“Improving the lives of billions of people at the bottom of the economic pyramid is a noble endeavor. It can also be a lucrative one”

C K Prahlad & Allan Hammond
CHAPTER – I
INTRODUCTION

"Improving the lives of billions of people at the bottom of the economic pyramid is a noble endeavor. It can also be a lucrative one"

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Introduction to Rural Marketing
(This chapter deals with significance, need for study, review of literature, statement of problem, objectives and hypothesis of study, limitations and scheme of chapterisation).

1.1 Introduction:
Marketing today has changed the dynamics of business. Consumers are becoming more informative and the business is becoming more competitive. Markets are facing fresh challenges every day and trying out new strategies to increase their realm. Urban markets are getting saturated thus forcing the companies to explore rural markets which promise a huge potential. Rural markets have been growing steadily over the past few years, more than urban markets.

1.1 India is a vast country with 1026.9 million people, out of which 73.4% live in 6,38,000 villages. With the support of government VIZ supplying fertilizers, quality seeds, use of electricity in agriculture, has resulted in rapid rise of rural incomes. The consuming class households (annual income between Rs. 45,000 to Rs. 2,15,000) in rural India equals the number in urban India. It is well known that for the same
level of income, the "disposable surplus" in rural areas is much more higher because food, shelter, primary education and health are almost free, where as urban India spends 60 to 70% on these necessities. As compared to 1 crore high and upper middle income households in urban India, rural India has 76 lakh households in the same category. 3

Following table depicts the constituents of rural markets with classification based on their annual income.

**Table 1.1**

**Constituents of rural markets (2001-2002)**

<table>
<thead>
<tr>
<th>Class</th>
<th>Annual income</th>
<th>Number of people</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very rich</td>
<td>above 2,15,000</td>
<td>40 lakh</td>
</tr>
<tr>
<td>Consuming class</td>
<td>45,000 – 2,15,000</td>
<td>11.5</td>
</tr>
<tr>
<td>Climbers</td>
<td>22,000 - 45,000</td>
<td>33.1</td>
</tr>
<tr>
<td>Aspirants</td>
<td>16,000 – 22,000</td>
<td>17 crore</td>
</tr>
<tr>
<td>Destitutes</td>
<td>Less than 16,000</td>
<td>12.4</td>
</tr>
</tbody>
</table>

**Source**: NCAER, Sarathy & Narayana, “Rural Marketing Strategies,” www.alliancebschool.com

As per the survey made by NCAER, the classification was five fold and were categorized as per their annual income. There were 40 lakh very rich people, where as 17 crores were aspirants.

Following Table shows the increase in annual income in the categories of rural markets.
Table 1.2
Rural annual income growth between 1995-96 and 2006-07

<table>
<thead>
<tr>
<th>*Consumer class</th>
<th>Annual income</th>
<th>1995-96 in %</th>
<th>2006-07 in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Very Rich</td>
<td>Above Rs 2,15,000</td>
<td>0.3</td>
<td>0.9</td>
</tr>
<tr>
<td>b) Consuming Class</td>
<td>Rs 45,001 – 2,15,000</td>
<td>13.5</td>
<td>25.0</td>
</tr>
<tr>
<td>c) Climbers</td>
<td>Rs 22,001 – 45,000</td>
<td>31.6</td>
<td>49.0</td>
</tr>
<tr>
<td>d) Aspirants</td>
<td>Rs 16,001 – 22,000</td>
<td>31.2</td>
<td>14.0</td>
</tr>
<tr>
<td>e) Destitutes</td>
<td>Rs 16,000 &amp; below</td>
<td>23.4</td>
<td>11.1</td>
</tr>
</tbody>
</table>

Note: *Projections based on 7.2 % GDP Growth


Table 1.2 shows that between 95-96 and 2006–07, in a decade destitutes have reduced from 23.4% to 11.1 %. This shows there is a growth in annual incomes. Many aspirants have climbed the ladder to ‘Climber’ class. 2 fold growth is seen in ‘very rich’ class. This shows that income in rural households is increasing and they have more disposable income in their hands.

A study by Chennai based Francis Kanor marketing planning services (2008) estimated that, the total value of the rural market is at whopping RS. 1,23,000crores. Divided in the categories of:

- FMCG – Rs.65,000 crores.
- Consumer durables = Rs. 5000 crores.
- Agri inputs including tractors = Rs. 45000 crores.
- 2 and 4 wheelers = Rs. 8000 crores.
Not competing in rural market will remove $\frac{1}{2}$ of the turnover of FMCG products, 33% of durables and 15% of life style products. Such is the potential of rural markets. For an established largest FMCG company like Hindustan unilever Ltd., more than half of its annual turnover (sales) of Rs. 11,700 crores comes from the rural markets.\(^5\)

The potentiality of the rural market is said to be like a 'woken up sleeping giant'. In recent years, rural markets have gained substantial increase in purchasing power. On account of green revolution, rural people have money and consuming large quantities of industrial products. Rural India accounts for 60% of total national demand.\(^6\)

From the strict marketing point of view, the market structure in India is dichotomous, with rural and urban markets. Consumer needs, aspirations, beliefs and attitudes are different in rural and urban markets.

