1. INTRODUCTION

The expansion of Indian corporate from national to global at one side and from urban to rural from another side is manifested by successful entry of many national and international companies into rural markets aiming to identify potential consumers and satisfy their demands for various products and services. The companies related to Fast Moving Consumers Goods (FMCG) category such as Hindustan Unilever Limited, ITC, Godrej, Procter & Gamble, Colgate-Palmolive, Marico, SmithKline Beecham, and PepsiCo; consumer durables makers like LG, Maharaja, and Samsung; automobile companies like TVS, Hero MotoCorp, Maruti Suzuki, and Mahindra & Mahindra; retail companies such as Mahindra’s Shubh Labh, ITC’s Chopal Sagar, Tata’s Kisaan Kendra and DSCL’s Hariyali Kisaan Bazaar; and banking & insurance companies such as ICICI Prudential have successfully entered in rural corner of the country with innovative products and business models and grasped the opportunity by capturing huge untapped potential of rural India (Ramaswamy and Namakumari, 2014). The rising potential of rural India is witnessed with continuously increasing rural household annual income, changing consumption pattern, improving accessibility due to digital and infrastructure development, improving acceptability due to increasing literacy and media exposure, behavioural, psychological & lifestyle changes, and brand consciousness (Kotler et al., 2010). The marketing process involved understanding market place, customers’ needs, designing an appropriate marketing strategy followed by integrated communication programs and establishing profitable relationship with aim to customer delight. The same marketing process is also being replicated for rural markets to deliver valuable products and services as per need of rural consumers with value addition in marketing mix aiming to improve availability, affordability, acceptability and awareness for rural markets. The distinct characteristics of rural markets and consumer psychology such as uneven development, fragmented nature, low purchasing power, price and value consciousness, heterogeneous lifestyle, reference purchasing, adaptive nature and low awareness due to lack of literacy create significant difference from urban markets, hence it is imperative to implement distinct marketing strategy for rural markets resulting into targeted product development, innovative business model, inculcating superior value, effective distribution and promotion with aim to garner maximum share from the rural areas (Kotler, et al., 2010). The developments of various approaches in rural marketing are based on the outcome of distinct philosophies adopted by contemporary marketers. These approaches are revealed in the form of either Corporate Social Responsibility (CSR) or
Bottom-of-the-Pyramid Marketing and result into emergence of trickle down, undifferentiated, differentiated and integrated-innovative-inclusive (3Is) approaches of rural marketing (Krishnamacharyulu and Ramakrishnan, 2012). The choice to implement a particular approach by rural masters is based on perception about rural markets, scope of marketing functions in rural areas and desired outcome from the rural markets. The present study is focused mainly on developing a conceptual framework of Integrated-Innovative-Inclusive (3Is) approach for rural mobile telecom services in Punjab (India). India’s telecommunication network is considered as second largest in the world after China with 996 million subscribers in March, 2015. Both urban and rural subscribers significantly contribute in the growth of telecommunication network in country. The urban wireless subscribers constitute 58.5 per cent in total telephone subscribers followed by rural wireless (38.14 per cent), urban wireline (2.62 per cent), and rural wireline (0.75 per cent) subscribers (Telecom Regulatory Authority of India, 2013). The mobile telecom service industry in India relished a high growth since last decade in terms of number of subscribers and teledensity but now struggling to maintain a sustainable growth due to high operating costs, intense competition, continuous declining in minutes of usage per subscriber per month (MOU), average revenue per user per month (ARPU), steep fall in voice tariffs, and saturated urban markets (Cellular Operators Association of India, 2013). These all factors compel telecom service providers to identify and serve rural markets as a new target market with aim to maintain current subscription market share. The maximum market share of wireless subscribers belongs to Bharti Airtel (21.7 per cent), followed by Vodafone Essar (17.6 per cent), Reliance Communication (14.2 per cent), Idea Cellular (14.0 per cent), BSNL (11.7 per cent), Tata Teleservices (7.7 per cent), Aircel (6.9 per cent), Uninor and others (3.7 per cent). The practices involved in urban mobile telecom service marketing are required to alter while applying in rural markets due to distinct psychological, behavioural and profile characteristics of rural consumers vis-a-vis existence of various problems in rural areas that affect adoption and continuity of mobile telecom services. The lack of infrastructure facilities such as road, water, electricity coupled with disperse population, low per capita income are the main causes for low teledensity in rural areas. Other persisting problems such as high operating cost of base transceiver station (BTS), huge requirements of towers with dependency on battery backups for continuous tower operation, maintaining a reliable and consistent network, scarcity of technical and skilled man power create a great challenge for service providers to maintain sustainable growth in rural areas. A distinct distribution channel, innovative products and services, new business model, partnerships with governments or with
other firms or NGOs, and promoting rural entrepreneurship are some unique contemporary practices that are being followed by majority of rural marketers in general and for mobile telecom services in particular aiming to get profitability in business. The dominant players of mobile telecommunication in rural markets are Bharti Airtel (23.53 per cent), followed by Vodafone Essar (23.56 per cent), Idea Cellular (18.84 per cent), and BSNL with 11.88 per cent market share (Cellular Operators Association of India, 2013; Telecom Regulatory Authority of India, 2013). The present study is an attempt to design a conceptual framework for mobile telecom services marketing based on the latest rural marketing approach. The nature of study is cross sectional and empirical, starts with exploration the problems related to mobile telecom services in rural Punjab. The study stresses on strengthening and developing Public-Private Partnership (PPP) model to improve the access of telecom services in rural areas under integrated approach; designing rural entrepreneurship framework on the basis of contemporary global telecom players to strengthen distribution network, promoting business opportunities and wealth creation under inclusive approach; and innovative approach emphasising on leveraging local solution by assessing preferences and satisfaction, and understanding about successful diffusion of innovation for mobile telecom services in rural markets by assessing mobile telecom services innovativeness, identifying characteristics of rural innovators, and analysing motivated consumer innovativeness among rural consumers (Schiffman, Kanuk and Kumar, 2011; Prahalad and Stuart, 2002).

1.1 India’s Rural Potential

The rural areas differ from urban counterparts as they exist outside the municipality or corporation, or notified town area committee, having population less than 5000 with at least 75 per cent of male workforce engaged in agricultural activities and a population density upto 400 per sq. Km. (Census of India, 2011). The rural India contributes significantly in domestic consumption due to huge population base (826 million) and opens a pathway to capture huge untapped potential for various businesses. The India’s rural potential has been rising continuously since last one decade and witnessed with improving affordability and increasing accessibility of products and services due to infrastructure development, growing acceptance due to improved literacy and media exposure, increasing rural household disposable income, and life style changes. Many national and foreign national companies of various categories such as fast moving consumer goods (FMCG), automobile, consumer durables, banking, insurance, and retail sector recognized this enormous opportunity of rural areas and entered successfully with their innovative products and business models. It is also estimated that rural
markets will become dominant to urban counterparts in-terms of demand, potential, consumption pattern, and expenditure (percentage of income) for various items such as foods, FMCG, clothing, footwear, and durables (Kotler et al, 2010). The market analysts point out greater business confidence in rural India due to change in rural earning sources from farm income to non-farm income, growing income remittances from migrant rural population, increase in Minimum Support Prices (MSP), continuous rise in government budget expenditure (from US$ 9 billion to US$ 16 billion during March, 2007 to March, 2010) on various schemes of rural development such as employment, connectivity, drinking water supply, housing & land resources, and greater cash inflows due to improved access of finance and institutional credit (Accenture, 2010). The factors that attract marketers towards rural areas known as ‘rural pull factors’ and are described as follows-

