothpaste sold with 30% to 40% margin. 4. Seller gives buying allowance of a certain amount of money for a product bought. 5. Buy-back allowance is given to encourage repurchase of a product immediately after another trade deal. A buy-back is a resale opportunity. 6. Seller gives free goods *e.g.,* one free with 11, or 2 free with 10 are common free deals. 7. Advertising and display allowance may be given. 8. Sales contests for salesmen are held. 9. Dealer loader (a gift for an order) is a premium given to the retailer for buying certain quantities of goods or premium for special display done by a retailer. 10. Dealer and distributor training for salesmen, which may be provided to give them a better knowledge of a product and how to use it.

Dealer sales promotion provides *the selling* devices. Sales promotion devices at the point of purchase inform, remind, and stimulate buyers to purchase products. People who see these devices are in a buying mood and thus they can be easily persuaded to buy those products. Tell tags are informative labels affixed on the product, describing in detail the features of the product and its unique selling points. Shelf talkers are similar labels attached to the shelves close to product displays. Counter top racks, posters, mechanised signs are other point-of-purchase displays.

Each form of sales promotion is used to encourage quick movement of products along the channel of distribution and enhancing the tempo of sales campaign. It also creates extra incentive or gives extra value to the channel of distribution itself, *e.g.,* retailer's. Hence, sales promotion offers a direct inducement which gives an extra value or incentive to the distributors, their sales force and the ultimate consumer.

Surging Popularity of Sales Promotion

Since 1990, sales promotion has become very popular and is now integrated into the total marketing strategy. Factors accounting for importance given to sales promotion are: 1. Sales promotion offers quick results which are also measurable. 2. Competitive pressure compels many firms to retaliate with their own sales promotions, *e.g.*, contests, price off, gifts, etc. 3. Continuous rising prices oblige consumers to become more price conscious. Sales promotions become more attractive to them. 4. Tools are needed at the point of purchase (POP) to boost sales in retail stores.

Reasons for Sales Promotion (Merchandising Aids)

1. Introduction of a new product. 2. Stimulus for a new use of a product. 3. Encouragement for increasing frequency of purchase. 4. Appeal to a special area of the market. 5. Combination offer to encourage the use of other product. 6. Creation of dealer interest and inducing them to stock the articles. 7. Securing shelf space in the retail window. 8. Counter-balancing price competition. 9. Special training of salesmen. 10. Seasonal and grand reduction sales. 11. Capturing bargain hunting and non-brand conscious buyers through bargain sales. 12. Acceleration to slow selling lines.

Thus, sales promotion is used at the time of introducing a new consumer product, to secure maximum dealer stocking, display space and attention of customers. Sales promotion involves a lot of expenditure. It also has difficulties. But because it pays rich dividends, sellers have accepted it as an important item in the marketing mix. Not only does it give profit but it also serves other purposes such as provision of information, creation of demand, repeat buyers, sales stabilisation and quick inventory turnover. The successful promotional effort has many ingredients such as personal selling, sales promotion devices, advertising, public relations, and publicity.

Industrial sales need higher personal salesmanship. In the sale of consumer goods, we need a good combination of personal sales with advertising and a lot of point-of-purchase help. Numerous final customers in mass distribution cannot be approached through personal salesmanship. Hence, we need devices to promote sales, such as contests, sweepstakes, premiums, coupons, product demonstration, exhibits, point-of-purchase display, trading stamps, samples, free trips to Kashmir and so on. The marketing manager must co-ordinate the promotional effort of the sales manager, advertising manager, and sales promotion manager. At present, Advertising Agencies help in both — advertising and sales promotion devices.

Joint Promotion (through advertising or through promotional events)

Two years ago, in an unusual print ad, Mafatla! Fabrics endorsed Procter & Gamble's new detergent product. Ariel. Not that it was only Ariel: that stood to gain from this approach. Mafatlal too, gained mileage through: the ad. This was, perhaps, the first noticeable instance of*joint promotion* on the part of two brands that hoped to gain in visibility.

Joint promotions as a marketing device has finally come into its own. The. reasons for this are manifold. Rising advertising rates in the various media makes brand visibility an expensive affair. Also, with the clutter of parallel products in the market and messaging on the media, attempts at establishing brand equity has become a more complex exercise. *The days of distinct USPs are by now in the past*

If two brands that already have an established equity, endorse each other, the likelihood of success even beyond regular advertising stands a good chance. The Godrej-Titan promotional tie-up that was carried out in November 1993, is a case in point. The sales of the Godrej refrigerators trebled. However, in a similar exercise, when an alarm clock made by a small scale manufacturer was offered free with the Godrej refrigerator, the increase in sales was just 20 per cent.

Joint promotions between two brands that pose no threat to each other, yet aim at the same target audience and belong to the same usage category (a detergent and washing machine for example), stand to gain in terms of competitive edge by endorsing each other. The most notable examples here are the Surf Ultra Videocon washing machine tie up, and car dealer Autoriders India Limited's cooperative marketing venture with financial institutions, spare parts dealers and insurance companies. Moreover, even though the target segment is the same, the participants are not in direct competition with each other.

Cost sharing on joint promotions is an attractive benefit for advertisers and promoters, specially in the face of escalating advertising costs. Marketers in the joint-promotions game claim that such strategies can reduce media spend by as much as 70 per cent.

Proponents of Joint-promotions claim that this is the second most important marketing platform after advertising, and is one method of achieving a direct face-off with the consumer. Fears that such cooperative marketing efforts might dilute the brand's identity are discounted on the grounds that in fact, they serve to provide incremental enhancement for the brand.

Among the most recent and unique joint-promotion platforms has been a promotional tool itself: the Snuggy Club of Diapers India Limited. With a strength of 3,000 members who are mothers of children up to three-year-olds, the Club was recently used for the launch of a number of children's product by Wipro, Johnson & Johnson, Milton (the Funny Bunny range) and Leo Mattel.

Joint-promotions may yet be at a *nascent stage*. Fast becoming an important marketing tool, it is bound to see a lot more innovations and sophistication in the near future, as the need for closer interaction with the consumer increases. Joint promotion, *i.e.*, joining hands for visibility offers also mutual increase in brand loyalty.

Exhibitions and Trade Fairs

An exhibition stand or stall is a form of showroom, but it is a very distinctive form of showroom. It provides a temporary market place at which buyers and sellers meet. There are various types of exhibitions, international trade fairs, national and local fairs and exhibitions (usually sponsored by a chamber of commerce or trade association). We may have indoor or outdoor public exhibitions and fairs and shows, *e.g.*, agricultural and industrial machinery and equipment, cottage industries and handicrafts, fashion shows and parades, domestic electric appliances, office machines and appliances, etc.

An article shown at an exhibition at least makes a good impression without creating actual demand. A man is greatly impressed with a typewriter, time-clock or simple appliance. He makes up his mind to buy one sooner or later. Usually, people are in a buying mood when they visit an exhibition.

A successful stand in an exhibition or a trade fair gives three services to the owner:

1. It provides entirely new business which cannot be secured by any other method.
2. Buyers unwilling to meet salesmen or visit the shop or show-room will, on their own account, do a lot of purchases at these fairs or exhibitions. These buyers are usually resellers.

3. Competitors compete with each other for getting maximum business. The conservative buyer can compare the competitive lines displayed in close distance to one another. They need not disclose their identity. They welcome criticism of their regular suppliers only at such exhibitions. Thus, at exhibitions constructive and conservative buyers (resellers) can be easily handled and captured by rival sellers.

In many trades, exhibitions are held annually at the same period of the year, These exhibitions attract a large number of buyers every day. These annual exhibitions become the basis of many sales campaigns. Buyers purchase all their requirements, *e.g.*, utensils, furnishings, appliances, clothing, fittings, at these exhibitions.

The Fashion Shows

The fashion show idea can be exploited intelligently in the overall promotional strategy. A series of glamorous fashion shows are held in the metro cities like Bombay, Delhi, Calcutta, on a massive scale. Currently they are also organised on the television, the best medium of advertisement to reach the target audience. TV now commands a viewership over 12 crores for a prime time flash in the national hook-up.

Indian Fashion Scene

The fashion market in the national and the international scenario is increasing at a maddening pace. With the export boom coming through in a very big way, the fashion scenario has received a further boost. Looking at the number of boutiques and studios springing up in the country, one can sense the potential of the fashion business. A number of multinationals have entered and continue to enter into the *Indian fashion business.*

Fashion

The industry has Rs. 12,000 crore internal market and Rs. 1600 crore export market. About 25,000 jobs are generated each year in the fashion field. Stagnation in this field seems a distant fear as the fashion market is growing at a tremendous rate. Hence, fashion shows and exhibitions are becoming very popular as means of promotion, it is said that if the world is *'sound'* then fashion is the *'melody.'* If the world is *'sky'*, then the fashion is the *'rainbow.'* Fashion usually means the 'current style.' Life would be drab without fashion.

Exclusive Showrooms

Generally the showroom idea is used as a tool of distribution. Currently in the face of growing competition and unfair undercutting by dealers, a number of consumer durable companies are opening plush, exclusive showrooms, arcades, gallaries as powerful means of sales promotion to boost their sales. Exclusivity plays the role of Unique Selling Proposition (USP) to increase the sales.

Onida has set up around 20 Arcades in big cities. Bush has exclusive galiaries. Sumeet has established gallary-cum-service centres Ceat has (Ccat Shoppes). Vimal textiles have a large network of ultra-modern showrooms all over India.

A very great advantage the exclusive showrooms offer to a company, is the ability (o impress the consumer with the whole range of its products at a time when all companies are going in for diversifications and range expansions.

Of course, the showrooms are only additional means of sales promotion/distribution. The distributor/dealer network systems have not been done away with completely. One cannot deny the importance of dealers. A prospect about to invest more than Rs. 15,000 will obviously want to look at other brands in the market before making up his mind. The showroom idea is also to encourage customers to go back to dealers stocking the brands.

The exclusive showroom idea as a promising marketing device has proved a draw is undoubted. The future of such showrooms, particularly for T.V., V.C.R., Washing Machines, costly textiles seems to be bright at the moment. Some companies have franchise-owned showrooms with identical colour schemes, furnishings, flooring and identical services.

Publicity/Public Relations

Publicity is also called marketing public relations. Publicity is not paid for by the organization. Publicity comes from news reporters, columnists and journalist people. It comes to the receiver as the truth rather than as a commercial. Public relations and publicity taken together become the fourth major ingredient of promotion mix. These activities are, however, not controllable by the firm. Every firm tries to create a good public relations so as to give good publicity.

Defective products, unfair trade practices, anti-social activities often result in unfavourable publicity, consumer ill-will, bad product image, increased consumer protests, government regulations and so on. The firm having a poor public image will have lower sales and lower profits. Reducing the impact of bad news is as important as creating good publicity.

Under the social marketing concept, publicity and public relations are assuming unique importance in the firm's promotion mix. Consumerism is altering consumer attitudes not only towards products, but also towards the firm and dealers selling the products of the firm.

Public Relations: Public relations have now become an important marketing function. The total processof building goodwill toward abusiness enterprise and securing a bright public image of the company is called public relations. It creates a favourable atmosphere for conducting business. There are four groups of public: 1. customers, 2. shareholders, 3. employees, 4. the community. The marketers should have the best possible relations with these groups. Public relations complement advertising by creating product and service credibility. Effective marketing communication is not possible without establishing and maintaining mutual understanding between the company and its customers. The lubricant making the wheel of marketing run smoothly is public relations. Bright image is created and maintained only by public relations. Liberal aid in all social welfare projects enhances the public image of the marketer.

4.7 Promotion Strategy

Strategy lays down the broad principles by which a company hopes to secure an advantage over competitors, exhibit attractiveness to buyers, and lead to full exploitation of company resources.

When marketers resort to promotion or persuasive communication in marketing, we have a kind of the promotion square. It has four sides of equal importance, viz.: 1. The product described in the marketing communication. 2. The prospect to be converted into a customer through persuasion and influence by promotion. 3. The seller or the sponsor who undertakes promotion, and 4. The channel or the route along which the product will move from marketer to buyer. The promotion strategy will depend upon these four sides. The promotion strategy deals with the following decisions: 1. the blend of promotional activities (advertising, publicity, personal selling and sales promotion), 2. the amount allocated for the various forms of promotion particularly to the advertising media such as press, radio, television, and so on, 3. the kind of promotion to be used. Each kind of promotion has strengths and weaknesses as a communication medium. Each mode of promotion depends on the nature of the products, characteristics of the market, stage of market development and stage of the buyer's decision-making. These unique strengths and weaknesses must be duly recognized while designing the promotion (communication) mix. Then again we have also interactions among the various forms of promotion. These interactions determine the total promotion effectiveness. The interdependencies of all kinds of promotion demand an integrated approach to promotion mix.

