CHAPTER 3

REVIEW OF LITERATURE
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3.1 Introduction

India is in the second largest in volume of output in agriculture sector. Certain connected sectors of the agricultural sector have played a major role in the development of the Indian economy by providing employment to a number of people in the Dairy, Forestry, Fishing Poultry and Medico herbs industries. Production volume has gone up in Indian agriculture at a consistent rate since the 1950s. Much of this improvement can be credited to the various five-year plans that were instituted for the development of Indian agriculture. Developments in irrigation processes, as well as various modern technologies used have contributed to the overall improvement of agricultural processes.

Substantial amounts of research and development have been carried out in the agricultural sphere in India by organizations such as the Indian Agricultural Research Institute, the Indian Agricultural Research Statistics Institute, and the Indian Council of Agricultural Research. Result of all, Now India is rated as one of the top economies in the world in terms of the purchasing power parity of the gross domestic product.

3.2. Indian Village System

There is no village in India, however mean, that has not a rich stala- purana, or legendary history of its own. - Raja Rao, Kanthapura

At the edge of the city begins the great ocean of India’s villages. – Shrilal Shukl, Rag Darbari

The village in India, it is believed, epitomized essence of Indian civilization as it is considered a repository of traditional mores and folkways. A historical review of the village as a community or of village studies has been touched upon briefly here. The village from the earliest times to the nineteenth Century

Studies in social evaluation have shown how nomadism was given up for village life once settled agriculture became a way of life. In India, the village (gram) finds mention in ancient texts and latter epics. It is distinguished from the city (nagar) and the town the fortress (pur), while all three stand in opposition to habitation of recluses in the forests (aranta). City life was not a major feature of the Vedic Age as the economy was mainly pastoral. Villages were, however, ubiquitous. According to Basham, the Indian
village had not changed much from what it was like during the first millennium to what it was in the mid-twentieth century. Then as now … the villagers formed a self conscious community’ (1954 150)*1

The Arthashashra (400BC- 200 Ad) provides us with a classification of the king’s duties to the administrative affairs of the village. For example, new village could be bought into existence by enabling people to migrate from one place to another. These villages could be built on old ruins or at new sites. The size of a village and the composition of the population were laid down both in ethnic and occupational terms. Distribution and usage of land was also defined. The roles of headman or guardian of the village, and of the king as the ultimate protector were outlined. (Shamsastry 1967)

The epic Mahabharata (400BC-400AD) similarly speaks of types of habitation and settlements, interrelations between and within villages, and identifies villages for purposes of governance.

Manusmruti, the book of Brahminical laws (100AD-300AD) classifies villages on terms of their size and habitation. (Buhler 1886)

The fact that the presence of the village can be traced far back in India’s history creates a sense of timelessness and continuity. Al-Biruni’s celebrated Kitab-al- Hind (early eleventh century) gives us an account of the caste-occupation based village organization in the medieval times. These were seemingly times of great flux that resulted from population movements (Al- Biruni 1983; Chattopadhyaya 1990)

Babur the founder of the Mughal Empire in the middle of the sixteenth century, commentated on the rapid appearance and disappearance of hamlets and villages, and indeed of towns too (Rizvi 1993 204-216). T the same time villages with growing populations and economic prosperity grew into towns.

A detailed study of the growth and character of the village from the sixteenth to the eighteenth centuries has been discussed by Habib (1999) in his book on the agrarian system of Mughal India. He relies on documents from practically all part of India, and although his focus is peasant rights and tenancy, the information indirectly brings out the nature of social and cultural life in those times.

Karl Marks contributed extensively to the making of the popular images of the Indian villages in that period. Adopting an evolutionary perspective, he placed the village
in Asia, just above the primitive and the barbarian social forms, and describes it as a self-contained community. For Marx, the Indian village was the mainstay of a stagnant oriental social system, where property was held in common by a whole village, and class conflict was absent. For him Indian village represented a distinct autarchic economic system, - Asiatic mode of production- combining agriculture with manufacture.

For Marx ‘…these idyllic village communities…. Restrained the human mind within the smallest possible compass, making it the unresisting tool of superstition, enslaving it beneath traditional rules, depriving it of all grandeur and historical energies…’ (1853 a 94). The Indian village is was for Marx, passive and un-resistant to what was thrust upon it. While he was critical of the stagnant nature of the village economy, he also accused the British ‘intruder’ of breaking up the Indian handloom and destroying the spinning wheel. Writing letter in 1853 on European colonialism, Marx did, however, endorse the role of the empire as being the savior of the Asian masses, without whom there would be no emancipation. By introducing capitalist enterprise, he believed that the British would annihilate the old political economy (1853c) and lay instead, the foundation of a modern society and a new land holding system in India.

Village studies in late nineteenth and Twentieth Century

The social realities of the village and its relationship with the regional social environment have been the focus of many debates in both colonial and post colonial literature. Such debates have led to a refinement in the methods of data collection, especially in fieldwork, as well as developments in the disciplines of sociology and social anthropology over the twentieth century. Under British rule, concrete steps were taken to describe and classify the village community. This was necessitated by administrative and revenue needs, as also the desire to understand the socio economic conditions of the people who were being governed. Census reports as early as the 1880’s along with gazetteers, district handbooks, and regional surveys, brought together varied information on the village community.

Colonial literature is replete with images that are now recognized as stereotypical and often mythic, such as belief in the self sufficiency of the village or its being a ‘little republic’. For instance, a House of Commences report of 1812(Campbell 1852 84-5), described the typical village as occupying large acres of both waste and arable land;
having offices such as that of the headman, revenue collector, accountant, and police boundary man, and with an internal economy that largely unchanged. Besides being a unit of administration, the village was also the prime source of revenue collection, often bordering on the extreme. Habib similarly, writes about the peasant being bound to land like a European serf, and the revenue officials being able to coerce him (1999 130).

Already by the nineteenth century, the Indian village was described as quintessentially ‘Asian’ and as being truly rural in nature. Sir Charles Metcalfe described them in the 1810’s as ‘self contained little republics’ just as Sir Thomas Munro saw them as ‘mini republics’ both stressed the immutability of the village in the face of changes such as those accompanying modernization. The late nineteenth century, saw the work of scholars such as Sir Henry Maine and B H Baden Powell, who wrote specifically on the nature of family and the economy. The work of these scholars may be regard as an early attempt at empirical research into the rural way of life.

Maine described the village as the least destructible institution of Indian society. It was clan based and the patriarchal household was its bedrock. He also offered a typology of villages depending on the nature of the holdings. For him the villager only had a share in the village land and its produce. For Maine as for Marx, the cast system was the chief obstacle to change and growth in rural India. Beden- Powell on the other hand, was skeptical about their being a category describable as the typical Indian Village. He identified two types of villages- the joint and ryotwari,“2 and believed that the former had its roots in Aryan social forms and the little in the Dravidian.

The administrative information gathering needed a shift of gears to more micro level issues and their analysis, making a new phase in colonial village studies was soon realized. Several commissions were set up by the British to investigate the deteriorating agrarian situation. Reports on the status of rural settlements were drawn up. In 1901, an ethnographic survey of India was attempted as a part of the 1901 census.

