CHAPTER 1
INTRODUCTION

1.1 Background

According to Collins Cobuild Dictionary (2001) the word ‘rural’ is defined as a place far away from towns and cities. The term rural is a viable analytic, empirically referent in reality (Miller and Luloff, 1981) and multidimensional concept (Redfield, 1947). As per Census of India, 2011, ‘rural’ is a place of human settlement where the density of population is less than 400 per sq. km.; where in the working population, the male persons engaged in agriculture comprises a minimum of 75 per cent and the population do not have a municipality or board to support them. In the Indian context, FMCG companies agree to the common definition of ‘rural’ as a place, which supports a population base of up to twenty thousand persons. Further according to Kashyap and Raut (2006) majority of the companies in the durable and agro-input sector consider rural as an area with a population base of below fifty thousand.

A rural market broadly comprises of consumer markets, institutional markets and services (Dogra and Ghuman, 2008). Consumers in the rural areas as a segment possess certain unique characteristics in terms of aspirations, needs and want which are quite different when compared with their urban counterparts. Visible differences also exist in behaviour related to purchase of goods, levels of income and the residing environment of consumers. This calls for a marketing approach which is unique and specific for serving the needs of the consumers residing in the rural areas.
1.2 Phases of evolution in the concept on rural marketing

Though the concept of rural marketing is often similar with the concept of agricultural marketing, in reality there are subtle differences between the two. Rural marketing includes both the activities of inflow of goods from urban to rural areas as well as the outflow of goods from rural to urban, which is achieved by making available the manufactured products of rural non-agricultural workers to the urban areas. Since the early 80’s, the industrial sector of India’s has transformed into more maturity. The Liberalisation, Privatisation and Globalisation (LPG) policies of 1991-92 in the India economy further added momentum by the advent of competition based marketing. The emerging concept of rural marketing seeks to meet the needs and wants of the rural people by delivering tailor made products and services which are suited to the unique rural consumer’s profile. Currently a change in the mind-frame of the marketers is seen, which is the urge to move on to the rural areas. In the process there has been an evolution in the concept of rural market. Three clear phases can be demarcated in the evolution process of rural marketing.

**Phase 1** is the period prior to 1960. During this phase, the term rural marketing was viewed similarly as agricultural marketing. In this phase the rural market was defined by a physical place dominated by indigenous traders. Agricultural products like food grains and industrial raw materials like oil seeds, sugarcane, cotton, and so on received prime importance in the market among the various traded product categories.

**Phase 2** is the period from 1960 to 1990. During this phase, agriculture input and non-farm rural products received prime importance in the market among the various traded product categories. The phase was characterised by green revolution due to the use of
new scientific methods of farming and a lot of poor villages became economically well-off. With the use of advanced methods of irrigation, modern machineries, tools and techniques, the output of food grains especially for wheat and paddies increased manifolds.

**Phase 3** is the period after mid 1990. During this phase, the middle class of the country emerged as a dominant group of customers and there was a steady increase of income. From this phase the broader framework of rural marketing included product categories like FMCG and Consumer durable goods into its fold. Since 1990, India’s industrial sector became more matured and the Gross National Product (GNP) in India in 2013 was pegged at 99965.15 INR Billion as reported by the Ministry of Statistics and Programme Implementation (MOSPI). Rural areas have been seen to progress socially and economically due to various government policies and social responsibility efforts of corporate like Goenkas, Mafatlal, Tatas, Birlas and others.

### 1.3 Classification of rural markets

Rural market can be broadly classified into three categories. They are the Consumers Market, the Industrial Market and the Services Market. The Consumer Market is a market which deals with consumables (like food products, cosmetics, toiletries, etc.) and durables (like Kitchen appliances, watches, furniture, etc). The Industrial Market is a market which deals with consumables (like fertilizers, pesticides, seeds, petrol, etc) and durables (like pump sets, generators, power tillers, etc.). The Service’s Market is a market which deals with services (like banking, credit, insurance, healthcare, education, repair, transport and the like).
1.4 Evolution in the study on rural markets

Rural marketing has turned to be an emerging area in the field of marketing as there is a requirement for a separate set of marketing approach. The variation of the rural consumers can be counted in terms of factors like consumer’s demographic profile, buying behaviour, values, attitudes, lifestyles, factors taken into consideration while purchasing of products along with the environment. Studies of rural markets and marketing can be divided into the following three phases:

Pre 1980 era: The first comprehensive attempt to study the rural market was made by Hindustan Thompson Associates (HTA) who developed the Thompson Rural Market Index in 1972. This database provided comprehensive information on the Market Potential Value of a particular district. The Index incorporated data related to demographic variables, occupational pattern, information pertaining to agriculture and availability of commercial banks to determine the potential of districts. This tool was used for segmentation of the rural market directly for agriculture inputs and durables and indirectly for other consumables. But it failed to provide in-depth data related to penetration of FMCG in the remote villages of the districts.