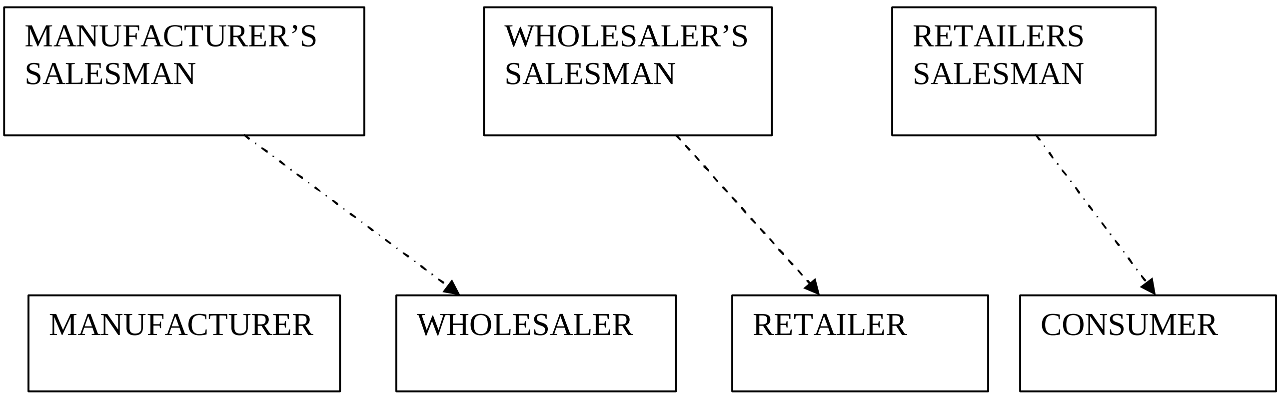
1.**The Product***:* The product is one of the factors determining the form of promotion. Toys, Toilet Soups and Cosmetics are effectively shown on television. Press advertisements are unsuitable for children. Mass selling consumer goods can be easily promoted through radio and television advertising. Industrial and specialty goods should be promoted through technical journals and through sales engineers.

2.**The Buyer:** If the marketers are to provide realistic solutions to the problem of buyers, they must know their customers, their needs and desires, their attitudes, values, aspirations and expectations. Hence, marketers must have up-to-date information about consumer demand and consumer behaviour.

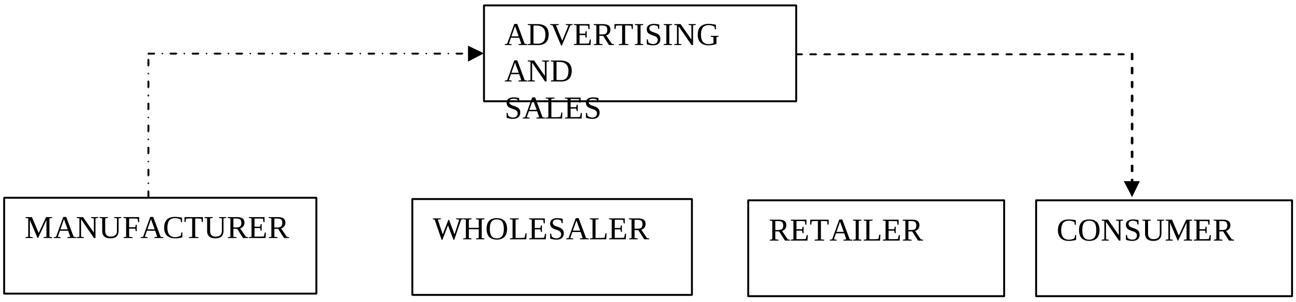
3.**The Company:** The firm has a unique public image in the market. The firm's image must be closely associated with promotional strategy so that its goodwill can be exploited. Corporate advertisements usually emphasize more on the character, reputation, reliability and responsibility of the marketing firm. Source credibility in promotion plays a very important role in making promotion believable to the receiver. Effectiveness of communication depends upon the firm's image in the market. When the perceived risk in buying a product is higher, the source credibility is an important factor in purchase decisions. A credible or trustworthy source produces much greater change in buyer's predisposition than one that is not credible.

4.The Channel Choice: The promotional strategy also depends on the channel or route through which products of the firm flow to consumers. There are pull and push strategies in promotion. Pull strategies depend upon mass communication. Products are literally pulled by buyers through the channels on the basis of mass promotional efforts. In a pull strategy the product is pulled through the channel by creating end-user demand. Customers force retail shops to stock those mass-promoted products. In turn, retailers demand the highly advertised product from wholesalers. The firms having well-known brands can exercise control over channels through pull promotion strategies. Personal salesmanship plays a secondary role in pull promotion. Marketer rely on intensive distribution. Dealer margins are also lower in pull promotion.

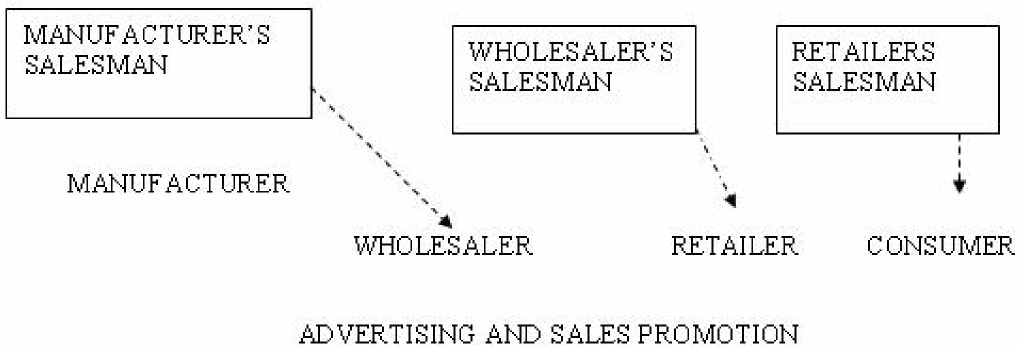
A PUSH STRATEGY



B PULL STRATEGY



C PUSH PULL STRATEGY



Note: 1. Under push strategy, producer directs all promotion efforts mainly on the middlemen *i.e.*, wholesalers and retailers. Product is pushed through the channel. So flow of promotion and flow of goods move from the producer to the wholesaler and from the wholesaler to the retailer and from the retailer to the consumer.

2. Under pull strategy, all efforts of promotion now flow *directly* to the target market, *i.e.*, consumers and then consumers *literally* pull the wanted products from the retailer and the retailers in turn pulling the products from the wholesalers who are forced to stock those products by approaching the producer. So we have the request for*the product starting from consumers V up to producers.

A pull strategy is also called a suction strategy. Extensive and heavy use of advertising and sales promotion would be necessary to generate consumer demand. There is less emphasis on personal selling at all stages of the marketing channel. Small firms are unable to depend entirely on advertising and sales promotion, because large investment is involved due to emphasis of advertising and sales promotion. A push strategy is called a pressure strategy. It places heavy emphasis on personal selling.

Industrial marketing strategies are mostly the push type strategies relying primarily on personal selling. In the sale of medical products and in life insurance, marketers have to use large number of sales-people to call on physicians and prospects for life insurance. In push type promotion, personal selling expenses are considerable and dealer margin is also higher. In push type promotion, after-sale service is also important. In push type promotion marketers rely on selective distribution. Push strategy can be successfully used when: 1. we have a high quality product with unique selling points, 2. we have a high-priced product, and 3. we can offer adequate incentives (financial) to middlemen and their salesmen.

Most consumer goods manufacturers generally employ a pushpull (combination) strategy to sell their products. The ratio of pull to push may differ according to the requirements of market situation. Salesmen are used to push the goods through the marketing channel, while advertising and sales promotion will support personal selling to accelerate sales. Thus, all tools of promotion work together.

Promotion Decisions

Once the marketing plan is ready we can develop a total promotion programme to approach the target audiences. Budget for each element of promotion is prepared.

Promotion objectives must be set before we decide on message contents, layout and delivery of message. Contents and layout decisions are based on strengths and weaknesses of the various media vehicles. Delivery decisions are based on the needs of carrying particular types of messages. Promotion objectives, message design, message delivery and promotion budget are the constituents of promotion programme. All these are highly inter-related decision areas.

When the promotion budget is fixed by the top management all decisions on promotion programme must be within that budget. If the promotion budget is not so fixed, promotion programme will be designed to support the marketing plan. The promotion budget to implement marketing plan will be approved by top management.

OVERALL CORPORATE OBJECTIVE
INCREASE OF R.O.I BY 3 P.C.

MARKETTING OBJECTIVE
INCREASE IN MARKET SHARE
BY 5 P.C

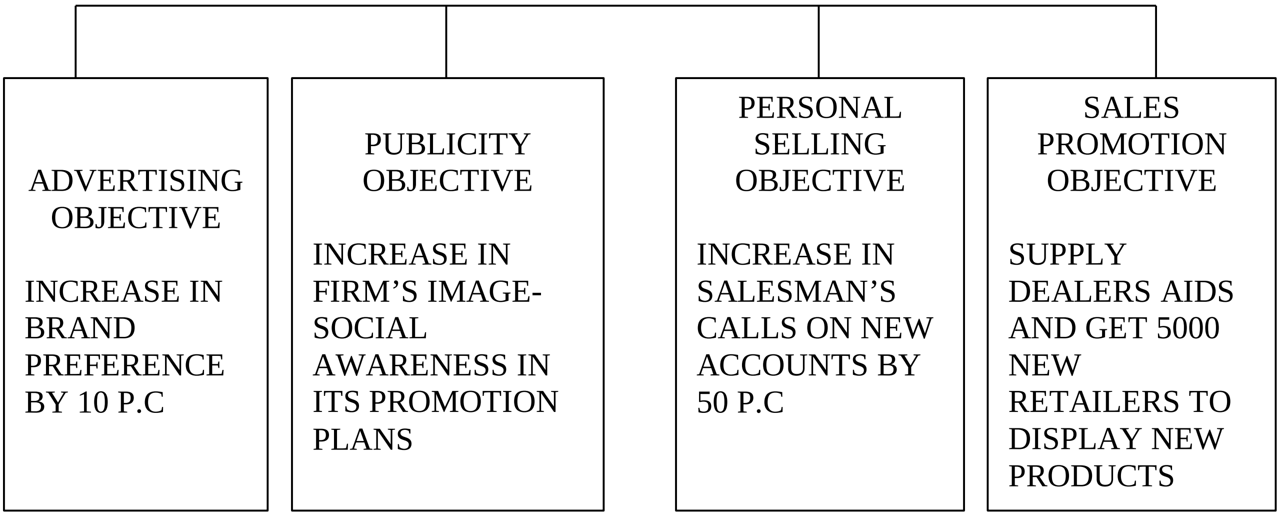


Fig.5 Hierarchy of Objectives for the Promotion Mix of the Marketing Programme of a firm

Note: 1. There are three specific purposes of promotion: (a) to communicate, (b) to convince, and (c) to compete. Ideas (communicated) must convince enough the consumer to take the desired action. Promotion is the vital tool of giving competition.

2.A good product, an efficient channel, and an appropriate price will not be enough. A strong promotional element in the marketing strategy alone can carve out a market niche and create a differential advantage for your products. The competitive character of promotion defines its vital role in marketing programme (for increasing the market share).

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UNIT V

Lesson -1

DISTRIBUTION

Learning objectives

After you have studied this chapter, you will be able to …

- Explain the concept of distribution
- Understand the significance of channel management
- Describe the key players in the channel structure

Contents

- Introduction
- Concept and nature of distribution
- Channel functions
- Channel Structures
- Channel types
- Distribution practices of select firms
- Summary
- Short questions
- Discussion questions
- References

Introduction

A key decision among the four Ps of marketing managers is distribution. Distribution decides the manner in which product and services are made available to the target customers. It involves the bridging of place utility gaps between manufacturer and customers. The design of physical distribution, referred to logistics and supply chain management and trade channels of distribution are the major components in distribution. .