Recognizing the importance of the sense of community at the village level, Gandhi asserted that the freedom struggle would be meaningless unless the rural masses that lived in abject poverty were to benefit from the efforts to build a new India. An Anthony Parel put it- No Indian thinker had a better grasp of the truth that Swaraj would mean little for India if the lives of the poor in the villages saw no significant improvement…
a country so overpopulated and so heavily dependent on agriculture, the villages held the key to economic and political development. For Gandhi India’s soul lived in her villages, where it survived through the cottage industry. While holding onto the rural community as the nucleus of an economically viable and socially just society, he acknowledged that the villages as they existed in his time left much to be desired from both the economic and moral points of view. He asserted, ‘If the village perishes, India will perish too’ Gandhi also believed that independence had to begin at the grassroots. From this insight, however, he proceeded to idealize the village, almost echoing colonialist discourse. Thus to him every village would be a republic or panchayat, self sustained and capable of managing its own affairs. Yet he also acknowledged that what he sought was really a dream. Not everybody agreed with Gandhi’s point of view. Dr. B. R. Ambedkar was one of few who described the village as a ‘cesspool of factionalism and den of ‘iniquity’ In a recent work, Alok Bhalla and Peter Bumke echo Ambedkar when they write of the village as a place with ‘…. A life mired in customs which carry the stink of ages’

The idea of extension of the village into wider society and vice versa was central to many village studies in the 1940’s and 1950’s. The work of scholars like Milton Singer and Mckim Marriott introduced the idea of the continuum into Indian village studies. Mirriott, writing on aspects of village life in the 1950’s, spoke of how the ties that related the village to the outside world also brought wider society to the village. He called these processes of universalisation (elements of village culture being incorporated into a wider regional or even larger society) and parochialization (cultural element of pan-Indian nature filtering down to the village level through various modes of communication such as story telling and folk drama).

Thus, several studies came to identify how cast relations based on economic interdependence and social relations based on marriage and other kind of social interaction extended village links beyond village boundaries.

Every village, according to those who live there and those who have described it, has a history- oral as well as recorded. Records were made under British rule and before, for purpose of governance and revenue collection by designated patwaries of the state. Village often also had their own village accountants and record keepers who took note of the landholdings and their distribution to enable jurisdiction, for example, in case of
dispute over land use. Genealogists also kept village records that were useful in identify formation and matters of kinship and marriage. Most of the past of the village and its history has been orally transmitted. The pattern and recall of an event was reflective of the social identify of the speaker, and is based on his caste or community. For villagers their past is differently shaded depending on their socio-cultural identities which also color their perception of events differently.

The agrarian structure acquired different forms regionally, such as that based on jotedari in West Bengal (Beteill 1974), and kuthakai tendency in the Tamil regions (Gough 1981). The jotedars were like mirasdars of Tanjore and bhomiyas of Rajasthan, forming a category that varied within Bengal in wealth and income. They ranged from small landowners, to share croppers joint family the members of which, even when divided into number of households, live together in the village and own property in common. The social values that underpin family life in a village also define the position of women and their roles in a largely patriarchal set up. Use of kinship terminology within the family and in the village between castes and individuals is reflective of social status and inequality.

All of these principles generate a set of values, practices, and interests that govern the behaviour, relations, expectations, and attitudes of villagers. It is these traditionally prescribed patterns of social relationship of inequality, the economic classes of the agrarian hierarchy, the local power structures, and the ritual values that have undergone gradual change over the decades. The Indian village opened up to the wider regional and socio-cultural environment, through the processes of modernization and development that followed in the post independence period.

**Village Development and Change**

The post-independent period has characterized by policy decisions that have pointed to the village being a template for nation building. This was best illustrated by grassroots development projects, most notably the Community Development Programme (CDP) in the 1950’s. These projects had important consequences for social, economic, and political relations and life at the village level. This was reflected in the changes in village social structure that took place over several decades following independence. The CDP attempted to introduce reform at the village level that focused on issues, such as
primary health, education, and agriculture. The most crucial aspect of this project was that it aimed at cooperative effort through people’s participation. The programme was also important as it initiated a phase in interdisciplinary research and investigation.

S. C. Dube, writing on the CDP in 1958, saw the programme as a pioneering venture but cautioned that efforts had to be sustained to keep up the momentum and interest of the rural population in accepting this change. Understanding the impact of the CDP would refocus attention on the role of the individual in changing village life, and spell a weakening of the hold of the caste system over rural social organisation. By shifting focus from action as an outcome of ideology to individual action at the grassroots, one would be recognizing the role of human agency in self upliftment.

3.3 Rural Economy

The economy of India is the twelfth largest in the world by market exchange rates and the fourth largest in the world by GDP measured on a purchasing power parity (PPP) basis. The country was under socialist-based policies for an entire generation from the 1950s until the 1980s. The economy was characterised by extensive regulation, protectionism, and public ownership, leading to pervasive corruption and slow growth. Since 1991, continuing economic liberalisation has moved the economy towards a market-based system. By 2009, India had prominently established itself as the world's second-fastest growing major economy.

Agriculture is the predominant occupation in India, accounting for about 60% of employment. The service sector makes up a further 28%, and industrial sector around 12%. The labor force totals half a billion workers. For output, the agricultural sector accounts for 17% of GDP; the service and industrial sectors make up 54% and 29% respectively. Major agricultural products include rice, wheat, oilseed, cotton, jute, tea, sugarcane, potatoes, cattle, water buffalo, sheep, goats, poultry and fish. Major industries include textiles, chemicals, food processing, steel, transportation equipment, cement, mining, petroleum, machinery, information technology enabled services and software.
Economic history of India

India's economic history can be broadly divided into three eras, beginning with the pre-colonial period lasting up to the 17th century. The advent of British colonisation started the colonial period in the 17th century, which ended with independence in 1947. The third period stretches from independence in 1947 until now.

i. Pre-colonial

The citizens of the Indus Valley civilisation, a permanent and predominantly urban settlement that flourished between 2800 BC and 1800 BC, practiced agriculture, domesticated animals, used uniform weights and measures, made tools and weapons, and traded with other cities. Evidence of well planned streets, a drainage system and water supply reveals their knowledge of urban planning, which included the world's first urban sanitation systems and the existence of a form of municipal government. Silver coin minted during the reign of the Gupta king Kumara Gupta I (AD 414–55)

The 1872 census revealed that 99.3% of the population of the region constituting present-day India resided in villages, whose economies were largely isolated and self-sustaining, with agriculture the predominant occupation. This satisfied the food requirements of the village and provided raw materials for hand-based industries, such as textiles, food processing and crafts. Although many kingdoms and rulers issued coins, barter was prevalent. Villages paid a portion of their agricultural produce as revenue to the rulers, while its craftsmen received a part of the crops at harvest time for their services.