1980-1990 era: The Institute of Rural Management, Anand (IRMA) was first to initiate a course on rural marketing in the 1980’s which included papers on marketing of urban consumer products and services to rural India. The Institute started promoting research on conceptualizing different aspects of rural marketing (like respondent bias, segmentation issues, issues pertaining to market potential analysis etc). Hindustan Lever focussed on the growing rural markets of India since 1983. At that time there was no
concrete literature available. But with the foray of corporate on to the rural market and spread of rural marketing education, the literatures on rural consumers, rural distribution, and rural marketing strategies became available. Various NGO’s, Institutions, Alumni’s of IRMA (who imparted training on rural marketing) and corporate took initiative in rural marketing research intensively during this period.

2000 and Post 2000 era: With the start of Liberalisation Privatisation and Globalisation (LPG), global brands which reached urban India intended to penetrate to rural areas. There was an urgent need for rural Marketing Information System (MIS). To meet the new demand of the clients, market research groups started introducing a series of tools and techniques that could help clients get customer insight. With the growth of competition, forecasting behaviour of rural consumers became an important requirement of the clients of research groups. Further need based research started to be done based upon the demand of the clients of the research groups.

1.5 Research Objectives

Today firms exist to satisfy the needs and wants of consumers. In this process, adequate knowledge about target market’s demography, buying behaviour, decision making process, consumers’ values, attitudes and lifestyles are necessary to serve that market.

The situations and circumstances of a rural market are quite different when compared with that of an urban market. Traditionally in the rural areas, decisions making for purchase of products and services were solely dependent on the discretionary power of...
the male persons in a household. But with the increase of literacy level along with the
greater penetration of information media in the rural environment, other members of the
family have also started getting involved in making decisions related to purchases.
Marketers in order to avail the market opportunities in rural areas need to have a clear
idea on the role played by different members of a family so as to design the marketing
mix of different products and services. Accordingly the first objective of the study has
been formulated as the following:

(i) To analyse the buying behaviour of the rural consumers’ in terms of
family role structure in decisions with respect to FMCG and Consumer
Durables in a few selected districts of Assam.

Demography studies deal with variables like gender, age, family size, family cycle,
profession, qualification, income level of consumers residing in a defined geographic
area. Study of demographic profile of the consumers in the rural market is important for
marketers.

Study of Values, Attitudes and Lifestyle of a rural settlement is another important area
for consideration. Values are intangible and deal with basic aims, aspirations and ideals.
Attitude is a mental and neural state of readiness to respond which is organised through
experience and exert a directive influence on behaviour (Allport, 1935) whose structure
cannot be directly observed. And Lifestyle deals with how people spend money, time
and energy. Lifestyle is an essential element for consideration as it shapes the behaviour
of consumers.
At the same time, Segmentation has become a dominant concept in marketing literature and practice (Wendell Smith, 1997). Faced with heterogeneous markets, a firm following a market segmentation strategy usually can increase the expected profitability (Yoram Wind, 1978). Any change in the behaviour of consumers, reflect the influence of human demography along with values, attitudes and lifestyle. Based on the variation of these vital elements of the consumers, marketers sometimes go for segmentation of the market.

Accordingly the second objective for this study has been formulated as the following:

(ii) **To study Demographic Profile, Values, Attitude and Lifestyles of rural consumers so as to enable marketers to create distinctive segments (based on Values, Attitude and Lifestyles) in rural markets.**

One of the major goals of a marketer is to understand the marketing decision variables that have an impact on consumers in the final decision of purchases. In order to make a purchase decision, consumers develop quality expectations about a product based on different product attributes which are traded off against each other. After a choice has been made, consuming the product will lead to quality experience as consumers will evaluate the sensory properties of the product as well as the other attributes that created expectations (Behrens et al., 2007). The match or mismatch between quality expectation and quality experience (confirmation or disconfirmation) determines consumers’ satisfaction and hence may lead to repeated purchase (Deliza, 1996; Grunert, 2002; Bruns et al., 2002). Over the years various research agencies like Hindustan Thomson
etc have highlighted the needs and requirements of rural consumers, especially that of Northern, Western and Southern India. Very little is known about rural consumers of the North East particularly of Assam which shares 2.57 percent of India’s rural population. With the availability of almost all major global and national brands in rural markets, marketers need to have detail information regarding the factors which induce rural consumers’ purchases. Accordingly the third objective of this study has been formulated as the following:

(iii) To identify the factors taken into consideration while purchasing the products with respect to both FMCGs and Consumer Durables by the rural consumers in a few selected districts of Assam.