CONCEPT AND NATURE OF DISTRIBUTION

The link between manufacturers and customers is the channel of distribution**.** It consists of producer, consumer, and any intermediary organizations that are aligned to provide a means of transferring ownership (title) or possession of a product from producer to consumer. The characteristic features of distribution are:

(i) Distribution is an ancient function.

It was found in a primitive economy in which people realized the need for specialization and exchange. They understood that efficiency can be gained if one person specializes in a certain activity, such as hunting, and another person specializes in a different activity, such as fishing or farming. They exchanged one good for another to satisfy their needs. In a primitive economy, distribution is straightforward; in today's global economy, it is far more complex. It is because of the distances, variety of supporting trade services, and variety of needs of buyers.

(ii) Key external resource:

While manufacturing, research, engineering and field sales personnel represent internal resources, distribution represents a key external resource. It is outcome of a significant corporate commitment to a large numbers of independent organizations whose business is distribution.

(iii) Complex with flows

Channels represent a set of interdependent relationships among intermediaries and producer. The channel facilitates forward flows (physical goods, title of goods, and promotion offers) and back ward flows (ordering and payment). Some of these flows are forward flows (physical transportation, title, and promotion); others are backward flows (ordering and payment); and still others move in both directions (information, finance, and risk taking).

Channel functions

Distribution channel performs various tasks necessary to promote sales of products and services to the ultimate customers. They may include some or all of the following:

Buying**—**every middleman must purchase products for resale or contract as an agent to receive a supply of product.

Selling**—**every middleman must contact potential customers, promote the product, and solicit orders.

Assorting**—**the typical middleman brings together an assortment of merchandize, usually of related items, from several sources to better serve his potential customers.

Financing—by investing in inventory and by extending credit to customers, the middleman helps to finance the exchange process.

Storage—products must be assembled in a convenient location to assure availability and must be protected to prevent deterioration and loss.

Sorting—in some situations, the middleman provides the important function of buying in large quantities and breaking the bulk purchase into smaller quantities for resale.

Grading—it may be necessary for the middleman to inspect, test, or judge the products he receives for quality and to assign distinct quality grades to them.

Transportation—this is the logistics function, managing the physical flow of the product.

Market Information—the middleman typically has some responsibility for providing market information both to his customers and to his suppliers, including information about availability, product quality, competitive conditions, customer needs, and so on.

Risk-taking—risk is inherent in the ownership of an inventory of product that can deteriorate or become obsolete.

The design of a marketing channel is an attempt to get each of these functions performed as efficiently and effectively as possible.

Channel Structures

Channel structures are evolved based on the type of company products, target market segments and competition. Three different channel structures are briefly explained here. Table –1 shows the different systems.

Table 1 Marketing systems

System	Description	Benefits
Vertical marketing system	Comprise producer, wholesaler (s) and retailer (s) acting as a unified system.	Achieve economies through their size, bargaining power, and elimination of duplicated services and channel conflicts.
Horizontal marketing system	Readiness or willingness of two or more non-related companies to put together resources to exploit an emerging market opportunity.	Economy of effort. A channel may become viable and attractive. Eg: Shakti groups
Multi- channel marketing system	Simultaneous use of different channels. Telemarketing and indirect distribution as in the case of marketing of mobile phones.	Efficient reach. Wider coverage.

Channel types

One key question in channel decisions is- whether to go for indirect or direct marketing.

- Direct to customers

Producer –> Customer through (i) own sales force without own branch net work (ii) own sales force with own branch net work (iii) Telemarketing (iv) E-Channels

- Indirect to customers

Because of the wide variety of channel arrangements that exist, it is difficult to generalize the structure of channels across all industries. However, distribution channels are usually of two types:

I. **Direct Marketing Channel (or Zero level).** This type of channel has no intermediaries. In this distribution system, the goods go from the producer direct to the consumer, e.g., Eureka-Forbes.

0 level

Producer ⟶ Consumer

II. **Indirect marketing Channel.** This may further be classified in the following categories

1. *One-Level Channel.* In this type of channel there is only one intermediary between producer and consumer. This intermediary may be a retailer or a distributor.

   1 Level

   Producer ---------à Retailer -----------à Consumer

   If the intermediary is a distributor, this type of channel is used for specialty products like washing machines, refrigerators or industrial products.

   Producer --------à Distributor ---------à Consumer

2. *Two-Level Channel.* The type of channel has two intermediaries, namely wholesaler/distributor and retailer.

2 Level

Producer -----à Distributor ---à Retailer --à Consumer

3. *Three – Level Channel.* This type of channel has three intermediaries namely distributor, wholesaler and retailer. This pattern is also used for convenience products

Producer -----à Distributor ----à Wholesaler ---à Retailer --à Consumer

4. *Four – Level Channel.* This type of channel has four intermediaries namely Agent, Distributor, wholesaler and Retailer. This channel is somehow similar to the previous two. This type of channel is used for consumer durable products also.

Producer -----à Agent ----à Distributor ----à Wholesaler ---à Retailer --à Consumer

Let us now draw distinctions between direct and indirect marketing efforts. Table-.2 presents them

Table 2 Direct vs Indirect marketing

S. No	Aspect	Direct	Indirect
1.	Type of market	Vertical-few buyers	Horizontal-Many buyers, fragmented and widely distributed
2.	Market potential	High volume	Less volume
3.	Market density	High	Thin
4.	Buying habits	Large volumes per order, less frequent buying,	Small volume per order, frequent buying, not particular

		preference to direct contact	about contact with supplier
5.	Buying process	Involves extensive negotiation and bargaining	Less negotiation
6	Product	Customized solutions,	Standardized
7	Pricing	Volatile, need many adjustments	Less volatile, few adjustments
8	Promotion /communications	Strong need for information service	Less need for information service
9	Distribution	Less emphasis on logistics services, need for deep product knowledge and personal attention	Strong emphasis on logistics services (like lot size, delivery time, assortment and so on), need for availability of products and not brand specific.
5.	Services of installation operation maintenance	Complex	Less complex
6.	Quality	Important concern for buyer	Normal considerations
7.	Own financial position	Strong. Can support branches	Weak. Requires quick returns
8.	Marketing objective	Long range – Better relations with customers	Short range – profit orientation.

Source: Krishnamacharyulu and Lalitha, (2006) *Industrial Marketing*, Jaico Publishing House, Mumbai,

The internet is expected to cause disinter mediation (destruction of intermediary function) as manufacturers bypass middlemen and deal directly with customers. However, channel members continue to thrive in many industries. Surprisingly, internet is now being used to collaborate and support the middlemen and to build customer loyalty.

Distribution Practices of select firms

Shakti model of HLL

HLL's new distribution model, named project Shakti, was piloted in Nalgonda district in 2001.It has been scaled up and extended to over 5,000 villages in 52 districts in AP, Karnataka, Gujarat and Madhya Pradesh with around 1,000 women entrepreneurs in its fold. The vision is ambitious: to create by 2010 about 11,000 Shakti entrepreneurs covering one-lakh villages and touching the lives of 100 million rural consumers.

HLL has operated Project Shakti through the self-help groups. AP was chosen for the pilot project as its has the most number and better established SHGs – there are about 4.36 lakh SHGs in AP covering nearly 58.29 lakh rural women. The objectives of Project Shakti, are to create "income-generating capabilities for underprivileged rural women by providing a sustainable micro enterprise opportunity" and to improve rural living standards through "health and hygiene awareness". For HLL. it is "enlightened self-interest". Creating opportunities to increase rural family incomes puts more money in their hands to purchase the range of daily consumption products – from soaps to toothpastes – that HLL makes. It also enables HLL access hitherto unexplored rural hinterlands.

For HLL greater penetration in rural areas is also an imperative – presently over 50 percent of its incomes for several of its product categories like soaps and detergents come from rural India. The challenge for HLL now is to take its products to towns with a smaller population – under 2,000 people. HLL's conventional hub-and-spoke distribution model which it uses to great effect in both urban and semi-urban markets, wouldn't be cost-effective in penetrating the smaller villages. Now, with this new distribution model, the smaller markets are now being referred to as 'Shakti markets'.

Typically, a women from a SHG selected as a Shakti entrepreneur receives stocks at her doorstep from the HLL rural distributor and sells direct to consumers as well as to retailers in the village. Each Shakti entrepreneur services 6-10 villages in the population strata of 1,000 – 2,000 people. Typically, a Shakti entrepreneur sets off with 4-5 chief brands from the HLL portfolio – Lifebuoy, Wheel, Pepsodent, Annapurna salt and Clinic Plus. These brands apart, other brands, which find favour with a rural audience, are: Lux, Ponds, Nihar and 3 Roses tea. Typically, unit packs are small. All the brands are national and HLL is cool to the idea of creating a rural-specific brand as it will only dissipate the advertising media effort for the brands.

Having perfected the model in Nalgonda, in 2003 HLL plans to extend Shakti to a 100 districts in Madhya Pradesh, Gujarat and UP. There are other plans brewing. One is to allow other companies which do not compete with HLL to get onto the Shakti network to sell their products. Talks are on with battery companies like NIPPO, TVS Motor for mopeds, insurance companies for LIC policies. "We wanted to first stabilize the project before we can look at other companies. It requires somebody with scale and size to build a platform and then invite other companies onto this platform", elaborates Sehgal. HLL is now in the process of piloting 'I-Shakti', an IT-based rural information service that will provide solutions to key rural needs in the areas of agriculture, education, vocational training, health and hygiene. The project will be plotted in Nalgonda district again, Based on a palm pilot, HLL is looking at sourcing appropriate low-cost hardware from Hewlett-Packard while Unilever Research out of London is developing the consumer interactivity software.

The Usha International Ltd. **(**UIL), the company which is known for the sewing machines, also has the marketing arm of Rs. 1300 crore Siel Group selling the industrial and farm equipments as well as appliances. The company has a wide distribution network which includes:

- Divisional Officers (15)
- Warehouses (26)
- Company Owned retail outlets (50)
- Exclusive sales and service centers and multi-brand outlets (5000). And
- Centralized spare parts facility centers for small appliances (8)

The UIL has a strong network of distribution channels and the products are made available to the customer at the low cost with higher extent of satisfaction as compared to the other companies. The distribution of 5000 sales and services centers of the company provides better access to the retailers and customers.

Summary

Distribution is important from firm as well as economy point of view. A channel of distribution links marketer and customers directly or through intermediaries. Distribution is an ancient function, a key external resource, a

link between seller and customer, a channel with flows and complex in nature. Channel structures present vertical, horizontal and multi-channel marketing systems. Vertical marketing system is of three types – corporate, administered and contractual. One key question in channel decision is whether to go for direct or indirect marketing. Direct marketing is appropriate when buyers are few and buy large volumes per order, product is customized ,buying requires negotiation, information needs are many and long range relationships are important.

Indirect channels include wholesalers, retailers, dealers, cooperative agencies, self-help groups etc. Direct marketing channels include branch houses, sales force, telemarketing service bureau and internet info mediaries.

Short questions

(a) Channel flows
(b) Channel functions
(c) Types of middlemen
(d) Vertical marketing system
(e) Horizontal marketing system
(f) Multi-cannel marketing system
(g) Indirect vs direct marketing
(h) Wholesalers
(i) Retailers
(j) Self help groups as middlemen
(k) Info mediaries
(l) Telemarketing service bureaus
(m) International channels

Discussion questions

1) Explain the concept and significance of marketing channels
2) Discuss the merits and demerits of direct and indirect marketing
3) Explain the role of technology in direct marketing.
4) Identify the different players in indirect marketing.

Mini Projects

1. Visit a nearby village and observe how retailing is taking place.
2. *Examine how poultry marketing is taking place in villages. Know from the poultry firms*

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Lesson –2

LOGISTICS MANAGEMENT

Learning objectives

After you have studied this lesson, you will be able to….

- Appreciate the concept and role of logistics in marketing
- Explain the concept and characteristics of supply chain management
- Relate value chain to supply chain

Contents

- Introduction
- Concepts
- Significance of logistics
- Objectives
- Key decisions
- Supply chain defined
- Goals and significance
- Value chain
- Supply Chain in Practice
- Summary
- Short questions
- Discussion questions
- References

Introduction

Logistics management is one of the time and cost saving strategies of business organizations. It is now being related to supply chain management. Supply chain has become important to companies to gain competitive advantage in terms of speed and cost of delivery of products and services to customers. Marketers therefore should have a good understanding of the goals of logistics and value chains.