1.2 What is rural market?

The census of India defines rural as any inhabitation where the population density is less than 400 per sq. km and where at least 75% of male working population engaged in agriculture and allied works.\(^7\)

But the definition for rural markets is different from industry point of view. Different companies define rural markets from their business point of views. FMCG companies define 'any territory having more than 5000 population up to 20,000 as rural market, while consumer durable company put this limit at 20,000. In other words, companies are not considering villages with less than 5000 population.
and directly catering to them. Leaving aside big companies like HUL, Godrej, ITC, most of the FMCG companies are not marketing for towns with population of below 20,000.

1.3 Location and Concentration of rural population:

The rural population in India accounts for 742 million which is exactly 74.3% of total population. Number of Indian villages are 6,38,365 where as Karnataka state comprises of 29,483 villages. Following table shows Indian villages according to population size.

Table 1.3
Indian villages according to population size

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percent</td>
<td>Number</td>
</tr>
<tr>
<td>a) Less than 200</td>
<td>92,541</td>
<td>15.6</td>
<td>103,952</td>
</tr>
<tr>
<td>b) 200-500</td>
<td>127,054</td>
<td>21.4</td>
<td>141,143</td>
</tr>
<tr>
<td>c) 500-1,000</td>
<td>144,817</td>
<td>21.4</td>
<td>144,998</td>
</tr>
<tr>
<td>d) 1,001-2,000</td>
<td>129,662</td>
<td>21.9</td>
<td>140,395</td>
</tr>
<tr>
<td>e) 2,001-5,000</td>
<td>80,313</td>
<td>13.5</td>
<td>62,915</td>
</tr>
<tr>
<td>f) More than 5,000</td>
<td>18,758</td>
<td>3.2</td>
<td>13,376</td>
</tr>
<tr>
<td>Total no. of Inhabited villages</td>
<td>593,145</td>
<td>100</td>
<td>580,779</td>
</tr>
</tbody>
</table>

Source: Compiled from census, 2001 and 1991.
Table 1.3 tells that there are 92,541 villages with inhabitation of less than 200.
1,44,817 villages have (max. no) population between 500-1000.
1,29,662 villages have (max. no) population between 1000-2000.

These 2,72,479 villages (C+D) having population between 500-2000 are to be addressed by FMCG Corporates. E&F are already dealt by companies.

Economic situation in rural areas has improved because of rapid progress achieved in the areas of agricultural development and allied activities like animal husbandry, sericulture, pisciculture and due to encouragement given to village and cottage industries.

1.4 Are we touching these rural markets?
As the urban markets are saturating, focus of the marketing is shifting towards rural market which has a huge demand base and offers great opportunity to marketers. About 2/3 of Indian consumers live in rural areas and almost half of national income is generated from rural
India. While urban market for both consumer durables and non durables is growing at 8-10%, rural market is zooming ahead with an annual growth of about 25%.

1.5 Rural India – a promising proposition:

Liberalization in 1990 had far reaching effects on Indian economy and Industry. There was arrival of many well known MNC’s with household brands in international markets. In initial years, the focus was on well developed and easily accessible urban markets. Then there was proliferation of brands with intense competition. This ultimately resulted in near saturation of urban markets. This forced the companies to turn to greener pastures, countries most potential market of 742 million rural consumers.

Indian agriculture has shown a remarkable improvement. This has resulted in rapid rise of rural income. According to Indian market Demographics report 1998 (NCAER), the consuming class households (annual income between 45,000 to 2,15,000) in rural India equals the number in urban India. Usage of improved quality seeds, fertilizers, usage of tractors and modern farming methods, have increased the income levels in villages and villagers have more disposable income in their hands. In addition to this, mass media reach even to interior villages has made villagers know about products, brands, quality and usage. Rural population want modern products to improve their quality of living. This has opened ample of opportunity to corporates, to enter in to rural markets.

It has been estimated that there are about 20 lakh private retail outlets in rural areas. In other words, there are about 4 to 5 shops per
village and there is a retail outlet for every 350 to 400 persons. Thus, this is the place available for marketers to sell their products in rural markets.

1.6 Some Interesting facts about rural markets

- Indian rural market is almost twice as large as the entire US market.
- Size of the rural market is estimated to be 42 million households (2007) and growing at 5 times the pace of the urban market.
- 53% of all FMCG goods & 59% of all consumer durables sold in rural markets.
- Rural markets account for 65% of total LIC policies.9
- More than 50% of BSNL subscribers are from rural India.10
- According to MART (2007 survey), rural India consumes 46% of all soft drinks, 49% of motorcycles and 59% of cigarettes.11
- About 11% of rural women use cosmetics and lipsticks.12

1.7 Need for the study:

As mentioned earlier, approximately 2/3 rds of Indian population live in villages and they have sufficient purchasing power. FMCG products are reach of audio and video man medias, rural people are aware of products and brands.