New products are getting introduced in the market at an increasing pace day by day. This is further catalysed by the market globalisation process where new products diffuse, get extended and become obsolete. Concept of market penetration which deals with the degree of the usage of the product by the consumers in a given market has become quite popular. By knowing the penetration rate, marketers can go for comparison among different product in a category or categories and can get feedback on the performance of various products in the market. In the market, products recording a low level of penetration indicate opportunities. According to NCAER (1998), in the rural areas, the consumption of certain FMCG and durables is more in rural areas than in the urban areas (like bicycle, table fan, black-and-white television, etc). Such facts set the urge to know more about the products categories which are making rapid inroads in
the rural markets and those which have high demand potential. Accordingly the fourth objective for this research study has been formulated as the following:

(iv) To identify all available product categories in both FMCGs and Durables sector and to evaluate the penetration level of the identified products in the few selected districts of Assam.

A common question raised in the field of marketing in the rural areas is whether the target market that is to be served is homogeneous or heterogeneous. Subjective literature abounds on this topic of homogeneity and heterogeneity. Though a few works has been carried out on this aspect, there is no uniform opinion on the homogeneity or heterogeneity of rural markets. Moreover a research finding in one particular geographical area of the country or world, where it is proved that the market is homogeneous or heterogeneous, cannot be generalised in any other part. Keeping in mind the above, the fourth objective has been formulated for the possibility of segmentation of the consumers based upon SEC-2011 as:

(v) To examine the possibility of identifying fewer segments among rural consumers (based upon Socio Economic Classification) which make segmentation process easier for marketers in the rural areas?

Models on Consumer Behaviour study individuals, groups or organizations and the processes they use to select, secure and dispose of products, services, experiences or ideas to satisfy needs and the impacts that these processes have on the consumer. Different
scholars and marketing practitioners have suggested various models related to consumers’ buying behaviour. But they are basically generalised and more relevant for urban consumers. Appreciating the fact that rural consumers’ buying behaviour model is rare, an effort is made to construct a Suggestive but Comprehensive Rural Consumers’ Buying Behaviour Model to give a bird’s eye view of the findings of the entire research. According the sixth objective has been formulated as:

(vi) To evaluate a suggestive Rural Consumers Buying Behaviour Model based upon the findings of the entire research.

1.6 Research Hypotheses

According to Ferrell (2005), for any strategy related to marketing mix, the main centre of attraction is the product. It is this very product which retailers can use, to provide customers both experiential and symbolic benefit so as to make distinction among competitive brands in the eye of the customer. Various research studies have contributed that along with the core benefit of a product, other features like price, promotional aspect, packaging, brand name, design and size also have differential impact in purchase decision. These ultimately shape the purchase behaviour of the customers. But due to the different profile of the rural customers when comparison is made with the urban customers, it is felt necessary to study how consumers behave towards the individual elements of the marketing mix. Accordingly a hypothesis has been framed as:
(i) Rural consumers give equal importance on each element of the Marketing mix. This leads us to the belief that rural consumers are satisfied equally by Product Levels, Pricing, Availability and Communication.

Basically rural consumers are not the same as their urban counterparts in terms of preference for goods and services. Within the same rural area but with different geographies there may be considerable differences. According to Anand and Krishna (2008), there is a requirement for marketing strategies which are specific to the rural area and the region. Today rural markets have witnessed sharp competition among national, regional and local brands where the competition may be both inter and intra. An advantage enjoyed by the local and the regional brands in the rural areas is that they do business in a selective area of the geography. This indirectly give them the expertise to know the specific need of the local customers and can price the products at an affordable rate due to the reaping of economies in the cost incurred in production and distribution. Keeping in mind the above facts a second hypothesis has been framed as:

(ii) Rural consumers purchase decisions are affected by preferences for national and local brands. This holds true for both FMCG and Consumer Durables.

Economic prosperity in rural areas has led to arousal of the feeling among the community involved in business, that the rural and the urban markets can be treated alike and are similar (Vijayraghavan and Philip, 2005). The feeling is that the marketing
policies of the urban markets could be replicated into the rural markets without any major modification. However a few scholars do not support this version. According to NCAER(2003) and Bijapurkar (2003), there exist differences between the markets of urban and rural areas in regard to living standard, levels of literacy, amenities, infrastructure for marketing and socio-cultural background (Rao, 2000, Jha, 2003). Based upon the above background and the finding of objective 5, a need is felt to identify relationship between some demographic variables (i.e. income and educational qualification) and possession of consumer durables. Accordingly the third and fourth hypotheses have been framed as the following:

(iii) There is positive influence of Income level and Education level on the behaviour of rural consumer in terms of purchase of consumer durables in general.