Religion, especially Hinduism, and the caste and the joint family systems, played an influential role in shaping economic activities. The caste system functioned much like medieval European guilds, ensuring the division of labour, providing for the training of apprentices and, in some cases, allowing manufacturers to achieve narrow specialization. For instance, in certain regions, producing each variety of cloth was the specialty of a particular sub-caste. The estimates of the per capita income of India (1857–1900) as per 1948–49 prices.
India's pre-colonial economy is mostly qualitative, owing to the lack of quantitative information. One estimate puts the revenue of Akbar's Mughal Empire in 1600 at £17.5 million, in contrast with the total revenue of Great Britain in 1800, which totalled £16 million. India, by the time of the arrival of the British, was a largely traditional agrarian economy with a dominant subsistence sector dependent on primitive technology. It existed alongside a competitively developed network of commerce, manufacturing and credit. After the decline of the Mughals, western, central and parts of south and north India were integrated and administered by the Maratha Empire. The Maratha Empire's budget in 1740s, at its peak, was Rs. 100 million. After the loss at Panipat, the Maratha Empire disintegrated into confederate states of Gwalior, Baroda, Indore, Jhansi, Nagpur, Pune and Kolhapur. Gwalior state had a budget of Rs. 30M. However, at this time, British East India Company entered the Indian political theatre. Until 1857, when India was firmly under the British crown, the country remained in a state of political instability due to internecine wars and conflicts.

### ii. Colonial

In 1945, Calcutta, which was the economic hub of British India, saw increased industrial activity during World War II. Company rule in India brought a major change in the taxation environment from revenue taxes to property taxes, resulting in mass impoverishment and destitution of majority of farmers and led to numerous famines. The economic policies of the British Raj effectively bankrupted India's large handicrafts industry and caused a massive drain of India's resources.

Indian Nationalists employed the successful Swadeshi movement, as strategy to diminish British economic superiority by boycotting British products and the reviving the market for domestic-made products and production techniques. India had become a strong market for superior finished European goods. This was because of vast gains made by the Industrial revolution in Europe, the effects of which was deprived to Colonial India. The Nationalists had hoped to revive the domestic industries that were badly effected by polices implemented by British Raj which had made them uncompetitive to British made goods. An estimate by Cambridge University historian Angus Maddison reveals that India's share of the world income fell from 22.6% in 1700, comparable to
Europe's share of 23.3%, to a low of 3.8% in 1952. *16 It also created an institutional environment that, on paper, guaranteed property rights among the colonizers, encouraged free trade, and created a single currency with fixed exchange rates, standardized weights and measures, capital markets. It also established a well developed system of railways and telegraphs, a civil service that aimed to be free from political interference, a common-law and an adversarial legal system. *17 India's colonization by the British coincided with major changes in the world economy—industrialisation, and significant growth in production and trade. However, at the end of colonial rule, India inherited an economy that was one of the poorest in the developing world, *18 with industrial development stalled, agriculture unable to feed a rapidly growing population, India had one of the world's lowest life expectancies, and low rates for literacy.

The impact of the British rule on India's economy is a controversial topic. Leaders of the Indian independence movement, and left-nationalist economic historians have blamed colonial rule for the dismal state of India's economy in its aftermath and that financial strength required for Industrial development in Europe was derived from the wealth taken from Colonies in Asia and Africa. At the same time right-wing historians have countered that India's low economic performance was due to various sectors being in a state of growth and decline due to changes brought in by colonialism and a world that was moving towards industrialization and economic integration. *19

iii. Independence to 1991

Indian economic policy after independence was influenced by the colonial experience (which was seen by Indian leaders as exploitative in nature) and by those leaders' exposure to Fabian socialism. Policy tended towards protectionism, with a strong emphasis on import substitution, industrialization, state intervention in labor and financial markets, a large public sector, business regulation, and central planning. Five-Year Plans of India resembled central planning in the Soviet Union. Steel, mining, machine tools, water, telecommunications, insurance, and electrical plants, among other industries, were effectively nationalized in the mid-1950s. *20 Elaborate licences, regulations and the
accompanying red tape, commonly referred to as Licence Raj, were required to set up business in India between 1947 and 1990. *21

Jawaharlal Nehru, the first prime minister, followed by Indira Gandhi formulated and oversaw economic policy. They expected favorable outcomes from this strategy, because it involved both public and private sectors and was based on direct and indirect state intervention, rather than the more extreme Soviet-style central command system. *22

The policy of concentrating simultaneously on capital- and technology-intensive heavy industry and subsidizing manual, low-skill cottage industries was criticized by economist Milton Friedman, who thought it would waste capital and labour, and retard the development of small manufacturers. *23

The Rockefeller Foundation's research in high-yielding varieties of seeds, their introduction after 1965 and the increased use of fertilizers and irrigation are known collectively as the Green Revolution, which provided the increase in production needed to make India self-sufficient in food grains, thus improving agriculture in India. Famine in India, once accepted as inevitable, has not returned since the introduction of Green Revolution crops and the reduction of cash-crops that dominated India during the British Raj.

iv. After 1991 Economic liberalization in India

In the late 80s, the government led by Rajiv Gandhi eased restrictions on capacity expansion for incumbents, removed price controls and reduced corporate taxes. While this increased the rate of growth, it also led to high fiscal deficits and a worsening current account. The collapse of the Soviet Union, which was India's major trading partner, and the first Gulf War, which caused a spike in oil prices, caused a balance-of-payments crisis for India, which found it facing the prospect of defaulting on its loans. India asked for a $1.8 billion bailout loan from IMF, which in return demanded reforms. *24

In response, Prime Minister Narasimha Rao along with his finance minister Manmohan Singh initiated the economic liberalisation of 1991. The reforms did away with the Licence Raj (investment, industrial and import licensing) and ended many public
monopolies, allowing automatic approval of foreign direct investment in many sectors.\textsuperscript{[46]} Since then, the overall direction of liberalisation has remained the same, irrespective of the ruling party, although no party has tried to take on powerful lobbies such as the trade unions and farmers, or contentious issues such as reforming labour laws and reducing agricultural subsidies. Since 1990 India has emerged as one of the fastest-growing economies in the developing world; during this period, the economy has grown constantly, but with a few major setbacks. This has been accompanied by increases in life expectancy, literacy rates and food security.

While the credit rating of India was hit by its nuclear tests in 1998, it has been raised to investment level in 2007 by SandP and Moody's. In 2003, Goldman Sachs predicted that India's GDP in current prices will overtake France and Italy by 2020, Germany, UK and Russia by 2025 and Japan by 2035. By 2035, it was projected to be the third largest economy of the world, behind US and China. \textsuperscript{[25]}

**Agriculture in India**

Slow agricultural growth is a concern for policymakers as some two-thirds of India’s people depend on rural employment for a living. Current agricultural practices are neither economically nor environmentally sustainable and India's yields for many agricultural commodities are low. Poorly maintained irrigation systems and almost universal lack of good extension services are among the factors responsible. Farmers' access to markets is hampered by poor roads, rudimentary market infrastructure, and excessive regulation. - World Bank "India Country Overview 2008" \textsuperscript{[26]}

According to "India Priorities for Agriculture and Rural Development" by World Bank, India's large agricultural subsidies are hampering productivity-enhancing investment. Overregulation of agriculture has increased costs, price risks and uncertainty. Government interventions in labor, land, and credit markets are hurting the market. Infrastructure and services are inadequate.

Illiteracy, general socio-economic backwardness, slow progress in implementing land reforms and inadequate or inefficient finance and marketing services for farm produce.
The average size of land holdings is very small (less than 20,000 m²) and is subject to fragmentation, due to land ceiling acts and in some cases, family disputes. Such small holdings are often over-manned, resulting in disguised unemployment and low productivity of labour.

Adoption of modern agricultural practices and use of technology is inadequate, hampered by ignorance of such practices, high costs and impracticality in the case of small land holdings.