1.1.1 Rural Demographic Environment

The large rural population base with increasing size and continuous growth of households outstandingly affect consumption volume in rural areas. About 70 per cent (1.1 billion) population lives in rural corner of country and is expected to reach 866 million by the end of 2015 from its 826 million in 2010. The numbers of rural households have increased from 138 million in 2001 to 165 million in 2010 due to emerging culture of ‘individualized joint family structure’ (Census of India, 2011; Kashyap, 2012). The rural economy has also transferred from old agrarian based economy to non-traditional occupation based economy due to preponderance of skilled and salaried jobs, shops and trades. It is important to note that almost 50 million people are engaged in non-agricultural occupations and merely 4 per cent of rural households belong to ‘large farmer’ category with landholdings more than 10 acres, 30 per cent of households belong to ‘marginal farmer’ with less than 2 acres of land and 15 per cent households are having land between 2 to 4 acres. The agricultural labourers have been reduced from 27 per cent in 2000 to 12 per cent in 2010, whereas non-agricultural labourers have been increased from 9 per cent to 31 per cent during the same period (Kashyap, 2012).
### 1.1.2 Increasing Rural Income Distribution

The state & central governments’ policy measures and developments under five year plans coupled with land reforms programs, infrastructure development, rural electrifications, communication and credit facilities increased rural prosperity and result into lower down of lowest rural income class (Rs. 25,000 per annum) from 61 per cent in 1994-95 to 20 per cent in 2006-07 vis a vis rising of highest income class (more than Rs. 100,000 per annum) from 1.6 per cent to 5.6 per cent during the same period (Fig.1.1). The rural annual household income is estimated Rs. 51,922 against Rs. 95,827 of urban household income. The per capita income among semi-urban is around Rs. 14,000 to 15,000 per annum while among rural is less than Rs.7000 per annum and it is also estimated that by rising 1 per cent of rural income, the buying power would be increased by Rs. 100,000 million (Kotler, et al., 2010). The rural markets are considered globally viable and estimated the proportion of the poor earning less than US$ 1 per day is going to reduce very fast and over the next decade it would become half and the proportion with income of more than US$ 5 per day will increase three-fold (Kashyap, 2012).

Fig.1.1 Rural Income Groups (Rs. per annum)

Source- Krishnamacharyulu and Ramakrishnan, 2012

### 1.1.3 Rural Consumption Growth

The rural markets are going to dominate urban markets very soon in terms of demand and potential for various categories such as foods, FMCG, automobile, clothing, footwear, and
durables. The rural expenditure as a percentage of income is 78 per cent against 72 per cent in urban counterparts (Figure 1.2). The study conducted by Mckinsey & Company (2007) reveals a significant growth of rural consumption since last two decades. A substantive growth in rural consumption has measured from Rs. 4,498 billion to Rs. 6,093 billion during the period of 1985 to 1995 with 3.9 per cent compound annual growth rate and expected to reach Rs. 16,701 billion by 2015 and Rs. 26,383 billion by 2025 with compound annual growth rate of 5.1 per cent. It is also estimated that by the end of 2025, the rural consumption will create a large potential market worth over Rs. 6 trillion (Krishnamacharyulu and Ramakrishnan, 2012).

1.1.4 Per-Household Rural Consumption Growth

A steep growth has also been noticed in per-household rural consumption due to increase in purchasing power of rural consumers. The rural markets contribute almost 40 per cent of India’s total consumption of goods and services with 7 per cent of rural income growth over the past few years. The expenditure on non-food items has been growing with 8.2 per cent annual compound rate vis-a-vis the rural markets act as source of substantial revenue for many industrial sectors. The FMCG sector generates 50 per cent of revenue from rural areas and 98 per cent growth of telecom subscribers has noticed in rural and semi-urban areas over the last five years (Accenture Research Report, 2010). The study conducted by Mckinsey & Company (2007) reveals that per-household consumption in rural India has been increased from Rs. 45,000 per annum to Rs. 50,000 from 1985 to 1995 and reached to Rs. 67,000 per
annum in 2005. The study also estimated that per-household consumption is expected to reach Rs. 104,000 and Rs. 158,000 per annum by 2015 and 2025 respectively (Fig. 1.3).

![Fig. 1.3 Per-household Rural Consumption (Rs. per annum)](image)

Source: Mckinsey & Company, 2007

### 1.1.5 Rising Rural Prosperity

A prominent shifting from slow-growth, agricultural based barter economy to fast-growing and cash rich economy significantly affects the rural eco-system. The rural economy has benefitted due to changes in cropping pattern from food grain crops to non-food grain & cash crops, shifting from on-land activities to off-land activities such as livestock, fisheries and from farm activities to non-farm activities such as services, and growth in manufacturing sector during last two decades. The farm sector contributes only 40 per cent while non-farm sector contributes 60 per cent of total rural income (Kashyap, 2012). Out of 35.8 million non-farms established in country, 19.8 million situated in rural areas and are categorized in various sector as retail (39 per cent) followed by manufacturing (26 per cent), social and personal services (8 per cent). The rural enterprises related to agricultural and non-agricultural production and/or distribution account 61 per cent (25.5 million) of total enterprises in country and act as a driving force for rising prosperity and employment opportunities. The outcome of all these changes is clearly manifested by declining of poverty ratio. According to Planning Commission of India (2010-2011), the poverty ratio at national level has decreased from 37.3 per cent to 28.3 per cent (based on uniform recall period) from 1993-94 to 2004-05 and decreased from 27.1 per cent to 21.8 per cent (based on mixed recall period) from 1999-2000 to 2004-05 in rural India (Fig. 1.4).
1.1.6 Increasing Rural Acceptability and Accessibility

The rural society witnessed fast urbanization since the last decade due to increasing literacy rates, more exposure due to globalization, lifestyle changes, e-learning opportunities, development of digital infrastructure and social & cultural changes. The literacy rate increased from 53 per cent to 63 per cent during 2000 to 2010 and nearly 20 percent of rural population is qualified with secondary and higher secondary education (Kashyap, 2012). The improvement in literacy coupled with media exposure from informal and formal sources amend the life style of rural people and are manifested in brand consciousness, growing usage and demand of discretionary and lifestyle products such as FMCG, cosmetics, mobile phones, televisions, Direct to Home (DTH) services, and two wheelers. The overall spending on these products has valued as $69 billion during 2001 to 2009 as compare to $55 billion in urban counterparts (Fig. 1.5). The corporate belongs to FMCG such as Hindustan Unilever, Colgate, and others such as Godrej, RCI, Marico, SmithKline Beecham reap 25-30 per cent of their total sales from rural markets only (Ramaswamy and Namakumari, 2014). The FMCG market growth rate in rural areas noticed at 18 per cent per annum as compare to 12 per cent in urban markets. The rural market share is expected to increase 45-50 per cent of total FMCG market by 2020 with its current 34 per cent of market share (Confederation of Indian Industry, 2010). The low financing penetration and prevalence of cash flow cycle of farming linked with harvesting season enhance cash purchases in rural areas and thus make a favourable arena for sale of consumer durables and automobiles (Credit Suisse, 2011). The rural markets are having huge untapped potential for service and insurance sectors also and
expected to provide business opportunities worth 23$ billion. Out of 20 million DTH connections, 14 million exist in rural India only. It is also important to note that 41 million Kissan Credit Cards (KCC) worth of cumulative credit of Rs. 977 billion have been distributed among the farmers and 42 million households are availing banking services against 27 million of urban households. The emergence of Self Help Groups (SHGs) leads woman empowerment resulting into active participation of rural women in business activities such as in project ‘Shakti’ of Hindustan Unilever and in ‘Shri Mahila Griha Udyog Lijjat Papad’. The rural infrastructural developments, long term policies and programs have improved rural housing, road connectivity, electrification, telecommunication, irrigation and drinking water facilities and result in improving the access of various products and services. The governments’ flagship program ‘Bharat Nirman’ spent Rs. 1.76 trillion under all round infrastructure developments ensuing the electrification of 100,000 villages, spread irrigation to 10 million hectares and build 6 million houses.