But when the researcher travelled across many small towns and villages in Karnataka for marketing projects, did not find organized sales network even by reputed FMCG firms. There are many villages with less than 1000 population. Though so much of thrust is given to rural markets, companies seem to be not serious enough to deliver
goods to smaller villages. As there is lot of gap in the market, small manufacturers from Karnataka and neighboring states are selling lesser known or unbranded FMCG products with marginal quality and gaining more business than reputed firms. If proper sales network is developed, any FMCG company can get 3 to 4 fold more business than what they are doing now. But are corporates really serious about rural markets? What special efforts they are putting in to woo rural customers? Do they have rural specific products or strategies? It is high time to analyze opportunities and the efforts put forth by corporates to match the demands.

Keeping all these in mind, researcher wants to make a in depth study of select FMCG products, their existing strategies and to provide meaningful suggestions to serve the rural markets better. As a micro approach, Mysore district has been selected for the research project.

1.8 Review of Literature:

For review of literature, latest books, articles, research papers, M.Phil. and Ph.d. thesis works, committee reports, seminar proceedings were referred. All the literature after 2000 on rural marketing throw light on present rural markets, problems, strategies, rural consumer needs, behavior etc., All the literature referred has given a deeper insight in to the subject.

- Rajgopal (13) expresses that, rural- urban disparities in India has been a major concern for corporates and policy markers for long. The disparities are in the spheres of economic and social life. Income inequalities, lack of infrastructure, inadequate access to rural customers and awareness are the major concern for corporates.
Professor Rajgopal suggests, to make use of rural literature and educated population to market the products. It is a mutual benefit situation for both corporates and rural youth.

- R.V. Badi (14) states that, a healthy rural marketing gives a multiplier effect and acts as a booster to the economy. Marketing of farm products require more effort as urban markets look for quality, packaging and delivery on time. Integration of efficiency and pricing are the essence of rural markets.

- Jagadeeshan (15) feels that various issues are affecting development of rural entrepreneurship. Corporate support and help by NABARD for capital needs and nationalized banks are the key factors.

- CSG Krishnamacharyulu (16) has examined the efforts of FMCG companies like HLL, Godrej, Colgate Palmolive, Pepsi in entering in to rural markets. Insight in to rural markets such as problems, logistics, purchasing Power of rural customers are to be considered while formulating strategies.

- Radhakrishna (17) opines that, markets have become dynamic and consumer has control over strategic decisions made by companies. It is a challenge for the corporates to understand new age rural consumer. Focus has been on diverse cultures and traditions that influence consumer buying decisions.

- Suresh K (19) opines that, 'Counterfeit products' is a big menace in rural markets. Companies have to create awareness among rural consumers about the brand; as companies are unable to curtail counterfeit problem. He suggests the corporates to build relationship with rural consumers through advertisements, promotion and other social activities.
• Sukhvinder Kaur (20) says that information and communication technology has become a powerful tool towards empowering rural masses by way of access to information related to education, banking, business, products and resources but certain section of the people are deprived of their 'digital divide'. Government and Industry to reduce this digital divide and make rural masses to have access to ICT.

• Harsh Bargav (21) feels that rural consumer behavior, attitude and response are directly proportional to the marketing initiatives taken by corporates.

• Professor Jayasinha (22) stresses that to bring in rural prosperity, the need of the hour is to move beyond development and focus on empowerment of rural Indians.

• Nair (23) examines the importance of rural infrastructure facilities in India, without which achieving sustainable economic development remains a dream. With better infrastructure, it will be easier for corporates to penetrate in to rural markets.

• Gopala Swamy (24) showcases the role of environment in which rural markets operate and problems associated with it. He feels that in addition to formulating new strategies and promotional measures to succeed in rural markets, much effort need to be given to curtail 'Fake goods and Fake Brands' in rural markets.

• Tej K. Bhatia (25) asserts that the content (text) communication and language used in advertisements have an effect on sales. Corporates should be very clear of what they want to communicate and what they expect from advertisements.

• Pradeep Kashyap (26) asserts that rural consumer behavior is to be rightly analysed and used for marketing decision making.
Brand building is an important effort in rural marketing, as rural consumer is aware of brands. The role of opinion leader is also important factor in consumer buying decision process.

- Balram Dogra (27) opines that in depth data and case based analysis of all aspects of rural marketing required for corporates to explore rural markets. Rural market research. Though difficult to conduct, should be done to find needs and tastes of consumers.

- Parthsarathy (28) opines that firms have been neglecting the rural areas, thinking them to be unavailable and unprofitable. But scenario has changed. Consumer education is the essential requirement of the day.

- Swapna Gopalan (29) feels that, corporate houses in India find it difficult to cater to varied consumer base in rural markets, as India is a vast country with varied cultures and traditions. Beliefs & habitats of each of these regions are different. Hence corporates have to use rural specific strategies for communication and promotion achieve desired results.