(iv) Income level and Education level have significant impact on important purchase criteria that consumers take into account in the purchase of consumer durables.

1.8 Research Questions

The stereo-type impression on a rural consumer is a person has low level of literacy, have limited number of brands in choosing a product, guided by the sense of affordability and prone to be influenced by gossips and discussions in social get-togethers. A rural consumer develops an urge to know about a new product after hearing
from friends and neighbours. He develops interest and gathers additional information
from other reference groups. The final decision to purchase a product is made after
taking a final word from the local trusted retailers and reliable sources.

According to Baptist (1992) in rural areas, information source retailers are more
important than their urban counterparts and with the endorsement of a product by a
retailer, customers do require useful facts and suggestions about the products. It can be
summarised that retailers in rural areas do play a certain kind of role; hence the research
study proposes an important research question as:

(i)  **What type of role does a Retailer play in the rural markets?**

The social fabric of the rural areas is quite different from that of the urban areas. In the
urban areas often members of the family have a say in the final decision to purchase a
product. But traditionally in the rural areas, the women folk have very little role in
market related affairs. The male persons are the dominant figures who take decisions
and also make purchase. But with the changes in the socio-economic environment of the
rural areas, there seems to be some changes in the decision making approach in rural
areas. Consequently this has led to the emergence of new profile of both the genders in
the decision making process in a family related to purchase transactions. So it has been
felt imperative to know about the type of role that is played by gender in the rural areas.
In the light of the above the research study proposes a second important research
question as:

(ii)  **What type of role does Gender play in the rural markets?**
1.9 Relevance for Industry & Academia

Today companies face a daunting task when they decide to make foray into rural markets. The process of gathering knowledge about consumer behaviour, physical distribution of products and services with adequate reach and frequency to the nooks and corners of the geographical area being served and communication with a varied population of multi-culture and socio-economic background is quiet complex and challenging. Till recently, business firms have not devoted much time, energy and money in actually catering to the need of the rural consumers or in rural market research in knowing about the profile of rural consumers, their values, beliefs, interest, desires and level of satisfaction.

Current market trend tells us that the growth rate of the rural market is double the rate as recorded in urban India (Vaishali, 2007). As per NCAER Report 2003, when comparison is made on the percentage of consumers in the rural and urban market altogether, FMCG consumption is 53 percent and durables consumption is 59 percent by the rural consumers. The annual growth rate of the consuming class of the rural area ranges from 3 to 4 percent and this turns out to be 1.2 million new consumers per year (Financial Express, 2002). According to the Marketing White Book (2007-08), Business-World (Dec 2007), projected figure of rural consumption in aggregate by 2015 will turn out to be Rupees 1670 thousand crores and the projected figure for 2025 is expected to be Rupees 2648 thousand crores.
The current study will add to the existing stock of literature on rural marketing, especially in the areas of buying behaviour, demographic profile and factors taken into account for purchase decisions by the rural consumers.

1.10 Thesis outline and chapterisation

The thesis has been divided into five parts which are listed below:

**Part I: Opening Perspectives**

CHAPTER 1: Chapter 1 contains a brief introduction of the selected topic, objectives, hypothesis, questions and its contribution in the relevant field of industry and academics.

**Part II: Literature Review:**

CHAPTER 2: Chapter 2 deals with the detail of the reviewed papers related to the identified areas of research.

**Part III: Conceptual framework:**

CHAPTER 3: Chapter 3 deals with the methodologies that have been used to study and examine the various research objectives, hypothesis and questions framed for the study.

**Part IV: Research Findings:**

CHAPTER 4: Chapter 4 answers Objective 1.

CHAPTER 5: Chapter 5 answers Objective 2

CHAPTER 6: Chapter 6 answers Objective 3.

CHAPTER 7: Chapter 7 answers Objective 4.

CHAPTER 8: Chapter 8 answers Hypotheses 1

CHAPTER 9: Chapter 9 answers Hypotheses 2

CHAPTER 10: Chapter 10 answers Objective 5, Hypotheses 3 & Hypotheses 4
CHAPTER 11: Chapter 11 answers Research Questions 1.

CHAPTER 12: Chapter 12 answers Research Questions 2.

CHAPTER 13: Chapter 13 deals with Objective 6

Part V: Closing Perspectives

CHAPTER 14: Chapter 14 presents the summary of conclusion from the findings. It also provides the areas on which further research work can be carried out.