![Fig. 1.5 Sales from Rural Markets](image)

**Source:** Ramaswamy and Namakumari, 2014

### 1.2 Rural Marketing- The Concept of Rural Areas

The rural marketing refers to selling of products and services in rural areas through distinguished marketing activities. The term ‘rural’ is defined by various public and private organizations on the basis of various parameters such as population density, population characteristics, working pattern, economic conditions and distinct business requirements that vary among organizations. The Census of India, 2011 defined rural areas as any habitation with population density less than 400 sq. km, at least 75 per cent of male population is engaged in agricultural activities and outside the regime of municipality or corporation,
cantonment board, or notified town area committee. The Reserve Bank of India (RBI) considers all towns or villages under ‘rural’ having a population up to 10,000 and ‘semi-urban’ with population between 10,000 to 100,000. The Planning Commission of India defined rural as towns with a population up to 15,000. The FMCG companies such as Hindustan Unilever, ITC reckoned the rural areas up to 20,000 population whereas consumer durables companies such as LG Electronic considers all areas as rural or semi-urban except few metros.

1.2.1 Definition and Scope of Rural Marketing

The activities involved in rural marketing are different from the agricultural marketing. The agricultural marketing refers to marketing of agricultural products to industrial consumers outside the villages or delivering agri-inputs (seeds, fertilizers, pesticides, farm equipments) to farmers in rural areas whereas the rural marketing deals in finding ways and means to sell industrial and consumer goods in rural markets. Kotler et al. (2010) and Krishnamacharyulu & Ramakrishnan (2012) defined rural marketing as developmental marketing by promoting entrepreneurship, generating partnership with developments agencies, creating buying power among rural people and it also refers as business function that involved assessing, stimulating and satisfying demand for products and services through innovative business models aiming to satisfy rural consumers and business profitability. The rural markets in India have been ignored for the last many years due to various reasons such as low population density, lack of infrastructure facilities, improper supply chain, illiteracy, and plethora of unbranded local competitors with fragmented nature of competition that make rural markets least attractive for foreign as well as domestic companies. Legacy to consume self produced products and services rather than dependency on commercial buying make rural consumers self dependent and inhibits the shopping activities. The accessibility of rural markets is expensive and difficult due to lack of infrastructure facilities such as electricity, water, road, telecommunication, banks and media. But it is important to note that since last one decade the rural markets are no more ignored by marketers rather recognized as an important destination for consumption of many products and services due to realization of huge untapped potential. The marketers are compelled to consider rural markets as opportunity or compulsion due to certain factors. These factors are classified in two broad categories namely ‘urban push’ and ‘rural pull’ factors. The ‘urban push’ factors reflect various facts of urban markets such as over saturation, hyper competition, and requirement of constant innovation to serve ever changing life style of consumers. The ‘rural pull’ factors indicate rural market as promising
market place due to more affordability & acceptability of valuable & branded products and improved access due to infrastructure development. The rural markets are growing faster because of huge untapped potential and less competition as compared to urban counterparts. Affordability for branded products and services has increased drastically in rural areas due to change in occupation pattern, increased consumption, and rising disposable income. The rapid urbanization of rural areas since last decade has resulted into greater acceptance of branded products. The continuous improvement in literacy, lifestyle, telecommunication, e-learning facilities, media exposure and women empowerment induced urbanization in rural areas. The infrastructure development led by government programs and policies is manifested in road connectivity, electrification, wide telecommunication network in rural areas and resulting into access of various products and services. The profiles of rural consumers as well as their buying behaviour are also changing. The upgradation of products in rural households along with shifting of consumption pattern from local to national brands and from low priced to premium priced products indicate greater scope for marketers to deliver wide range of products and services to rural consumers. The usage and increasing demand for various items in rural households such as FMCG products (toothpaste, shampoos & conditioners, cosmetics, shaving cream, mosquito repellent, washing cakes & detergents, bath soaps, antiseptic, and branded salt), mobile phones, LCD and LED televisions, DTH services, automobile (two and four wheeler), and inverters reflect greater affordability and acceptability of popular products, openness to try innovative products, brand awareness, and receptivity to change the traditional consumption pattern by rural consumers (Business Standard, 2015; Velayudhan, 2007).

1.2.2 The Evolution of Rural Marketing

The rural marketing in India witnessed a sea change since independence and now reckoned as an important market place for many corporate and manifests the commercial efforts to gain profitability. The significance of rural marketing is clearly revealed by successful entry of various companies with innovative business models and customised products & services. The evolution of rural marketing can be studied by analyzing marketing function, nature of products and services sold, types of source and targeted market (Table 1.1). The entire revolution process is classified into following four phases-

Phase-1st (Before 1960s) - Prior to1960s, the agricultural marketing was the synonym of rural marketing. Under this phase, the agricultural produces and agri-inputs were considered
the main products for transactions. The agricultural produces considered as primary products for selling and further categorized into food grains and industrial raw materials (cotton, oilseeds, sugarcane etc.) products whereas the agri-inputs (fertilizers, pesticides, seeds, farm equipments and rural artisans) considered as secondary products for marketing. Both rural and urban areas were considered main target markets for agricultural produces whereas the rural areas were targeted mainly for agri-inputs products. Other products such as earthen and metallic utensils, agricultural equipments (plough, bamboo, and baskets) along with skilled labours (carpenter, blacksmith, cobblers, and pot makers) were also the part of this unorganized market.

**Phase- 2nd (1960s -1990) –** This phase is also known as developmental phase of rural marketing due to emergence of green revolution (during 1967- 1978) and white revolution, the later was initiated by National Dairy Development Board (NDDB). The various developments in this phase were reflected in three distinct phases of operational flood program during 1970 to mid 1990s (Cunningham, 2009). The green revolution has changed the farming practices from traditional to more scientific with use of improved agricultural inputs such as high yielding seed varieties, fertilizers, pesticides, and incorporating mechanistic practices through various farm machineries such as tractors, pump-sets, tillers, and harvesters. During this phase, the agriculture inputs considered as primary products to sell in rural markets through proper marketing channels. The emergence of various agri-inputs companies such as IFFCO, Eicher, Escorts, DSCL, and Mahindra & Mahindra came up with their marketing practices to serve rural areas. The white revolution embarked commercialization and processing of milk production through establishing cooperative societies in the villages and resulted into improvement in buying power among farmers.

