

MANAGEMENT PROGRAMME

Term-End Examination

December, 2011

MS-611 : RURAL MARKETING

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

Note : This paper consists of two sections A and B. Attempt any 3 questions from Section-A. Section-B is compulsory. All questions carry equal marks.

SECTION - A

1. How do environmental variables like available infrastructure and rural politics affect rural marketing ? Explain by taking suitable examples.
2. (a) What are the factors which affect the process of need recognition in rural markets ?
(b) How would you use your understanding of family life cycle to identify a suitable segmentation strategy for bicycles ?
3. Describe some of the effective product strategies that can guide the product modification decision for rural markets ? You may respond with refers to any consumer non-durable product/products of your choice.

4. What would be a suitable media-mix for the following products for rural markets in north India ? Give reasons for your answer in each case
- (a) Sturdy, economy range motorbike
 - (b) Fairness Cream
5. (a) What are the factors that determine the choice of shopping stores by rural customers ?
- (b) Write a note on the importance of periodic markets in terms of their significance for rural distribution.

SECTION - B

6. Read the case given below and answer the questions at the end of the case.

Market Database for Strategy Making

It is necessary to have information of preferences for durables among households for drawing up marketing strategies. The market is morphing. And the questions uppermost in the mind of marketers today are the same :

- (a) How many consumers does this product have ?
- (b) How are consumption patterns changing ?
- (c) What are the product preferences of different classes of consumers ?

National Council of Applied Economic Research (NCAER) periodically conducts research to provide such information. The methodology adopted by them is presented here for critical evaluation.

Market Size Growth

In a land of 170 million rural households, marketers often wonder what sparks the growth in market size of a certain product category with more than 6,00,000 villages in India, where the scenario changes every ten-odd kilometers, there could be dozens of factors, like psychographic, demographics etc.:

But the National Council of Applied Economic Research (NCAER) has pinned down four basic criteria that have influenced the market size of various products in rural India. They are :

- Population growth
- Income rise
- Increased usage
- Growth in penetration

Population growth increases the number of consumers and affects the per capita income levels of households. When there is rise in incomes along with addition of numbers, the purchasing power may not be adversely affected.

Income rise, pushes up consumption levels of those who were already sub-optimal consumers of specific products on the one hand, and in the other, encourages non-users to become users of a

product. Higher incomes simply do not mean consumption. Consumption would show up only when there exists affordability. Increased usage or growth in intensity of use depends not only on the incomes but also on the change in consumption habits in the household. It may result when more of the same product is used by some members of a family or more members of the family start using it.

Penetration refers to the extent the brand has gained acceptance in the rural households. It is a measure of the success of marketing efforts. Also, it helps spot the opportunity, i.e., areas with low penetration levels indicate saturation of the market.

Table 1 Factors Affecting Market Size in Rural India.

Product	Growth in Penetration	Increased Usage	Income rise	Population growth
Toilet Soap	14	70	7	9
Tube lights	8	0	65	21
Lipstick	89	0	7	4
Edible oil	26	23	22	29

Consider the factors affecting market size of the four products in Table 1. The market size was affected by the growth in penetration in case of lipstick, increased usage in case of toilet soap, income rise in case of tube lights and population growth in case of edible oils. What does this

mean ? The chief determinant for tube lights is income rise in rural India. As incomes rise, rural folk perhaps prefer to upgrade to tube lights. An indication that is not clear, however, is the force behind penetration ? Is it communication process of marketer or the receptivity of consumer ? Is it because the villages with high penetration are in close proximity to a city ? What other factors need consideration for measuring growth of markets size ?

Market Structure

Segmentation decisions require understanding of market structure. Market structures are defined by :

1. Population - Number of households
2. Consumption - ownership of durables and non-durables.
3. Income - annual income of households.

NCAER derived the structure of the Indian market from the actual consumption and ownership data. Then, the distribution of households by income is super imposed on different consumer goods to obtain income ranges for different consumer cases. A five tier structure of Indian market is thus estimated and projected.

THE DESTITUTE	Upto Rs. 16,000 per annum
THE ASPIRANTS	between Rs. 16,001 - 22,000
THE CLIMBERS	between Rs. 22,001 - 45,000
THE CONSUMING CLASS	between Rs. 45,001 - 2,50,000
THE VERY RICH	above Rs. 2,50,000

The income group classification may be valid for the present. But it may not hold good in the future as the prices of products vary - in all probability move upwards lowering the present aspirants to the destitute level. However, income may also rise in the same proportion, and nullify the adverse effect of price rise. However, it is unlikely in all probability.

Asset preferences

The NCAER updated its asset preferences matrix on the basis of information survey of households, which contain data in the stock consumer durables owned by different categories of households. Instead of considering the entire range of consumer goods as one group, 16 consumer durables were divided into three categories of narrow price ranges.

Group	Price	Number	Product
I	Below Rs. 1000	6	Wrist watch, fan, pressure cooker, transistor electric iron, bicycle.
II	Rs. 1000 - 6000	6	TV (B&W), mixer-grinder, two-in-one, geyser, sewing machine, vacuum cleaner
III	Above Rs. 6000	4	Two-wheeler, refrigerator, TV (colour), washing machine

The asset - preference ranking, while valid for a group of households, may not be valid for every individual household.

QUESTIONS :

- (a) Explain how the data can be of help to marketers of (i) durables and (ii) non - durables in formulating rural marketing strategies ?
 - (b) What additional information would you require as a marketer of sewing machines to enter the rural market ? Briefly describe how would you collect the information ?
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