World Bank says that the allocation of water is inefficient, unsustainable and inequitable. The irrigation infrastructure is deteriorating. Irrigation facilities are inadequate, as revealed by the fact that only 52.6% of the land was irrigated in 2003–04, which result in farmers still being dependent on rainfall, specifically the Monsoon season. A good monsoon results in a robust growth for the economy as a whole, while a poor monsoon leads to a sluggish growth.  

Farm credit is regulated by NABARD, which is the statutory apex agent for rural development in the subcontinent.

India has many farm insurance companies that insure wheat, fruit, rice and rubber farmers in the event of natural disasters or catastrophic crop failure, under the supervision of the Ministry of Agriculture. One notable company that provides all of these insurance policies is agriculture insurance company of India and it alone insures almost 20 million farmers.

**Economic disparities in India**

According to World Bank; India Country Overview 2008, - Lagging states need to bring more jobs to their people by creating an attractive investment destination. Reforming cumbersome regulatory procedures, improving rural connectivity, establishing law and order, creating a stable platform for natural resource investment that balances business interests with social concerns, and providing rural finance are important.

One of the critical problems facing India's economy is the sharp and growing regional variations among India's different states and territories in terms of per capita income, poverty, availability of infrastructure and socio-economic development.
Seven low-income states - Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan, and Uttar Pradesh - are home to more than half of India's population.²⁹

Between 1999 and 2008, the annualized growth rates for Gujarat (8.8%), Haryana (8.7%), or Delhi (7.4%) were much higher than for Bihar (5.1%), Uttar Pradesh (4.4%), or Madhya Pradesh (3.5%).²⁷ Poverty rates in rural Orissa (43%) and rural Bihar (40%) are some of the worst in the world. On the other hand, rural Haryana (5.7%) and rural Punjab (2.4%) compare well with middle-income countries.

### 3.4 Rural Marketing in Indian Economy

The concept of Rural Marketing in Indian Economy has always played an influential role in the lives of people. In India, leaving out a few metropolitan cities, all the districts and industrial townships are connected with rural markets.

The rural market in India is not a separate entity in itself and it is highly influenced by the sociological and behavioral factors operating in the country. The rural population in India accounts for around 627 million, which is exactly 74.3 percent of the total population.

The rural market in India brings in bigger revenues in the country, as the rural regions comprise of the maximum consumers in this country. The rural market in Indian economy generates almost more than half of the country's income. Rural marketing in Indian economy can be classified under two broad categories. These are

1. The market for consumer goods that comprise of both durable and non-durable goods.
2. The market for agricultural inputs that include fertilizers, pesticides, seeds, and so on.

The concept of rural marketing in India is often been found to form ambiguity in the minds of people who think rural marketing is all about agricultural marketing. However, rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas. To be precise, Rural Marketing in India Economy covers two broad sections, namely Selling of agricultural items in the urban areas and Selling of manufactured products in the rural regions.
Some of the important features or characteristics of Rural Marketing in Indian Economy are being listed below

With the initiation of various rural development programmes there have been an upsurge of employment opportunities for the rural poor. One of the biggest cause behind the steady growth of rural market is that it is not exploited and also yet to be explored.

The rural market in India is vast and scattered and offers a plethora of opportunities in comparison to the urban sector. It covers the maximum population and regions and thereby, the maximum number of consumers.

The social status of the rural regions is precarious as the income level and literacy is extremely low along with the range of traditional values and superstitious beliefs that have always been a major impediment in the progression of this sector.

The steps taken by the Government of India to initiate proper irrigation, infrastructural developments, prevention of flood, grants for fertilizers, and various schemes to cut down the poverty line have improved the condition of the rural masses…

3.5 Rural Marketing in Changed Scenario

The rural scene is now undergoing a sea-change, resulting from the multi-pronged activities undertaken for the overall development of rural areas. There have been significant improvements in the rural sector in respect of agricultural production, spread of education, banking facilities, electrification, transportation, communication, etc. All these changes have led to the creation of general awareness for achieving a new and better style of living. With the increased purchasing power accessed purchasing Power access to communication and awareness about modern life styles the rural sector needs a better marketing thrust. The recent economic policy initiatives of the government have resulted in increased investments in the corporate sector by domestic as well as overseas investor s. The growth of the corporate sector means increased production and this in turn requires identification and penetration into high growth potential markets. In this contest rural markets have good prospects for most of the goods and services of this liberalized economy. It also indicates that the twenty first century is going to see the full blossoming
As change came in 1991 when government took a series of bold initiatives to take the economy away from controls. The programme included for reaching trade fiscal marketing and industrial policy measures with a major thrust on improvement of competitive efficiency of Indian industries by utilizing foreign investment and technology to a much greater degree than in the past. Moreover the new reform measures ended the regime of licensing and controls and made the industry virtually independent significantly the new policy permitted the free import and export of virtually all products with some exceptions.

Imports of capital goods and raw materials were made more liberal. Introduction of automatic approvals of foreign technology agreements and foreign investment restructuring of public sector under takings and the thrust on export were other measures announced by the government with a view to improve the competitiveness of Indian industries and promotion of exports In short determining the countries future growth and development for the first time the government came out in favor of outward oriented trade and industrial policies where export marketing was given prime importance. Under the new policy industries could expand modernize diversify and internationalize their operations with greater freedom (Neelmegham 2000 p 5) This changed economic scenario gave future stretch out to tap the so far largely untapped rural sector markets. Economic reforms have enabled GDP to grow at an average annual rate of about 6.4 per cent between 1992 -93k and 1999 - 2000. Consumption too has gone up especially the consumption of manufactured FMCGs (Fast moving Consumer Goods), for 1997-98 market size of a basket of 20 consumer expendable goods in the household sector is estimated at Rs. 801 billion (at current prices). consumption of the same commodities was estimated to be Rs. 371 billion in 1992 - 93 showing an average annual growth of 16.7 per cent These figures also indicate that per household consumption expenditure on the goods considered has doubled from Rs. 2387k in 1992- 93 to Rs 4736 in 1997- 98 Rural India in particular with a share of over 55 [per cent in total consumption of FMCGs has also witnessed a growth of about 14 percent per annum during the same period. This seems to be a fairly good growth by any standard (Brahmankarnd Gupta 2000.) Indian market is undergoing a significant metamorphosis because of economic liberalization and
globalization. Many players (Both national and global) are trying to capture the urban market of our country, but this market has already reached a saturation level and it is extremely difficult to tap the urban market with high profit margin. It is also not easy to penetrate profitably into the export market because of fierce competition. in export market a firm has to face challenges from MNC’s other foreign companies and domestic firms of the concerned export market in this cut throat competition everybody's market share will shrink as every one in chasing the same market (Dey Adhikari 1998 p 1) this realization is forcing companies to go rural.

The 1990s have ushered in far reaching changes that influence the customers profile and therefore the market Literacy levels have risen (especially female literacy). The average size of the household is reducing; nuclear families are increasing. This development has particular significance fro durable goods marketers; for instance, instead of a large refrigerator for a joint family, a household may now need two or three smaller refrigerators. Also, sizeable youth segment is emerging, with its own income or pocket money, which marketers need to recognized.

