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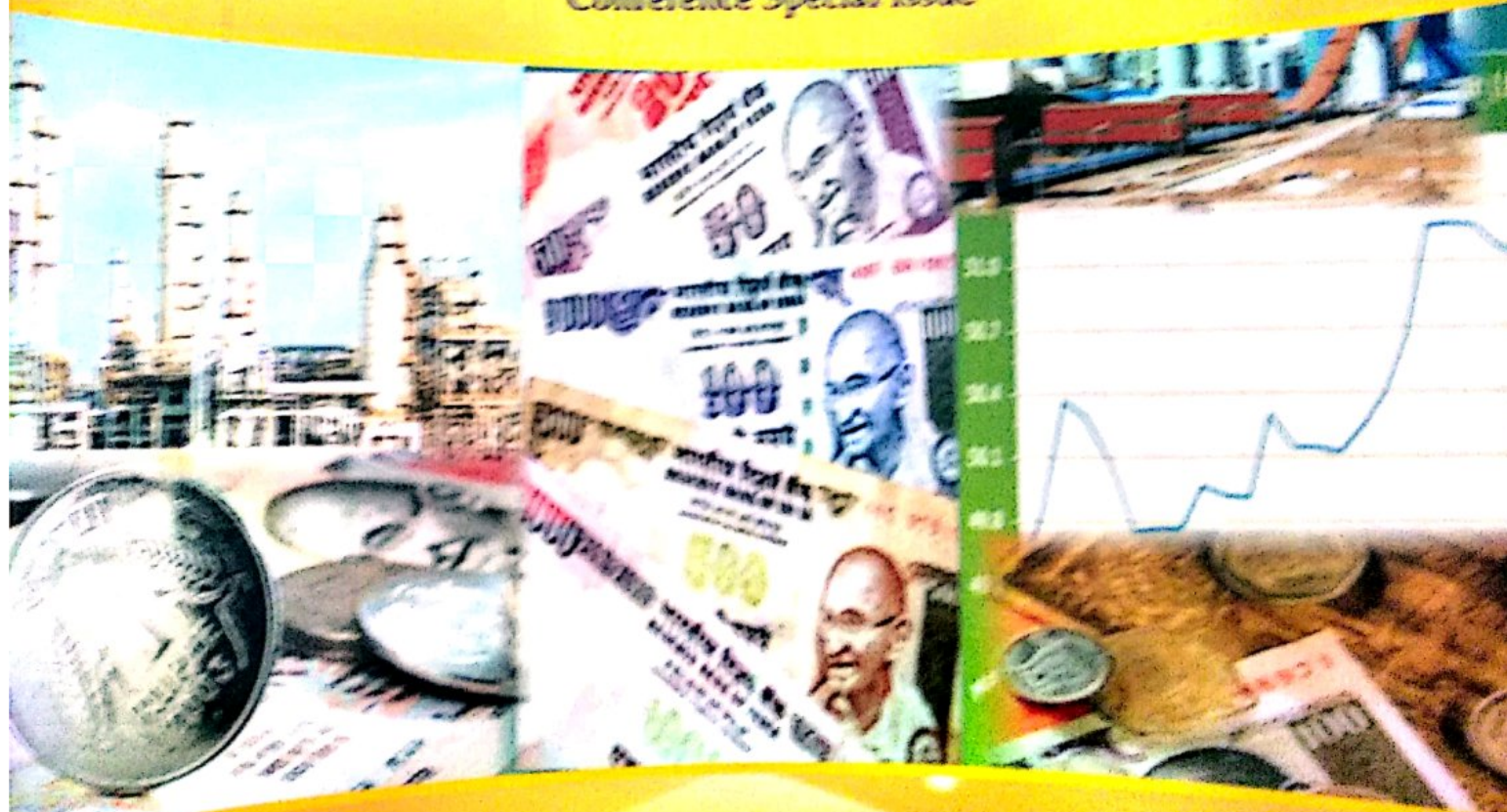
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## **Rural Marketing and Retailing**

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Marketing systems are dynamic; they are competitive and involve continuous change and improvement. Businesses that have lower costs, are more efficient, and can deliver quality products, are those that prosper. Those that have high costs, fail to adapt to changes in market demand and provide poorer quality is often forced out of business. Marketing has to be customer-oriented and has to provide the farmer, transporter, trader, processor, etc. with a profit. This requires those involved in marketing chains to understand buyer requirements, both in terms of product and business conditions.

### **Rural Retail Marketing**

Rural Retail marketing includes point of sale promotional activities for consumer goods. Retail marketing is the range of activities undertaken by a retailer to promote awareness and sales of the company's products. Retail marketing makes use of the common principles of the marketing mix, such as product, price, place and promotion. It includes effective merchandising strategies, shopping and consumer behavior, branding and advertising. Retail marketing is especially important to small retailers trying to compete against large chain stores.

