Chapter One

Introduction
Chapter- 1

Introduction

An age long debate has continued between the Indian market’s practitioners and academicians on the existence of rural marketing as separate disciplines and has given birth to two schools of thought. The first school believes marketing methods which are successful in urban areas can be adapted in rural areas with little or no modification. The second thought believes in clear differentiation between urban and rural area. In recent times with the success and failure of some big companies in rural areas have clearly indicated that the rural markets are not mere extension of urban markets but altogether a different proposition. It is not just the income which differentiates the urban and the rural markets but there are lots of other factors such as infrastructure and socio-cultural factors which form the basis of differentiation. Therefore in rural markets one cannot get success by implying the urban methods of success, instead one has to look for different mind set altogether. That is why in a large rural economy like India rural marketing has emerged as an important and distinct internal sub division within the marketing discipline.

Rural marketing involves delivering manufactured or processed inputs or services to rural producers or consumers so as to soak up the huge size of the untapped rural market. In today’s congested and difficult markets, both local and global, all FMCG as well as other companies search for new opportunities, consumers and markets. The 800 million potential consumers in rural India presented both an opportunity and a problem, as this market has been characterized by unbalanced growth and infrastructural problems. Thus looking at the opportunities which rural markets offer to the marketers it seems that the future is very promising for those who can understand the dynamics of rural markets and exploit them to their best advantage.

The present study is focused on understanding the consumer behavior in rural areas of Himachal Pradesh specially in Bilaspur and Kinnaur Districts and to examine how it differs in these areas. This study is an endeavour to examine the consumer behavior in case of consumer durable products specially Television, Refrigerator and Washing Machine. It also deals in measuring the effectiveness of marketing strategies
adopted by the marketers in rural areas. This chapter is divided into four sections. Section I covers the meaning of rural marketing, its features, its evolution, corporate interest in rural marketing, myths and realities of rural marketing etc. Section II covers the consumer behavior part of rural people. In section III an overview of consumer durables and durable industry is presented and in the last section i.e. Section IV profile of the study area is given.

Section I

1.1 Meaning of Rural

The term rural has been given a definition through the process of defining “Urban” by the (Census of India 2001). Accordingly, a habitation is defined as urban if it is a location with a ‘municipality or a corporation, a cantonment area or is a notified town area, locations which have a minimum population of 5000, a population density of more than 400 per sq kms and where more than 75% of the male workforce is engaged in non-agricultural occupations.’ Inferring from this, a habitation is defined as rural if it has a population density of less than 400 per sq. km, at least 75 percent of male working population is engaged in agriculture related activities, and there is, in the location, no municipality or municipal board.

Customers in India are also divided into three broad groups on the basis of sociological and geographical characteristics: Urban Rural and Rurban (Jha 2003). Rurbans are dominated more by the characteristics of urban society but physically are restricted to rural surroundings.

1.1.1 Rural Marketing

Rural marketing is most of the times confused with agricultural marketing. Agricultural marketing refers to the produce of the rural areas to the urban consumers or industrial consumers, whereas rural marketing involves delivering manufactured or processed inputs or services to rural producers or consumers. In other words rural marketing can also be defined as the process of planning and implementation of marketing function for the rural areas (Katiyar 2010). It is a two way marketing process which encompasses the discharge of business activities that direct the flow of goods from urban to rural areas and vice versa as also within the rural areas (Gopalaswamy, 2005).
Rural marketing is concerned about dealing with many inputs, projects and services which are meant for rural markets. Therefore it is different from agricultural marketing which is concerned about marketing of outputs to urban consumers or to institutional markets. In application terms, rural marketing is both blessing as well as nightmare. It is just like bungy jumping—one can have as much information on bungy jumping as one likes, but he/she has to get into the jump to fully understand it. Thus the key to success in rural market is to understand the rural psyche and rural consumer.

1.1.2 Significance of Rural Marketing

In recent years, rural markets have gained significant importance in countries like China and India, as the overall growth of the economy has resulted in increase in the purchasing power of the rural communities. As a result of Green revolution in India, the rural areas now have huge demand for large quantities of industrial and urban manufactured products. In this regard, a special marketing strategy, called, rural marketing has taken shape. Some people confuse, rural marketing with agricultural marketing, whereas latter denotes marketing of produce of the rural areas to the urban consumers or industrial consumers. Rural marketing involves delivering manufactured or processed inputs or services to rural producers or consumers. Keeping in mind the scenario of India and China, a picture that comes out is huge market for the developed products as well as the labor support. This has led to the change in the mindset of the marketers and forced them to move to these parts of the world (Dogra and Ghuman 2008).

1.1.3 Evolution of Rural Marketing

The way rural marketing exists today is the result of its evolution of many decades. At different times different patterns of flow of goods and services were dominating the rural marketing spectrum. These time spans are described below in four phases:

First Phase (from Independence to Green Revolution): Before Green revolution, the nature of rural market was different. It was just considered to be the marketing of rural products in rural and urban areas.
Second Phase (Green Revolution to Pre-liberalisation period): During this phase rural marketing was associated with the marketing of agriculture inputs in rural markets and marketing of rural produce in urban areas.

Third Phase (Post-liberalisation period on 20th century): This phase of rural marketing started after the liberalisation of the Indian economy. During this time, rural marketing emerged as a distinct activity of attracting and serving rural markets and household needs and wants.

Fourth Phase (21st century): After India got independence rural marketing started getting its due considerations and the corporate world realised the importance of rural marketing. Any organisation which wants to tap the real potential of the rural market, it needs to make a long-term commitment with this market. They should design strategies which do not focus in just selling products and services, but are aimed at creating an environment for this to happen.

In the current phase objective of rural marketing is to improve the quality of life by satisfying the needs and wants of the customers, not through products or services alone, but by presenting comprehensive and integrated solutions which might involve a set of inter-related products and services (Dogra and Ghuman 2008).

1.1.4 Indian Rural Market: An Overview

The Indian rural market is huge in size and presents great opportunities to marketers. Two-thirds of country’s population lives in rural areas and almost 50% national income is generated from here. Therefore it is very natural that rural markets form an important part of the total Indian market. India has around 604 districts, and approximately more than 630000 villages, which can be sorted in different parameters such as literacy levels, accessibility, income levels, penetration, distances from nearest towns, etc. (Naik Krishna C.N,Rajesh Kumar K & Saiganesh. S 2007).

1.1.5 Features of Indian Rural Markets

The features of Indian rural market are hugely diverse and scattered. Some of these features of Indian rural markets are grouped as below:

- Scattered and Large: Indian rural market is large and scattered, it consists of over 63 crore consumers from 5, 70,000 villages spread throughout the country.
• Main source of income: About 60% of the rural income comes from agriculture. Therefore it can be concluded that the rural prosperity is tied with agricultural prosperity.

• Low standard of living: Rural consumers in India have low standard of living because of low literacy, low per capita income, social backwardness and low savings, etc.

• Traditional Outlook: The rural consumers are rigid in following old customs and rituals. They are conservative in their approach.

• Diverse socio-economic backwardness: Rural consumers are diverse and they have socio-economic backwardness. This is different in different parts of the country.

• Infrastructure Facilities: The infrastructure facilities like roads, warehouses, communication system, and financial facilities are not up to the mark in rural areas. Therefore physical distribution becomes costly due to lack of adequate infrastructure facilities.