Concepts

Distribution can be analyzed into two aspects: physical distribution and channels of distribution. Physical distribution refers to the process of moving goods from factory to points of purchase by customers. It includes location of plants and warehousing, transportation mode, inventory and packing. The systems concept of physical distribution establishes firm linkages among these component activities. It is called as a *integrated market logistics* that recognizes interdependence of costs of each activity. It involves activities that begin when the customer places the order and that end with the delivery of the product to the customer. The main elements are:

- Order processing
- Ware housing
- Inventory
- Transportation

Recently, the concept of integrated market logistics system is referred to as supply chain management, which is broader in it s scope. It is concerned with all the flows starting from supplier to manufacturer to customer. As such integrated market logistics system is a subset of supply chain management of a firm.

Significance of logistics

Responsive logistical service is very important from the point of view of customer sas well as competition. It enhances customer satisfaction and creates the opportunity for closer and more profitable buyer-seller relationships. It is often ranked by buyers next to "quality" as a criterion for selecting a vendor.

(1) Place factor

Logistics creates place utilities to consumers. Companies lose their customers when they fail to supply goods at the right place. Many products fail in the competitive market when they are not available at the points of purchase at the right time.

(2) Time factor

An important utility required by customers is time utility. If products or services are not available at the right time, the customers look for substitutes. If the failure to supply is frequent, customers shift their preferences to the timely available product though it is less satisfying.

(3) Cost factor

Experts believe that substantial savings can be obtained in physical distribution area. For this reason it has been described as '*the lost frontier for cost economies*'. Physical distribution decisions when uncoordinated, result in high cost. There is a need to make use of modern operations research tools and computer programming for coordinating inventory levels, transportation modes, and plant, warehouse and store locations.

(4) Promotion factor

It is a potent promotool in competitive marketing. Companies can attract additional customers by offering better service or lower price through improvements in physical distribution.

Objectives

The objective of physical distribution is getting the right goods to the right places at the right time for the least cost. Evidently, this involves a trade—off between customer service and cost. The conflict in goals can be expressed as follows.

- Maximum customer service implies large inventories, premium transportation and multiple warehouses all of which raise distribution cost.
- Minimum distribution cost implies cheap transportation, low stocks and few warehouses.

Optimization of each of the components(subsystems) –order processing, warehousing, inventory and transportation, may appear to be the right answer. But it is not correct. Physical distribution decisions must aim at optimization of total system and not the sub optimization at the subsystem levels i.e., order processing, warehousing, inventory and transportation.

(i) Customer service:

Marketers have to decide their service standards based on key information about customers and competitors.

(1) What the customers are looking for?

(2) What the competitors are offering?

Table -1 describes the various elements of service. Typical service standards are:

- Put the product within an arms length of customers
- To deliver at least 95 per cent of the dealer's orders within seven days of the receipt
- To ensure that damage to merchandise in transit does not exceed 5 percent

However, not all products or all customers require the same level of logistical service.

Many business products that are made to order—such as heavy machinery—have relatively low logistical service requirements. Others, such as replacement parts, components, and subassemblies, require extremely demanding logistical performance. Similarly, customers may be more or les responsive to varying levels of logistical service.

Table -1 Elements of Logistics Service

Elements	**Description**
Delivery time	The time from the creation of an order to the fulfillment

	and delivery of that order encompasses both order-processing time and delivery or transportation time.
Delivery reliability	The most frequently used measure of logistics service, delivery reliability focuses on the capability of having products available to meet customer demand.
Order accuracy	The degree to which items received conform to the specification of the order. The key dimension is the incidence of orders shipped complete and without error.
Information access	The firm's ability to respond to inquires about order status and product availability
Damage	A measure of the physical conditions of the product when received by the buyer.
Ease of doing business	A range of factors including the ease with which orders, returns, credits, billing, and adjustments are handled
Value-added services	Such features as packaging, which facilitates customer handling, or other services such as pre pricing and drop shipments.

Source: Jonathon L. S. Byrnes, William C. Copacino, and Peter Metz, "Forge Service into a Weapon with Logistics," Transportation & Distribution, Presidential Issue 28 (September 1987): p.46.

(ii) Cost:

The next step is developing a cost function for a service level as shown below.

D = T + FW + VW + S-------------------- (15.1)

Where

D = total distribution cost of proposed system

T = total freight cost

FW = total fixed warehouse costs

VW = total variable warehouse costs

S = Total cost of sales lost due to average delivery delay under proposed system.

The company should aim at minimizing the distribution cost of reaching a target level of customer service.

Key Decisions

We will now examine the four major decision issues

(1) How should orders be handled? (order processing)
(2) Where should stocks be located? (warehousing)
(3) How much stock should be held? (inventory), and
(4) How should goods be shipped? (transportation).

(a) Order Processing:

The first phase in physical distribution is order – shipping – billing cycle. A customer order initiates several steps

1. Order department prepares multi copy invoices and dispatches them to various departments.
2. Order is checked with available stock. Items out of stock are back ordered

3. Items are shipped. Shipped items are accompanied by shipping and billing documents with copies going to various departments.

The whole process is now expedited with the help of computers by warehousing

(b) Ware housing

A storage function is necessary because the production will be more than customer orders in general. Striking a balance between customer service standards and distribution costs, marketers has to

- Decide on a desirable number of stocking locations depending upon the markets the firm intends to serve
- Choose the type of warehouses. Today a variety of warehouses, with advanced material handling systems and storage facilities are available.

(c) Inventory

Inventory management requires decisions relating to

(1) Level of stock – Determining optimum order quantity
(2) Time of ordering – Reorder point
(3) Minimum stock level to meet emergencies – safety stock

Today, just – in – time production practices and product customization are changing the inventory planning practices

(d) Transportation

Marketers have to make careful choice of transportation mode and organizations. In choosing a transportation mode for a particular product, shippers consider such criteria as

- Speed
- Frequency
- Dependability
- Capability
- Availability
- Cost

Supply Chain Defined

It is a network of facilities including material flow from suppliers and their "upstream" suppliers at all levels, Transformation of materials into semi-finished and finished products, and distribution of products to customers and their "downstream" customers at all levels. Briefly then, L&SCM is enshrined in the 5Rs — making the Right product available at the Right place, at the Right time, at the Right cost and in the Right quality.

According to Cooper, Lambert, and Pagh, the following is a formal definition of supply chain management:

Supply chain management (SCM) is the integration of business processes from end user through suppliers that provides products, services and information that add values for customers.

A *supply chain* consists of all parties involved, directly or indirectly, in fulfilling a customer request. A typical supply chain may involve a variety of stages. These supply chain stages include:

- Customers
- Retailers
- Wholesalers /Distributors
- Manufacturers
- Component/Raw material suppliers

The appropriate design of the supply chain and the number of stages will depend on both the customer's needs and the roles of the stages involved.

Table –2 Supply Chain Stages

Interface	Cycle	Activities
Manufacturer-Supplier	Procurement cycle	§ Order based manufacturer's production schedule § Supplier production scheduling § Component manufacturing and shipping § Receiving at manufacturer
Distributor - Manufacturer	Manufacturing cycle	§ Order arrival § Production scheduling Manufacturing and

		shipping § Receiving
Retailer -Distributor	Replenishment cycle	§ Retail order trigger § Retail order entry § Retail order fulfillment § Retail order receiving
Customer –Retailer	Customer order cycle	§ Customer arrival § Customer order entry § Customer order fulfillment § Customer order receiving

Goals and Significance

The objective of every supply chain is to maximize the overall value generated. Today companies are giving L&SCM due importance because of two reasons: cost control and retaining markets. And, both these factors are crucial to defending bottom lines.

Value chain concept

Supply chain strategies sub serve competitive strategies of a company. A company's *competitive strategy* defines the set of customer needs that it seeks to satisfy through its products and services. Competitive strategy targets one or more customer segments and aims to provide products and services that satisfy these customers' needs. To see the relationship between competitive and supply chain strategies, consider value chain for a typical organization, as shown in Figure 1

The value chain begins with new product development linked to Marketing and Sales, Operations, Distribution and Service. These are core functions that must be performed for a successful sale. Finance, accounting, information technology, and human resources support and facilitate the functioning of the value chain. To execute a company's competitive strategy, all these functions play a role and each must develop its own strategy.

§ A *Product development* strategy specifies the portfolio of new products that a company will try to develop. It also dictates whether the development effort will be made internally or outsourced.

§ A *Marketing and sales* strategy specifies how the market will be segmented and how the product will be positioned, priced, and promoted.

§ A *supply chain strategy* determines the nature of procurement of raw materials, transportation of materials to and from the company, manufacture of the product or operation to provide the service, and distribution of the product to the customer, along with any follow-up service.

From a value chain perspective, supply chain strategy specifies what operations, distribution, and service will try to do particularly well. Additionally, in each company, strategies will also be devised for finance, accounting, information technology, and human resources. The value chain emphasizes the close relationship between all the functional strategies within a company.

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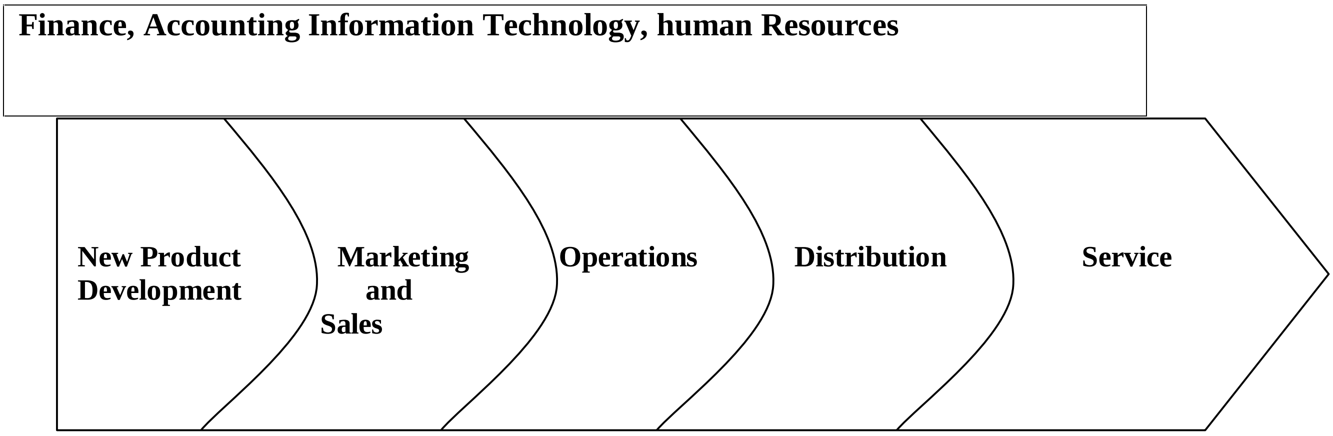

Figure -1 Value chain

The strategic fit requires that a company achieve the balance between responsiveness and efficiency in its supply chain that best meets the needs of the company’s competitive strategy. Table -3 makes a comparison of efficient and responsive supply chains.

Table 19-3 Comparison of Efficient and Responsive Supply chains

Aspect	**Responsive supply chain**	**Efficient supply chain**
Primary goal	Supply demand at the lowest cost	Respond quickly to demand
Product design Strategy	Maximize performance at a minimum product cost	Create *modularity* to allow postponement of product differentiation

Pricing strategy	Lower margins because price is a prime customer driver	Higher margins because price is not a prime customer driver
Manufacturing Strategy	Lower costs through high utilization	Maintain capacity flexibility to buffer against demand/ supply uncertainty
Inventory strategy	Minimize inventory to lower cost	Maintain buffer inventory to deal with demand/supply uncertainty
Lead time strategy	Reduce but not at the expense of costs	Aggressively reduce even if the costs are significant
Supplier strategy	Select based on cost and quality	Select based on speed , flexibility, reliability and quality.

Source: Marshall L. Fisher "What is the Right Supply Chain for your Product?", *Harvard Business Review* (March – April 1997), 83-93.

To understand how a company can improve supply chain performance in terms of responsiveness and efficiency, one has to examine the four drivers of supply chain performance: facilities (warehouses), inventory, transportation, and information. These drivers not only determine the supply chains performance in term of responsiveness and efficiency, they also determine whether strategic fit is achieved across the supply chain.

For each of the individual drivers, supply chain managers must make a trade-off between efficiency and responsiveness. The combined impact of these drivers then determines the responsiveness and efficiency of the entire supply chain. Table -4 shows the logistics-mix for responsiveness and efficiency.