### **Agricultural marketing**

Agricultural marketing covers the services involved in moving an agricultural product from the farm to the consumer. Numerous interconnected activities are involved in doing this, such as planning production, growing and harvesting, grading, packing, transport, storage, agro- and food processing, distribution, advertising and sale. Some definitions would even include "the acts of buying supplies, renting equipment, (and) paying labor", arguing that marketing is everything a business does. Such activities cannot take place without the exchange of information and are often heavily dependent on the availability of suitable finance.

In recent years several developing countries have established government-sponsored marketing or agribusiness units. South Africa, for example, started the National Agricultural Marketing Council (NAMC) as a response to the deregulation of the agriculture industry and closure of marketing boards in the country. India has the long-established National Institute of Agricultural Marketing (NIAM). These are primarily research and policy organizations, but other agencies provide facilitating services for marketing channels, such as the provision of infrastructure, market information and documentation support.

### **Agricultural advisory services and the market**

Promoting market orientation in agricultural advisory services aims to provide for the sustainable enhancement of the capabilities of the rural poor to enable them to benefit from agricultural markets and help them to adapt to factors which impact upon these.

**Market infrastructure**

Efficient marketing infrastructure such as wholesale, retail and assembly markets and storage facilities is essential for cost-effective marketing, to minimize post-harvest losses and to reduce health risks. Markets play an important role in rural development, income generation, food security, developing rural-market linkages and gender issues. Planners need to be aware of how to design markets that meet a community's social and economic needs and how to choose a suitable site for a new market. Attention needs to be paid to how that market will be managed, operated and maintained.

**Marketing training**

Farmers frequently consider marketing as being their major problem. However, while they are able to identify such problems as poor prices, lack of transport and high post-harvest losses, they are often poorly equipped to identify potential solutions. Successful marketing requires learning new skills, new techniques and new ways of obtaining information.

**Enabling environments**

Agricultural marketing needs to be conducted within a supportive policy, legal, institutional, macro-economic, infrastructural and bureaucratic environment. Inappropriate law can distort and reduce the efficiency of the market, increase the costs of doing business and retard the development of a competitive private sector. Poor support institutions, such as agricultural extension services, municipalities that operate markets inefficiently and export promotion bodies, can be particularly damaging. Poor roads increase the cost of doing business, reduce payments to farmers and increase prices to consumers.

**Future Group's strategy is aimed at achieving inclusive, sustained and profitable growth with three levels**

**1) Customer orientation :** The bottom line in each of our retail success stories is "know your customer". Insights into the soul of Indian consumers - how they operate, think, dream and live - helps us innovate and create differentiating functionality.

**2) Continuous innovation :** As India's largest retailer, we understand the importance of innovation. We rethink strategies and realign businesses to provide diverse customer groups with refreshingly different retail experiences.

**3) Collaborative transformation :** Creating a collaborative environment combining our strengths with our suppliers and vendors helps us create immense value for our customers which in turn fosters mutual growth.

**FEATURES OF RURAL MARKETS:-**

- 1) **Large and Scattered market:** The rural market of India is large and scattered in the sense that it consists of consumers from villages spread throughout the country.
- 2) **Major income from agriculture:** Nearly 60 % of the rural income is from agriculture. Hence rural prosperity is tied with agricultural prosperity.
- 3) **Traditional Outlook:** The rural consumer values old customs and tradition. They do not prefer changes.
- 4) **Diverse socio-economic backwardness:** Rural consumers have diverse socio-economic backwardness. This is different in different parts of the country.



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5) **Infrastructure Facilities:** The Infrastructure Facilities like roads, warehouses, communication system, financial facilities are inadequate in rural areas. Hence physical distribution becomes costly due to inadequate Infrastructure facilities.

6) **Increase In Literacy And Education:** Rise in literacy and educational level among rural people and the resultant inclination to lead sophisticated lives also has a bearing in boosting their purchasing power. Thus, there exists tremendous potential in rural India and the companies are coming forward for the prospects of marketing their products and services. Most of the companies treat rural market as a dumping ground for the lower end products designed for an urban audience. But, this scenario is slowly changing and importance is given to the need of the rural consumer. Hence it is important to understand the 4Ps along with 4 As of rural marketing with respect to a rural consumer.

### principles / factors of the marketing mix for Retail marketing - 4Ps

**1) Product :** A product is the heart, the cornerstone of rural marketing. It is a need satisfying entity to a rural consumer. In the retail environment, merchandise is classified according to the category into which it falls. These categories include hard or durable goods such as appliances, furniture, electronic goods and sports equipment; food; and soft goods or consumables. Soft goods include clothing, furnishings, cosmetics, paper goods and other items with a typical life span of three years or less.

