

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER 3– • EXAMINATION – WINTER 2015

Subject Code: 2830701

Date: 03/12/2015

Subject Name: Rural Marketing (RM)

Time: 10.30 AM TO 01.30 PM

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q.1 (a) Objective questions

(6)

1. Rural marketing deals with-

- a) Selling the products/service from rural to urban market
- b) Selling the products/service from urban to rural market
- c) Product/ services meant for the rural market
- d) None of these

2. Rural Markets and rural marketing involve a number of strategies, which include:

- a) Management of demand
- b) Developmental marketing
- c) USP (Unique Selling Proposition)
- d) All the above

3. Which of the following factors influence the prices of agricultural commodities:

- a) Inadequate storage facility
- b) Uncertainty of supply
- c) Superfluous middlemen
- d) all of these.

4. What does 4A in rural marketing?

- a) Availability, Acceptability, Affordability, Awareness
- b) Adopt, Affordability, Admire, Awareness
- c) Availability, Acceptability, Admire, Awareness
- d) None of these

5. The rural consumers recognize the brand using-

- a) Word
- b) Company Name
- c) Logo & symbols
- d) Brand Ambassadors

6. Communication makes efforts to put something into the customer's mind, to change his _____ and to get the consumer to act.

- a) Attitude
- b) Purchase Behavior
- c) Mindset
- d) All the above

Q.1 (b) What is the difference between urban & rural marketing?

(4)

Q.1(c) Write short on –

(4)

- | | |
|------------------------------------|---------------------------------|
| 1) Characteristics of rural market | 2) Marketing Information system |
| 3) Contract Farming | 4) Rural Marketing Mix |

- Q.2 (a) What are the factors important which make MNC to invest in the rural market? (7)
 (b) Discuss the marketing challenges posed by rural markets to marketers of FMCG products. Support your answer with suitable examples. (7)

OR

- (b) You are the marketing head of Acel telecom Ltd. wants to enter into rural market. What factors you want to know about rural consumers? What tools you will be used to know about it. (7)

- Q.3 (a) What are the factors important to be considering in creating brand positioning in the rural market? (7)
 (b) How do factors like social class, reference groups and lifestyle vary between urban and rural markets? What implications do these differences have for a marketer of insurance services? Explain. (7)

OR

- Q.3 (a) What are the different bases for segmenting the rural market? (7)
 (b) What can be the important product strategies for the consumer durable products? (7)

- Q.4 (a) Discuss the pricing strategies for rural market. (7)
 (b) What are the key behavioral dimensions that must be considered while planning rural distribution strategy? Explain with respect to: (7)
 (i) Economy range of detergent
 (ii) Cold drinks

OR

- Q.4 (a) What is packaging & labeling? Do you feel rural consumers give importance to the packaging? (7)
 (b) What are the important media vehicles specially suited for advertising and promotion in the rural markets? Having identified the rural market potential, your company is keen to promote its economy range of cooking gas stoves in the rural market. What is the media mix you would suggest to the company and why? (7)

- Q. 5 Read the case given below and answer the questions given at the end of the case. (14)
 ITC Ltd.

Tobacco to hotels giant ITC Ltd. has been trying to find a solution to an old problem for years. The company used to buy soya bean for export. Like everyone else, the corporation had no option but one source its supplies from the local mandis. This created into problems. One, quality was not guaranteed, and two, since supplies were sourced through middlemen, the company had no contact with the growers which are a crucial precondition for orders to many European countries. Direct contact with farmers was all but impossible given the fact that they lived in far-flung villages in Madhya Pradesh. ITC's problem was that it did not have a mechanism to approach them directly - and, as importantly, cost effectively.

The company looked for the solution in information technology, through a project called e-choupal, launched one-and-a half years ago- A classic click-and-mortar business, the idea behind

e-choupal was to offer an alternative distribution and supply chain system to the rural market. How does it work? Soya bean farmers in Madhya Pradesh can now come to the e-choupal, which is nothing but an Internet kiosk set up usually in the house of an influential man (usually the headman) in the village. The village official is appointed by the company and is known as the sanchalak. The site provides farmers with real-time information on the latest weather report, prices in various mandis, world prices and even best farming practices.