**Phase- 3rd (1990s -2000) –** Under this phase, the household consumables and durables were considered as primary products to sell due to immense potential and huge untapped market as recognized by marketers. The socio-economic developments coupled with economic reforms in 1991-92 created favourable environments for companies to enter in rural areas as urban markets were going to saturate due to high competition. In 1990s the growth of industrial sector in India transformed agricultural based economy to industrial based economy and contributed significantly in gross national product (GNP) of country.

**Phase- 4th (After 2000) -** This phase is considered as the most advanced phase of rural marketing due to emergence of innovative products & services for customized solutions,
distinct distribution channels to ensure availability, introduction of new business models to improve access, emergence of Self Help Groups (SHGs) & microfinance to facilitate micro-credit, women empowerment, partnerships with various organizations (government, financial institutions or NGOs) and involvement of rural people in business activities. The contemporary rural marketing business models such as HUL’s project Shakti, Hindustan Petroleum’s Rasoi Ghar, ITC’s e-choupal; establishment of rural hyper markets from ITC’s Choupal Sagar, Godrej Agrovet’s Aadhar, TATA’s Kissan Kendra, and DCM Sriram Consolidated’s (DSCL) Hariyaali Kissan Bazar reveal successful entry into rural markets with distinct distribution channel, and emphasis the role of rural people as change agents or business partners aiming to promote entrepreneurship and create buying power among rural people. Appropriate product, pricing and promotional strategies adopted by many national and multinational companies by introducing low unit packs (LUPs) such as from HUL, Dabur, Marico, ITC, and Britannia (e.g. pouch packets of toothpaste, five-gram Vicks Vaporub, and small size Lifebuoy soap); affordable price range products from consumer durables such as LG, Samsung, Godrej and from automobile companies such as Maruti, Honda MotoCorp, TVS and Bajaj indicate rural marketing mix strategies to capture this promising market place (CII, 2010 and CII and Yes Bank, 2007).

Table 1.1 Phases of Rural Marketing Evolution

<table>
<thead>
<tr>
<th>Phase</th>
<th>Period</th>
<th>Major Tasks</th>
<th>Targeted Products</th>
<th>Origin</th>
<th>Target Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>Before 1960s</td>
<td>Agricultural marketing</td>
<td>Agricultural produce</td>
<td>Rural</td>
<td>Urban</td>
</tr>
<tr>
<td>2nd</td>
<td>1960s-1990</td>
<td>Agricultural inputs marketing</td>
<td>Agriculture inputs &amp; farm equipments</td>
<td>Rural and Urban</td>
<td>Rural</td>
</tr>
<tr>
<td>3rd</td>
<td>1990s-2000</td>
<td>Expansion of urban marketing</td>
<td>Household consumables and durables</td>
<td>Urban</td>
<td>Rural</td>
</tr>
<tr>
<td>4th</td>
<td>After 2000</td>
<td>Rural marketing</td>
<td>FMCG, automobiles, consumer durables, and retail</td>
<td>Urban</td>
<td>Rural</td>
</tr>
</tbody>
</table>

Source: Literature Review

1.2.3 Development of Rural Marketing Approaches

The phases of rural marketing evolution process are differentiated among each other on the basis of scope of marketing in rural areas, functions involved in marketing and identifying targeted products and markets. The rural marketing evolution process was significantly affected by various rural marketing environmental factors such as demographic, physical,
social, cultural, political and technological. The changes in rural economic environment such as economic structure, income spending pattern, per capita consumption expenditure has grown in last two decades due to improved infrastructure, governments’ support and rising employment opportunities. Apart from economic well being of rural areas, the evolution of rural marketing also yielded different perspectives to serve rural markets namely public administration, action and marketing based perspectives (Krishnamacharyulu and Ramakrishnan, 2012). The perspective of public administration indicates that urban areas are the locations exist within municipality or corporation with minimum population of 5000, at least 75 per cent of male workforce engaged in non-agricultural activities and having population density over 400 per sq. Km. (Census of India, 2011). Action based perspective stresses on identification of target market suitable for particular products and services and marketing oriented perspective focuses on population density, occupation criteria, and type of administration. These different perspectives develop distinct philosophies to serve rural markets either as Corporate Social Responsibility (CSR) or Bottom-of-the-Pyramid Marketing (Table 1.2). These different philosophies are clearly revealed in various approaches of rural marketing namely trickle down, undifferentiated, differentiated and integrated-innovative-inclusive (3Is) (Ganesh, 2014; Krishnamacharyulu and Ramakrishnan, 2012) and are presented as follows-

1. **Trickle Down Approach**- This approach primarily focuses on urban areas only by considering as main target market. According to this approach, the maximum sale is generated from urban areas as compared to rural areas. This approach stresses on serving rural areas aiming to increase brand awareness through CSR activities, thus the rural markets are excluded from any core business activities.

2. **Undifferentiated Approach**- The emergence of this approach is based on the desirable changes occurred in rural economic structure, disposable income, spending pattern and improvement in other rural economic indicators such as growing household consumption and infrastructure development. Due to all these factors, the marketers got attention in rural areas and resulting into plethora of corporate entries into rural markets. This approach is based on the philosophy that rural markets are adaptive in nature and adjunct to the urban markets, hence no differentiation with regards to products, services, and business models are required to incorporate. As a result, marketers using this approach implement minor modifications in urban strategies for rural markets and give emphasis only to distribution or placement of
products rather make any value addition to rest of the 3 Ps viz. Product, Price and Promotion.

3. **Differentiated Approach**- The differentiation approach came into existence in late 1990s due to occurrence of economic reforms in country; growth of industrial sector coupled with increasing rural purchasing power by emergence of Self Help Groups (SHGs), microfinance institutions & micro enterprises and manifested by increasing affordability of products and services among rural consumers. The approach lays emphasis on developing unique products, distinct distribution channels with value addition in marketing mix as per the need of rural consumers. The development of differentiated products is the main characteristic of this approach based on distinct features of rural markets such as value consciousness, price sensitivity, brand awareness, adaptive in nature, heterogeneity in lifestyle, reference purchasing and slow processing information due to lack of literacy.

Table 1.2 Features of Rural Marketing Approaches

<table>
<thead>
<tr>
<th>Base</th>
<th>Rural Marketing Approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trickle Down</td>
</tr>
<tr>
<td>Perception about rural markets</td>
<td>Excluded from application of specialized programs as considered smaller in size and lack of potential</td>
</tr>
<tr>
<td>Scope of marketing functions</td>
<td>Marketing practices are merely focused on strengthening public relation and corporate image</td>
</tr>
<tr>
<td>Preferable outcome (s)</td>
<td>Creating awareness through CSR*</td>
</tr>
<tr>
<td>better distribution and placement</td>
<td>and intend to business growth in rural areas</td>
</tr>
</tbody>
</table>

