

# **PERIYAR UNIVERSITY**

**(NAAC 'A++' Grade with CGPA 3.61 (Cycle - 3))**

**State University - NIRF Rank 56 - State Public University Rank 25)**

**SALEM - 636 011, Tamil Nadu, India.**

**CENTRE FOR DISTANCE AND ONLINE EDUCATION  
(CDOE)**

**MASTER OF COMMERCE**

**SEMESTER - II**



**ELECTIVE PAPER – IV A: RURAL AND  
AGRICULTURAL MARKETING**

**(Candidates admitted from 2024 onwards)**

Prepared by:

**Centre for Distance and Online Education (CDOE),  
Periyar University  
Salem – 636 011.**

## **SYLLABUS**

### **RURAL AND AGRICULTURAL MARKETING**

#### **UNIT I**

Rural marketing – Meaning – Definition – Concept and nature of rural marketing – Taxonomy of rural markets – Urban vs Rural marketing – Rural marketing environment – Becoming a successful rural marketer.

#### **UNIT II**

Rural buyer behaviour – Aspects of rural buyer behaviour – Rural consumer decision making process – Environmental factors affecting rural consumers – Buyer characteristics and innovation adoption – Rural STP approach – Guidelines for effective segmentation and emerging rural market segments.

#### **UNIT III**

Rural product strategy – Rural product classification and decisions – Product innovation strategies – Customer value strategies – Rural branding and packaging strategies – Role of Agricultural Price Commission in India (APC) - Introduction to APC - Basic objectives of the Commission - Determination of Minimum Support Price (MSP) - Non price measures - Minimum support price of selected commodities - Benefit to the farmers - Rationale of support pricing - Limitations of MSP.

**UNIT IV**

Food processing industry infrastructure in India - Meaning of processing - Advantages of food processing - Processing of agricultural commodities (Wheat, Paddy, Pulses and Oilseeds) – Importance of cold chains - Rural distribution strategy – Rural distribution and logistics – Direct vs Indirect marketing – Organised rural retailing – Types of retail outlets – Rural malls – e-tailing and training for rural retailers – Rural supply chain management – ITC e-choupal – Rural promotion mix – Marketing communication challenge in rural markets.

**UNIT V**

Cooperative marketing Meaning - Role of cooperatives - Structure of cooperative marketing societies - Types of Co-operative marketing societies – Membership – Functioning – Agri export zones – Small Farmers Agri Business Consortium - eNAM – Tamil Nadu State Agricultural Marketing Board.

<b>TABLE OF CONTENTS</b>		
<b>UNIT</b>	<b>TOPICS</b>	<b>PAGE</b>
<b>I</b>	Introduction to Rural and Agricultural Marketing	<b>7 – 34</b>
<b>II</b>	Rural buyer behaviour	<b>36 - 75</b>
<b>III</b>	Rural product strategy and pricing	<b>77 – 103</b>
<b>IV</b>	Food processing industry infrastructure in India	<b>106 – 143</b>
<b>V</b>	Cooperative marketing	<b>145- 180</b>

## UNIT – I INTRODUCTION TO RURAL MARKETING

Rural marketing – Meaning – Definition – Concept and nature of rural marketing – Taxonomy of rural markets – Urban vs Rural marketing – Rural marketing environment – Becoming a successful rural marketer.

### Meaning and Concepts of Agricultural Marketing

Section	Topic	PAGES
<b>UNIT - I</b>		
<b>Unit Objectives</b>		
<b>SECTION 1.1.</b>	<b>Meaning and Concepts of Agricultural Marketing</b>	<b>7</b>
1.1.1	<b>Introduction to Rural Marketing</b>	7
1.1.1	Rural Marketing Meaning and Definition	8
1.1.2	Importance of Rural Marketing	8
1.1.3	Rural Marketing Strategies	9
1.1.4	Features of Rural Marketing	10
1.1.5	Scope of Rural Marketing	11
1.1.6	Taxonomy of Rural Marketing	14
1.1.7	Evolution of Rural Marketing	15
1.1.8	Factors Affecting Rural Marketing	17
1.1.9	Objectives of Rural Marketing	18
1.1.10	Opportunities for Rural Marketing	19
1.1.11.	Advantages and Disadvantages of Rural Marketing	19
	Let's Sum Up	20
	Check Your Progress – Quiz – 1	21
<b>SECTION 1.2</b>	<b>Strategies for Successful Marketing in Diverse Environments</b>	<b>22</b>
1.2.1	Components of Rural Marketing	22
1.2.2	Challenges in Rural Marketing	22
1.2.3	Methods of Rural Marketing	24
1.2.4	Differentiating Rural Marketing from Urban Marketing	25
1.2.5	Rural Marketing Environment	26