Rural markets in India are at boom. This has been primarily attributed to a spurt in the purchasing capacity of farmers now enjoying an increasing marketable surplus of farm produce. In addition, an estimated induction of Rs.140 billion in the rural sector through the government’s rural development schemes in the Seventh Plan and about Rs.300 billion in the Eighth Plan is also believed to have significantly contributed to the rapid growth in demand. The high incomes combined with low cost of living in the villages have meant more money to spend. And with the market providing those options, tastes are also changing (Jain, 2010).

1.1.6 Rural Marketing: Myths and Realities

The ORG MARG rural panel undermines many common marketing myths about rural areas:

(i) Marketing Myth 1

We will lose to loose. Rural consumers are not worth bothering as they buy loose and unbranded products.
Reality

A study showed a high preference for branded products in rural areas. If the national brands can find a way to packaging their offering to compete effectively it indicates its potential.

(ii) Marketing Myth 2

Rural consumers buy cheap mass brands.

Reality

This is true to some extent as brands like *Nirma* lead in rural areas, but another startling fact today is that premium products are being reported even to the lowest income category. The percentages may be very small, but given the large universe, the actual figures may be significant and reporting is significant here, as it is an indication of the potential.

(iii) Marketing Myth 3

Rural consumers will take whatever is offered to them.

Reality

As we have seen over the years *Iodex-Amritanjan* has very good hold in rural markets which is sometimes due to lack of choice. Some rural consumers are hard core loyal of some brands especially like *Chyavanprash*, *Colgate* etc. But now it has been seen in case of toilet soaps if there is a choice and little brand building, rural consumers can't be taken for guaranteed as loyal to their previous brand. Price also plays an important role here, the higher the outlay; obviously the more cautious rural consumers will be about new brands. Where the cost is low, they are happy to shop on impulse.

(iv) Marketing Myth 4

One family, one brand.

Reality

Now rural households aren't homogeneous, they use multiple brands in one family as different users in family demand their own brands. Children in urban as well as rural areas insist on their own brands of biscuits, health drinks etc. If cost
differences are not high, the family may not mind buying different brands to experiment with or to suit different tastes.

(v) Marketing Myth 5

Distribution drives rural sales.

Reality

Distribution is very important to get success in rural markets. But it is not true that it is all that matters. Rural consumers are not cocooned off from the urban world. As urban areas are spreading, rural consumers have also started getting occasional access to markets in towns either directly, or through friends and relatives. Now rural shopkeepers have also increased the range of products they buy from urban wholesalers or retailers. There are retail formats like weekly haats and mandis, or traveling retailers. Whatever the means, rural consumers are eager to consume and if marketers won't help them, they will find other ways.

1.1.7 Profile of the Rural Market

To understand the profile of rural markets it is important to know what the constituents of rural markets are. The profile of rural markets can be better understood if the size of the rural market is known. The rural market size is determined by the number of villages, population and number of households. Following section throws light on the profile of rural area.

Physical Coverage

The number of villages in India exceeds .64 million. The number of villages or locations that are to be served is 124 times that of the urban markets as the number of urban locations or towns is 5,161 (Table 1.1.).

<table>
<thead>
<tr>
<th>Item</th>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of towns</td>
<td>2001</td>
<td>5,161</td>
</tr>
<tr>
<td>No. of villages</td>
<td>2001</td>
<td>*640,000</td>
</tr>
</tbody>
</table>
The large population and number of households suggest a large potential in the rural market (see Table 1.2. and Table 1.3.).

**TABLE 1.2**

**Population Distribution in Urban and Rural Regions**

(In millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>All India</td>
<td>548</td>
<td>683</td>
<td>846</td>
<td>1029</td>
</tr>
<tr>
<td>Urban</td>
<td>109.1</td>
<td>159.1</td>
<td>217.4</td>
<td>286.1</td>
</tr>
<tr>
<td>Rural</td>
<td>438.9</td>
<td>523.9</td>
<td>628.6</td>
<td>742.9</td>
</tr>
</tbody>
</table>


The large number of villages indicate a widely spread out market and it is a challenge as well as a great opportunity for the marketer to serve this dispersed market.

**TABLE 1.3**

**Households and Houses over Time in Rural Regions**

(In millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Households</th>
<th>No. of Occupied Residential Houses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971</td>
<td>79.6</td>
<td>72.7</td>
</tr>
<tr>
<td>1981</td>
<td>90.9</td>
<td>86.1</td>
</tr>
<tr>
<td>1991</td>
<td>111.6</td>
<td>107.9</td>
</tr>
<tr>
<td>2001</td>
<td>138.27</td>
<td>135.1</td>
</tr>
</tbody>
</table>

Source:
Demographic Profile of the Market

The demographic profile of the rural market is captured by the household size, sex distribution, literacy level, occupation and income (Table 1.4.).

**TABLE 1.4**

**Household Size and Sex Distribution**

<table>
<thead>
<tr>
<th>Item</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average household size</td>
<td>5.07</td>
<td>4.43</td>
</tr>
<tr>
<td>Average no. of adults per household</td>
<td>3.25</td>
<td>3.11</td>
</tr>
<tr>
<td>Average no. of children per household</td>
<td>1.82</td>
<td>1.32</td>
</tr>
<tr>
<td>Sex ratio (no. of females per thousand males)</td>
<td>951</td>
<td>901</td>
</tr>
</tbody>
</table>


**Literacy Rate**

Literacy rate is made available from National Sample Survey (2005) (NSS) geographic and gender wise is listed in Table 1.5.. The rural markets have lower levels of literacy as compared to the urban markets. The difference in literacy between the rural and urban markets is much more among the female population than the male population. Therefore print media in rural area is limited for the female population when compared to the male population.

Occupation wise details of households in rural India are provided in Table 1.6. Although majority of the rural population is employed in agriculture, yet a large percentage of more than 30 per cent is employed in the non-agricultural sector. Salary earners in the rural areas are a significant group with more than 11 per cent of the head of the households as salary earners (Table 1.7. About 50 per cent of the rural population is self-employed.
### TABLE 1.5

**Literacy Rate by Geography and Gender**

(In percentage)

<table>
<thead>
<tr>
<th>Location</th>
<th>Male</th>
<th>Female</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>72</td>
<td>49</td>
<td>61</td>
</tr>
<tr>
<td>Urban</td>
<td>88</td>
<td>75</td>
<td>82</td>
</tr>
</tbody>
</table>


### TABLE 1.6

**Distribution of Households by Occupation in Rural India**

(Nos. per thousand households)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-employed in non-agriculture</td>
<td>145</td>
<td>144</td>
</tr>
<tr>
<td>Agricultural labour</td>
<td>267</td>
<td>274</td>
</tr>
<tr>
<td>Other labour</td>
<td>110</td>
<td>89</td>
</tr>
<tr>
<td>Self-employed in agriculture</td>
<td>368</td>
<td>356</td>
</tr>
<tr>
<td>Others</td>
<td>110</td>
<td>135</td>
</tr>
</tbody>
</table>

TABLE 1.7
Distribution of Households by Occupation of the Head of the Household (1999–2000)