Table 4

Logistics-Mix of a firm for Different Responses

Elements	Responsiveness	Efficiency
Warehouses	More and distributed	Fewer and concentrated
Inventory	High level	Low level
Transportation	Faster mode, high cost.	Slow mode, low cost
Information	Information needs and costs are high	Information needs and costs are less.

Supply chain in practice

With limited scope for passing on hikes in raw material costs and with increasing pressures to improve growth, companies have been aiming at both organic and inorganic growth. While companies abroad have been looking seriously at M&A to expand markets and products, Indian companies are relying more on cost reduction. So much inefficiency is built into the system that there is surely a considerable scope for cost reduction. Many Indian organizations have adopted supply chain concepts and improved their competitiveness.

Asian Paints (India) Ltd (APIL)

Asian Paints set up three plants located at Ankleshwar (1981), Patancheru (1985) and Kasna (1990). All the plants have captive resin manufacturing facilities and are capable of producing the entire range of paints. Asian Paints believes that technology is a critical aspect that can help it continue to move forward. Manish Choksi, Vice-President, Strategic Planning and Information Technology, says:

“Our philosophy is to adopt best-of-breed technologies and business practices to maintain our position as the largest paint company in India”.

Asian Paints is the first Indian paint company to implement the SCM solution of i2 Technologies and ERP in 1990. The implementation of the SCM solution of i2 Technologies and ERP made production process flexible. The flexibility in the production process helped the customer to choose their own color/shade of paint, unlike the earlier mass-produced shelf products. SCM includes the span of the materials function, manufacturing and quality management. Asian Paints has one of the best distribution networks in India. The customer service network consists of over 15,500 dealers, serviced by 70 Sales offices from 4 plants and 6 Regional Distribution Centers. The network covers the entire country and goes well into the rural India, and posses and exciting challenge for the distribution team.

Asian Paints has plans to strengthen its backbone by integrating systems using EAI and enable advanced analysis by setting up a data warehouse. An employee portal along with a Knowledge Management (KM), that would enhance employee productivity and create a common forum for employees, is being rolled out. Also on the anvil are several initiatives on the SRM and CRM front that would harness the Internet to provide business benefit by integrating and collaborating with suppliers and customers.

Summary

Physical distribution includes warehouses, inventory, transportation, information and packing. The systems concept of distribution led to integrated logistics system and now to supply chain management. Logistics can contribute to savings in both time and cost and enhance promotional value of products. Supply chain management is the integration of business processes from end user through suppliers that provides products, services and information that add values for customers. Supply chain components include customers, retailers, whole sales, manufacturers and suppliers. Supply chain strategy represents a value chain and forms a subset of competitive strategy. Supply chains can be responsive or efficient by design.

Short questions

(a) Physical distribution
(b) Logistics
(c) Supply chain
(d) Value chain
(e) Integrated logistics system

Discussion questions

1. Explain the concept and importance of integrated logistics system.
2. Discuss the concept and process of supply chain management.
3. Discuss the application of supply chain in a firm known to you.

Mini projects

1. Visit Websites of Godrej and HL and prepare a report an 'Logistics in select consumer goods companies".
2. Conduct a study on logistics system of local enterprises and make a class room presentation.

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Lesson –3

CHANNEL SELECTION

Learning objectives

After you have studied this chapter, you will be able to.

- Know the members in the of channel
- Understand basic issues in channel selection
- Appreciate the importance of channel management relationships

Contents

- Introduction
- Concept
- Types of middle men
- Channel components
- Channel selection
- Summary
- Short questions
- Discussion questions
- References

Introduction

Marketing activity starts with the customer and ends with the customer. So customer is the ultimate target for the marketer. Availability and affordability are the two important considerations for buying. Availability depends upon the efficiency of the distribution channel. Channels of distribution keep changing from one product to another. There is a need for marketers to emphasize more on easy availability at acceptable price.

Concept

According to Kotler:

Every producer seeks to link together the set of marketing intermediaries that best fulfill the firm's objective. This set of marketing intermediaries is called marketing channel"

Its purpose is transfer of ownership of the product through intermediaries or directly to the buyer.

Types of middlemen

There are three types of middlemen that facilitate the flow of goods and services from the manufacturer to the customer.

Merchant middlemen: These are the intermediaries who take title to the goods and services and resell them. They are known as distributors, dealers, wholesalers and retailers. These middlemen get margins and bonuses as compensation. They share the risk with manufacturers when they take title and physical possession of the goods.

Agents: These are intermediaries who do not take title to the goods and services but help in identifying potential customers and even help in negotiations. The typical example is that of sales agents and manufacturers' agents or manufacturers' representatives, C&F agents, brokers, jobbers, and so on who act on behalf of the producer only to the limited extent of prospecting, warehousing and redistributing the products. They do not share risk with the manufacturers, as they do not take the title to goods and services. Agents earn a commission and are reimbursed for all expenses by the manufacturers.

Facilitators: These are independent business units that facilitate the flow of goods and services from the producer to the customer, without taking a title to them or negotiating for them on behalf of the producer. Transport companies, banks and independent warehouses are examples of these institutions. These institutions are paid their service charges, as in the case of a transporter who charges freight or a banker who is paid service charges or warehouses, cold storages and go downs which earn rent.

Channel components

The historically available people and places for distribution include: wholesaler, retailer, vans, weekly *haats*, *Bazaars* and *shandies*.

(i) Wholesalers

The Indian wholesaler is principally a galla-*kirana* (food-grain) merchant who sustains the belief that business is speculative rather than distributive in character. He is a trader/commodity merchant rather than a distributor and therefore, tends to support a brand during boom and withdraws support during slump.

The current need is to activate and develop wholesaler of the adjoining market as a distributor of products to rural retail outlets and build his loyalties to the company.

(ii) Retailers

Retailers are the front-end characteristics players with direct access to customers. They have the following.

(a) *Credibility*: he enjoys the confidence of the villagers. His views are accepted and followed by the rural people whose awareness and media exposure levels are low.

(b) *Influence leader*: His role as influence leader is indisputable. From tender twig of *neem* to washing powder, retailer testimony has been vital part of the product adoption process.

(c) *Brand promoter*: With the increasing number of brands in the place of commodities concept selling has come to a close. Brand choices are easy as the brand characteristics and benefits are communicated through different promotion media. Despite the direct one-to-one communication, the retailer remains the deciding factor to sell a particular brand.

(d) *Relationship marketer*: village retailer practices relationship marketing. He caters to a set of buyers who have incomes derivative from immovable land resources and would be static over a much longer time span. The relationship could extend beyond three generations, backed by historical credibility of the retailer as a product referral.

(e) *Harbinger of change*: Village shopkeeper has not been merely a seller of wares in an environment relatively isolated from external developments, he has been harbinger o change. He is one of the main sources of information and opinion as well as supplier of product and services. As against this, we find urban retailer, wielding limited influence in changing the product choices and quality of life of consumers.

The retail outlets are now in for a change with the corporate marketers finding them as right places for promoting their products.

(iii) Vans

Mobile vans long since, have an important place in distribution and promotion of the products in villages.

(iv) Weekly Haats, Bazaars, Shandies

The *haats* are the oldest outlets to purchase household goods and for trade. These markets are very well organized with shopkeepers having pre-assigned spaces for them to sell their wares. A typical market is in an open field with ample space for displaying all sorts of goods. Its location changes every week. These markets have different names in different regions. But they are strikingly similar every week. These markets have different names in different regions. But they are strikingly similar in what they sell. It is reported that there are, in all. About 47,000 *haats* held through out the country.

(v) ***Melas and Fairs***

These are low cost distribution opportunities in rural area. They are like the urban events India International Trade Fair (IITF), Sajavat or Cnsumex in which audience participation varies form a few thousands to a few lakh people. Most of them are associated with either a religious event or a festival.

Some of the well known *melas* are: *kumbh mela* at Allahabad *(triveni sangam*), *pushkar mela* in Rajasthan, *Kullu Dusshera mela* in Himachala pradesh, Sonepur *mela* in Bihar and *Makar Vilakku* in Kerala. People from allover the country gather there. According to the Indian Market Research Bureau (IMRB) around 8000 *melas* are held in rural India every year. According to rural scan (Quarterly News letter by MICA (Mudra Institute of Comunications, Ahmedabad), there are on an average, 1000 melas held in a state annually. The average duration of a mela is anywhere from one to 45 days.

***Manufacturer* –** is one who recognizes a consumer need and produces a product from raw materials, component parts or labor to satisfy that need.

Channel design

At conceptual design level, deciding on the best channels or ideal ones might not be a problem. But at operational level, there will be many problems that require modifications to the ideal one. Examples include the following

- To modify with latest technology to create a new channel ,or
- To convince one or few available middlemen to handle the line.

Therefore, keeping in mind the operational aspects, manufacturer has to make decisions.

Designing a channel system involves the following steps.

- Assess customer needs
- Establish channel objectives
- Identify channel design constraints
- Identify channel alternatives and networks
- Evaluate channel networks
- Build a channel network model
- Implement the model

1. Assess customer needs

Firms should adopt marketing concept and view channel management as the process of creating value-added networks. Therefore, managers should begin the channel design process with a thorough customer value assessment.

- What is the core marketing offer?

- What are the customer expectations about augmented product and services?
- What is the service output level desired by the customers?
- How much are they worth to them?
- What is the aggregate demand function for each of the service outputs?

2. *Establish Channel objectives*

Channel objectives must be consistent with over all corporate and marketing objectives. Some of the objectives used by the marketing managers are:

(1) Delivery of superior value to customers
(2) Low cost of operation
(3) Control
(4) Sales maximization
(5) Image

3. *Identify channel alternatives*

Products and services flow from a supplier firm either directly or indirectly through reseller to a market segment. When diagrammed, conventional channels resemble linear pipelines. Various channel member firms appear as nodes in pipelines as shown below.

Level	Channel	Place
Level A	Company depot	National/State
	Redistribution stockiest, C&F agents,	District

Level B	Semi-wholesalers and retailers	Headquarters
Level C	Semi-wholesalers and retailers	Tehsil Headquarters Mofussil towns Industrial townships.
Level D	Itinerant traders, Vans, Petrol bunks semi wholesalers, retailers, Co operative societies	Haats Large villages
Level E	Retailers, Vans, sales people, NGOs, Government agencies	Villages

Most companies have direct representation in the form of redistribution stockist at level B and C. Level C in a district would comprise at best 7-10 towns. High outlet density and large customer population permit economies in developing these markets through regular working of sales –cum –distribution van. On consolidating market penetration, direct representation could be extended to the towns by way of sub-dealers or stockists.

To achieve a winning edge in rural sales the object is to maximize directed flow and control of stocks at levels C to E. Approaching level D requires prior selection of *haat* markets and villages located in contiguous clusters. Sorting of easily accessible census data enable listing of villages above a predetermined population bracket and of occurrence schedule of *haat* markets.

Various schedules with level C stockist at nodal points could be operated towards self-sustaining distribution rates for level D markets.

The next level is E. the villages are too small too allow economies in van distribution. But these villages form the bulk of the consumption in rural areas.

4. Identify channel design constraints

Now, operationally the objectives are to be considered in the light of constraints stemming from the company and environment.

i) Product characteristics. The nature of the product affects channel design.

ii) Company characteristics. The size of the company, its goals, financial resources, product mix and marketing strategy influence channel design.
   - Larger the size of a company, larger the market it services
   - Long run growth goals specify the channel development requirements.
   - Financial resources impose investment and cost constraints

iii) Competitor Characteristics. What the competitors are doing and through which channels they are delivering goods? Should we follow them or set up a different channel? These are the relevant questions.

iv) Middlemen characteristics. Marketing intermediaries differ in their aptitude for handling promotion, negotiation, storage, contact and credit. They differ in their strengths and weaknesses. An evaluation of these aspects is primary in choosing the middlemen.

v) Environmental characteristics. Legal regulations and restrictions state of the economy; infrastructure developments and technology affect channel decisions. For instance, inflation may require cost minimization and modifying channels to achieve that.

Channel member selection

Channel member selection involves several issues.

(i) Carefully Select Channel Partners:

First, marketers prepare list of reseller firms using one or more of the sources.