Source: Literature Search

* Corporate Social Responsibility, ** Public-Private-Partnership

4. **Integrated-Innovative-Inclusive (3Is) Approach** - This approach is considered as the latest approach of rural marketing based on the theory of Bottom-of-the-Pyramid (BOP) marketing (Prahalad and Stuart, 2002). This approach is a combination of three distinct approaches viz. integrated, innovative and inclusive and inter-related to each other (Fig. 1.6). The integrated approach emphasizes on improving the access of products and services in rural areas through developing public-private partnership (PPP), establishing better distribution, maintaining communication links and relationship marketing. The key stakeholders involved in PPP are the companies, offering rural centric products, grass root level organizations, NGOs, government, technology providers and public. These all stakeholders would have to come together and create an integrated approach aiming to expand rural economy (Ganesh, 2014). This approach performs the tasks of transactional marketing also by delivering valuable products and services (Kotler et al., 2010). The innovative approach, stresses on developing constant innovation in products and services by combination of global and local knowledge with aim to leverage local solutions. The approach further emphasizes on successful adoption and diffusion of innovation in a particular community on the basis of consumers’ innovativeness and identification of innovators for targeted product development. The inclusive approach is based on philosophy that rural people should be considered as business partners or change agents rather than a poor person of a deprived society (Kashyap, 2012; Krishnamacharyulu and Ramakrishnan 2012; Paninchukunnath, 2010; CKS, 2008; Prahalad and Stuart, 2002). This approach lays importance to developing and promoting local entrepreneurship in rural markets with aim to create buying power among rural people (Thakur and Jasrai, 2014; Dash, Patwardhan and Verma, 2011; Xavier, Raja and Nandhini, 2008). The inclusive approach is based on the theme of linking local communities with big businesses. This approach facilitates sustainable business solutions beyond philanthropy aiming to expand the access of goods and services by generating employment opportunities for rural people either directly or through firm’s value.
chains as suppliers, distributors, retailers or service providers. The inclusive business model delivers socio-economic values through providing affordable products and services and generating wealth through entrepreneurship among rural communities (World Business Council for Sustainable Development, 2014).
Fig. 1.6 Integrated, Innovative and Inclusive Approach for Rural Marketing

Source: Krishnamacharyulu and Ramakrishnan, 2012; Prahalad and Stuart, 2002
1.3 Indian Telecommunication Industry

The telecommunication industry in India plays an important role in Information and Communication Technology (ICT) with contribution of 4 per cent in Gross Domestic Products of country. India’s telecommunication sector accounts for almost 12 per cent of the world’s total telephone subscribers and has been achieving a strong position in the global mobile telephony market since last decade (COAI, 2013; Tractus Asia Ltd., 2012). The three major segments of telecom sector namely mobile (wireless), fixed line and broadband (internet services) are expected to grow more rapidly due to continuous rising commercial and social needs of people aiming to connect with rest of the world. The mobile telephony segment is expected to reach revenue of US$ 11.6 billion by the end of 2014 with compound average growth rate of 7.2 per cent during 2009 to 2014, whereas the broadband segment is expected to reach revenue of US$ 117 billion by the end of 2015 with compound average growth rate of 61 per cent during the same period (Tractus Asia Ltd., 2012). The emergence of smart phones, various mobile apps & technologies coupled with affordable handsets, telecom equipments, customized mobile value added services, increasing access of broadband services with 3G technology will spur the growth of telecom sector. Instead a substantial subscribers base in country, India still contributes only 2.3% (US$ 27 billion) of the world total revenue (US$ 1160 billion) and also known as the world’ lowest voice tariffs due to hyper competition in industry (COAI, 2013). The overview of various segments of telecommunication industry is presented as follows-

1.3.1 Major Segments of Indian Telecommunication Industry

The telephone subscribers in India have increased from 895.51 million in December 2012 to 996 million at the end of March 2015 with a growth rate of 0.28 per cent and total telephone density has been declined from 78.66 to 77.27 during the same period (Fig. 1.7). The total urban subscribers’ base has decreased from 596.96 million to 548.80 million and teledensity from 149.90 to 146.96 during the same period. Whereas, the rural subscribers’ base has increased from 338.54 million to 349.22 million and rural teledensity has also increased from 39.85 to 48.27 in this period. The share of rural subscribers in total subscription has increased from 37.80 per cent in December 2012 to 38.89 per cent at end of March 2013 (TRAI, 2013). The urban wireless subscribers contribute maximum (58.50 per cent) proportion in total telephone subscribers followed by rural wireless (38.14 per cent), urban wireline (2.62 per cent), and rural wireline (0.75 per cent) subscribers. The Bharti Airtel is the leading service
provider in country with 191.48 million subscribers followed by Vodafone (152.39 million), Reliance (124.22 million), BSNL (121.65 million), Idea (121.61 million), Tata (67.92) and Aircel (60.07 million). In the case of rural subscription market share, Vodafone is the market leader with 82.29 million subscribers followed by Bharti Airtel (82.16 million), Idea (65.78 million), BSNL (41.49) and Reliance (29.34 million).

![Telephone Subscribers Base](Fig.1.7)

Source: TRAI, 2012-13

**a. Wireless Telecom Service**

Both GSM and CDMA mobile telecom service providers are included in wireless service industry. The wireless subscribers have been increased from 864.72 million in December 2012 to 969.9 million at the end of March 2015 with a growth rate of 0.36 per cent and total wireless density has slightly increased from 70.82 to 70.85 during the same period (Fig. 1.8). The rural subscribers’ base has been increased from 331.60 million to 414.18 million whereas the urban subscribers showed decline from 533.12 million to 525.30 million. The rural teledensity has increased from 39.04 per cent to 40.23 per cent whereas the urban teledensity declined from 143.48 to 140.67. The Bharti Airtel remains the market leader in wireless service industry with its 188.20 million subscribers followed by Vodafone (152.35 million) and Reliance (122.97). Out of total cellular mobile service providers, GSM subscribers were recorded 794.03 million whereas, CDMA subscribers’ declined from 77.74 million in December 2012 to 73.78 million at the end of March 2013 (TRAI, 2012-13).
b. Wireline Telecom Service

The continuous decline of wireline subscribers’ base and wireline teledensity has been noticed since last five years in both urban and rural areas. Total wireline subscribers base has declined from 30.79 million in December 2012 to 30.21 million at the end of March 2013. The urban subscribers’ base noticed a negative growth of 1.42 per cent from 23.84 million to 23.50 million during the same period whereas rural subscribers declined 3.39 per cent from 6.95 million to 6.71 million. The rural teledensity has decreased from 0.82 to 0.79 whereas urban teledensity declined from 6.42 to 6.29. The Public Call Offices (PCOs) and Village Public Telephones (VPTs) are the main constituents of wireline service industry and both showed a decline growth since last one year. The PCOs in the country declined from 1.41 million to 1.26 million during last one year (TRAI, 2012-13).

c. Internet Services

The internet service industry is classified in two categories viz., internet access other than the wireless phone subscribers and internet access through wireless phone subscribers. Total 164.81 million internet users access through wireless phone whereas 21.61 million subscribers use internet through other sources rather than wireless phone (Fig 1.9). The share of internet subscribers (excluding internet access through wireless phone), through broadband is 69.65 per cent where as narrowband constitutes 30.35 per cent. The number of broadband subscribers has increased from 14.98 million in December 2012 to 15.05 million at the end of March 2013, whereas narrowband subscribers decreased from 6.59 million to 6.56 million during the same period. The share of internet subscribers related to PSUs (public-sector units) has declined from 79.54 per cent to 69.82 per cent, whereas private internet subscriber’s
share increased from 20.46 per cent to 30.18 per cent during the period from December 2012 to March 2013. The internet leased line registered a growth of 3.15 per cent with 41041 consumers in March 2013, against 39788 consumers in December 2012. The Bharat Sanchar Nigam Ltd (BSNL) is having maximum market share of 60.47 per cent with 13.12 million internet subscribers followed by 11.53 per cent of Reliance communication (2.49 million) and 9.06 per cent of Mahanagar Telephone Nigam Ltd (MTNL) with 1.96 million internet subscribers. Internet access through wireless phone is mainly provided by 13 service providers in country. Total 143.20 million subscribers accessed internet through wireless phone (TRAI, 2012-13). The Bharti Airtel is having maximum market share of 27.58 per cent with 39.48 million internet subscribers followed by 24.03 per cent of Vodafone (34.40 million), 17.80 per cent of Idea Cellular (25.49 million), 14.56 per cent of Reliance Communication (20.85 million) and 8.47 per cent of Aircel Ltd. (12.12 million).