<table>
<thead>
<tr>
<th>Occupation of Head of Household</th>
<th>Urban</th>
<th>Rural</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housewife</td>
<td>0.84</td>
<td>1.01</td>
<td>0.96</td>
</tr>
<tr>
<td>Cultivator</td>
<td>3.45</td>
<td>40.86</td>
<td>29.99</td>
</tr>
<tr>
<td>Wage earner</td>
<td>20.93</td>
<td>35.28</td>
<td>31.22</td>
</tr>
<tr>
<td>Salary earner</td>
<td>40.72</td>
<td>11.28</td>
<td>19.84</td>
</tr>
<tr>
<td>Professional</td>
<td>3.59</td>
<td>0.73</td>
<td>1.56</td>
</tr>
<tr>
<td>Artisan</td>
<td>6.90</td>
<td>3.41</td>
<td>4.42</td>
</tr>
<tr>
<td>Petty shopkeeper</td>
<td>16.05</td>
<td>4.97</td>
<td>8.19</td>
</tr>
<tr>
<td>Businessman</td>
<td>3.68</td>
<td>0.46</td>
<td>1.40</td>
</tr>
<tr>
<td>Others</td>
<td>3.85</td>
<td>1.98</td>
<td>.52</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>


The income stream for the self-employed differs from those working for others. The labour constitutes more than 35 per cent of the population and their income is generated on daily basis. In addition to designing suitable pricing, the marketer needs to design suitable products and also delivery channels to take into account the variations in the rural market. The need for segmentation and targeted marketing strategy is clearly indicated and is of utmost significance. It is short-sighted to view rural markets as an extension of urban markets. The issue facing the rural
marketer is not of adequate consumers who can afford what the urban market consumes. The situation, instead, requires the marketer to identify and reach out to consumers with offers that meet variations in their ability to purchase.

1.1.8. Geographical Variations in Market Behavior

Many people consider rural markets are homogeneous but they are not. Variations in economic development and in consumer willingness to accept innovations are prevalent in rural markets. Geographical variations in exposure to urban centers and variations in development have resulted in tremendous heterogeneity even within a state, for example, the difference between parts of western and eastern Uttar Pradesh (UP) is extreme. Tremendous differences exist between western UP and eastern UP for bullock cart tyres. While bullock carts in western UP are smaller vehicles with single buffaloes, in eastern UP, they are bigger vehicles pulled by two bullocks. In western UP, villagers speak Hindustani whereas in eastern UP they speak Bhojpuri. These have implications for product and promotion decisions (Rajan, 2005). Another example can be the upper reaches of Himachal Pradesh that have a matriarchal society as against parts of the state adjoining Haryana and Punjab, where males are considered supremos. Variations in consumer behavior due to geographical locations are also reflected in the variations in their innovativeness.

LML, a two wheeler company found that the south was more receptive to scooters than the north. In the words of their Marketing Manager, Rakesh Jayal, ‘People in the south are more willing to accept a high-tech product than in the north as they are more brand conscious and more educated (Das Gupta and Menon, 1990).

1.1.9. Occupation and Consumption Pattern in Rural Areas

Marketing effectiveness can not be achieved if we believe that the rural consumers are either farmers or an agricultural labourer. In fact there are other groups of consumers who have different needs and behavior and have significant purchase volumes. Indian Readership Survey (IRS), '98 (Bijapurkar and Murthy, 1999) has chosen the occupation of the chief wage earner as a basis to define the rural consumer. From table 1.8 it can be seen that the occupation profiles of owner of three consumer durables in non-agriculture and those employed in service are high in consumption. Television owners in the service class constitute 31 per cent, which means one in two
persons own a television set. In the case of the other non-agricultural group, the shopkeepers and traders, one in three owns a television. Land-owning farmers comprise a mere one-third of rural households (their estimated number being 43.2 million households) and own one-third of the stock of these durables. Shopkeepers and the service occupation, on the other hand, together account for just 21 per cent of the rural households (their estimated number is 26.8 million households), but between them own a disproportionately higher number (between 45 and 60 per cent) of televisions, two-wheelers and refrigerators. To put this group in perspective, they are 27 million households in number, which is more than half of all urban households (Bijapurkar and Murthy, 1999).

**TABLE 1.8**

**Occupation and Consumption Patterns**

<table>
<thead>
<tr>
<th>Occupation Category (Wage Earner Occupation)</th>
<th>Percentage wt. in Rural Households</th>
<th>Percentage Ownership to TV contribution</th>
<th>Percentage Ownership to 2Wheeler Ownership</th>
<th>Percentage contribution to Rural Refrigeration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner farmer</td>
<td>34</td>
<td>33</td>
<td>33</td>
<td>31</td>
</tr>
<tr>
<td>Shop keeper/trader</td>
<td>8</td>
<td>14</td>
<td>16</td>
<td>20</td>
</tr>
<tr>
<td>Service (total)</td>
<td>13</td>
<td>31</td>
<td>39</td>
<td>40</td>
</tr>
<tr>
<td>Inside village</td>
<td>5</td>
<td>11</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Outside village</td>
<td>8</td>
<td>20</td>
<td>24</td>
<td>25</td>
</tr>
<tr>
<td>Agricultural worker</td>
<td>20</td>
<td>6</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Unskilled non-agricultural Labor</td>
<td>17</td>
<td>9</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Artisan</td>
<td>6</td>
<td>6</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Rest (Leased Farmers, Livestock, Poultry, Fishery Milkman)</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Bijapurkar and Murthy, 1999
1.1.10. Social Influence on Consumer Buying Behavior

The people who play an important role and are relevant in the buying decision include family members, members of the social groups and retailers. These influencers vary depending upon the type of product to be purchased. Youth and children influence purchases in rural areas. Youth in the age group of 15 to 25 years influence purchase in rural areas. Children in the age group between 8 and 15 years also influence most purchases. This is largely because children tend to retain messages and often playback these messages to others. Also, children are sent by their mothers to purchase something without specifying a brand. They ask for products they have seen or heard on radio or TV (Khatri, 2002). Children mostly influence in personal care products. For products other than personal care, rural consumers get information about the products mainly from opinion leaders as they have substantial influence on the decision making of rural consumers. These opinion leaders can be village elders or educated youth of the village (Rajan, 2005). Retailers also exercise great influence on consumers in rural markets as they provide credit. (Khatri, 2002).

1.1.11 The Buying Process

The involvement of rural consumer is highly significant in any product purchased, especially when he decides to buy high-end products which cost a few hundreds or thousands of rupees. He has his daily routine, and there is no sense of urgency in his lifestyle. He understands symbols and colours better, and looks for endorsement by local leaders or icons (Rajan, 2005).

1.1.12 Communication Strategies in Rural Markets

In rural markets, the media is used in a diversified manner. The television route is used for the Nirma advertisement for detergents which are beamed to the rural audiences and Onida’s commercial on the magic of its black and white television. HLL uses a camel to advertise its detergents and Asian Paints demonstrate the effectiveness of their product on the horns of a bullock (Mukherjee, 1993). The information seeking and processing behavior of the rural consumer influences the media and the message. This is indicated in one set of Reckitt & Coleman advertisement for Robin Blue that does not use women. To understand the influence on communication strategies and identify the critical influence on media and message decisions, a process perspective of communication is used.
1.1.13 The 4A Approach in Rural Marketing

The gap between rural and urban and reaching rural people have been addressed by Prahalad (2004) in Bottom of the Pyramid (BOP) marketing strategies and the 4 A’s Availability, Affordability, Acceptability and Awareness. (Anderson and Biliou, 2007, Kashyap and Raut, 2005). The BOP marketing strategies are focused on demand of consumers with low individual purchasing power and who are scattered. The basic commercial infrastructure suggested by (Prahalad and Hart 2002) for the bottom of the pyramid markets constitutes of four things, creating buying power, improving access, tailoring local solutions and shaping aspirations.