- Pramod Rao (30) asserts that, though 4 ps are the main constituents of FMCG products, but due to its varying characteristics, the marketing mix model is always short, time specific and needs frequent realignments on strategic front. Need, utility and benefits have now become the central theme of marketing mix strategy in FMCG industry.

- Professor Awasthi and Professor Jabir Ali (31) after conducting 2 day seminar at 11 M Lucknow on rural marketing, compiled the opinion expressed by 140 participants as :
  a) awareness about the rural business environment to be created to corporates.
b) Analytical skills are to be developed in conducting rural market research.
c) Effective marketing channels to be designing.
d) Implement suitable promotion strategies.

- Anugrah –Madison, MART and Sampark (32) at 2 day national seminar at IIM – Calcutta (2007) concluded that:
  a) Target segment should be evaluated before entering a rural market;
  b) Proper positioning of rural products, required;
  c) Exploit ‘value – satisfaction-loyalty – retention and profitability’ chain;
  d) Customer oriented growth strategies are to be formulated &
  e) Effective separate marketing plans are required for rural markets.

- Rural network (33) on concluding 1 day national level seminar on ‘the challenges of rural marketing in 21st century’ (2007) emphasized that logistics is the main problem in serving rural markets. Emphasis was laid on creating better infrastructure, for easy access to rural markets.

- Dhruv Tanwar & Arun Malhothra (34) at national level 2 day rural marketing seminar, emphasized that different rural markets have their own tastes and preference. Hence separate strategies statewise/regionwise are to be evolved, to get focused results. ‘Price’ to be considered as main criteria in designing strategies.

- Professor Kadakol (35) concluded after conducting 2 day national seminar at KLE Society, Belgaum, on ‘rural marketing’, opined that opportunities prevail in rural markets but challenges are also aplenty in rural markets. Understanding consumer attitude is a big challenge. As rural consumers are brand sticky,
convincing and winning their confidence will ensure long term business. More emphasis to be on rural market research.

- Pradeep Kashyap expressed at ‘Rural marketing’ 2 day seminar in Chennai, that, it is an inevitable fact that all companies have to find inroads in to Indian rural markets, 3 essential factors are to be borne in mind; (1) sound network (2) understanding village psyche (3) effective communication.

- Tran Huu Coung (37) in his PhD thesis with detailed survey with 1000 respondents made a indepth study of how to obtain agricultural productivity and different ways of accessing and selling agricultural produce in urban markets. This thesis speaks of forming co-operatives for collective logistics to sell agricultural products in urban markets.

- Rhodes Joan Helen (38) in her PhD thesis, made a detailed study of consumer behavior in rural South African villages. As consumers in these villages are illiterates, separate strategies to be formed to address their needs, creating awareness, developing communication are necessary. Firms to conduct research about their habits, culture, wants, needs and lifestyle and then prepare outlay for further needful.

- Taghvee Ali A. (39) in his PhD research, asserts that, if a country has to grow, villages and towns should be developed equally and disparities are to be reduced. As there are more villages in Iran, researcher suggests that communication, Infrastructure viz roads, electricity, water transport should be developed to bring rural people on par with urbans.

- B.Werega (40) in his thesis has emphasized on effectiveness of marketing management support system. A detailed study to be
made for consumer behavior of rural masses, and how they are to be motivated to match the changing environment.

- Mo Oladapo (41) in his thesis, has emphasized the need of market integration, rural producers coming together to get better prices. Researcher feels that more number of middle men to be avoided and direct market access can always get better price.

- Alice M.J (42) in his thesis on 'buyer information and brand choice behavior in market with asymmetric situation. Where markets are heterogeneous, buyers information gathering and processing is totally different. Challenge for the corporates lies in formulating strategies in asymmetric situations. Some methods of motivating buyers to choose brands is suggested by the researcher.

- Celin Kutty (43) in her thesis has analysed the consumption pattern of Scheduled Caste households in Kerala. As many of them are daily wage earners, they tend to buy in small quantities and small packs. A guideline for all consumer goods companies to formulate their strategies to sell for low income groups in Kerala.

- Hazarika M.D. (44) her Phd thesis, expressed that SSIs manufacture goods but lack marketing skills to sell their products. Organizational support from Government and Private is expected.

- Sreenivas Rao (45) in his thesis submitted to Usmania University has brought out certain strategies for marketing consumer products in rural areas of Andhra Pradesh. Suggestions have been given for both consumer durables and non durables. Researcher has suggested, creating brand awareness, small packs at reasonable prices will fetch more business.
Dubey VK (46) in his edited 10 volumes on rural management, has dealt with key factors in current management practices and applications with focus on rural management and experts present the current thinking in the areas of management control strategic development for all round corporate excellence. Mr. Dubey Rao opines that all round economic growth will develop rural markets automatically.

Ewen Camaron (470) on select committee report on rural white paper (19994-2000) to UK Government emphasized that "Todays Country side needs more than just good ideas. It also needs a statutory champion fully engaged in design and implementation of Government's policy".

National rural development partnership committee report (48) – Hawai (2002) says that, Government has funded national rural development partnership but its associates 'State Rural Development Council have to provide technical support and guidance for rural development at state level. Committee recommended continued staffing and operations of rural business Co-operative society's services to address the increasing demand for marketing and purchasing of rural products.