(Godrej, 1993,. pp. 155). Rural India is also in the way of change, perhaps in an even more significant manner. There has been a boom in those markets, fuelled by the penetration of media; vast improvement in infrastructure facilities, like roads, and shops; telecom connectivity, successive good monsoons, and high government spending. As a result, the rural component is now bigger than the urban in many product categories.

Gone are the days when a rural consumer went to a nearby city to buy "branded products and ser vices". Time was when only a select household consumed branded goods, be it tea or jeans. There were days when big companies flocked to rural markets to establish their brands. Today, rural markets are critical for every marketer - be it for a branded shampoo or an automobile (Kannan, 2001). Lifestyles and habits of rural people are changing. Yesterday's luxuries are becoming today's necessities. There is a boom of (both domestic and foreign) brands of products.

**The Government Exercise in the last few decades**

The Government of India has designed and implemented several issue- based programmes aimed at rural development. The developmental activities under the Ministry
of Rural Development cover infrastructure development and reforms in the agricultural sector, the non-farm sector and the social sector. Within these sectors, issues related to production, productivity, skills, access to institutional credit, marketing of produce or services, education, health, social restructuring, empowerment of women and other socially deprived section, etc. have been the areas of focus for the policies.

Table 3.1 Government Exercise in the last few decades

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<tr>
<th>Plan Period</th>
<th>Programmes</th>
<th>Years of Induction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Community Development Programme</td>
<td>1952</td>
</tr>
<tr>
<td></td>
<td>National Extension Scheme</td>
<td>1955</td>
</tr>
<tr>
<td>2.</td>
<td>Khadi and Village Industries</td>
<td>1957</td>
</tr>
<tr>
<td></td>
<td>Multi purpose Tribal Development Block Package and Intensive Agriculture District</td>
<td>1959</td>
</tr>
<tr>
<td></td>
<td>Development Programme</td>
<td>1960</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1962</td>
</tr>
<tr>
<td>3.</td>
<td>Applied Nutrition Programme</td>
<td>1964</td>
</tr>
<tr>
<td></td>
<td>Intensive Agricultural Area Development Programme</td>
<td>1966</td>
</tr>
<tr>
<td></td>
<td>HYV Seeds Programme</td>
<td>1966</td>
</tr>
<tr>
<td></td>
<td>Farmers Training Education</td>
<td>1966</td>
</tr>
<tr>
<td></td>
<td>Well Construction Programme</td>
<td>1967</td>
</tr>
<tr>
<td></td>
<td>Rural Works Programme</td>
<td>1968</td>
</tr>
<tr>
<td></td>
<td>Tribal Development Block</td>
<td>1969</td>
</tr>
<tr>
<td></td>
<td>Rural Manpower Programme</td>
<td>1969</td>
</tr>
<tr>
<td></td>
<td>Composite Programme for women and Pre school Going Children</td>
<td>1968</td>
</tr>
<tr>
<td>4.</td>
<td>Drought Prone Area Programme (DPAP)</td>
<td>1969</td>
</tr>
<tr>
<td></td>
<td>Crash Scheme for Rural Employment</td>
<td>1970</td>
</tr>
<tr>
<td></td>
<td>Marginal farmers and Agricultural Labour Scheme (MFAL)</td>
<td>1971</td>
</tr>
<tr>
<td></td>
<td>Small farmers Development Agency (SFDA)</td>
<td>1971</td>
</tr>
<tr>
<td></td>
<td>Tribal Area Development Agency (TADA)</td>
<td>1971</td>
</tr>
<tr>
<td></td>
<td>Intensive Rural Employment Programme (Pilot) (IREP)</td>
<td>1972</td>
</tr>
<tr>
<td></td>
<td>Minimum Needs Programme (MNP)</td>
<td>1972</td>
</tr>
</tbody>
</table>
5. Hill Area Development Programme Special livestock Production Programme (SLPP) 1974  
   Food for work Programme (FWD) 1975  
   Desert Development Programme (DDP) 1975  
   Whole village Development programme (WWDP) 1977  
   Training of Rural youth for self Employment (TRYSEM) 1977  
   Integrated Rural Development Programme (IRDP) 1979

   (RLEGP) National Rural Employment Programme (NREP) 1981

7. Development of Wormnet and Children in Rural Areas 1985  
   (DWCRA) Jawahar Rojgar Yojana (JRY) 1988

8. Scheme for Rural Artisans (all traditional artisans living below rashtriya mahila Kosh Credit Fund for women) 1992  
   Mahila Samridhi Yojana 1992  
   Revamped Public Distribution Scheme (PRDS) 1993

Source- Government of India Web site

Although the per capita income in rural is less than half of urban, the rural sector already accounts for 53 per cent of FMCGs and 59 per cent of durables bought in India. However, rural penetration and consumption levels for most product categories are much lower than urban because of limited purchasing power with villagers. Improved irrigation facilities, infrastructure, better roads, free trading in agri produce, removal of excise duty on tractors, agri implements; and the insurance scheme for farmers announced in the Budget should all give a boost to the rural economy and generate a greater demand for corporate products. However, to benefit from this new opportunity, urban marketers will have to gain a better understanding of rural lifestyles, needs and aspirations and design appropriate products. Corporate will need to extend their distribution reach to service this new segment living in six lakh old villages, offer smaller packs at lower price points, and communicate in the local idiom to connect with rural audiences. A rural India marketing strategy will not work. Corporate will have to not only think local, but also act local.
3.6 Theoretical Concept

Rural markets are defined as those segments of overall market of any economy, which are distinct from the other types of markets like stock market, commodity markets or Labor economics. Rural Markets constitute an important segment of overall economy,

Marketing Mix

History

The idea of marketing mix was generated to Borden Neil H by a paragraph in a research bulletin on the management of marketing costs, written by my associate, Professor James Culliton (1948). In this study of manufacturers’ marketing costs he described the business executive as a- "decider," an "artist"- a "mixer of ingredients," who sometimes follows a recipe prepared by others, sometimes prepares his own recipe as he goes along, sometimes adapts a recipe to the ingredients immediately available, and sometimes experiments with or invents ingredients no one else has tried. He liked that idea of calling marketing executive a "mixer of ingredients," one who is constantly engaged in fashioning creatively a mix of marketing procedures and policies in his efforts to produce a profitable enterprise.

For many years previous to Culliton's cost study the wide variations in the procedures and policies employed by managements of manufacturing firms in their marketing programs and the correspondingly wide variation in the costs of these marketing functions, which Culliton aptly ascribed to the varied "mixing of ingredients," had become increasingly evident as we had gathered marketing cases at the Harvard Business School. The marked differences in the patterns or formulae of the marketing programs not only were evident through facts disclosed in case histories, but also were reflected clearly in the figures of a cost study of food manufacturers made by the Harvard Bureau of Business Research in 1929. The primary objective of this study was to determine common figures of expenses for various marketing functions among food manufacturing companies, similar to the common cost figures which had been determined in previous years for various kinds of retail and wholesale businesses. In this manufacturer's study we were unable, however, with the data gathered to determine common expense figures that had much significance as standards by which to guide management, such as had been possible in the studies of retail and wholesale trades,
where the methods of operation tended toward uniformity. Instead, among food manufacturers the ratios of sales devoted to the various functions of marketing such as advertising, personal selling, packaging, and so on, were found to be widely divergent, no matter how we grouped our respondents. Each respondent gave data that tended to uniqueness.