Availability, the first A in 4 As model and is about making the product reach the consumers and in the case of telecom services studies have shown this to be the biggest barrier to be overcome (Anderson and Biliou, 2007). Studies have found that in rural areas distribution systems are the most critical component and a barrier which needs to be overcome (Prahalad & Hammond 2002) for success in marketing in rural areas. The task of distribution in these areas is considered to be more difficult than in urban areas (Mandira, 1977), low density of population and inaccessibility makes the problem of servicing villages individually difficult and often uneconomical. Direct delivery of goods even to the top one percent of villages cost twice as much as servicing urban markets (Ganguly 1985).

Acceptability issues are basically related to improve the willingness to consume, distribute or sell a product. It would also include how the product or service could be made more acceptable to the rural consumers by incorporating features which would make it attractive to them.

Affordability issues are related to cost and act as barrier for a villager to have the access to the products. Therefore companies should work on low cost products which could be of use in rural areas.

The last A, Awareness is linked to the issues of promotion in rural areas. The promotion of the products should be adapted to the village environment; the language and means of communication used should be in the local language. (Beshouri, 2006)

1.1.14 Corporate Interest in Rural Markets

Electrical appliances like Television, Refrigerators and Washing Machine are indispensable in today’s era. These products have created a niche in both urban as
well as rural markets. Mass media is playing a great role in influencing the life style of rural people and its wide approach and access is creating demand for branded products. Corporate houses then develop new products for rural consumers and attempt their suitable positioning. For example, Hindustan Motors (HM) launched a utility vehicle, the RTV (Rural Transport Vehicle) aimed at rural markets. Titan Industries found their watch brand ‘Sonata’ getting popular in rural areas, they formulated a new strategy tailored to the requirements of large rural markets (Rai, 2000). The recession and the knowledge that rural customers have not been tapped to their full potential has forced the companies to undertake innovative measures. Hyundai Motors India Limited (HMIL), Coca Cola India, DCM, Shrimram Chemicals Limited, are all doing so (Jacob, 2003). Surprisingly, Multi National Companies like Hindustan Unilever Ltd. are tapping the potential in rural areas compared to their counterparts whether in private or public sectors. The reasons for this are: companies need resources to understand the diverse rural economy of India. The kind of study which is needed to understand the peculiarities in each segment needs lots of money. Second: even if it is expansive, companies need to believe that this is worthwhile spending. Third: Company should not treat rural markets as dumping sites for their low end products, instead they should use their technology to create specific products for rural segment (Pani, 2000).

Britannia Industries launched ‘Tiger Biscuits’ especially for the rural market. It clearly paid dividend. Its share of the glucose biscuits market has increased from 7 per cent to 15 per cent (Kanan, 2001). Following are the specific reasons as to why corporate houses take enormous interest in rural markets in India.

(i) Untapped Potential: Rural markets in India are considered as virgin markets. Large consumers about 12 percent of world’s population lives in India with a great purchasing power between 30 & 50 per cent of the consumption of a number of consumer goods coming from rural India (Mishra and Gupta, 1999). As per the projections of National Council for Applied Economic Research (NCAER), the number of middle and high income households in rural India in expected to grow from 80 million to 111 million by 2007. The absolute size of rural India is expected to be double than that of urban India (Kanan, 2001).

(ii) Largely Untapped Markets: Penetration levels for many products are low in rural areas (Velayudhan, 2002). Research Organisations like NCAER, ORG-
MARG have made substantial studies to show that rural markets are growing at five times the rate of urban markets (Ramakishen Y, 2002, p. 9).

(iii) Market Size and Penetration: About 12 per cent of the world’s entire population resides in rural areas in India. This is a huge market by world standards. According to survey conducted by NCAER (1998), rural consumers own only 52 per cent of available consumer durables, even though they constitute 72 per cent of total households in India. This survey revealed that, on average rural households owned three consumer durables as compared to seven consumer durables owned by an average household. It also showed that purchase and use of certain durables and non-durables by consumers in rural areas is more than that of the consumers in urban areas. The durable products include Sewing machines, radio/ transistors; wrist-watches, black and white television sets, cassette recorders, bicycles, table fans, and pressure cookers.

(iv) Enhanced Mobility and Improved Access to Rural Markets: In rural areas due to development in transport and communication system, accessibility has increased. Now people from rural areas can come to urban areas easily and people from urban areas can also visit the rural areas. Now, there is an enhanced interaction, interchange and inter-migration between rural and urban people and thus developing a common culture. When mobility increases, rural people come in close contact with the urban people, and then get inspired to proceed for fashion, comfort and other desirable things of urban life (Dey and Adhikari, 1998). The road network has facilitated a systematised product distribution system to villages. An increasing number of companies are supplying village markets directly. Marketers of durable goods use direct contacts as a means to attract rural consumers to dealer points in large feeder villages or towns.

(v) Competition in Urban Markets: Proliferation of brands has intensified competition in urban markets, increased costs and reduced market share. “It is a fact that urban markets are slowing down. The urban meltdown of markets is going to force the marketing segment to rush where the marketing angels of yesteryears feared to tread: the rural market” (Chundi, 1999). For example, it can be seen that in the automobile market, Rajdoot Motorcycles, Bajaj Scooters, or even Ambassador Cars are finding ready acceptance in rural markets, as there is a proliferation of brands and cut throat competition in urban markets.
Section II

1.2 Consumer Behavior

In recent years consumer behavior and consumer decision-making have become prominent research topics in the various fields of consumer science. (Fullerton, 2005, Stern, 2000; Anurit et al, 1999). Generally, consumer behavior is defined as the behavior or activities that consumer engages in while selecting, purchasing, and using products and services so as to satisfy his/her needs and desires. These activities can be termed as mental and emotional processes, along with physical actions (Schiffman & Kanuk, 2004).

The importance of consumer behavior is deeply rooted in the marketing strategy. Virtually, all decisions involved in developing an effective marketing mix for a product or service rely on the knowledge of the consumers who comprise the target market (Mullen & Johnson, 1990). The behavior of the consumer can help marketers to anticipate reactions to changes in the marketing mix and determining if new products are likely to be adopted.

To understand buyer behavior is one of the crucial tasks confronting every business owner. The difficulty arises from the heterogeneity of buyers, for their brand loyalty or being groups of individuals who differ from one another. But differences notwithstanding, consumers do share attitudes, opinions, reactions, and desires at various times. Business experience, marketing research, theoretical constructs and models, and trial-and-error methods are helpful to find some of the common denominators. This study aims to identify a purchasing pattern of behavior among its chosen respondents in case of consumer durables. Before understanding the consumer behavior it is necessary to know the profile of rural consumers.