1.2.6	Becoming a Successful Rural Marketer	29
	Let's Sum Up	30
	Check Your Progress – Quiz – 2	30
1.3	Unit Summary	31
1.4	Glossary	31
1.5	Self – Assessment	33
1.6	Case Study	33
1.7	Answers for check your progress	34
1.8	Reference	34

## UNIT OBJECTIVES

The primary objective of rural marketing is to gain a deep understanding of the needs, preferences, and behavior of rural consumers. This includes demographic analysis, studying cultural nuances, and identifying factors that influence buying decisions. Customizing Products and Services Another key objective is to tailor products and services to meet the specific requirements of rural consumers. This involves adapting product features, packaging sizes, and pricing strategies to align with rural lifestyles and affordability.

## SECTION 1.1. Meaning and Concepts of Agricultural Marketing

### 1.1.1. Introduction to Rural Marketing

Rural marketing is creating, promoting, and distributing goods and services to rural consumers, ideally in a rural setup. Rural marketing is a crucial aspect of modern marketing as well. It represents a significant portion of our economy. India's rural market is vast and diverse, with over 70% of the residents living in rural areas today. Hence, rural marketing has become a vital part of marketing strategies for firms.

## 1.1.2. Rural Marketing Meaning and Definition

### Rural Marketing-Meaning

Rural marketing is a systematic process of marketing goods and services to the rural people in rural areas. It is a subcategory of marketing itself that aims to promote products in rural areas. This is done in areas where most people are engaged in agriculture and other related activities. Rural marketing is a way to reach out to the mixed rural population, including farmers, artisans, small business owners, and other rural consumers who usually have a very low income.

### Definition of Rural Marketing

According to the National Sample Survey Organization (NSSO), rural marketing is buying, selling, and promoting goods and services in rural areas. Rural marketing is distinct from urban marketing as it has to deal with different customers whose needs are also different. Also, their preferences and buying behaviour are different. Rural marketing is a complex process in which rural consumers have unique socio-economic and cultural factors affecting their buying behaviour.

### Definition of Rural Marketing by Philip Kotler



Philip Kotler, the father of modern marketing, has defined rural marketing as "the process of planning, executing, and promoting the distribution of agricultural inputs, produce, and rural products and services to create an exchange that satisfies individual and corporate objectives."

<https://images.app.goo.gl/4ZiHnB6RG1kRL7e88>

## 1.1.3 Importance of Rural Marketing

To gain more profits, every company has started diversifying its product categories. As India is an agricultural nation and most of the population stays in rural areas, rural marketing has become very important for all. Some of the points on the importance of rural marketing have been discussed below.



<https://images.app.goo.gl/n1DfWibYsodX1ct69>

- ❖ The rural market depicts a vast potential for firms to expand their reach and raise their customer base.
- ❖ Rural consumers have unique needs and preferences, and catering to those needs can be a good opportunity for businesses.
- ❖ Rural marketing also aids in generating employment opportunities in rural areas, thereby helping rural development.
- ❖ The success of rural marketing can lead to the growth of the local economy, as it creates demand for goods and services and, in turn, enables small businesses to thrive.

### 1.1.4 Rural Marketing Strategies



<https://images.app.goo.gl/nC6zYT9VfhJn4ZyTA>

Rural marketing strategies focus on reaching out to rural consumers effectively. The strategies businesses can use to promote their products in rural areas are discussed below.

## Product Localization

Businesses must localize their product's needs and preferences of rural clients. Products are changed according to the local market to attract more customers.