Culliton's study of marketing costs in 1947-48 was a second effort to find out, among other objectives, whether a bigger sample and a more careful classification of companies would produce evidence of operating uniformities that would give helpful common expense figures. But the result was the same as in early study; there was wide diversity in cost ratios among any classifications of firms which were set up, and no common figures were found that had much value. This was true whether companies were grouped according to similarity in product lines, amount of sales, territorial extent of operations, or other bases of classification.

“The Marketing mix refers to the appointment of effort, the combination, the designing, and integration of the elements of marketing into a programme or mix which on the basis of an appraisal of the market force will best achieve the objectives of an enterprise at a given time.” *30

“The concept proposes that once markets are known, marketing management can mix the elements in proportion that will produce the most profitable marketing result. It assumes that the proportions of the mix will change as a market conditions change or the company’s position in market change. (McGraw Hill encyclopedia of professional management 1978) There are always several combinations of marketing methods and policies which can be adopted by a marketing manager in arriving at a marketing strategy. But there is always one optimum mix of them which leads to the most profitable result with minimum cost.

Jerome McCarthy (McCarthy, J. 1960) was the first person to suggest the four P’s viz price, promotion, product and distribution which constitute the most common variables used in constructing a marketing mix. According to McCarthy the marketers essentially have these four variables which they can use while crafting a marketing strategy and writing a marketing plan. In the long term, all four of the mix variables can
be changed, but in the short term it is difficult to modify the product or the distribution channel.

Another set of marketing mix variables were developed by Albert Frey (Frey, A. 1961) who classified the marketing variables into two categories, the offering, and process variables. The "offering" consists of the product, service, packaging, brand, and price. The "process" or "method" variables included advertising, promotion, sales promotion, personal selling, publicity, distribution channels, marketing research, strategy formation, and new product development.

Recently, Bernard Booms and Mary Bitner built a model consisting of seven P's (Booms, B. and Bitner, M. 1981). They added "People" to the list of existing variables, in order to recognize the importance of the human element in all aspects of marketing. They added "process" to reflect the fact that services, unlike physical products, are experienced as a process at the time that they are purchased.

The Marketing mix denotes a combination of various elements which in their totality constitute a firm’s “marketing system.” These elements are- 4P’s. Marketing Mix is the set of controllable marketing tools that firm uses to pursue its Marketing objectives in the target market. Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market.

**Product Mix**

A clear understanding has to be obtained of the rural environment, its limitations and opportunities, before effective marketing mix be formulated. A sensitization to the rural environment is absolutely vital, to ensure effective implementation of strategies, in the framework of new paradigms that are emerging, due to the transformations taking place in Rural India. This has to be furthered supported by an on-line monitoring mechanism that enables timely mid-course fine tuning.

The learning cycle becomes complete, only when, the knowledge and experience gained from every implementation can be systematically transferred, through effective training and dissemination.
The central decision in marketing mix strategy is product decision. In the emergent dynamic, competitive environment, multi-product firms are fighting hard to gain commanding market through their product strategies. It is through continuous design and redesign of product mixes a company lays its way to success and fame.

**Product Strategy**

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

Various strategies adopted at these levels are given in Table

**Table 3.2 Product Strategies-an Overview**

<table>
<thead>
<tr>
<th>Level</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Mix</td>
<td>Width extension- New Product lines</td>
</tr>
<tr>
<td></td>
<td>Length extension- New product items</td>
</tr>
<tr>
<td></td>
<td>Depth extension- new product variants</td>
</tr>
<tr>
<td>Product Line</td>
<td>Stretching– Upward, downward, both ways line pruning - line modernization</td>
</tr>
<tr>
<td>Product item</td>
<td>Quality, Features, Design, Brand and Package Augmentation</td>
</tr>
</tbody>
</table>

**Product Mix Decision**

Product mix is a set of all product lines and items offered by the company. Product line is a group of closely related products priced within a range and distributed the - some channels to the same customer groups. It has two dimensions Length and Depth.

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

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

Length of Product line

**Product item decision**

Product or service is an offer made by marketer that has the ability to satisfy the needs and wants of customer. Products are physical and tangible. The key consideration in individual product/service offer is developing of the product at three levels.

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

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

Diagram 3.1 Levels of Product

A product that provides the important form utility and ensures performance of the basic function is the core product. The testing question therefore is Is the product capable of fulfilling the needs of customer s?

2. Tangible Product

When psychological needs are specified in physical terms, product concept becomes visible and operational. Any product or service has five characteristics i.e.
Quality, Features, Style/design, Packaging and Branding.

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

3. Augmented Product

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

Table 3.3 Components of an offer

<table>
<thead>
<tr>
<th>Product related</th>
<th>Services – related</th>
<th>Channel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>Ordering</td>
<td></td>
</tr>
<tr>
<td>Design / Style</td>
<td>Delivery and credit</td>
<td>Expertise</td>
</tr>
<tr>
<td>Features</td>
<td>Installation</td>
<td>Performance</td>
</tr>
<tr>
<td>Packaging</td>
<td>Customer tracking</td>
<td>Courtesy</td>
</tr>
</tbody>
</table>

Augmentation requires fortifying the product strategy with additional force drawn from other Products as a result; the product offers make buying and using a pleasant and exciting experience.

Packaging

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

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

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

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

**Table 3.4 Levels of Appeal by Packages**

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

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

**Price Mix**

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

Economist defines price as the exchange value of a product or service always expressed in money. To the consumer the price is an agreement between seller and buyer concerning what each is to receive. Price is the mechanism or device for translating into quantitative terms (Rupees and Paise) the perceived value of the product to the customer at a point of time. Price is defined as the amount charged for the product or service including any warranties or guarantees, delivery, discounts, services or other items that are part of the conditions of sale and are not paid for separately. To the buyer price is a package of expectations and satisfactions. Thus, price must be equal to the total amount of benefits (physical, economic, sociological and psychological benefits). To the seller it is a product feature most welcome. Pricing is equivalent to the total product offering. This offering includes a brand name, a package, product benefits, service after sale, delivery, credit and so on. From the marketer's point of view, the price also covers the total market offering, i.e., the consumer is also purchasing the information through advertising, sales promotion and personal selling and distribution method that has been adopted. The consumer gets these values and also covers their costs. We can now define price as the money value of a product or service agreed upon in a market transaction. We have a kind of price equation, where

In a competitive market economy, price is determined by free play of demand and supply. The price will move forward or backward with changing supply and demand conditions. The going market price acts as basis for fixing the sale price. Rarely an individual seller can dishonor the current market price. In a free market economy, we have freedom of contract, freedom of enterprise, free competition and right to private property. Price regulates business profits, allocates the economic resources for optimum production and distribution. Thus, price is the prime regulator of production, distribution and consumption of goods. Economics revolves around pricing of resources. Price influences consumer purchase decisions. It reflects purchasing power of currency. It can determine the general living standards. In essence, by and large, every facet of our economic life is directly or indirectly governed by pricing. This is literally true in our money and credit economy. Pricing decisions interconnect marketing actions with the financial objectives of
the enterprise. Pricing strategy determines the firm's position in the market vis-a-vis its rivals. Marketing effectiveness of pricing policy and strategy should not suffer merely on account of cost and financial criteria.