1.2.1 The Rural Customer: A Profile

A diverse and varied profile of customers in India is a striking feature of Indian market. Each of these diverse sections of rural India is embedded in its customs and traditions, which in turn have a deep impact on the psyche of the people. Every aspect of their lives from birth, to education, to marriage, to livelihood is influenced by the deeply imbedded traditions. Rural marketers have been able to understand and often utilize these diversities and traditions. Even the level of infrastructure provided in different regions varies a lot. The demand for products
depends upon the varied lifestyle and livelihood of the people. Therefore any marketer who wants to establish it in India cannot follow a uniform marketing strategy throughout India. Indian rural customers are largely affected by illiteracy and poverty. Illiteracy leads to an inability to identify brand differences and read the basic text on packages. Poverty and dependence on vagaries of monsoon result into a low and unpredictable purchasing power.

Moreover, in rural India products are sold lose, giving high competition to branded sealed products. Ignorance and illiteracy are accompanied by strong influence leaders like the local *panchayat* members, caste and religious leaders etc. Irregular income, dependency on the vagaries of monsoon induces the rural consumer to buy in small quantities. e.g. small Coke worth Rs.5, Chick shampoo sachets have been successful in the past. Since the concept of storing goods and blocking too much does not work in rural areas so marketers have to provide products in small quantities as well as good credit or EMI systems for larger products. It is also important to induce first time purchase and trials so that customer is able to experience products he never has and wholesalers also need extended credit facility. (Srivastava. D, 2010)

**1.2.2 Rural Consumer Behavior**

Rural consumer behavior is influenced by a complex set of factors i.e. social norms, traditions, caste, family type, customs and religion that have great influence on the buying behavior in rural areas as compared to urban area. Agriculture seasonality has huge role in the rural consumer’s demand function. Labourers and daily wage earners get their income in installment therefore they purchase in small quantities of products or they buy once in two or three day. (Jha Mithileshwar, 2007)

A farmer in Punjab is going to be more productive than a farmer in Bihar, a farmer in Karnataka is going to be more educated than its counterpart in Rajasthan, and so on. A family who lives in urban area is different in buying as all the members participate or are involved in buying of a particular product. Husband, wife, children they all participate where as in a village because of lack of mobility among the women and children they have very little contact with the market, therefore it is the men who make the purchase decisions. In urban area an individual is free to take independent decision regarding the purchase of a product whereas in rural area because of the strong social levels or joint families decision making is common.
Companies who have understood this are enjoying success in rural areas. (Kashyap Pradeep, 2005)

The present study aims to examine the comparative buying behavior of people living in Bilaspur and Kinnaur districts of Himachal Pradesh especially in buying of consumer durable products i.e. television, refrigerator and washing machine. A comparative study is needed to study the similarities and the differences between buying of durable products by both consumers of Bilaspur and Kinnaur.

1.2.3 Rural Consumer Behavior and Rising Disposable Incomes

With the economic development of rural areas, disposable income of rural people has gone up. Now rural people have changed their preferences and they are buying soaps, toothpowder, paste, tobacco products, radio, television, bicycles, motorcycles, cooking utensils, wrist watch, razor blades, and detergents and so on. In today’s era rural incomes are generated not only from agriculture but also from other means. There is a sizeable salaried class which belongs to rural areas. The government implemented various schemes, such a, JRY, PMRY, IRDP, NREP, etc., to provide work and self employment opportunities in rural areas (Dey and Adhikari, 1998). An Indian farmer going through his daily chores may sound idiotic but not for Arvind Mills, though, when it launched the Ruf & Tuf kits, it had created quite a sensation among the rural folks as well within few months of their launch (Kannan, 2001). Maximum of these changes are being brought by the youngsters as education has been a great contributing factor to consumer behavior changes in rural India. “40 per cent of all those graduating from colleges are rural youth. They are the decision-makers and are not very different in education, exposure, attitudes and aspirations from their counterparts at least in smaller cities and towns (Kannan, 2001). It is the decision of youngsters now what to buy (Krishnamurthy, 2000). In near future rural consumers are going to be younger and far more choosy when it comes to making purchasing decisions. It will thus become imperative for marketers to focus on this targeted young audience (Krishnamurthy, 2000).

1.2.4 Brand

In the marketing literature branding has become one of the main areas of study. In marketing literature, numerous amounts of researches have pointed out the significance of brands related to product images. A brand not only provides a strong
image for customers but also acts as a mean of differentiation from other brands. In homogeneous product line, The American Marketing Association defines brand as 'a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors' (Lin et al., 2000, p.278, Kotler, 1995). It signifies that, brand is a symbol to differentiate itself from others and provides it with its own identity. In addition, Aaker (1995) indicates that a brand has different levels. He points out that a brand is not solely about the physical product, while it should combine with ‘brand attributes, symbols, brand-consumer relationships, benefits of self-expression, customer profiles, associations with the culture of the country of origin, and corporate identity’(Lin et al., 2000, p.278). In other words, a brand stands for not only its physical design or term, but it also means the experiences from customers, the spirit and culture created by the brand itself in the rural market.

According to Padberg et al (1974), a brand offers a way of information exchange in the marketing process. In short, a brand is able to strengthen product recognition and provide the information for customers with a view to avoiding the risks in buying homogeneous brands. A brand not only gives customers a way of differentiating itself from other brands, but also reinforces the image in customers' mindset and provides purchase information.

According to De Chernatony & McDonald's (1998) point of view, a successful brand is an identifiable product, service, person or place augmented in such a way that the buyer or user perceives relevant, unique added values which match their needs and desires most promptly. Therefore, a brand is considered significant and indispensable in marketing. It represents the image, the experiences, as well as the value behind the brand.

The literature aforementioned has outlined the definition of a brand and the value it stands for. More importantly, it illustrates how a brand is related to the customers’ perspective. Further, the brand buying behavior will be discussed which correlates with the brand switching behavior.

1.2.5 Brand Buying Behavior

A number of theories have elaborated the relationship between brand choices and customer buying behavior (Lin et al., 2000). According to the researches of
Shoham et al (1998) and Dabholkar (1994), the 'expectance-value model' provides insights of how customers make brand choices. In the study, consumers were asked to mark the scores based on two parameters and calculations to be carried out prior to their buying decisions. The first parameter is the extent to which consumers anticipate a delightful outcome. The second parameter is the reason and value behind the consumers that contribute to a desirable outcome. However, limitations exist while explaining consumer buying behavior due to the fact that generally a consumer has insufficient brand information and restricted mental processing abilities (Dabholkar 1994; Shoham et al. 1998). Therefore, De Chernatony and McDonald (1998) propose a comparatively comprehensive model regarding brand buying behavior. This model indicates that brand buying decisions are determined by the evaluation of level of information, while the performance and the consumer's confidence towards the brand is response to this information (Chernatony and McDonald, 1998). Information is gathered by consumers from different sources such as previous purchasing experiences, suggestions from friends, timing factors, and the degree of involvement of brand while making buying decisions.

There are a large amount of researches on brand buying behavior including a number of models to examine how consumers select brands. Over decades many researchers have examined the relationship between brand choices and switching behavior. These research studies have included the analysis on the reasons that influence the consumer's brand choice and brand-switching behavior, as well as the process of switching brands (Lin et al., 2000).

1.2.6 Consumer Behavior Influence on Communication Strategies

The process of buying products passes through different states of readiness of the buyer and this dictates the communication objectives. This includes a shift from a state of awareness to knowledge, then conviction, which eventually results in purchase. The progress through the different states of readiness is moderated by the type of purchase (a new task or a repeat purchase) and also the level of involvement.