NCAER has classified consumer goods into 3 categories. These categories cover most of the products from Rs. 100 to Rs. 20000 and above.

Category I – These products are of immediate use to the family

- |  |   |
|--|---|
| <input type="checkbox"/> Pressure Cookers, Mono Cassette Recorders |   |
| <input type="checkbox"/> Pressure Pans                             | <input type="checkbox"/> Wrist watches (mechanical) |
| <input type="checkbox"/> Wrist watches (quartz)                    | <input type="checkbox"/> Radio/Transistors          |
| <input type="checkbox"/> Electric irons                            | <input type="checkbox"/> Ceiling Fans               |

Category II- These products reduce the strain of the households and also act as a source of entertainment.

- |  |  |
|--|--|
| <input type="checkbox"/> 2-in-1 (mono)   | <input type="checkbox"/> 2-in-1 (stereo) |
| <input type="checkbox"/> Instant Geyser  | <input type="checkbox"/> Sewing Machines |
| <input type="checkbox"/> Storage Geysers | <input type="checkbox"/> Vacuum Cleaners |
| <input type="checkbox"/> Table Fans      | <input type="checkbox"/> Bicycles        |

Category III- These are combination of means to supplement income.

- |   |   |
|---|---|
| <input type="checkbox"/> C TVs (S)      | <input type="checkbox"/> C TVs (R)        |
| <input type="checkbox"/> VCRs/ VCPs     | <input type="checkbox"/> Scooters         |
| <input type="checkbox"/> Mopeds         | <input type="checkbox"/> Motor Cycles     |
| <input type="checkbox"/> Refrigerators  | <input type="checkbox"/> Washing Machines |
| <input type="checkbox"/> Mixer/grinders |   |

The hierarchy depends on the needs of the rural consumers. Rural branding aims at creating and disseminating the brand name so that it is easily understood and recognized by the rural consumers.



The following have to be kept in mind while the marketer makes a decision on the product.  
1) The product for the rural markets has to be simple, easy to use and provide after sales service or maintenance.  
2) The product has to be packed for low price and convenient usage.  
3) The pack has to be easily understood by the rural consumer. The information on the pack is preferred in local language communicating the functional benefit of the product.

**2) Pricing :** A rural customer is price sensitive and shops for value mainly because of his lower income levels than his urban counterparts. Hence the marketer has to find ways of making the product affordable to the rural consumer. For example banks offer loans for tractors, pump sets, television sets and so on to make the product affordable to a rural consumer. Smaller unit packs are preferred to offer at lower prices.

Pricing is a major aspect of any retail marketing strategy. The price of merchandise helps to define the methods of retail marketing employed, as well as the target market, store location and retail format used to sell it.

**3) Placement or Distribution :** The place where retail marketing occurs helps to define the process. A retail operation can be store-based retail or non-store, retail stores are small, single-store, owner-managed operations; A definition of retail marketing includes the places where it occurs, such as in-store, online and points of sale. This also applies to non-store operations such as retail sales taking place from the business owner's home. Distribution of products is one of the biggest challenges of rural marketing.

A three tier rural warehousing setup exists:

- CWC/SWCs(Central/ State Warehousing Corporation)
- Co-operatives
- Rural Godowns

CWC and SWCs reach up to the district levels. The co-operatives are at the mandi level. The Rural Godowns are at the village level wherein they are owned by panchayat heads. All these tiers provide warehousing facilities only to their own members. Hence it is a big problem for a company to store its goods in rural areas.

There are also some problems of rural distribution:

- Transportation has not been fully developed.
- Lack of proper channels of communication like telephone, postal services, and so on pose a lot of problem to marketer to service the retailer as it is difficult to the retailers to place order for goods. This problem is on the way to have a solution by the advent of mobile phones .
- Storage of goods in rural areas is also a problem for the marketers.
- Multiple tiers push up the costs and channel management is a major problem for marketers due to lot of middlemen in the process.
- Availability of suitable dealers.
- Poor viability of rural outlets.

**4) Promotion :** Retail marketing relies heavily on the promotional aspect of the marketing mix, as can be seen by the number of print advertisements for consumer goods such as clothing, food and furniture. Promotions take place in traditional media

such as television, print, outdoor billboards and radio, as well as new media such as the internet. The choice of promotional channels is influenced by factors such as the competitive retail environment, the profit margin on sales and the budget available for promotion purposes. The success of retail marketing is defined by the success of the business in selling its merchandise. Promotion may be more difficult for small businesses, because of their lower advertising budgets, but social media provides a low-cost method of promotion.

Communication to rural consumer is through organized media. More number of rural consumer listen to radio and many go to cinema. Rural communication can be through conventional media or through a nonconventional media.