**Fig. 1.9 Internet Subscribers Growth**

Source: TRAI, 2012-13

### 1.3.2 Rural Telecom Services

The access of affordable and quality telecommunication services in rural areas identified as one of the thrust areas in National Telecom Policy-2012. The main tasks involved in rural telecom services are to increase teledensity, enhance affordability by modifying tariff structure, and access of telecom coverage in all the villages along with delivering quality services. As on March 2013, the rural subscribers’ base measured as 349.22 million out of total 898.02 million subscribers in country with 41.02 rural teledensity. The overview of various segments of rural telecommunication are presented as follows-
a. **Rural Wireless Telecom Services** - The rural wireless subscribers constitute 342.50 million out of total 867.80 million wireless subscribers in country and represent 40.23 teledensity out of total 70.85 wireless teledensity. A continuous growth in rural telecom subscribers has been noticed during last one decade; it increased from 33.14 million to 424.18 million from 2007 to 2015 (Fig. 1.10). The total market share of private operators in wireless subscribers is 87.76 per cent; whereas public sector operators represent 12.24 per cent of market share. Vodafone is having maximum rural market share of 24.02 per cent followed by Bharti (23.99 per cent), Idea (19.21 per cent), BSNL (10.17) and Aircel (6.52 per cent).

![Fig. 1.10 Rural Wireless Subscribers (million)](image)

Source: TRAI, 2012-13

b. **Rural Wireline Services** - The rural wireline subscribers constitutes 6.71 million out of total 30.21 million wireline subscribers in country and represents 0.79 rural wireline teledensity out of total 2.47 wireline teledensity. The total market share of private operators in wireline subscribers is 20.88 per cent; whereas the public sector operators represent 79.12 per cent of market share. As on March 2013, there are 0.59 million village public telephones and 1.26 million public call offices exist in the country.
1.3.3 Salient Features of Indian Telecommunication Industry

The Indian telecommunication industry has been providing affordable and quality telecom services since last five decades and resulting into not only empowering the common man but also contributing to government finances. Instead of achieving a substantial growth since last one decade, the industry now is facing some challenges such as high operating cost, declining profitability, stagnation in revenue, declining minutes of usage per subscriber per month (MOU), average revenue per user per month, voice rates, and hyper competition in country (COAI, 2013). The trends of mobile communication indicators and key operating features of telecommunication industry are shown as follows-

a. Minutes of Usage Per Subscriber Per Month (MOU)-

Minutes of Use (MOU) are applicable to measure how much an individual consumes certain products or services (monthly on an average basis) in minutes’ time units. The industries related to time based pricing such as power, electricity, and telecommunication often used this type of measurement. This measurement is used not only to analyze the consumption pattern but also used as an indicator of business performance and forecasting revenue for a specific time period. The MOU for telecommunication industry continuously declined by around 17.6 per cent from 462 to 369 during 2007 to 2010 and 4.4 per cent from 612 to 585 from 2011 to 2012 (Fig. 1.11).

Source: COAI, 2013
b. Average Revenue Per User Per Month (ARUP)

The ‘Average Revenue Per User’ refers to the money spent by each user to consume one or more products and services in a particular time period. This measurement is used in currency units and also indicates the performance of the business. This mobile communication indicator also declined continuously for both GSM and CDMA telecom services during last one decade (Fig. 1.12). The ARUP in GSM services continuously dropped by around 70% from INR 462 per subscriber per month to INR 369 per subscriber per month during 2005 to 2013, whereas for CDMA services dropped by around 62% from INR 256 per subscriber per month to INR 95 per subscriber per month during the same period (COAI, 2013). It is also important to note that India’s ARUP is the lowest in the world and the mobile telecom subscribers generate merely one third of the revenues per month comparing with other emerging markets (BRIC nations) of Asia (COAI, 2013).

![Fig. 1.12 Average Revenue Per User](image)

Source: Annual Report- COAI, 2013

c. Teledensity

The teledensity refers to the number of telephone (either wireless or wireline or both) connections per hundred populations. The overall teledensity (both wireless and wireline) increased by 40 per cent from 52 to 77 during 2010 to 2015, whereas urban teledensity showed a drop of 13 per cent from 169 to 148 during last two years. In the case of rural teledensity, a significant growth by 70 per cent from 24 to 48 measured during last half decade (Fig. 1.13).
1.4 Public-Private Partnership (PPP)

Public-Private Partnership refers to the contractual agreement between public sector and private sector with aim to deliver effective and efficient public sector services for attaining socio-economic development of country. The partnership between public and private sectors acts as an instrument to improve access of quality services for public in general and for rural population in particular. In this partnership, the central, state or local government represent public organization whereas the domestic company, foreign national company, or NGO represent private organization seeking to provide better quality services comparing from traditional practices. The Planning Commission of India identified huge requirement of infrastructure development in 11th five year plan (2007-2012) and invested $500 billion for developing quality infrastructure in the country. In this direction, certain sectors such as rail, road, highways, power, transport, air and telecommunication have identified utmost important sectors for initiating substantial participation of private players from both domestic and foreign to fulfil the requirement of finance and developing public-private partnership to improve the access of quality services for public. The members involved in this partnership are responsible for success of this model by fulfilling their respective roles and responsibilities. The private sector facilitates capital inflows; provides technological and managerial support whereas the public sector provides affordable and quality services at door step of public and also performs supervisory role for successful implementation of the model (Fig. 1.14).
1.4.1 Definition and Objectives of PPP

The public-private partnership is defined as the contract or concession agreement based project between a government body or statutory entity on one side and a private body on the other side for delivering an infrastructure based services on payment of user charges (Asian Development Bank, 2006). The Canadian council for PPP, defines public-private partnership as a cooperative venture between public and private sectors based on the expertise of each
partner with aim to satisfy the clearly defined public needs through appropriate allocation of resources, risks and rewards (Ugboaja, 2010). This partnership facilitates capital inflows, technical and skilled manpower support along with the effective and efficient management from the private organization and monitoring & supervision from the government body aiming to socio-economic development for the community (Chapagain, 2006). The activities involved in the partnership such as operational issues, finance management, and standardization of service quality are decided by partners (Asian Development Bank, 2006). One or more private players (domestic or foreign national) can join hand together with government body to improve the quality of public services, furnishing at affordable prices and improving the access to population (Andrianova, 2011; Thomsen, 2005). The PPP is known as an innovative tool for remedying the traditional public services and creates a win-win situation for both government and private players by sharing the risks and awards over a definite period of time (Jamali, 2004). The PPP is also referred to as new public management tool, implemented under public sector reform movement that promotes decentralization of government, measures the output or performance of public services by inviting private players in the form of partnership with aim to encourage privatization in public services (Thurani and Shqau, 2011; Beh, 2010). The success of partnership depends on the coordination among partners involved, and the coordination depends on degree of trust and reliance among the members. Higher the trust among the partners, higher will be the coordination and success of the model (Singh and Prakash, 2010).