Price is a powerful marketing instrument. As a marketing weapon, pricing is the big-gun. However, it must be used with great caution. Therefore, all marketing planners must make accurate and planned pricing decisions.

**Diagram 3.2 Place of Price in the Marketing Strategy**

Price Structure

Developing the price structure on the basis of pricing policies and strategies is the final step in price determination process. The price structure will now define selling prices for all products and permissible discounts and allowances to be given to middlemen as well as various types of buyers. Every marketer involved in price decision must take into consideration the impact of both the controllable and uncontrollable variable when he is called upon to develop pricing policies and procedures. The price decision as it is affected by all variables is shown in the model of pricing forces.
Diagram 3.3 Model of pricing forces

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

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

**Distribution Mix**

A key decision among the four Ps of marketing managers is distribution. Distribution decides the manner in which product and services are made available to the target customers. It involves the bridging of place utility gaps between manufacturer and customers. The design of physical distribution, referred to logistics and supply chain management and trade channels of distribution are the major components in distribution.

The link between manufacturers and customers is the channel of distribution. It consists of producer, consumer, and any intermediary organizations that are aligned to provide a means of transferring ownership (title) or possession of a product from producer to consumer. The characteristic features of distribution are

It was found in a primitive economy in which people realized the need for specialization and exchange. They understood that efficiency can be gained if one person specializes in a certain activity, such as hunting, and another person specializes in a different activity, such as fishing or farming. They exchanged one good for another to satisfy their needs. In a primitive economy, distribution is straightforward; in today’s global economy, it is far more complex. It is because of the distances, variety of supporting trade services, and variety of needs of buyers.

While manufacturing, research, engineering and field sales personnel represent internal resources, distribution represents a key external resource. It is outcome of a significant corporate commitment to a large numbers of independent organizations whose business is distribution.

Channels represent a set of interdependent relationships among intermediaries and producer. The channel facilitates forward flows (physical goods, title of goods, and promotion offers) and backward flows (ordering and payment). Some of these flows are forward flows (physical transportation, title, and promotion); others are backward flows (ordering and payment); and still others move in both directions (information, finance, and risk taking).
Channel Structures

Channel structures are evolved based on the type of company products, target market segments and competition. Three different channel structures are briefly explained here.

Table 3.5 Marketing systems

<table>
<thead>
<tr>
<th>System</th>
<th>Description</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vertical marketing system</td>
<td>Comprise producer, wholesaler (s) and retailer (s) acting as a unified system.</td>
<td>Achieve economies through their size, bargaining power, and elimination of duplicated services and channel conflicts.</td>
</tr>
<tr>
<td>Horizontal marketing system</td>
<td>Readiness or willingness of two or more non-related companies to put together resources to exploit an emerging market opportunity.</td>
<td>Economy of effort. A channel may become viable and attractive. e.g. Shakti groups</td>
</tr>
<tr>
<td>Multi-channel marketing system</td>
<td>Simultaneous use of different channels. Telemarketing and indirect distribution as in the case of marketing of mobile phones.</td>
<td>Efficient reach. Wider coverage.</td>
</tr>
</tbody>
</table>

Channel types

One key question in channel decisions is- whether to go for indirect or direct marketing.

Direct to customers

Producer → Customer through

i own sales force without own branch network
ii own sales force with own branch network
iii Telemarketing
iv E- Channels
Indirect to customers

Because of the wide variety of channel arrangements that exist, it is difficult to generalize the structure of channels across all industries. However, distribution channels are usually of two types

I. Direct Marketing Channel (or Zero level)

This type of channel has no intermediaries. In this distribution system, the goods go from the producer direct to the consumer, e.g., Eureka-Forbes.

Producer---------→ Consumer

II. Indirect marketing Channel

This may further be classified in the following categories

1. One-Level Channel.

In this type of channel there is only one intermediary between producer and consumer. This intermediary may be a retailer or a distributor.

Producer ------→ Retailer -- ---- -→ Consumer

If the intermediary is a distributor, this type of channel is used for specialty products like washing machines, refrigerators or industrial products.

Producer ----→ Distributor ---------→ Consumer

2. Two-Level Channel.

The type of channel has two intermediaries, namely wholesaler/distributor and retailer.

Producer ---→ Distributor ---→ Retailer------→ Consumer

3. Three – Level Channel.

This type of channel has three intermediaries namely distributor, wholesaler and retailer. This pattern is also used for convenience products.

Producer ---→ ---- → Wholesaler -----→ Distributor------→ Consumer------→ Retailer

4. Four – Level Channel.

This type of channel has four intermediaries namely Agent, Distributor, wholesaler and Retailer. This channel is somehow similar to the previous two. This type of channel is used for consumer durable products also.

Producer ---→ Distributor ---→ Wholesaler -----→ Agent --→Retailer-----→ Consumer

Let us now draw distinctions between direct and indirect marketing efforts.
**Logistics Management**

Logistics management is one of the time and cost saving strategies of business organizations. It is now being related to supply chain management. Supply chain has become important to companies to gain competitive advantage in terms of speed and cost of delivery of products and services to customers. Marketers therefore should have a good understanding of the goals of logistics and value chains.

Recently, the concept of integrated market logistics system is referred to as supply chain management, which is broader in its scope. It is concerned with all the flows starting from supplier to manufacturer to customer. As such integrated market logistics system is a subset of supply chain management of a firm.

Responsive logistical service is very important from the point of view of customers as well as competition. It enhances customer satisfaction and creates the opportunity for closer and more profitable buyer-seller relationships. It is often ranked by buyers next to “quality” as a criterion for selecting a vendor.

1. **Place factor**

Logistics creates place utilities to consumers. Companies lose their customers when they fail to supply goods at the right place. Many products fail in the competitive market when they are not available at the points of purchase at the right time.

2. **Time factor**

An important utility required by customers is time utility. If products or services are not available at the right time, the customers look for substitutes. If the failure to supply is frequent, customers shift their preferences to the timely available product though it is less satisfying.

3. **Cost factor**

Experts believe that substantial savings can be obtained in physical distribution area. For this reason it has been described as ‘the lost frontier for cost economies’. Physical distribution decisions when un-coordinated result in high cost. There is a need to make use of modern operations research tools and computer programming for coordinating inventory levels, transportation modes, and plant, warehouse and store locations.
4. Promotion factor

It is a potent promo tool in competitive marketing. Companies can attract additional customers by offering better service or lower price through improvements in physical distribution.

The objective of physical distribution is getting the right goods to the right places at the right time for the least cost. Evidently, this involves a trade-off between customer service and cost.

Optimization of each of the components (subsystems) - order processing, warehousing, inventory and transportation, may appear to be the right answer. But it is not correct. Physical distribution decisions must aim at optimization of total system and not the sub optimization at the subsystem levels i.e., order processing, warehousing, inventory and transportation.

Table 3.6 Elements of Logistics Service

<table>
<thead>
<tr>
<th>Elements</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery time</td>
<td>The time from the creation of an order to the fulfillment and delivery of that order encompasses both order-processing time and delivery or transportation time.</td>
</tr>
<tr>
<td>Delivery reliability</td>
<td>The most frequently used measure of logistics service; delivery reliability focuses on the capability of having products available to meet customer demand.</td>
</tr>
<tr>
<td>Order accuracy</td>
<td>The degree to which items received conforms to the specification of the order. The key dimension is the incidence of orders shipped complete and without error.</td>
</tr>
<tr>
<td>Information access</td>
<td>The firm’s ability to respond to inquiries about order status and product availability</td>
</tr>
<tr>
<td>Damage</td>
<td>A measure of the physical conditions of the product when received by the buyer.</td>
</tr>
</tbody>
</table>
Ease of doing business | A range of factors including the ease with which orders, returns, credits, billing, and adjustments are handled
Value-added | Such features as packaging, which facilitates customer services handling, or other services such as pre pricing and drop shipments.