- Conventional media: Print, Cinema, Television and Print.
- Non-conventional media: Theatre, Posters, Haats, street plays, Melas and through influential person in the area.

The conventional media have excellent reach, less expensive and create a better impact. But at the same time, it is not customized to each village and also offers unnecessary coverage at times.

Problems in rural communication:

□ Language

□ Cultural & traditional differences

□ Low literacy rates

□ Attitudes and behavior

An effective promotion should plan for a proper mix of media which must take care of all the problems of communication to rural consumers.

### The 4A Approach (The 4As of Rural Marketing)

### AFFORDABILITY, AVAILABILITY, ACCEPTABILITY, and AWARENESS.

For rural market 4Ps alone are not sufficient. The 4As also has to be considered and keep in mind while formulating the plan to enter the rural market because these are also critically important.

**Affordability:** The first challenge is to ensure affordability of the product or service. With low disposable incomes, products need to be affordable to the rural consumer, most of whom are on daily wages. A solution to this has been introduction of unit packs by some companies. Including understanding of the dynamics of rural markets and strategies to supply the products and safety these consumers. The consumers in rural areas are value-conscious and a lot savvier. They are willing to pay for a product if it worth it. Affordability is thus critical to success in rural markets. Small stock keeping units (SKU), low priced products are all making various segment of products a lot more affordable to the rural consumers.

e.g. □ Most of the shampoos are available in smaller packs.

□ Fair and lovely was launched in a smaller pack.

□ Godrej recently introduced three brands of Cinthol, Fair Glow and Godrej in small packs.

□ Hindustan Lever has launched a variant of its largest selling soap brand, Lifebuoy.

□ Coca-Cola has addressed the affordability issue by introducing the smaller bottle priced at Rs 5. The initiative has paid off: Eighty per cent of new drinkers now come from the rural markets.



Some product also can be made affordable by making available the loan facility by having alliance with banks.

**2) Availability:** The second challenge is to ensure availability of the product or service. India's villages are spread over in rural areas, finding customers is not easy. They are highly dispersed. Given the poor infrastructure, it is a greater challenge to regularly reach products to the far-flung villages. Marketer should plan accordingly and strive to reach these markets on a regular basis. Over the years, India's largest MNC, Hindustan Lever, a subsidiary of Unilever, has built a strong distribution system, which helps its brands reach the interiors of the rural market. For making the products available to consumers, companies adopt a variety of means such as direct selling, using company delivery vans, syndicated distribution between non-competitive marketers, setting up of temporary stalls in rural melas or haths etc. In the rural areas with places far flung and well connected with proper roads, delivering the product to the rural consumers can be a challenge. Companies have realized this and are trying to be creative in this situation

- e.g. □ India's largest MNC, Hindustan Lever has built a strong distribution system which helps its brands reach the interiors of the rural market
- LG Electronics has set up area offices and rural/remote area offices to cater to these potential markets.

**3) Acceptability:** The third challenge is to gain acceptability for the product or service. Therefore, there is a need to offer products that suit the rural market. There is a great need to offer products and services that suit the rural consumers in order to obtain their acceptability. It is not just value for money, but also value add-ons that attract the rural people and help in gaining their acceptability for the products. Therefore, imaginative ideas and dedicated efforts of corporate house are fast transforming the rural landscape into big consumer markets.

- e.g. □ Coca-Cola provided low-cost ice boxes in the rural areas due to the lack of electricity and refrigerators. It also provided a tin box for new outlets and thermocol box for seasonal outlets.
- HDFC Standard LIFE topped private insurers by selling policies in rural sector. The company tied up with non-governmental organizations and offered reasonably-priced policies in the nature of group insurance covers.

**4. Awareness :** Building awareness is another challenge in rural marketing. A large part of rural India is inaccessible to conventional advertising media. It has been seen that, many Indians are unreached by any media - TV, Press, Radio and Cinema put together. Haats, mandis and melas are opportunities. Family is the key unit of identity for both the urban and rural consumer. However, the rural consumer expressions differ from his urban counterpart. For a rural consumer, outing is confined to local fairs and festivals and TV viewing is confined to the state-owned Doordarshan. Consumption of branded products is treated as a special treat. Haats, mandis and melas are the place of opportunities to promote awareness about the product.

- e.g. □ Hindustan Lever has its own company-organized media. These are promotional events organized by stockiest.



Coca-Cola uses a combination of TV, cinema and radio to reach the rural households. It has also used banners, posters and tapped all the local forms of entertainment. Since price is a key issue in the rural areas, Coca-Cola advertising stressed its 'magical' price point of Rs 5 per bottle in all media.

LG Electronics uses vans and road shows to reach rural customers. The company uses local language advertising.

Philips India uses wall writing and radio advertising to drive its growth in rural areas.

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