RBI Committee report (49) on rural credit and micro finance (1996) says that it is necessary to create an enabling environment for the rural financial market development resulting in efficiency through market driven control on price and quality. Promoting bulk lending model were discussed in their report.

KEN MACDONALD (50) in his rural infrastructure and business support committee report-Perth (UK) recommended the establishment of rural infrastructure business scheme and set the
criteria for implementing rural infrastructure business support scheme.

- Gurusharan Singh Kainth (51) Compiled 10 committees reports on 'rural development through rural credits' these are:
  a) All India Rural Credit Survey Committee report (1951)
  b) Mehta Committee Report (1959)
  c) Patel committee Report (1961)
  d) Mirdha Committee Report (1964)
  e) All India Rural Credit Committee Report (1966)
  f) Santhanam Committee Report (1969)
  g) Special study group on multipurpose co-op society's Report (1971)
  h) Hazaria Committee Report (co-op credit) (1975)
  i) Sivaraman Committee Report (Institutional credit) (1979)

All these reports recommended strengthening rural economic system through micro finance, credit and co-operatives, which in turn will help in developing business.

- Ministry of rural development (52) presented 31st Standing Committee report on urban and rural development, in which the report has emphasized on improving rural infrastructure and to develop agri-business.

- Shankarlal Guru (53) in his report on 'marketing infrastructure and agricultural marketing reforms', has recommended for organized marketing of agricultural commodities through regulated markets.

- Rural market environment report (54) by rural development committee suggested that income generation should be the
priority in rural areas. Communication facilities to be improved. Rural buyer behavior, attitudes and beliefs under changing values should be considered for development.

- Rural affairs and environment (55) report submitted to Scottish Parliament. Recommended creation of supermarket ombudsman, improve producers efficiency and providing financial support to rural business.

- Karnataka Agriculture marketing Board presented a detailed project report on development of 29 rural markets under RIDF-2002. Recommendations included. Setting up of rural centers in remote villages for purchasing agricultural produce.

- Rural Entrepreneurship Committee report (57) submitted to government of Karnataka recommended bringing together various business development entities working within the state. Stronger collaborations among local, regional, state and private economic development agencies is envisaged.

- Abid Hussain (58) in his report to government of India has discussed the possibilities of setting up industries in rural areas for creating employment. He also pointed out the problems and made certain recommendations.

- Mohit Bhattacharya (59) in his article has stressed the need for organizational and institutional support for rural development in India.

- Rithesh Sud and Pritesh Y. Chotani (60) has dealt with some insights in to the challenges and opportunities of rural markets. Author has also stressed the need to understand the rural environment and put in place its distribution and Communication strategies.
• Murthy CSHN (61) says that, studies appeared in the recent past suggest that FMCG products are successfully penetrating into rural markets. There appears to be either Comprehensive or lack of seriousness about the extent of rural market. There is parity between the villager’s economic status/ income and the spending on FMCG goods.

• Vikas Shrotriya (62) emphasizes that Indian rural market with its large population base and vast market potential has caught the attention of the marketers. This is evident from many MNCs entering into rural marketing with more rural specific strategies.

• Andrew Crabtree (63) has made a critical analysis of CK Prahlad’s work on rural marketing. Author says that, though CK Prahlad has addressed the issues surrounding multidimensional poverty, we should refocus BOP and find solutions for multidimensional poverty. Then only rural business will improve, with villagers having more purchasing power.

• Arpitha Srivaasthava (64) identifies the rural basket, analyses rural penetration strategies for FMCG products. Role of positioning and communication are emphasized for rural markets.

• Sesha Mohan (65) in his article says that marketing in rural India involves a complex mix of factors such as social, cultural, technical and economical. Rural markets need an altogether different strategy understanding. The psyche of the rural population and their behavior is of great importance to markets to finetune their product offerings.

• Kameswara Shastry (66) expresses that, rural market has distinct features and requirements of its own and marketing mix needs to
be customized accordingly. Being a virgin territory, rural market can easily be nurtured—provided manufacturers develop an insight into the behavior pattern of rural consumers.

- Medard Gabel (67) throws light on 4 billion plus people who make up the base of global economic pyramid, which represents 71% of global consumers. More focus is given on creating consumer markets out of the poor. Consumer education, access to credit, effective distribution and communication systems are supports to rural marketing.

- Ramanacharyulu (68) says that, rural market segmentation is normally done by geographically classifying the markets into different region and then focusing on villages based on their areas. But emphasis should be given to ‘value chain analysis’. It identifies the players involved in rural input functions and the significance of these players in the rural production function.