- internally generate a comprehensive list of candidates for each reseller type targeted
- acquire them from governments-local, state and central.,
- obtain from database marketing firms,
- secure from trade associations

Next, they select the existing or potential channel partner firms that can best perform some or all the required channel functions. The factors considered in the selection generally include the following:

- technical competence,
- sales force deployment,
- warehouse and delivery capabilities,
- financial stability, and
- Leadership.

Managers eliminate those resellers that do not meet screening requirements.

Managers then conduct a market research survey to assess customer preferences for, and satisfaction with, specific reseller firms. Then, they reconcile this list with the one developed already to create a list of prospective resellers. Selection depends not only on judgment of marketer but also the willingness of resellers to be a channel member. Reputed companies like TISCO, BHEL, and WIPRO can attract any number of intermediaries. A new company has to work hard to line up the desired number of qualified middlemen

(ii) Specify the terms and responsibilities

Business market managers now enter into partnership negotiations with preferred resellers. Following, productive negotiations, the supplier and its resellers summarize the terms of their relationship in the sales agreement. The agreement will identify the responsibilities of all parties for completing business processes and the rewards that each will receive. The terms and responsibilities, when stated clearly pave the way for successful performance and durable business relationships. The main elements in the 'trade – relations mix' are:

- Price Policies
- Conditions of sale
- Territorial rights
- Specific services expected

Price policy establishes list price and discount structure. The discounts should be attractive and equitable to middlemen.

Conditions of sales refer to the payment terms and to guarantees. Generally, the payment terms induce early payment by offering discounts. For instance net 2/10, 30 payment terms offers 2% discount for paying on or before 10^{th} day. Guarantees are offered to replace defective merchandise or compensation in case of price decline. Territorial rights grant right to operate in the specific market area. Full credit for sales in that area is given to that particular middleman. Specific services expected of the middleman, if any, are to be specified. Generally, exclusive dealers or franchisees are provided with infrastructure and marketing support. In turn, they are expected to operate their outlets and perform services as stipulated by the company.

Problems in channel

Summary

Channel design objectives may include delivery of superior value to customer, low cost operation, control, sales maximization and image. Various constraints to channel design comprise characteristics of product, company, competitor, middlemen and environment.

Short questions

(a) Channel design process
(b) Channel objectives
(c) Direct vs indirect channels
(d) Selection of channels
(e) Selection of channel members

Discussion questions

1. Examine the factors influencing channel design decisions
2. How do you select channel members.?

Mini projects

1. Meet intermediaries and develop a profile of them. Gather data on sales, stock, number of invoices per year, average collection period, outstanding debts, number of employees, number of inside and outside sales persons, space available, computerization of operations, and problems encountered from the company and customers.

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Economic Reforms

Since 1991, India has been going through a process of economic reforms and liberalization. The reforms have embraced almost all aspects of the countries economy. Policies relating to industrial licensing trade and foreign investment have undergone major changes. In addition significant macro economic adjustments have also taken place. Economic institutions too have undergone significant change the banking sector and capital markets in particular have been major targets of the change. And finally structural adjustments covering areas like subsidies the price environment and the public sector have also taken place. Collectively these reforms aim at modernization of the countries industrial system removal of unproductive controls strengthening of private investment including foreign investment and integration of India's economy with the global economy In one word it can be said that all round opening up of the countries economy has been the essence of the reforms (Ramaswamy and Namakumari 2002 p 37). The programme of macro economic adjustment and structural reforms has stabilized the economy and integrated it with world economy the board content of the structural reforms programme are not new they are an elaboration and intensification of changes were aimed at increasing productive efficiency of the economy by creating a ore open and competitive environment for both the public and private sector (Ahluwalia 1993 p 80) there seems to be a general consensus on the desirability of reforms to dismantle the bureaucratic regulatory apparatus evolved over the years that may have out lived its utility (Kumar 2000 p 803).

Corporate Response to the Change

How did the Indian corporate sector respond to these economic liberalization measures ? Basant (2000) suggested that;

1. The Indian corporate sector is vigorously restructuring itself to retain competitiveness. Restructuring is mainly geared towers consolidation in a few chosen areas to correct the inefficiencies created by over diversification in the pre reform era.
2. MNC's have actively participated in the mergers and acquisitions process to get market entry or to strengthen their presence.
3. MNC's are better poached vis-à-vis domestic firms in the acquisition game because of their deep pockets and relatively cheaper access to capital.
4. the reliance of the Indian corporate sector on foreign technology purchase has in creased. More and more technology flows are now tied with equity.
5. Firms are making efforts to improve manufacturing capability. This is being done through building alliances as will as through initiatives within the firms. quality up gradation seems to be their key priority. the effort at Improving manufacturing capability may still prove to be inadequate to meet the competitive challenges.
6. Product differentiation strategy seems to be dominating over strategies of building distributed and market related complementary assists.
7. Export based growth strategies are being adopted by some of the corporate sector firms but such strategies are not widespread export orientation increased appreciably in he early years of reforms but has been a major collapse since 1997- 98.
8. The performance of the Indian corporate escrow in the 1990s has shown mixed tendencies. Profitability rates export performance as well as export to import ratios have shown varied trends across industry groups.

Tougher the competition in the business environment increased efficiency became a must for a corporate enterprise to survive. This implied business reengineering process to be adopted in an enterprise. This involves a fundamental change that effects multiple business functions. This required the company to look back and rethink the way it did business and reshape and re align it's strategies business processes technology people and infrastructure with what the customer needed fundamentals of business changed and flexibility team work customer focus speed to market quality management became vey important for an enterprise and the realization that being complacent with the status quo is certainly the fastest way to lose one' leadership position.

According to Khanna (1993 p 144) following emerged to be important in he changed business environment:

1. Customers perspective is the only perspective
2. management commitment and involvement
3. Far reaching goals combined with continuous measurement of performance
4. End to end view of processes across all functional and organizational boundaries
5. Cooperationist focus around customer driven business results.
6. The elimination of non value added activities
7. Ownership at all levels of the organization and people empowered with knowledge tools and authority.
8. Timely dissemination of information and
9. Continuous improvements.

Marketing in Pre Reforms Era

Despite the fact that the Industrial Policy Resolution (6th April 1948) emphasized a very important role of cottage and small scale industries in national economy and despite having realized marketing as a key economic activity marketing in India had faced a stepchild treatment. This way clearly a fall out of the over regulated economic development molded pursued. Neelmeghan (2000 p. 4) summarized he main ingredients of these models pursued in the past.

1. Within the overall framework of mixed economy public sector was given the role and responsibility of occupying commanding heights of the economy.
2. there was active government intervention in fields such s investment and imports mainly through regulatory and promotional measures such as subsidies concessions reservations controls licensing permits and tariffs
3. Heavy emphasis on self reliance and high priority to building up heavy and capital goods industry and.
4. Pursuing import substitution strategy with a view to redacting dependence on foreign supplies and achieveing self sufficiency stage over as wide an areas as possible.

It was often perceived that since rural consumes largely comprised of poor , there was inadequate motivation for (rural) marketing to take shape and for corporate sector to tap rural markets. Let's see this situtation. Gaikwad (1972) provided a comprehensive classification of rural consumers, as following six categories :

Category 1 : A class of proprietors of land (comprising of old zamindars, malguzars, money-lenders and traders with hold over land and plantations or mine owners)

Category 2 : A small group of rich farmers (generally belonging to the dominant caste of the region).

Category 3 : A class of small peasants with tiny uneconomic holdings;

Category 4 : A class of tenant farmers;

Category 5 : A growing class of agricultural labour; and

Category 6 : A class of ruined artisans and others (Gaikwad, 1972, pp. 160-161, as quoted by Jha, 1988, p. M-12).

The rural consumers as per category-1 (The landlords) and Category-2 (Rich Farmers) were few, and were largely inaccessible and less-severed due to several problems of rural marketing, such as scattered ness of village, poor communication and infrastructure in rural areas. The remaining others (Category-3 to Category-6) wer large chunk out of rural population, with very les per capita monthly expenditures, were "extremely poor and live most often below subsistence level. Their needs for consumer products are the bare essentials-food and clothing (Balakrishnan, 1978). Low agro-producton, lack of basic amenities, facilities and infrastructure, poor communication as well as movement links. Very low purchasing power resulting in low standards of living, and blinkered attitudes of marketers were the major highlights of the rural markets four decades ago (Vyas, 1997, p. 54). Since the mid-eighties, a silent revolution has occured in rural India. With successive years of bumber crops, an indicator of increased purchasing power and accessibility the most owerful and cost-effective communication media in the form of television, the rural consumer has begun to play a vital role. Acceptance and adoption of new agronomic practices selective mechanisation, multiple cropping to include non-food crops, and growth of dairying have resulted in a substantial increase in the disposable incomes of rural consumers (Vyas, 1997 p. 54) ".

Rural Marketing in Changed Scenario

The rural scene is now undergoing a sea-change, resulting from the multi-pronged activities undertaken for the overall development of rural areas. There have been significant improvements in the rural sector in respect of agricultural production, spread of education, banking facilities, electrification, transportation, communication, etc. All these changes have led to the creation of general awareness for achieving a new and better style of living. With the increased purchasing power accessed purchasing Power access to communication and awareness about modern life styles he rural sector needs a better marketing thrust. The recent economic policy initiatives. of the government have resulted in increased investments in the corporate sector by domestic as well as overseas investors. The growth of the corporate sector means increased production and this in turn requires identification and penetration into high growth potential markets. In this contest rural markets have good prospects for most of the goods and services of this liberalized economy. It also indicates that the twenty first centuray is going to see the full blossoming of the Indian rural market (Chahal and Pal 1997 p 223).

As change came in 1991 when government took a series of bold initiatives to take the economy away from controls. The programme included for reaching trade fiscal marketing and industrial policy measures with a major thrust on improvement of competitive efficiency of Indian industries by utilizing foreign investment and technology to a much greater degree than in the past. Moreover the new reform measures ended the regime of licensing and controls and made the industry virtually independent Significantly the new policy permitted the free import and export of virtually all products with some exceptions.

Plan Period	Programmes	Years of Induction
1.	Community Development Programme	1952
	National Extension Scheme	1955
2.	Khadi and Village Industries	1957
	multi purpose Tribal Development Block	1959
	Package Programme and Intensive Agriculture Distric	1960
	Development Programme	1962
3.	Applied Nutrition Programme	1964
	Intensive Agricultural Area Development Programme	1966
	HYV Seeds Programme	1966
	Farmers Training Education	1966
	Well Construction Programme	1967
	Rural Works Programme	1968
	Tribal Development Block	1969
	Rural Manpower Programme	1969
	Composite Programme for women and Pre school Going Children	1968
4.	Drought Prone Area Programme (DPAP)	1969
	Crash Scheme for Rural Employment	1970

	Marginal farmers and Agricultural Labourer Scheme (MFAL)	1971
	Small farmers Development Agency (SFDA)	1971
	Tribal Are Developmnt Agency (TADA)	1971
	Intensive Rural Employent Programme (Pilot) (IREP)	1972
	Minimum Needs Programme (MNP)	1972
5.	Hill Area Development Programme Special livestock	1974
	Production Programme (SLPP)	1975
	ood for work Programme (FWD)	1975
	Desert Development Programme (DDP)	1977
	Whole village Development programme (WWDP)	1977
	Training of Rural youth for self Employment (TRYSEM)	1979
	Integrated Rural Development Programme (IRDP)	1979
6.	Rural landless Employment Gurarantee Programme (RLEGP)	1981
	National Rural Employment Programme (NREP)	1981
7.	Developmnt of Wormnet and Children in Rural Areas (DWCRA)	1985
	Jawahar Rojgar Yojana (JRY)	1988
8.	Scheme for Rural Artisans (all traditional artisans living below	1992
	rashtriya mahila Kosh Credit Fund for women)	1992
	Mahila Samridhi Yojana	1992
	Revamped Public Distribution Scheme (PRDS)	1993

Imports of capital goods and raw materials were made more liberal. Introduction of automatic approvals of foreign technology agreements and foreign investment restructuring of public sector. Under takings and the thrust on export were other measures announced by the government with a view to improve the competitiveness of Indian industries and promotion of exports In short determining the countries future growth and development for the first time the government came out in favor of outward oriented trade and industrial policies where export marketing was given prime importance. Under the new policy industries could expand modernize diversify and internationalize their operations with greater freedom (Neelmegham 2000 p 5) This changed economic scenario gave future stretch out to tap the so far largely untapped rural sector markets.