Major decision issues in Distribution are

a. Order Processing  The first phase in physical distribution is order - shipping - billing cycle. A customer order initiates several steps
1. Order department prepares multi copy invoices and dispatches them to various departments.
2. Order is checked with available stock. Items out of stock are back ordered
3. Items are shipped. Shipped items are accompanied by shipping and billing documents with copies going to various departments.
The whole process is now expedited with the help of computers by warehousing

b. Warehousing  A storage function is necessary because the production will be more than customer orders in general. Striking a balance between customer service standards and distribution costs, marketers has to decide on a desirable number of stocking locations depending upon the markets the firm intends to serve, choose the type of warehouses.

c. Inventory Inventory management requires decisions relating to
   1) Level of stock – Determining optimum order quantity
   2) Time of ordering – Reorder point
   3) Minimum stock level to meet emergencies – safety stock
Today, just-in-time production practices and product customization are changing the inventory planning practices.

d) Transportation  Marketers have to make careful choice of transportation mode and organizations. In choosing a transportation mode for a particular product, shippers consider such criteria as Speed, Frequency, Dependability, Capability, Availability, and Cost.
Supply Chain

A supply chain consists of all parties involved, directly or indirectly, in fulfilling a customer request. A typical supply chain may involve a variety of stages. These supply chain stages include Customers, Retailers, Wholesalers /Distributors, Manufacturers, Raw material suppliers.

The appropriate design of the supply chain and the number of stages will depend on both the customer’s needs and the roles of the stages involved. The objective of every supply chain is to maximize the overall value generated. Today companies are giving LandSCM due importance because of two reasons cost control and retaining markets. And, both these factors are crucial to defending bottom lines.

Promotion Mix

Promotion is a communication with an additional element of persuasion to accept ideas, products, services and hence persuasive communication becomes the heart of promotion, the fourth element of marketing mix. In essence, promotion is the spark plug of our marketing mix and an important marketing strategy. People must know that the right product at the right price is available at the right place. It is said that in a competitive market without promotion nothing can be sold. In marketing, effective communication is absolutely necessary even though you have a superb product, best package and also you offer a fair price People will not buy your product, if they have never heard of it and they are simply unaware of its existence.

Essentially promotion is persuasive communication to inform potential customers of the existence of products, to persuade and convince them that those products have want satisfying capabilities. Consumers really speaking buy a bundle of expectations (a package of utilities) to satisfy their economic, psycho- social wants and desires. The promotion mix includes four ingredients, viz., 1. advertising, 2. publicity, 3. personal selling, and 4. all forms of sales promotion. All forms of promotion try to influence consumer’s attitudes, beliefs, ways of living or life style, values and preferences towards a company and its products, and thereby influence his/ her behaviour.
1. Advertising

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

2. Publicity

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

3. Personal Selling

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

4. Sales Promotion

   It covers those marketing activities other than advertising, publicity and personal selling that stimulate consumer purchasing and dealer effectiveness. Such activities are displays, shows, exhibitions, demonstrations, and many other non-routine selling efforts at the point of purchase. Sales promotion tries to complement the other means of promotion given above. All kinds of promotion play the role of communication channels between the marketer (the source and the sender of message) and the consumer (the receiver of the message). Publicity is more effective in the awareness stage. Advertising gradually becomes less and less effective over a time span. Hence, reminder advertisement is necessary. Personal selling becomes more and more effective as interpersonal interaction assumes increasing importance. Closing of sales needs not only personal selling but also sales promotion tools at the point of purchase in order to provide additional incentives for buyer's action.

Promotion Strategy

   Strategy lays down the broad principles by which a company hopes to secure an advantage over competitors, exhibit attractiveness to buyers, and lead to full exploitation of company resources. When marketers resort to promotion or persuasive communication in marketing, we have a kind of the promotion square.
The promotional strategy also depends on the channel or route through which products of the firm flow to consumers. There are pull and push strategies in promotion. Pull strategies depend upon mass communication. Products are literally pulled by buyers through the channels on the basis of mass promotional efforts. In a pull strategy the product is pulled through the channel by creating end-user demand. Customers force retail shops to stock those mass-promoted products. In turn, retailers demand the highly advertised product from wholesalers. The firms having well-known brands can exercise control over channels through pull promotion strategies. Personal salesmanship plays a secondary role in pull promotion. Marketer relies on intensive distribution. Dealer margins are also lower in pull promotion.

**Diagram 3.4 Push Strategy**

**Diagram 3.5 Pull Strategy**
A pull strategy is also called a suction strategy. Extensive and heavy use of advertising and sales promotion would be necessary to generate consumer demand. There is less emphasis on personal selling at all stages of the marketing channel. Small firms are unable to depend entirely on advertising and sales promotion, because large investment is involved due to emphasis of advertising and sales promotion. A push strategy is called a pressure strategy. It places heavy emphasis on personal selling. Industrial marketing strategies are mostly the push type strategies relying primarily on personal selling. In the sale of medical products and in life insurance, marketers have to use large number of sales-people to call on physicians and prospects for life insurance. In push type promotion, personal selling expenses are considerable and dealer margin is also higher. In push type promotion, after-sale service is also important. In push type promotion marketers rely on selective distribution. Push strategy can be successfully used when 1. we have a high quality product with unique selling points, 2. we have a high-priced product, and 3. we can offer adequate incentives (financial) to middlemen and their salesmen. Most consumer goods manufacturers generally employ a push-pull (combination) strategy to sell their products. The ratio of pull to push may differ according to the requirements of market situation. Salesmen are used to push the goods through the marketing channel, while
advertising and sales promotion will support personal selling to accelerate sales. Thus, all tools of promotion work together.

Once the marketing plan is ready we can develop a total promotion programme to approach the target audiences. Budget for each element of promotion is prepared. Promotion objectives must be set before we decide on message contents, layout and delivery of message. Contents and layout decisions are based on strengths and weaknesses of the various media vehicles. Delivery decisions are based on the needs of carrying particular types of messages. Promotion objectives, message design, message delivery and promotion budget are the constituents of promotion programme. All these are highly interrelated decision areas.

When the promotion budget is fixed by the top management all decisions on promotion programme must be within that budget. If the promotion budget is not so fixed, promotion programme will be designed to support the marketing plan. The promotion budget to implement marketing plan will be approved by top management.

3.7 Reference

*1 Monier-Williams (1976); and Mujmdar and Pusalkar (eds) (1951)

*2 Ryotwari, This classification was recognized by Mark in his easy on the future of British rule in India where he identified a ‘zamindaree’ and rytowari’ system villages were historically identified by the British into the joint type as, as found in the NWFP, where land was held by a proprietary body called a bhaichara or brotherhood (smith 1996) the rytowari was found in the greater part of India, and the individual cultivator was responsible for revenue.


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