More importantly, it offers a price at which ITC is willing to buy the soya from them direct through the sanchalak. Says S Sivakumar chief executive of ITC's international business division: "The biggest problem for farmers is that middlemen have blocked information flow. Now the price discovery is met through the kiosk and it is transparent." The farmers have the choice of selling their product in the mandi or to ITC. If a farmer accepts the company price, the order is confirmed promptly by the sanchalak on the net.

The tobacco giant has already set up over 700 choupals covering 3,800 villages in four states – Madhya Pradesh, Uttar Pradesh, Karnataka and Andhra Pradesh - dealing with soya bean, coffee and wheat. Last year it transacted business of over Rs. 80 crore through the e-choupals all across the country. The bigger plan is to spend some Rs. 150 crore to expand the number of kiosks so that the company is able to reach over 1,00,000 villages and cover 10 million farmers in 14 states in five years.

Is the business big enough to justify this level of spending and planning? To understand that, consider why a farmer would opt for the e-choupal over the regular mandi. Farmers who strike deals on the Internet kiosk with ITC have a choice. They can either bring their produce to the ITC warehouse or factory and get reimbursed for the transportation cost or they could give their supplies to one of the collection centres that have been set up by the company for a cluster of villages or even deliver it to the sanchalak. Both ITC and the farmers make a neat saving by bypassing the middleman in the mandi. For instance, the farmer saves as much as Rs. 250 per tonne on soya bean because he does not incur costs such as bagging, transportation, loading and unloading, to haul his goods to the mandi.

The company, on the other hand, saves over Rs. 200 a tonne by avoiding transporting the produce from the mandi to the company outlet even after reimbursing the farmer for transport. And the sanchalak, the local level entrepreneur, also makes money by getting a 5 per cent commission on the total transaction made through his kiosk. But the kiosk can be used for reverse trading also - for companies to sell products and services needed by farmers directly. And ITC is already putting together a strategy to leverage the infrastructure to market and distribute goods and services that farmers require. The facility will be available for selling both ITC products as well as those of other companies – of course, at a price. The company has taken some initial steps to get agricultural input companies to sell their products directly to farmers through e-choupals.

It has already roped in US seeds giant Monsanto, fertilizer companies like BASF and Nagarjuna Fertilizers and state-owned MP State Seeds Corporation to take orders and market their products through the site. These companies can display their products on the net, train farmers on how to

use them, offer special prices, book orders from farmers and - through the sanchalak - deliver it at the village. Of course, ITC does not provide the service free. Companies have to pay a 10 per cent fee on the face value of the transaction and the Tobacco Company pays the sanchalak 5 per cent of the sales as commission for any product sold on his kiosk.

But companies point out that the experience has paid rich dividends. Says a spokesperson for Monsanto: "Additionally, our cost of reach is also reduced." he also makes the point that the company's corporate reputation and brand image has been greatly enhanced as a result of its association with the model. "Close association with the farmers, through this model, encourages them to see us as a first preference," he says. As the first step, it is selling gas lanterns and packaged vegetable oil. At the moment these are being manufactured by third parties on behalf of ITC.

There is also the additional problem of the role of the sanchalak who could well replace the despised middleman in the chain of things. Says Arun Sharma of Bates, "There is too much dependence on the sanchalak who virtually becomes the new, powerful middleman replacing the old one. Also, to develop such a distribution system is very expensive and might not be cost effective after all, even though one can reach new markets." Preet Bedi, a director in the advertising agency Lowe-Lintas, expects that it will take at least five to seven years for a distribution platform of this nature to develop, "But it is a good way to understand the need of the rural consumer". ITC is conscious of the infrastructure constraints in expanding the e-choupal. For one, many villages aren't electrified, so how do you run a computer? For another, connectivity to the web is unreliable and could be pretty expensive, a situation that has been made more complicated by the sheer dispersion of villages in the country.

Questions:

1. Will e-choupals work as a new distribution strategy for ITC, which believes in a two-way flow (urban to rural; rural to urban). If yes, why; and if no, why not?
2. Will a company, which thinks of social marketing as its objective for rural development, really succeed in winning the hearts of rural Indians? Is ITC going the right way in this initiative, according to you?