Economic reforms have enabled GDP to grow at an average annual rate of about 6.4 per cent between 1992 -93k and 1999 - 2000. Consumption too has gone up especially the consumption of manufactured FMCGs (Fast moving Consumer Goods). for 1997-98 market size of a basket of 20 consumer expendable goods in the household sector is estimated at Rs. 801 billion (at current prices). consumption of the same commodities was estimated to be Rs. 371 billion in 1992 - 93 showing an average annual growth of 16.7 per cent These figures also indicate that per houshold consumption expenditure on the goods considered has doubled from Rs. 2387k in 1992- 93 to Rs 4736 in 1997-98 Rural India in particular with a share of over 55 [per cent in total consumption of FMCGs has also witnessed a growth of about 14 percent per annum during the same period. This seems to be a fairly good growth by any standard (Brahmankar nd Gupta 2000.)

Indian market is undergoing a significant metamorphosis because of economic liberalization and globalization. Many players (Both national and global) are trying to capture the urban market of our country. but this market has already reached a saturation level and it is extremely difficult to tap the urban market with high profit margin. It is also not easy to penetrate profitably into the export market because of fierce competition. in export market a firm has to face challenges from MN Cs (Multinational Companies) other foreign companies and domestic firms of the concerned export market in this cut throat competition everybody's market share will shrink as everyone in chasing the same market (Dey Adhikari 1998 p 1) this realization is forcing companies to go rural.

The 1990s have ushered in far reaching changes that influence the customers profile and therefore the market Literacy levels have risen (especially female literacy). The average size of the household is reducing; nuclear families are increasing. This development has particular significance fro durable goods marketers; for instance, instead of a large refrigerator for a joint family, a household may now need two or three smaller refrigerators. Also, sizeable youth segment is emerging, with it's own income or pocket money, which marketers need to recognized (Godrej, 1993,. p. 155). Rural India is also in the way of change, perhaps in an even more significant manner. There has been a boom in those markets, fuelled by the penetration of media; vast improvement in infrastructure facilities, like roads, and shops; telecom connectivity, successive good monsoons, and high government spending. As a result, the rural component is now bigger than the urban in many product categories (Godrej, 1993). Gone are the days when a rural consumer went to a nearby city to buy "branded products and services". Time was when only a select household consumed branded goods, be it tea or jeans. There were days when big companies flocked to rural markets to establish their brands. Today, rural markets are critical for every marketer - be it for a branded shampoo or an automobile (Kannan, 2001). Lifestyles and habits of rural people are changing. Yesterday's luxuries are becoming today's necessities. There is a boom of (both domestic and foreign) brands of products.

The Government Exercies in the last few decades:

The Government of India has designed and implemented several issue-based programmes aimed at rural development. The developmental activities under the Ministry of Rural Development cover infrastructure development and reforms in the agricultural sector, the non-farm sector and the social sector., Within these sectors, issues related to production., productivity, skills, access to institutional credit, marketing of produce or services, education, health, social restructuring, empowerment of women and other socially deprived section, etc. have been the areas of focus for the policies.

1. Changing Rural Infrastructure :

Under the Pradhan Mantri Gramodaya Yojana (Prime Minsiter's Village Development Programme) (PGGY), announced in the 2001-02 budget, at fund of Rs 5,000 crore was earmarked for infrastructural development in village, primarily village roads for which 50 per cent of the fund was reserved. The remainder was planned for rural housing, drinking water and sanitation. The Central Government has achieved considerable success in meeting the drinking water needs of 91 per cent of rural habitations, with an investment of more than Rs 40,000 crore on the rural drinking water supply

Road Connectivity

The Pradhan Mantri Gramin Sadak Yojna (PMGSY) is a 100 per cent Centraly-sponsored scheme launched in 2000 to privde connectivity to all uconnected habitations (around 1.60 lakh) with all-weather roads by the end of the Tenth Plan Period (2007). Expenditure has been estimated to be Rs 60,000 crore. The programme will connect 70 per cent of our villages by 2007 compared with only 40 per cent villages having road connectivity till the Ninth Five-Year Plan.

2. Employment Opportunities:

With the objective of promoting self-employment among the educated unemployed ruralyouth, government programmes such as the Pradhan Mantri Rojgar Yojna (PMRY) and the Intergrated Rural Development Project, were devloped. Thee programmes, implemented at the grass-roots level under the system of Panchayati Raj Institution, aim to provide skill-based training and link access to bank credit (subsidized).

3. Sampoorna Grameen Rojgar Yojana :

The Employment Assurance Scheme and the Jawahar Gram Samridhi Yojana (JGSY) are two schemes under the programme. The EAS is meant to creat additional employment opportunities during periods of acute shortage of wage employment through manual world for the rural poor living below the poverty line. The JGSY aims at the creation of need-based rural infrastructure at the village level. Under these programmes, about 3,100 lakh man days of work were provdied in 2002-03 and Rs 2,200 crore were disbursed as wages. The programmes have contributed to alleviating rural poverty.

Salient Features of Sapoorna Grameen Rozgar Yojana (SGRY)

The objective of the Sampoorna Grameen Rozgar Yojana (SGRY) is to ensure food security and gainful employment and in the process strengthen rural infrastructure. The salient features of SGRY are :

* The SGRY is a Centrally sponsored Scheme (CSS), with a total outlay of Rs. 10,000 crore.
* Under the scheme, 50 lakh tonnes of food grains amounting to about Rs. 5,000 crore (at economic cost) is being provided every year, free of cost, to the State Governments and Union Territory Administrtions.
* Rs. 5,000 crore in csh is allocated for wages and material costs.
* About 100 crore man days of employment are envisaged to be generated every year in the rural areas under the SGRY.
* Every worker seeking employment under the SGRY is provided a minimum 5 kg. of food grain (in kind) per man day as part of the wages.
* The balance of the wags is paid in cash so that the workers are assured of the notified minimum wags.
* Panchayati Raj Institutions (PRIs) undertake this scheme as per the felt need of the area.

4. Rural Housing :

The 1991 Census revealed the presence of 1.4 crore household without shelter or residing in unserviceable kuccha house. The Central Government announced a National Housing and Habitat Policy in 1998 aiming to provide 'Housing for All' by facilitating the construction of 20 lakh additional housing units (13 lakh in rural areas and 7 lakh in urban areas) annually. With an emphasis on extending benefits to the poor and the deprived, the Government is committed to ending all shelterlessness by the end of the Tenth Plan period.

By the year 2002-03, a total of 93 lakh houses at an expense of Rs. 16,000 croer had bn built under the Indira Awaas Yojana (IAY). The ceiling on construction assistance under the IAY is currently Rs., 20,000 per unit for plain area and Rs. 22,000 for hilly/difficult areas. The ceiling on the upgradation of a kuccha house to a semi-pucca/pucca is Rs. 10,000. Under the IAY, the Gram Sabha is empowered to select the beneficiaries. Further, the allotment of dwelling units should be in the name of the female member of the beneficiary household. Alternatively, it can be allotted in the name of both husband and wife.

5. Swaranjayanti Gram Swarozgar Yojana:

Swarnjayanti Gram Swarozgar Yojana (SGSY), an ongoing programme for the sle-employment of the rural poor, has been in effect since 1999 after the restructuring of the erstwhile Intergrated Rural Development Programme (IRDP) and allied programmes like Training of Rural Youth for Self Employment (TRYSEM) Development of Women and Children in Rural Areas (DWCRA), Supply of Toolkits in Rural Areas (SITRA) and ganga Kalyan Yojana (GKY), besides the Million Wells Scheme (MWS) With the launching of the SGSY the earlier programmes are no longer in operation.

Swaranjayanti Gram Swarojgar Yojana (SGSY) - a holistic programme for promoting self-employment among the rural poor

* Covers all aspects of the self-employment of the rural poor-organization of the rural poor into Self Help Groups (SHGs), capacity building of the group through financial assistance, training, selection of key activities, infrastructure build-up, technology and marketing support.
* Self Help Groups (SHGs) to be a national movement-11.47 lakh Self Help Groups have already been formed.

* Involvement of NGOsCBOsAnimators for social mobilization, training, and capacity building of Self Help Groups.
* 15 per cent of the Central allocation earmarked for the development of infrastructure and activity clusters.

The programme has been able to provide access to institutional finance to about 1.7 crore women, i.e. 1.7 crore households, across the country. It has enhanced opportunities for initiating small-scale income-generating activities, thereby increasing household income and has also contributed to the empowerment of women.

6. District Rural Development Agency

DRDA has been the principal organ over the years at the district level for overseeing the implementation of various anti-poverty programmes.

The DRDA must emerge as a spcecialized agency capable of managing the anti-poverty programmes of the Ministry, on the one hand and effectively relating these to the overall efforts of poverty eradication in the district.

Each DRDA should have the following wings :

(i) Self-employment wing
(ii) Women's wing
(iii) Wage Employment wing
(iv) Engineering wing
(v) Accounts wing
(vi) Monitoring and Evaluation wing
(vii) General Administration wing

7. Providing Institutional Finance in Rural India

NABARD has beenthe primarygovernment institution dedicated to developing systems and delivering institutional finance in rural for both the farm sector and the non-farm sector. It refinances the loans extended by grameen banks and cooperative banks under various government schemes.

Farm Sector :

NABARD refinances assistance for financing farm mechanization, i.e. purchase of tractors, power tillers and also the accessories.

It also provides agricultural credit through the Kisan Credit Card. As a pioneering credit delivery innovation, the Kisan Credit Card Scheme aims at the provision of adequate and timely support from the banking system to the farmers for their cultivation needs, including the purchase of inputs in a flexible and cost-effective manner.

At the end of the 2003-04 financial yeas, about 4 crore credit cards had been issued to farmers with cultivable land and a total of Rs. 84, 000 crore had been disbursed.

Swarnajayanti Gram Swarozgar Yojana (SGSY) :

SGSY, formed by restructuring ongoing self-employment programmes, viz. IRDP, TRYSEM, DWCRA, etc., is under implementation from 1 April 1999. The programme envisages the formation of SGSY Groups and their linkage with the banks. Individuals as well as SGSY groups members below the poverty line are assisted under the programme.

Scheme for setting up of Agriclinic and Agribusiness centres:

A scheme for financing agriculture graduates to set up agriclinics and agribusiness centres was launched in 2001-02 aimed at supplementing the existing Extension Network. The objective of the scheme is to accelerate the process of technology transfer to agriculture and supplement the efforts of State agencies in providing inputs and other services to farmers.

The salient features of scheme are as under :

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

The National Bank has prepared Model Project Profiles in respect of a few activities indicating the estimated cost and income streams. The banks have the freedom to select the borrowers entrepreneurs and theactivity depending on the potential of the area subject to technical feasibility and the financial viability of the proposals.

Refinance Scheme for financeing Farmers Service Centre (FSC) :

NABARD has decided to extend 100 per cent refinance facility to banks for financing Farmers Service Centres (FSC) set up in collaboration with Mahindra Shubhlabh Services Ltd. (MSSL) for providing various extension services to farmers, including supply of agri-inputs. FSC is internded to benefit farmers by way of higher yields and productivity through private-sector participation in technology transfer and extension services.

8.Land Reforms :

Land reforms aim at redistributing ownership holding from the viewpoint of social justice and reorganizing operational holdings as a method to optimize land utilization.

The reforms measures were as follows :

* Distribute land among the landless by taking procession of surplus land from large landholders.
* Provide security to sharecroppers or tenants on tenure and ownership rights by regulating rent payable by them to landlords.
* Protect the interests of tribals in landownership against encroachment by non-tribals.
* Induce improvement in productivity through the consolidation of landholdings.
* Development of public land for the rural poor to give them access to fuelwood and fodder.
* Make land and other productive assets accessible to women.
* Protect the homestead rights of the rural poor on lands owned by them and provide them with house sites to enable them to construct their own houses.

Land Ceiling

The land was described as an economic unit and an economic holding was defined as one that could provide a reasonable standard of living to the cultivator and give full employment for a family. The land ceiling stated that no individual farmer should own more than three times the economic holding. Factors like soil fertility, irrigation, methods of cultivation and the nature of crops were considered when fixing the ceiling. Under this, 4 ha. or 10 acres of the best land and 7.5 acres or 18 acres of average land were fixed as the ceiling, considering that an annual net income of Rs. 15,000 would accrue to a family at 1970 prices.