- **Objectives of PPP**

The continuity and success of PPP model depends on fulfilment of mutual objectives for all the partners involved in the partnership. The PPP is conceptualized as inter-organizational relationship between public and private actors, undergone a contractual agreement voluntarily between public and private entity for a particular period of time. A formal mechanism such as Memorandum of Association (MOU) should be developed to enhance the coordination and achieving the objectives of PPP (Singh and Prakash, 2010). The objectives of the PPP can be classified into two categories viz. government perspectives and private organization perspective as mentioned in Table 1.3.

**Table 1.3 Mutual Objectives of Public-Private Partnership [PPP]**

28
<table>
<thead>
<tr>
<th>S. No.</th>
<th>Objectives</th>
<th>Government Perspective</th>
<th>Private Sector Perspective</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>The constructive partnership of PPP meets the challenges of infrastructure gap and limitation of government resources to provide public services in general and for rural areas particular.</td>
<td>The PPP facilitates a long term business opportunity for private players due to least performance of public owned enterprises coupled with traditional sources of funds and inefficient government budget (Ugboaja, 2010).</td>
<td></td>
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<tr>
<td>2</td>
<td>To expand the access of public services, the government can utilize private players either domestic or foreign national as a source of finance, and for better technology and project design.</td>
<td>The PPP creates an opportunity of growth for private players by investing in high potential sectors such as telecommunication, health, education, public transport, and water sanitation.</td>
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<tr>
<td>3</td>
<td>The government can satisfy strong demand and improve the access of some basic services such as communication infrastructure, health, education, public transport, and water sanitation at affordable price in all parts of country by use of modern technologies, innovative business models, and by sharing the risk through responsive participation of private players.</td>
<td>The private sector can identify new and innovative approaches in their business model to improve the access of public facilities and enhance the efficiency by identification, assessment and allocation of risk through rigorous risk analysis.</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>The government can achieve intended social benefits by satisfying public needs and interests through incorporating good governance principles in PPP model.</td>
<td>The private players may get a chance to show their business potential, technical know-how by using innovative business model, delivering customized products and services to public with aim to adhere time, and cost frame work as well as meet out the standards and specifications of services as per decided by the government.</td>
<td></td>
</tr>
</tbody>
</table>
5. The government can ensure budget certainty, optimum investment in public infrastructure, reduce public sector risks, and can accomplish faster delivery of capital projects in high potential sectors.

The private players seek a smooth functioning of PPP model with continuous running through substantial inducements such as least government regulations, explicit government deed, well defined roles, shared investment and revenues, proper legal policy and time frame.

1.4.2 Models of Public-Private Partnership (PPP)

The proper planning, initiation, and implementation of PPP are the prerequisites to ensure the delivering of government services to public in a most economic and efficient way. A successful PPP model creates business growth for private players and also stimulates competitiveness among private players to become a part of PPP. The public, business partner and community are the major stakeholders involved in this partnership and to ensure the best interests of all stakeholders, a responsive, successful and achievable partnership are required to generate. In today context, various models of PPP are being used between public and private sectors to ensure the benefits of this partnership. The various models are based on number of guidelines such as time framework, shared investment & revenue, and operational & functional responsibilities between parties involved in partnership. The most common and contemporary forms of PPP are as follows-

a. Build, Operate and Transfer (BOT) - Under this model, the private entity is responsible to build and design infrastructure and to operate all the functions for delivering standardized quality services or products to general public for a prefixed period of time. After certain time period, the government takes over the entire project. The government bears all the financial and operating revenue risks under this model. Majority of e-governance and infrastructural projects are related to this category (Boccacin, Giovanna, and Bramanti, 2011).

b. Build, Own, Operate and Transfer (BOOT) – It is an extended form of BOT model that is based on franchise pattern. The private entity is accountable for design, build, operate, and develops infrastructure with own technology and expertise without any
direct involvement of government body. The financial and operating risks are borne by private players. The entire project will be handed over after certain period of time (usually 10-30 years) to the government. The private players charge user fee till the period of project (Lule et al., 2010).

c. **Build, Own, Operate (BOO)** - Under this model, the private body is responsible for entire project along with all the investment of the project and bears all the responsibility. The government monitors the performance of the entire project. The continuous supervision by government makes this model different from the normal private investment (Brinkerhoff and Brinkerhoff, 2011).

d. **Build, and Transfer (BT)** - The public and private sectors make a contractual agreement through an explicit deed, in which the private entity is responsible to build and design infrastructure and to operate all the functions for delivering standardized quality services or products to general public. Ultimately, the entire project is transferred to the government after its realization of success (Ernst & Young, 2012).

e. **Buy, Build, and Operate (BOO)** – Under this model, the entire project is sold off or transferred by government to the private sector for improving or expansion the facilities of public services. In this contract, the private sector upgrades and improves the public assets for a specific period of time.

1.5 **Diffusion and Adoption of Innovation**

The diffusion and adoption are two closely related processes of consumer behaviour that affect spread and acceptance of innovative products and services within a particular society or community. The diffusion of innovation refers to spread of consumers’ acceptance of new products throughout the social system, whereas adoption refers to individual consumer’s decision to try new product for continuous use (Schiffman, Kanuk & Kumar, 2011). The continuing advances and developments in technologies, increasing consumers’ awareness day by day coupled with constant changes in preferences and satisfaction not only lead to shorten life cycle of products but also generate high demand of innovative products to satisfy ever changing customers’ needs and interests, hence constant innovation is imperative to gain competitive advantages in industry. The past studies revealed that innovations in business
can be classified into four distinct categories on the basis of firm, product, market and consumers’ orientation and play an important role in diffusion and adoption within the society (Schiffman, Kanuk & Kumar, 2011; Roerich, 2004). The firm oriented innovation lead to emergence of innovative or new products in market place from the company perspective, irrespective whether the product is new or not for the target market. The product oriented innovation stresses on development of new features in the existing products that affect established usage patterns or disruption of consumers’ behaviour. The market oriented innovation defined as newness of products based on the degree of exposure that consumers having about new products or services in market place. The consumer oriented innovation based on the consumers perspective and defined as newness of products and services are judged by acceptance of potential consumers and identified on the basis of consumers’ perception rather than physical features or market conditions. The past studies related to diffusion and adoption indicate that new or recently (previous five years) introduced products contribute 50% of sales and profits in the corporate (Schmidt and Calantone, 2002). A sustainable growth in market share and profitability are imperative for companies to become competitive and constantly development of new products and services are important to gratify consumers demand. The new product development influences customer adoption and innovative behaviour, hence it is also worth noticing that developing new products entails possibility of failure also. The past studies also reveal that failure rate of innovation may reach up to 80% in some companies (Ho and Wu, 2011; Amue and Adiele, 2012). Development of new products in organization requires constant innovation, identifying proper demand, considerable time and substantial investment. Failure of new products or services not only causes financial loss but also affects the company’s image (Ho and Wu, 2011). Hence, successful diffusion and adoption of innovation affect the degree of acceptance for innovative products and services in a particular society. The success of diffusion and adoption depends on identification of need and preferences of consumers’ so as to maximise profits within a short life cycle of new products soon after introductory stage of PLC, hence it is also important to identify the consumers’ profiles those are earliest purchasers of new products and services in a society. The previous studies also revealed that marketers’ ability to identify innovators directly influences success or failure of introduction of new products in a particular society. Identification of ‘innovators’ are based on various concepts such as earliest 2.5 per cent of consumers in a social system those adopt innovation could be categorized as innovators, on the basis of status of new products under investigation and on the basis of consumer innovativeness i.e. purchasing of new products due to innovative
buying behaviour of consumers (Schiffman, Kanuk and Kumar, 2011). The consumer innovativeness also provides more valid and meaningful approach for customer segmentation aiming to achieve successful diffusion and innovation and this concept is being used by contemporary marketers (Jordaan and Simpson, 2006).