- Shukla R K (69) in his article on ‘Rural Consumer Market- needs and Preferences’ traces urban and rural sales pattern of few FMCG goods. The attraction of rural markets lies in their size as mass market. Basic requirement for rural marketing is understanding the rural consumer in terms of his habits, customs, traditions, taboos, income levels, hierarchy of products use pattern etc.,

- Krishnan G (70) says that, media reach is a big challenge in rural market as 2 out of 5 Indians still unreached by any media. The challenge for communication is in controlling cost per contact, which is extremely high. Other challenges are distribution and ‘look alikes’. Greater task is in terms of building, creating and sustaining relationship with retailers.
• Tirudogachander (71) opines that the dynamic consumer purchasing behavior dictates companies to segment the market creatively and go for more customized products. From mass markets, most of the FMCG companies now focusing on niche markets. Niche marketing helps marketers to address a small segment of consumers by satisfying their specific needs.

• Raju Bhige (72) states that, with falling costs, consumer non-durable companies need to rethink their strategic responses. In consumer non-durables market, past track record and profit growth are guarantee for future success. Thus, profitability and market share are the challenges before FMCG sector.

• Kaberi Bhattacharya (73) has discussed the problems, prospects and emerging dimensions of rural marketing in India. Un-even demand, lack of mass communication, spurious brands, channel blockages, traditional preferences of rural customers supply chain bottlenecks are few problems that marketers are facing in rural markets.

• Rajan R V (74) has discussed the impact of information communication technology (ICT) on rural marketing. But basic ICT infrastructure requirements include electricity, telephone and network connectivity-ICT enabled rural projects are coming in to vogue. Rural ICT initiatives are taken even by Private sector companies viz EID Parry (1) Ltd., TARA Haat.com, TATA chemicals, Rallies India, M&M etc.,

• Ashish Mansharmani (75) has taken a different approach to rural marketing. Author speaks of upgrading the rural customers to use branded products. Suggested is the 4-dimensional framework for tapping rural markets. This approach includes price, place,
people and promotion to ensure the success of brand in the countryside.

- Christoph Zakaria (76) discusses the problems associated with rural communication viz illiteracy, limited reach of conventional media, uneven distribution of rural population and so on. Need for using unconventional media viz stickers on walls, wells, handpumps, melas etc., is discussed in detail.

1.9 Statement of the problem

India is a vast country, with almost two thirds of the population living in villages. In other words, one third of the population is only living in urban & semi urban places. But all companies of repute producing consumer goods with the entire focus on this one third population. All products, access, promotion and marketing strategies are all focused towards these cities & towns. Even villagers have more purchasing power with more disposable income on hands. They are ready to pay 'value for money' i.e., worthy products that can meet their requirements.

But why companies are treating rural markets as appendage to urban markets? Why same products are pushed in to rural markets? Rural consumers needs, preferences and requirements are different from urban consumers. It is true that urban markets are saturating and all companies focus now is on rural markets, to expand their business.

What is the effort of these FMCG companies to cater to rural markets. What are the new strategies for 4 Ps. What are the problems faced by marketers in catering to scantly scattered rural markets. Researcher has tried to analyse these problems.
Staying in Mysore since 35 years, knowing the people and the markets, researcher has taken up Mysore district for the research study, so that indepth, meaningful study can be conducted.

1.10 Objectives of the study:

The main objectives of the study are designed to focus on studying existing marketing strategies adopted by FMCG companies for rural markets of Mysore district. An effort is made to study what rural customer expects and whether marketers are able to match these expectations. Effort is to focus on the role of middlemen as bridge between company & consumers. Keeping these aspects in view, following objectives are formulated:

a) To study the nature of the rural markets in Mysore district.

b) To examine the product strategies adopted by FMCG companies in Mysore district.

c) To discuss the pricing strategies of FMCG products in Mysore district.

d) To analyse the promotion strategies by FMCG companies in Mysore district.

e) To observe the distribution strategies of FMCG firms in Mysore district.

f) To draw the meaningful conclusion and suggestions.

All these objectives are fulfilled thro primary data, collected thro opinion survey and discussion with villagers.
1.11 Hypothesis of the study:

Based on the objectives set with focus on rural markets of Mysore district in Karnataka state, the following hypothesis have been formed:

$H_1$: Rural customers in Mysore district has brand awareness.

$H_2$: Rural customers prefer products at lower prices.

$H_3$: Rural customers prefer to buy their FMCG needs in their village shops rather than coming to nearby cities or towns.

$H_4$: More investment in brand building, advertising and sales promotion measures will increase the business and effective strategies leads to long term gain and success.

The above four Hypothesis will be treated as separate hypothesis. Appropriate conclusion will be drawn with respect to each one of them. Hypothesis testing will be done based on the data collected from the opinion survey carried out.

1.12 Sampling plan:

This research is basically aimed at four FMCG segments namely;

1) Oral care
2) Personal care
3) Fabric care
4) Hair care

Though there are number of products in each segment few are selected for the purpose, namely;

1) Oral care: Tooth paste and Tooth brush
2) Personal care: Bath soap and Talcum powder
3) Fabric care: Detergent cakes and soap powder
4) Hair care: Hair oil, shampoos and Hair dye.