1.2.7 Consumer Involvement Level and Communication Strategies

The critical influences on consumer behavior of level of involvement and purchase experience are used for classification of communication strategies in rural markets. The different type of communication strategies which are used, are mostly
according to the consumer behavior and his level of involvement. Consumer involvement level of the buyer varies with purchase to purchases. It is very high for high-risk items, as in the purchase of a new consumer durable like a television. It is low for repurchase of a non-durable like salt. This is reflected in the manner in which the consumers seek information. When effort on the part of the consumer to seek information about the product is low it means their involvement level is also low and there is need to get the information to the consumer without much cost to him/her. In the case of a high involvement product, the consumer seeks information to reduce the risk of purchase and is willing to spend time and effort in making a purchase decision. Communication strategies used by marketers reflect the variation in the information seeking process of consumers. In rural markets, sewing machine is considered to be a high value, high involvement purchase. Usha International has started tailoring schools to educate and promote its sewing machines (Das Gupta and Menon, 1990).

Section III

1.3 Product

(Kotler 2009) "A product is more than physical. A product is anything that can be offered to a market for attention, acquisition, or use, or something that can satisfy a need or want". Therefore, a product can be a physical good, a service, a retail store, a person, an organisation, a place or even an idea. Products are the means to an end wherein the end is the satisfaction of customer needs or wants. Kotler distinguished three components:

- Need: a lack of a basic requirement
- Want: a specific requirement for products or services to match a need.
- Demand: a set of wants plus the desire and ability to pay for the exchange.

Based on perceived value customers will choose a product based on their perceived value of it. Satisfaction is the degree to which the actual use of a product matches the perceived value at the time of the purchase. A customer is satisfied only if the actual value is the same or exceeds the perceived value.
1.3.1 Consumer Durable Products

In economics, a durable good or a hard good is a good that does not quickly wear out, or more specifically, one that yields utility over time rather than being completely consumed in one use. Items like bricks or jewelry are durable goods, because they should theoretically never wear out. Highly durable goods such as refrigerators, cars, or mobile phones usually continue to be useful for three or more years of use, so durable goods are typically characterized by long periods between successive purchases. Consumer durable goods include cars, household goods (home appliances, consumer electronics, furniture, etc.), sports equipment, and toys etc.

Nondurable goods or soft goods (consumables) are the opposite of durable goods. They may be defined either as goods that are immediately consumed in one use or ones that have a lifespan of less than 3 years.

Nondurable goods include fast-moving consumer goods such as cosmetics and cleaning products, food, fuel, office supplies, packaging and containers, paper and paper products, personal products, rubber, plastics, textiles, clothing and footwear etc.

Usually durable goods can be bought or rented and nondurable goods can not be rented. While buying Durable goods comes under the category of Investment demand of Goods, buying Non-Durables comes under the category of Consumption demand of Goods.

1.3.2 Consumer Durable Industry An overview

The global market has witnessed a surge in demand as economies such as Brazil, Mexico, India and China have opened up and begun rapid development in last 10 years, along with the globalization. The consumer durables industry has always exhibited impressive growth despite strong competition and constant price cutting, and the first contraction since the 2001 dot-com bust has been due to the global recession. Given the strong correlation between demand for durables (both new and replacements) and income, the industry naturally suffered during the 2008-2009 period. However, projections for current year going forward are very optimistic, as consumers resume spending, and producers launch new enticing variants to grab new customers. In the race of grabbing new customer leading players include Sony Corporation, Toshiba Corporation, Whirlpool Corporation and Panasonic Corporation.
Developing economies like India and China have largely been shielded from the backlash of the recession, as consumers continued to buy basic appliances. In reality in the market of consumer electronics China has been ranked second in the world rankings. Despite the recession, their strong domestic economy and growing high-income population have buoyed demand leading to aggressive market growth.

There is growing interest for new age products such as LCD-TVs and DVD players. Meanwhile, the penetration of the basic, items such as ovens, washing machines and refrigerators is also increasing. India too, has witnessed a similar phenomenon, with the urban consumer durables market growing at almost 10 %p.a., and the rural durables market growing at 25% p.a. Some high-growth categories within this segment include mobile phones, TVs and music systems etc.

In the past few years the Indian consumer durables industry has witnessed considerable changes. Changing lifestyle, higher disposable income coupled with greater affordability and a surge in advertising has been instrumental in bringing about a sea change in the consumer behavior pattern. Consumer durables industry of India along with steady income gains introduction to consumer financing and higher purchase system have become major driver.

In the case of more expensive consumer goods, such as refrigerators, washing machines, color televisions and personal computers, retailers are joining forces with banks and finance companies to market their goods more aggressively. The WTO FTA in 2005 resulted in zero customs duty on imports of all telecom equipment, thereby improving the pricing and affordability of imported goods resulted after the change in policy.
The Growing Rural Market for Television

The Consumer Electronics and TV Manufacturers Association executive expects a growth rate of 25 per cent for television in the rural markets compared to 5 per cent growth in the urban markets. Market research firm Francis Kanoi said in a report (on consumer electronic market growth and projections) that the top seven metros contributed 24.1 per cent of total sales in 2002, followed by towns with a population of over 1 million, where 12.0 per cent of the sets were bought. The remaining 63.1 per cent of sales in 2002 came from cities and smaller regions with a population of less than 1 million. For the year 2004, metro sales were expected to be 22.6 per cent and for the smaller regions the share was expected to be 64.3 per cent. According to LG’s Singh, ‘Electrification of villages and an increase in awareness among the people, a good harvest and a booming economy will help drive growth. The rural market should see a growth that is three to four times that in the urban markets’. ‘The potential is high as the penetration levels are low, and hence our efforts towards creating a bigger market here,’ said Devender Saini, Senior Product Manager (Television), Philips India Ltd. ‘If we look at the penetration levels in rural markets, it is less than 10 per cent. This is lower than the all-India average of 21 per cent and the urban markets which are at 35 per cent to

1.3.3. Durables

The appropriate measure for consumption of durable goods is ownership and for non-durable goods is sales figure. The ownership level of durables in rural areas is low as compared to urban areas. While 81 per cent of urban households own at least one asset, as defined by the Census of India, less than 60 per cent of rural households can lay claim to ownership of at least one consumer durable item (see Table 1.9).
1.3.4 Challenges in Durables Markets

The biggest threats to the local industry going forward are supply-related issues pertaining to distribution and infrastructure, as well as demand issues due to competition from imported goods. Specially the lack of well developed distribution networks makes it specially challenging to penetrate the fastest growing rural areas economically and the major problems are regular power cuts and poor road linkages which make systematic production, assembly and delivery problematic in rural areas.

With similar features of products, customers have increasing choice from both domestic products and imported products. This homogeneity makes it difficult for players to remain ahead of the competition.

In terms of superior technology MNCs hold an edge over their Indian counterparts combined with a steady flow of capital, while domestic companies compete only on the basis of their well-acknowledged brands, an extensive
distribution network and an insight in local market conditions. The largest MNCs incorporated in India are Whirlpool India, LG India, Samsung India and Sony India and homegrown brands are Videocon, Godrej Industries and IFB.