**1.5.1 Consumer Innovativeness**

The consumer innovativeness plays an important role in diffusion of innovation and induces innovative behaviour in consumers (Roerich, 2004). The concept of consumer innovativeness was first introduced by Rogers and Shoemakers (1971), who expressed innovativeness as “the degree to which as individual is earlier in adopting new ideas than the average number of his or her social system.” Midgley and Dowling (1978), suggested consumer innovativeness as “the degree to which an individual is receptive to new ideas and makes innovative decisions independently of the communicated experience of others”. The consumer behaviour researchers classified consumer innovativeness into two categories viz., open processing innovativeness and domain specific innovativeness (Kaushik and Rahman, 2014; Donnell and Sauer, 2005; Hui and Wan, 2004; Goldsmith and Hofacker 1991). In open processing innovativeness, consumers’ intellectual, perceptual and attitudinal characteristics affect the behaviour towards new products, whereas domain specific innovativeness depends on the individuals’ own interest and experience towards a particular product category such as automotives, consumer durables, telecom services, tourism, fashion, education and IT products (Roehrich, 2004). Higher the consumer innovativeness, higher will be the consumers’ willingness to accept the changes in ideas, concepts, things and influences more to others for adopting innovative features and ideas. The consumer innovativeness also induces quick decision power, comparatively faster rate and time of adoption for new products and services in a social group (Ho and Wu, 2011; Dobre, Dragomir and Preda, 2009). The consumer innovativeness also affects the rate of adoption i.e. how much time is required for new products and services to be adopted by members in a social group. Higher the adoption rate of innovation, higher will be the possibility of diffusion of innovation in a social system (Hawkins, Motherbaugh and Mookerjee, 2011).

**1.5.2 Characteristics of Consumer Innovators**

The consumer innovativeness affects behavioural pattern of consumers and attracts consumers towards new products. The innovativeness can be better explained by ‘inherent
novelty seeking behaviour’ that induces independence in innovative decisions (Roehrich, 2004). Some unique characteristics of innovators such as opinion leadership (OL), product involvement (PI), price sensitivity (PS), need for uniqueness (NQ), and venturesomeness (VSN) are related to consumer innovativeness and accelerates innovative buying behaviour. The distinguished characteristics of innovators are explained as follows-

a. **Opinion Leadership (OL)** - It refers to a process by which a person (known as opinion leader) influences adoption process or consumption action and attitude of others (known as opinion seekers) in an informal manner within a social group. The role of opinion leaders is to provide information and advise to others about usage, benefits and experiences of new products, thus often influence the acceptance and rejection of innovation in social system (Hoyer, MacInnis and Dasgupta, 2008). The marketers are often interested to identify opinion leaders as they influence others within a product category. Identification of opinion leaders can be done on the basis of certain demographic and lifestyle characteristics such as high involvement in a particular category, more socially active, high awareness & product interest, and active in receiving communication about product from personal sources (Rose and Kim, 2011).

b. **Product Involvement (PI)** – Product involvement is defined as consumers’ perception about importance of a particular product category based on realization of inherent needs, interest and values (Bian and Moutinho, 2008). It also refers to individuals’ interest in a particular product category resulting in first one to purchase as compared to others. The consumers’ product involvement is directly related with the product knowledge and impulsive buying behaviour. Higher the product involvements higher will be knowledge and impulsive buying behaviour (Liang, 2012). The innovators possess a unique personality trait of opinion leadership and are more likely to seek information about specific product category from various formal and informal media sources.

c. **Price Sensitivity (PS)** - It refers to individuals’ reaction for different level of prices. The price sensitivity is known as an awareness of consumers about perception for the cost regarding the products or services they buy. On the basis of the price sensitivity, every customer is having certain price acceptability range that varies from customer to
customer (Mamun, Rahman and Robel, 2014). The innovative consumers are insensitive about price increases as compared to others in their social group.

d. **Need for uniqueness (NQ)** – It is a unique personality trait of individuals characterised by purchasing a rare item (which is socially acceptable behaviour) with an aim to distinguish himself or herself in a social group. Synder and Fromkin (1980) defined ‘need for uniqueness’ as “the trait of pursuing differences relative to others through the acquisition, utilization and disposition on consumers goods for the purpose of developing and enhancing one’s self image and social image”. The marketers are keen to identify consumers’ uniqueness to gain more rapid acceptance of new products in the market.

e. **Venturesomeness (VSN)** – It refers to consumers’ willingness to accept the risk of purchasing new products. The measurement of this characteristic helps in evaluating the general values and attitude towards trying new products. The venturesomeness is related to the perceived risk and characterised by degree of uncertainty and fear about the consequences of using new products (Schiffman, Kanuk, and Kumar, 2011).

### 1.5.3 Motivated Consumer Innovativeness (MCI)

It is also important to note that various past studies emphasize on importance to certain motives that induce innovativeness in consumers and create innovative buying behaviour. The Motivated Consumer Innovativeness (MCI) is a new paradigm in consumer buying behaviour that motivates consumers to become innovative. The previous studies also revealed that role of the inherent innovativeness is limited to certain extent of consumers, hence Motivated Consumer Innovativeness give valuable insights about identification of target market, new product development and effective marketing communication. On the basis of most relevant literature various motives related to MCI are explained as follows-

a. **Socially Motivated Consumer Innovativeness (s-MCI)** – The socially motivated consumer innovativeness stresses on the social need of differentiation and hence, the consumers possess the characteristic of s-MCI, adopt innovative products and services relatively earlier in the social group with an aim to develop distinct social identity. The marketers can use this concept in designing effective promotion strategies by tempting consumers for distinct social identity in a particular group by delivering innovative customized products and services (Roehrich, 1994; Maden and Koker, 2013).
b. **Cognitively Motivated Consumer Innovativeness (c-MCI)** - The cognitively motivated consumer innovativeness stresses on stimulation of mind or consumers’ intellectual, perceptual, and attitudinal characteristics that stimulate innovative buying behaviour. The consumers influenced with c-MCI undergone some mental processes such as information acquisition & processing, thinking, reasoning, and rationale decision-making and motivate towards innovative products as compare to others in society (Grutzmann, Macedo and Zanbalde, 2013).

c. **Hedonically Motivated Consumer Innovativeness (h-MCI)** – The consumers’ innovativeness due to hedonic motive is resulted because of affective or sensory stimulation of products. It also refers to accelerate innovative buying behaviour due to influence of hedonic values associated with products or enjoy of newness of the products. The h-MCI drives individuals to adopt innovation for purpose of excitement in life or for entertainment (Negm, Sahn and Tantawai, 2012).

d. **Functionally Motivated Consumer Innovativeness (f-MCI)** - The functionally motivated consumer innovativeness stresses on functional or utilitarian value of products such as usefulness, handiness, compatibility, efficiency, comfort, ease, quality, and reliability as compared to old ones. This concept can be used to design and introduce novel set of benefits of products to consumers for successful diffusion and adoption of innovation (Vandecasteele and Geuens, 2008).