1.12.1 Companies:
Hindustan Unilever Ltd., Godrej Home Care Products Ltd.,
Colgate Palmolive Ltd., Cavin Care (P) Ltd., WIPRO Home Products
Ltd., Nirma Chemicals Ltd., Dabur India Ltd., Marico Ltd.,

1.12.2 Consumers:
There are seven Taluks and 1216 villages in Mysore district. As
per population census 2001, Mysore district comprises of 6854 sq.kms
and has the total population of 26,41,927.

1.12.3 Sample size:
Sample size has bearing on the research, relative to the true
values of the population. Thus sample size in research is of paramount
importance. Respondents were selected on random.

Mysore district has 7 Taluks namely HD Kote, Hunsur, KR
Nagar, Mysore, Nanjangud, Piriypantna and T Narasipur. These seven
Taluks comprices of 33 Hoblies and 1216 Villages.
Figure 1.2 FMCG Products selected for the study

**Oral Care**
- **Products**
  - Tooth paste
  - Tooth powder
  - Tooth Brush
- **Companies**
  - Colgate Palmolive
  - Dabur
  - HUL

**Personal care**
- **Products**
  - 1. Bath Soap
  - 2. Talcum powder
- **Companies**
  - HUL
  - Wipro
  - Godrej

**Fabric care**
- **Products**
  - 1. Detergent cake
  - 2. Detergent powder
- **Companies**
  - Nirma
  - HUL
  - Arasan

**Hair care**
- **Products**
  - 1. Hair oil
  - 2. Hair dye
  - 3. Shampoos
- **Companies**
  - Godrej
  - Marico
  - Dabur
  - HUL

**Brands**

1. **Tooth paste**
   - Colgate
   - Pepsodent
   - Dabur
2. **Tooth powder**
   - Colgate
   - Others
3. **Tooth brushes**
   - Colgate,
   - Pepsodent
   - Ajantha
   - others

1. **Bath soaps**
   - Lifebouy
   - Santoor
   - Lux
   - Godrej
2. **Talcum Powder**
   - Navarathna
   - Cinthol
   - Others

1. **Detergent cakes**
   - Nirma
   - Rin
   - Wheel
   - Arasan
   - Others
2. **Detergent powder**
   - Nirma
   - Wheel
   - Arasan
   - Others
3. **Shampoos**
   - Chick
   - Sunsilk
   - Clinic +
   - Others

1. **Hair oil**
   - Parachut
   - Vatika
   - Navarathna
2. **Haridye**
   - Godrej
   - Others
3. **Others**
   - Shampoos
   - Chick
   - Sunsilk
   - Clinic +
   - Others
Following table depicts the details of samples selected for the study.

**Table 1.4**

Details of sample size distribution:

<table>
<thead>
<tr>
<th>SI No.</th>
<th>Taluk</th>
<th>Hoblis</th>
<th>Representative villages</th>
<th>Sampling in each village</th>
<th>Sample size Nos.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>H.D. Kote</td>
<td>5</td>
<td>3</td>
<td>10 X 15</td>
<td>150</td>
</tr>
<tr>
<td>2</td>
<td>Hunsur</td>
<td>4</td>
<td>3</td>
<td>10 X 12</td>
<td>120</td>
</tr>
<tr>
<td>3</td>
<td>K.R. Nagar</td>
<td>6</td>
<td>3</td>
<td>10 X 18</td>
<td>180</td>
</tr>
<tr>
<td>4</td>
<td>Mysore</td>
<td>4</td>
<td>3</td>
<td>10 X 12</td>
<td>120</td>
</tr>
<tr>
<td>5</td>
<td>Nanjangud</td>
<td>5</td>
<td>3</td>
<td>10 X 15</td>
<td>150</td>
</tr>
<tr>
<td>6</td>
<td>Piriyapatna</td>
<td>4</td>
<td>3</td>
<td>10 X 12</td>
<td>120</td>
</tr>
<tr>
<td>7</td>
<td>Y.Narisipura</td>
<td>5</td>
<td>3</td>
<td>10 X 15</td>
<td>150</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>21</td>
<td>99</td>
<td>990+10 = 1000 sample size</td>
<td></td>
</tr>
</tbody>
</table>


Figure 1.4 Area Vs Population Mysore district
Figure 1.5 Population Details Mysore district

POPULATION DETAILS
MYSORE DISTRICT
(2001 CENSUS)

Prepared By: District NRDMS Centre
ZP. Mysore
Source: District Statistical Office, Mysore

Total Population
1,100,000
50,000
110,000
1.12.4 Selection of Samples:

Random sampling method was used in selecting samples. It was decided to select respondents from all age groups. Both male and female samples were chosen for data collection and opinion survey. The purpose of selecting from all age groups was to get a comprehensive idea of what the respondents think of FMCG products and brands, and what factors influence them for buying decisions. 1000 respondents were selected from 100 villages, depending their availability, ability to understand and answer questions.

1.13 Design of questionnaire:

The purpose of this research was to analyse the respondents awareness of brands, branded products, what promotional measures attracts them for buying decisions. It is the consumer who dictates the success of a Brand. To collect the information on all above mentioned aspects, a detailed questionnaire was prepared comprising 40 questions.