OR

Philips Company

(14)

Philips a Leading electronic goods manufacturer is going rural. The company is now looking at the rural market as a growth opportunity. To augment this, the Company has Launched "Philips Mahasangram". An integrated marketing program that focuses on the rural and semi-urban markets.

The reason for launching this initiative is to capture the growing rural market. With rising income level and better awareness about products customer spending in rural areas has increased. As per industry estimates, the share of rural customer in the consumer durable market was around 25% in 1997-98. It increased to 36% in 2001-2002 and is expected to reach 41% by 2006-07. Another reason for increasing its focus on the rural market is the competition from small-scale players. Small players like Oscar, Beltek, and Texla are snatching the market away

from the established players. They are heavily undercutting prices and using their reach to capture a large share of rural market. Some of these companies claim they have achieved a growth rate of 100% in their market share. In order, to retain its market share and establish its brand, Philips has undertaken this initiative.

Rajeev Karwal, Senior Vice-President (Customer Electronic Division), Philips India Ltd, explaining this initiative said, "The Philips Mahasangram is aimed at making Philip's new product to the semi-urban and rural customers and increase their awareness where product knowledge, information and availability are concerned." The significance of this initiative in the company's marketing strategy can be gauged from the budget allocation for the program, which is around 4.5% of the turnover of its rural/semi-urban business.

The Company wants to first develop new products that suit the rural consumer's needs and conditions. For example, the company has designed 14" inch color television models at an affordable price starting from Rs. 8000. These models have innovative features that are specially developed for rural conditions, such as unique "Eye Fi" technology that enables adjustment of the picture when the cable signal is weak, consumption of less electricity, on screen display in regional language.

The company also restructured its audio portfolio where it has a larger market share and good brand image. It launched new models in the mono and stereo segment that have better designs and features. One such product is free power radio. This radio does not require batteries or an electric supply. Instead it runs on a level similar to that used in mechanical watches. With a minute's winding, the radio runs for nearly 30 minutes. The company expects a good market response to this product. It is estimated that, on an average, each rural household spends Rs.1000 to Rs. 2000 on batteries annually. Now, with a price tag of Rs.995 the consumer can recover the cost of the radio within a year. The consumer also saves on battery costs for the next 12 years. The company has also launched a new CD portable system priced at Rs. 4000 to encourage rural/semi-urban customers to upgrade from stereo cassette recorders.

Philips focusing on the audio segment because of the industry's expectations of a renewed demand for audio products. Analyst estimate that the radio segment will grow from Rs. 160 cores in 2002 to Rs.1200 cores by 2005, with the major contribution (nearly 60%) coming from rural and semi-urban customers. With the entry of private FM channels, the demand will increase even more. Since Philips is the only organized player in the radio set market, the company stands to benefit from increase in demand.

The company plans to advertise the products using both traditional and novel promotional activities. It used television, radio and to print media. At the same time, the company has initiated various field marketing activities like road shows, display of company's products through mobile vans, advertising the products on the back of postcard and envelopes which are widely used by consumer for communication. The company also wants to associate itself with local festivals and events through sponsorship and contests.

Distribution is the key element in marketing in rural areas. Philips has a fairly good distribution network with a reach event into interiors of rural and semi-urban areas. It has undertaken a

product-mapping study across 540 districts. The object of this study is to identify the products bought by consumer in each area, thereby enabling the company to distribute only relevant products in each area. This would reduce distribution costs and the company will be in a position to provide what customers want. To strengthen its distribution network, the company adopted the Key Account Management Approach, and identified major retailers under each distributor who recorded high sales. These retailers are considered as key accounts and the company endeavors to build a relationship and trade with them by providing either strategic or economic support.

Through "Philips Mahasangram" the company expects that its market in rural areas will improve. The company has set a target to achieved 50% growth rate by end -2003 in the portable audio product segment, which is growing at 20% at present (2002). In the color TV segment, the company has set a target of 45% growth rate by the end of 2003, from the current 28% (2002).

Questions for Discussion:

1. When other consumer electronics good companies are focusing on urban markets, why did Philips focus its efforts on rural areas?
2. Analyze the marketing mix that Philips adopted to capture the rural market.?