1.3.5 Launch of a New Durable Product in Rural Market

When a durable is launched it is that time only the rural consumer becomes aware about the product. When his neighbour and friends talk about the product he becomes interested in the product. The decision to purchase the product and its model and type is made by the consumer after deliberating with the retailer and other users. Demonstrations to create awareness and knowledge and identifying opinion leaders for focused communication are critical in such situations. Arvind Mills promoted its Ruf & Tuf jeans to rural markets in a similar way. Its promotion effort included teaching tailors in villages to stitch the jeans. The tailors who are the opinion leaders for clothing become votaries for jeans and for Ruf & Tuf (Ghosh and Krishnaswamy, 1997). In certain situations, where trial of the product is not possible, opportunities to use it free of cost is arranged for the consumers. Usha International, manufacturer of sewing machines ran sewing schools in villages which offer short-term tailoring courses for women. This creates enthusiasm about the product and demonstrates its utility. Demonstrations help consumers in educating about the product and make them feel confident about the purchase of the product.

1.3.6 Launch of Existing Durable Brands in Rural Market

While going for the purchase of new durable product, rural consumers seek opinion of dealers and existing customers. Consumers are also interested in watching demonstrations of the product. The marketer needs to invest in time and effort to break into such a market. The product needs to have a demonstrable advantage over other competitive products. The brand can be made popular by promoting to key persons in the village who become ambassadors for the brand. Hindustan Motors demonstrate the utilities of its vehicle on the dirt tracks to rural consumers (Ghosh and Krishnaswamy, 1997).

1.3.7 Communication for an Existing Durable Brand in Rural Market

While buying a durable for the first time or replacing the existing one rural consumer looks for alternatives from existing users or experts before making the purchase decision. Performance of the existing brand is an important criterion for the
consumer who is already using the product and is keen to replace it. Loyalty is high if the consumer is satisfied with the existing brand. In this situation, it is important for the marketer to maintain the image and ensure customer satisfaction. In communication it is important to highlight the benefits of the products or brand over its competitors. It is necessary for existing customers to perceive that their choice of brand is correct. Communication to potential customers who have not used the brand can be from existing users or through the media. The main objective of communication is to make product look good in the eyes of the consumers. Onida advertises the magic of its black and white television. Eicher highlights the fuel efficiency of its tractors. It also demonstrates its superiority over other brands through a contest.

1.3.8 Channel Variants in Rural Markets

Distribution strategies differ in case of rural markets from urban markets because of several reasons. One such reason is the cost associated in reaching the outlets in rural areas because of scattered geographic locations. There is also a difference due to the type of channels available to the marketer. A distinct feature of the rural markets is the presence of haats, rural fairs and the mobile traders. These channels of distribution exist in rural markets because of one simple reason i.e. the value rural markets derive from these institutions. The perspective is to not only understand the working of these institutions but as a result to also understand the value that they add to these markets. Their existence is therefore understood from a consumer perspective.

1.3.9 Consumer Durable Industry and Indian Rural Markets

According to a study titled 'Bird of Gold' by Mckinsey Global Institute the rise of India's Consumer Market, the total consumption in India is likely to quadruple and will make India the fifth largest consumer market by 2025. Urban India will contribute for early 68 per cent of consumption growth while rural consumption will grow by 32 per cent by 2025.

India ranked first in the Nielsen Global Consumer Confidence survey released in May 2010. “India is one of the fastest growing markets in the world and the current consumers believe that recession would soon be a thing of the past has filled Indians with confidence,” according to Piyush Mathur, Managing Director, South Asia, The
Nielsen Co. With 127 index points, India ranked number one in the recent round of the survey, followed by Indonesia (116) and Norway (115). As per an Ernst & Young transactions report released in May 2010, the Indian consumer sector is attracting more interest from both private equity (PE) and mergers and acquisitions (M&A). In the last few months this heightened level of PE interest is evidenced by three PE deals which have happened in the consumer space in quick succession in the last few months — Henderson Equity Partners' investment in Genesis Colors, IL&FS' private equity investment in The Mobile Store and investment by Bain Capital & TPG Growth in Lilliput Kidswear,” said Ajay Arora, Partner, Transaction Advisory Services, Ernst & Young.

1.3.10 Rural Consumers: Occupation, Income, Culture and Attitude

The investor’s attitude toward rural markets should be positive. They should understand opportunity growing markets provide. The market provides opportunity and opinion for the rural marketer and low penetration level suggests opportunities. To track sales to different markets and market potential the marketer need to have a strong information system. Low income group consumption is clear signal that marketer need to address the bottom of pyramid with cost effective value for money product. Rural India offers a bigger growth opportunity through greater penetration and then consumption. Fast growing product segments such as flat panel TVs, LCD TVs, Plasma TVs, Slim CRT TVs, frost-free refrigerators, fully automatic washing machines, split air-conditioners, DVD players, microwave ovens, and home theatre systems - products attaining high aspiration value are likely to see a growth in consumption.

1.3.11 Changing Rural Consumer

Rural market is different from urban market by geography, occupation, social and cultural factors. This in turn influence product designs, promotion, pricing and use of channels. According to geography and social groups there is need to develop positioning and product variant. The product offering in rural market needs to reflect the product use-situation. The changing behavior of a segment of rural market suggests an initial entry strategy of mimicking the urban marketing programme. The product and packaging are to be creatively used for developing and delivering value.
The product attribute and feature should reflect the environment desire of that consumer.

1.3.12 Product awareness in Rural Markets

All Indian consumers are also associated with values of nurturing, care and affection. These values are dominant to the values of ambition and achievement. Indian consumers use product which communicate feelings and emotions gel in rural market. Common benefit for consumer is product education. This is also seen in the case of shampoos. Shampoos are positioned on cleaning effectiveness and convenience, a replacement of soap nut or even soap in rural market. An approach used by some marketer is demonstration of product features and explaining product virtues. Hindustan Lever's campaigns to wash shirts or shampoo the villagers' hair are instances of product education. In such situations, potential consumers experience the product benefits. The peculiarity of rural market has forced marketing companies to innovate their product offering and rework their marketing strategies which are otherwise designed for urban market. The product has to satisfy the rural need and should offer value for money. Differentiating consumer need and perception provide opportunity to marketers. In comparison to urban area modern means of communication have less influence on cultural and social practices in rural areas. In case of kitchen appliances, it was found that the no. size and shape of pan holder in the store is different from one to another district.

1.3.13 Rural Distribution

The rural distribution is not much developed in rural India for various reasons such as lack of proper infrastructure, all weather roads, electrification and sanitation, and lack of marketer's imagination and initiative. The biggest rural marketer's specially FMCG companies used to service up to the block town level, only with the villagers coming out and reaching there for purchasing. Marketers have so far failed in analysing the rural side and exploiting rural India's traditional selling system such as *haats* and *melas* whose brands are not established but are selling easily.

1.3.14 Pricing in Rural Markets

The main issues of pricing are related to issues of positioning and packaging of product. As competition in rural markets is generally with the unorganised sector or against a product category, price is the critical factor in consumer choice. In rural
markets, low price alone is not adequate. The price has to be convenient for both the consumer and the retailer. The perceived amount is important. Prices of Re 1, Rs 2 and Rs 5 are favoured but not Rs 3, 6, 7 and 9. Cadbury's chocolate at Rs 6 and Relish at Rs 3 did not succeed and had to be withdrawn. To maintain the absolute price, it may make sense to decrease volume instead of increasing price. The absolute amount is more important than the contents (Rodrigues, 2002). Hindustan Lever discovered that retailers in villages were cutting its large 100 gm Lifebuoy soap into smaller pieces and selling the same. So they introduced a smaller 75 gm pack. It also introduced Wheel detergent in a 100 gm pack (Joshi, 1991). It is always not true that only cheap brands sell in rural markets. Usha found that the sale of its economy models was falling sharply in rural areas. Farmers prefer Usha's premier Century brand, though it is priced 20 per cent higher (Das Gupta and Menon, 1990).