1.13.1 The questionnaire:

In order to crosscheck and to collect more information, 3 questionnaires were prepared. One for consumers, another one for distributors, and the third one for the company executives. As distribution is the main problem in rural markets, distributors were involved in the process to understand the hurdles faced and company executives were asked about promotion and distribution.
1.13.2 The Scope:

The study is specific to the study of marketing strategies adopted by FMCG companies in rural markets of Mysore district, Karnataka state.

The study is 3 dimensional in approach.

1.13.3 From Consumer’s angle:

Awareness of the products, Brands, availability, source of purchase, purchase decisions, role of opinion leaders, promotional measures. Researcher has tried to make a indepth study on these aspects with a view to understand consumer’s opinion.

1.13.4 From distributor’s angle:

Effort has been made to find;

a) Whether supplies are regular in time?
b) Whether distributors are penetrating in to interior villages?
c) Are they happy with the support given by companies in capturing interior rural markets.

1.13.5 From company’s angle:

a) The 4P strategies adopted are sufficient?
b) Any special efforts to create brand awareness.
c) How they are reaching rural and interior rural markets.

1.14 Collection of data:

This study has made extensive use of both primary and secondary data.

- Secondary data was collected by going through a number of books available on rural marketing.
Various journals and articles, newspapers were referred.

Internet was also utilized to collect blogs from search engines.

Ph. D. thesis from India and abroad were also referred.

Primary data was collected from 3 dimensions.

Schedule I was prepared for consumers, to understand their expectations, preferences and purchase decisions.

Schedule II was prepared for intermediaries to know the problems in penetrating into interior rural markets and what assistance they expect from the company.

Schedule III was prepared for companies, to know the strategies (4Ps) adopted for rural markets and the results for the efforts they are putting in.

Primary data was collected by conducting indepth survey, one-on-one interviews by administering a well prepared schedule to the respondents. The schedules were prepared after a thorough information search and literature survey. Respondents were approached personally to get necessary information.

1.15 Period of study:
Period of study considered for this research are:

- Consumer perspective - 1 year.
- Company perspective - 1 year.
- Book reviews - 10 years.
- Articles - 1 year.
- Internet - 1 year.
1.16 Statistical Tools:

To make the analysis more pointed and explanatory, some of the statistical tools are used in this research.

1.16.1 Histogram

Histogram is a graphical display of tabulated frequencies. It is a graphic version of a table which shows what proportion of cases fall into each of several specified categories. In histogram, the categories are usually specified as non-overlapping intervals of some variable.

1.16.2 Pie Chart

This is a circle divided into sectors illustrating relative frequencies. In a Pie chart the arc length of each sector (and consequently its central angle and area) is proportional to the quantity it represents. Together, the sectors create a full disk. It is named for its resemblance to a Pie which has been sliced.

While Pie chart is perhaps the most used and preferred statistical chart in the business world and mass media, it is used even in projects and research articles.

1.16.3 Tables:

A table is a mode of visual communication and a means of arranging the data. Tables are all pervasive and used in communication, research and data analysis. Tables vary significantly in variety, structure, notation, representation and use. A table consists of an ordered arrangement of rows and columns.
1.17 Data analysis:

Data analysis is the significant function of the research. After collection of data, the next step is data analysis and interpretation. The analysis of data involves processing of data and statistical analysis. The data collected through the interview schedule has been classified and tabulated into many tables for analysis purpose. Simple statistical tools like averages, percentages and values have been used to analyse the data.

1.18 Limitations of the study:

Every research study will have limitations. Following are the limitations of this research:

a) This study is limited to Mysore district only in Karnataka.
b) Few FMCG companies are chosen for the study.
c) Few categories of FMCG products are chosen for study.
d) As there are 7 Taluks, 33 Hoblis and 1216 villages in Mysore district, samples were picked randomly.
e) While analysing the data, opinion of the samples is considered to draw conclusions.
f) The limitations that normally accompany a survey are also present in this research study.

1.19 Chapterisation:

The findings of this research study are presented in seven chapters.

1. The opening chapter deals with ‘introduction’ covering significance of the study, need for the study, review of literature, statement of the problem, objectives of the study, Hypothesis, methodology and limitations of the study.
2. The second chapter deals with concept, nature and growth of rural markets.

3. This is followed by the 3rd chapter – 'Product' covering, product, availability, acceptability, consumer preference, criteria for product selection etc.,

4. The next chapter 4th chapter ‘Pricing’ deals with various aspects of pricing of select FMCG products and pricing strategies adopted by companies.

5. Fifth chapter dwells upon promotion strategies adopted by different companies for the select products.

6. Sixth chapter explains the distribution problems, strategies adopted by companies.

7. The seventh and final chapter presents meaningful suggestions and conclusion. Further, it describes and assesses the interpretations of the study. This chapter highlights conclusions concerning marketing strategies. Also provides recommendations and suggestions for the markets to improve their business in the rural markets of Mysore district in Karnataka state.
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