Budget 2004-05 : The Government's Rural Initiatives and the Indicators for Corporates

The 2004-05 budget is a definite attempt to redress the neglect of the agriculture and rural sectors in recent years. Though 58 per cent of India's workforce is engaged in agriculture, this sector toay contributes only 22 per cent of GDP because of the inadequate availability of gagriculture credit, lack of crop diversification from staple wheat and rice to more profitabe cash crops and restrictions on agri marketing. The Finance Minister hopes to correct this situation by announcing a series of measures, such as the doubling of agriculture credit in the next three years (RRBs./cooperative banks will be revamped), increasing the expenditure for rural infrastructure development to Rs. 8,000 crore in the current years, leveraging the SHG micro finance programme to ensure that 5.7 lakh of the 10.79 bank-linked groups take up micro enterprises and thereby enhance their incomes (read purchasing power) and increasing budget allocation on accelerated irrigation programmes to Rs. 2,800 crore (last year Rs. 2,00 crore). Simultaneously, the Rural Infrastructure Development Fund, set up under NABARD in 1994-95 and discontinued last years, is being revied to give a fillip to infrastructure development in our rural areas.

Although the per capita income in rural is less than half of urban, the rural sector already accounts for 53 per cent of FMCGs and 59 per cent of durables bought in India. However, rural penetration and consumption levels for most product categories are much lower than urban because of limited purchasing power with villagers. Improved irrigation facilities, infrastructure, better roads, free trading in agri produce, removal of excise duty on tractors, agri implements; and the insurance scheme for farmers announced in the Budget should all give a boost to the rural economy and generate a greater demand for corporate products. However, to benefit from this new opportunity, urban marketers will have to gain a better understanding of rural lifestyles, needs and aspirations and design appropriate products. Corporates will need to extend their distribution reach to service this new segment living in six lakh old villages, offer smaller packs at lower price points, and communicate in the local idiom to connect with rural audiences. A rural India marketing strategy will not work. Corporate will have to not only think local, but also act local.

Lesson –5

NEW APPROACHES IN DISTRIBUTION

Learning objectives

After you have studied this lesson, you will be able to …

- Identify the problems in distribution
- Explore the emerging approaches of distribution

Contents

- Introduction
- Problems in rural distribution
- Need of an intelligent approach
- The new players
- Coverage strategy
- Summary
- Short questions
- Discussion questions
- References

Introduction

The burgeoning rural markets have become a great opportunity for many companies to expand sales. However, many of them back out as they find distribution as a major problem. Used to the developed distribution network in the urban markets, they try the same tricks in rural markets, namely, extensive retailing and sustained pull generation through mass media advertising. As a result they fail and place the blame on the less developed infrastructure of the rural markets. Creative companies like HLL, have been experimenting to find innovative ways of reaching the rural consumers.

Problems in rural distribution

(i) Difficulty in reaching rural consumers

The major problems are:

- Lack of adequate transport facilities,
- Large distances between villages,
- Lack of *pucca* roads connecting villages to nearest townships,
- Lack of proper retail out lets, and

There are about 576,000 villages in India, 79 per cent of them with a population less than 1,000. Almost 80 per cent of the villages do not have all-weather roads. Rural consumers are also far less homogenous than their urban counterparts and differ from region to region. Therefore, it is not possible to merely extend urban production to rural markets.

The low density of population and inaccessibility makes the problem of servicing these villages individually difficult and often uneconomical. Direct delivery of goods to even the top one per cent of villages costs twice as much as servicing urban markets. Therefore, in the initial stage, it may be better to concentrate only on the larger villages, and towns with large agricultural hinterlands that act as foci for distribution. The semi-wholesalers and retailers servicing smaller villages can obtain stocks from these places or the villagers themselves can buy the necessary items.

Studies conducted by the Marketing Research Department of Hindustan Level showed that about 20 per cent of the farmers visit the nearest town at least once a month to sell their produce and purchase their requirements. In other words, the towns with large agricultural hinterlands can became the gateways for entry into the rural market.

(ii) 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/stockiest in the town. And on top of them are the manufacturers' own warehouses/branch 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. The scope for manufacturers' direct outlets such as show rooms or depots is quite limited in the rural market unlike in urban areas. Lit become 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.

(iii) 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.

(iv) 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 un remunerative. 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.

(v) 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.

(vi) 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.

Need for an Intelligent Approach

There are wide regional variations in the prosperity levels of the districts and hence in their market potential. These need to be analyzed and understood sectorally in order to determine the methods for approaching them. A socio-economic survey undertaken in four pr0ogressive districts, one from each part of the country—Tanjore, Ludhiana, Burdwan and Kolhapur—revealed a healthy per capita income growth of 5 per cent per annum among big and small farmer against a nation average of 1.5 per cent. This has come about through improved use of land coupled with a reduction in family size.

Further if one takes a closer look at the characteristic features of rural market, it will be clear that distribution in fact, is no problem at all. The perceived problem is only a misconception of the old timers who are not aware of the changing scenario in rural areas and the potential of the existing selling outlets. Under the rural road construction programme, the Government plans to link villages with a population of 1,5000 or above withal-weather roads. Progress in this has been somewhat tardy. The end of 1985 would link at least 20,000 such villages. If this project succeeds the entire complexion of the rural market could change.

The New Players

Selling in rural India followed a pattern, till recently. But with the entry of new players, and the surge in rural demand, the structure and dynamics are altering.

(i) Unofficial Channels

Consider Hero Honda Motors. Its 360 dealers allover the country has reported the emergence of an unofficial channel of distribution –village mechanics, local real estate agents, shopkeepers who sell non-durables and so on. These people are taking motorcycles from the official dealers-usually in twos and threes— displaying them outside their premises and closing a sale. The paper work, though, is left to the dealer to complete.

Such instances are facilitating as well as forcing companies to review their distribution set-ups to ensure that they are present even in the smallest villages.

(ii) Cooperative Society

In terms of their coverage of population and their share in total supply of agricultural inputs, including credit, Cooperatives occupy an important place in India's rural economy. India has largest network of cooperatives in the world. Rural scan reports that there are 4398 primary marketing societies and 2933 large agricultural multipurpose primary marketing services(LAMPS) in the country. Other members are:

- District level cooperative marketing societies: 191
- State Level cooperative marketing federations: 29
- Commodity cooperative marketing federations: 22
- Regional cooperative marketing societies: 11

Generally, a cooperative exists for 2 or 3 villages. Farmer's service cooperatives (FSCs) is a mini super market. Such an arrangement can be tried with others.

(iii) Public Distribution System (PDS)

The fair price shops run by government can be utilized to sell consumables and low value durables.

(iv)Petrol Bunks

Petrol bunks have become multi-purpose distribution centers at some places. Such a concept can be effectively promoted.

(v) Agricultural Input Dealers

Fertilizer companies have retail outlets within a range of 5 km to any village. They offer a scope for marketers.

(vi) NGOs

Non government organizations (NGOs), can reach interiors of villages. Most NGOs have progrms focusing on sustainable development through providing avenue for income generation. They command substantial influence in the villages covered by them. Companies may join hands with them to mutual benefit. With NGOs undertaking distribution, companies realize benefits accruing from infrastructure and grass roots level networking. Also organization security would provide a buffer against delayed retail collections. From the NGOs standpoint, such association with companies could yield employment opportunities for local residents.

(vii) Barefoot Salesmen

One useful option is to train sons –of-the soil to operate as barefoot salesmen. The important requirements like fluency in the local dialect and familiarity with persons and terrain will be the advantage in hire the persons form villages.

A barefoot salesman, operating on a retailer-cum-commission basis, could book orders from retailers in villages with in a limited radius of his village. When orders are aggregated and served there will be economies in distribution.

(viii) Syndicated distribution

A new alternative approach is syndicated distribution. Under this approach, marketers of household products could group together and consider the formation of a syndicated trading organization, which could jointly distribute collective group of household products in the rural market and enjoy shared economies. Distribution Trends

The changes in distribution are not only baffling but also challenging. Table.1 identifies the changes in various elements of a distribution.

Table.1 Changes in distribution

Element of sales	From	To
Time	Restricted, limited timings	Unrestricted, any time
Place	Own retail outlet, occasionally public place for example, exhibitions	Any where
Choice	Limited to brands	Any product-to-any specification, unlimited

Sales	Products	Products Experiences Relationships Achievement
Result	Customer satisfaction	Customer Participation and satisfaction.

(Direct-to-Home selling: Companies are embarking on 'Direct-to-Home selling' (DTH) even in rural area. It provides one-to-one communication as well as sales without reliance on retailers.

The two forms of DTH are: Network marketing and internet marketing.

(ix) Network Marketing: Network marketing is a form of direct selling. It can take place at two levels.

- Single level—distributor appoints sales persons. He earns profits on sales, made by him.
- Multi-level-distributor introduces another distributor (a friend or relative, in general), who in turns introduces another distributor. Like that the network is created. The network markets products. Each distributor gets profits on his sales and also a percentage on sales made by his 'network'. Thus one earns by 'retailing and recruiting'.

In India direct selling is still very nascent, with very few players. Some of them are:

Product Group	Organization
Cosmetics	Aviance, Avon, Biotique, Oriflamme
Kitchen ware	Tupper ware
Home care personal	Aviance, Quantum, Modicare products,
Books	Time-life Books, LB publishers and Distributors,
Jewellery	Dianet
Health care	Conybio-Far-Infra Red products

Amway is the pioneer of direct selling and the largest selling organization in India and the world. It has a network encompassing 30 lakh independent business owners, worldwide.

The introduction of network marketing in rural side will be beneficial not only to the companies but also to the villagers. Already innovative companies like HLL have their schemes in the pipeline.

(x) Internet Marketing: Also referred to as cyber marketing, it is the latest in the series of innovations in retailing-catalogue marketing, special –interest mail order, telemarketing and television shopping. Though it started off in 1960s, it was only in 1993 its potential as a commerce medium was realized. By 1998, individual sites among the hundreds of thousands, already in existence, were measuring ‘hits’ in the hundreds of millions and marketers were leading in to the medium because “every body else is there”. Today we have success stores of etailers like FAB MART, SUBHIKSHA which have motivated many companies to set up their websites.

Several corporate enterprises have facilitated rural consumers transacting through internet facility. Prominent among them are EID parry, ITC and Nagarjuna Fertilizers.

ITC has launched 3 web based in initiatives (e-choupals in company-speak) as a part of its strategy to vertically integrate its sourcing operations aquachoupal.com in AP. Soya choupal. Com in MP and planters net. Com in Karnataka. The choupals act as facilitators for inputs to farmers—in the aqua, soya and coffee domains.

Currently in three states ITC has set up 235 internet kiosks which cater to 10,000 farmers and cover over 2,50,000 hectares of land. The idea is to use this network as a distribution channels for other products. In fact, a pilot project to sell LPG cylinders using the network is already on.

Coverage strategy

The following issues might confront a marketer aiming to extend distribution to rural areas,

- Which villages merit direct coverage at all?
- What would mode of coverage be?

Direct distribution to village settlements less than specific population or number of retail outlets would not be viable. Yet for future payoffs, systematized distribution efforts are imperative to consolidate brand shares and monitor product movement in a high growth market segment. Marketer has to evaluate plans to cover the villages by vans and participation in that market.

Differential development of infrastructure, divergent geo-climatic conditions and variations in location density of village settlements preclude the application of uniform approach across rural markets. Pockets of similarity need to be identified and strategies by determined in consonance with individual pockets. Further refinements would be necessitated by local conditions and unique improvisions.

An example of unique solution to unique condition is the case of brook bond. Broke bond used mules for distribution of Tata chaap packaged tea to rural consumers in Gashwal-kumaon.

Summary

A wide array of problems hinders marketers in approaching rural areas with confidence. The lack of fair weather roads, widely dispersed villages, low density of population, lack of bank and credit facilities, multiple tiers, higher costs and administrative problems, and lack of retailers are the problems in rural distribution. Intelligent way of approaching rural areas is required. The emerging distribution approaches include: Cooperative societies, petrol bunks, agricultural input dealers, NGOs, etc. Latest approaches include the direct to home selling methods: network marketing and internet marketing.

Short questions

(a) Problems in rural distribution
(b) Cooperative society
(c) NGOs
(d) Internet marketing
(e) Network marketing

Discussion questions

1. Rural distribution is not without problems. Highlight some of the problems in rural distribution.
2. What are the recent approaches to rural distribution ?

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