Section IV

1.4 Profile of Himachal Pradesh

Himachal Pradesh can be broadly divided into two distinct regions based on geomorphological and climatic features. The first one on the basis of high mountain ranges which include seven districts namely, Chamba, Lahaul & Spiti, Kinnaur, Shimla, Sirmaur, Kullu and Mandi which are characterised by the relatively younger Himalayan Range — though a few parts of Kullu, Mandi and Sirmaur districts have valleys and broad ridges. The climate in these districts ranges from temperate in the valleys, to arctic in the higher mountains. And the second region has plains, wide valleys and low hills and comprises of the districts of Bilaspur, Hamirpur, Kangra, Solan and Una. The climate in this region varies from the tropical to the subtropical. These districts are quite close to the relatively developed urban centres like of Punjab and Haryana and the population of this region is exposed to the dynamics of a fast changing society and an altering economic environment. For the research purpose district Kinnaur and Bilaspur were selected from these two regions.

This study is conducted in two districts, namely, Bilaspur and Kinnaur. An overview of the profile of these districts is mentioned below. Before studying the profile of these districts profile of Himachal Pradesh is stated below –

- Himachal Pradesh is located in the Northern region of India; Himachal Pradesh has a population of 6.1 million (as per Census 2001)
- The state has an area of 55,673 sq km and total land accounts for 5.8% in India.
- It is surrounded by, the state of Punjab in West and Southwest, Jammu and Kashmir in the North, Haryana in the South, Uttar Pradesh in the Southeast and China in the East.
- Himachal Pradesh has 12 districts and administrative capital is Shimla.
- Being a sub-Himalayan state, Himachal Pradesh has a varied climate that changes with altitude. The climate ranges from warm and sub-humid tropical at low altitudes to cold and icy at high altitudes. There are three main seasons: winter from October to February, summer from March to June and rainy season from July to September. The common languages spoken here are Hindi, Pahari, and Punjabi. The summarised structure of Himachal Pradesh is given in Table 1.10.

Table 1.10 Socio-Economic Profile of Himachal Pradesh

<table>
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<tr>
<th>Socio-economic snapshot of Himachal Pradesh Parameters</th>
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<tbody>
<tr>
<td>Capital</td>
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<td>Geographical area (sq km)</td>
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<td>Administrative districts (No)</td>
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<td>Population density (persons per sq km)*</td>
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</tr>
<tr>
<td>Female</td>
<td>65.4</td>
</tr>
</tbody>
</table>

1.4.1 Profile of Bilaspur

The second region of plains in Himachal Pradesh, Bilaspur district, is situated in Satluj valley in the outer hills of the state and the boundaries are shared with Una, Hamirpur, Mandi and Solan districts. The topography consists of low lying hills and plains at mean altitude are 610 m above sea level and it covers approximately 2 per cent of Himachal Pradesh area.

According to 2001 census, the total population of the district is 340,885 with 171,263 male and 169,622 females. The district has low urbanisation with only 6.5% of the total population residing in urban areas and having a density of population of 292 persons per sq. km.

1.4.2 Literacy Rate in Bilaspur

The overall literacy rate in Bilaspur district was 77.8% which is almost at par with the state literacy rate stated in (2001) census. In Table 1.11 literacy status of Bilaspur is mentioned.

<table>
<thead>
<tr>
<th>Table 1.11 Literacy Status in Bilaspur Literacy Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
</tr>
<tr>
<td>------------</td>
</tr>
<tr>
<td>231,733 (77.8%)</td>
</tr>
</tbody>
</table>

Source: Census 2001

The district has a good network of primary and secondary schools run by the government to provide basic education to the local population. Apart from this, the district has about five ITIs offering 378 seats in different technical and vocational trades. The district does not have any polytechnic or engineering college for high level technical education.

1.4.3 Economy of Bilaspur

The district economy is driven by agriculture and service based industry. There are very limited opportunities in the industrial sector in the district due to location and resource constraints. The only large scale unit in Bilaspur is ACC at Barmana. NTPC is also setting up a 800 MW hydro power plant at Koldam. The area under cultivation is 55939 hectare. The major crops are maize and wheat which make up for approximately 98% of the total food grain production. Area covered under
horticulture is 6232 hectare and the mainly sub-tropical fruits such as mango are produced. Though agriculture is the mainstay of district economy, people are also employed in service based sectors such as transportation and ancillary units. Transportation sector involves drivers, loaders, unloaders as well as a number of roadside mechanics and auto components shops.

1.4.4 Profile of Kinnaur

The district from the high mountain range is Kinnaur which is one of the most scenic but less known districts of Himachal Pradesh. Located on the Indo-Tibetan border, it is surrounded by Tibet to the east, Garhwal Himalaya to the south, Spiti Valley to the north and Kullu to the west. Total population of the district according to 2001 census is 78,334 persons, comprising of 42,173 males and 36,161 females. Sex ratio (females per 1000 males) is 899. The density of population is 12 per sq. km. The scheduled castes and scheduled tribes population of the district is 7,625 persons and 5,628 persons respectively.

1.4.5 Literacy Rate in Kinnaur

As per Census 2001, the district has a literacy rate of 75.11%. The distribution of literacy is as shown below in table 1.12.

<table>
<thead>
<tr>
<th>Population</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>58,839 (75.1%)</td>
<td>35,551 (84.4%)</td>
<td>23,287 (64.4%)</td>
</tr>
</tbody>
</table>

Source: Census 2001

1.4.6 Economy of Kinnaur

The majority of people practice Hinduism but due to the proximity of Kinnaur to Tibet, the life style and religion of its inhabitants have been influenced by Buddhism, though the majority of the people practice Hinduism. The Kinnaur society is divided into two broad occupational groups-peasants and the artisans possibly of diverse ethnic origin. Kinnaur district has 9,355 ha cultivable land and 614,387 ha non-cultivable land.
Agriculture and horticulture is the mainstay of the district. Fruits and cash crops, like seed potatoes, ginger, vegetable seeds, apples, stone fruits, etc. are grown in the district. Wheat, maize and rice are the major food crops.

This chapter includes the explanation of the term rural from the marketing point of view. Most of the corporate companies are shifting their focus towards rural marketing as it has huge untapped potential and urban markets are becoming stagnant. Therefore rural marketing is the most burning issue in today’s era. The chapter also highlights the problems which corporate companies face in rural markets because of lack of infrastructure and literacy. This chapter also tries to explain the rural consumer behavior, factors which rural consumers keep in mind before making a purchase and how promotional strategies of different companies affect their buying behavior. As this study is about consumer durable products specially television, refrigerator and washing machine it also explains what are durable products and it also gives an overview of durable industry in India. As the present study focuses on the rural areas of Himachal Pradesh, it is pertinent to understand the profiles of Bilaspur and Mandi area as well.
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