## Promotions and Advertising

The firms run promotions and advertising drives to increase the targeted audience's brand awareness and attract new customers.

## Distribution Channels

Distribution channels play a crucial role not only in rural marketing but in any marketing for that matter. Businesses must see that their products reach rural consumers via an effective and efficient distribution network with the lowest defaults.

## Pricing

Pricing of a product plays a critical role in rural marketing. Businesses need to price their products competitively to attract price-sensitive rural consumers. As the people in rural areas range from low-income groups to mid-income group people, the products should be priced considering these groups' affordability.

### 1.1.5 Features of Rural Marketing

The nature of rural marketing has been discussed below.



<https://images.app.goo.gl/oYBakac8Ki7xaBHr9>

**Large and Diverse Market** The rural market is vast and very diverse at the same time. The audience here is farmers, artisans, small business owners, and other rural consumers.

**Low-Income Levels** The rural consumers here have a lower income than the urban consumers, making them price-sensitive clients.

**Limited Access to Information** Rural consumers need more access to information, making it difficult to make informed purchasing decisions. This happens due to a need for more education and technology presence in these areas.

**Unique Needs and Preferences** Rural clients have unique needs and preferences, which firms need to fulfill accordingly.

### 1.1.6 Scope of Rural Marketing

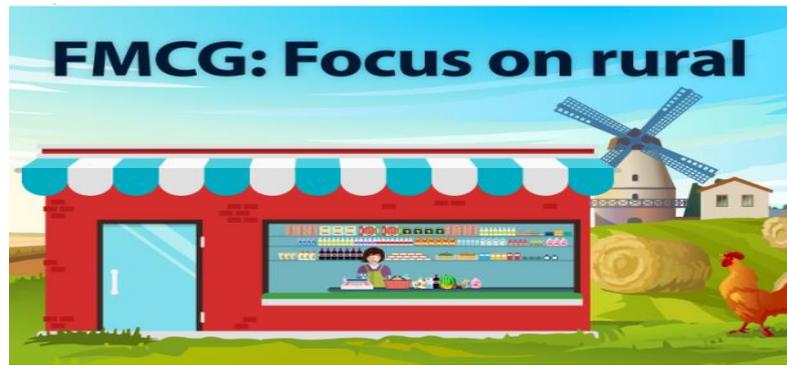
The scope of rural marketing is vast, as rural areas account for a notable portion of the Indian economy. The following are some areas where rural marketing has significant scope, as stated below.



<https://images.app.goo.gl/T1itDnXv4DMghSto6>

## Agriculture

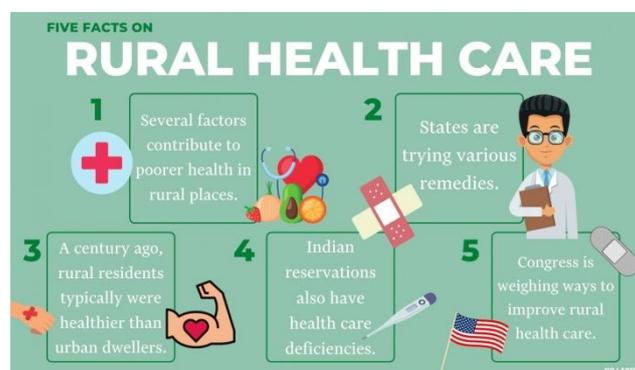
Agriculture is the primary revenue-generating tool for the rural economy. Rural marketing has a notable scope in the agriculture sector. Rural consumers are involved in various agricultural actions like farming, animal husbandry, and fisheries. Businesses can cater to the needs of rural clients by giving them much-needed agricultural inputs like seeds, fertilizers, and machinery. Similarly, firms can market agricultural outputs like crops, fruits, and vegetables to rural consumers.



<https://images.app.goo.gl/J3ACSNwKsMvnkcqQ9>

## FMCG

Fast-moving consumer goods (FMCG) have a wide scope in the rural market. Rural buyers have lower income levels than urban buyers. Also, they are very price-sensitive. FMCG firms can create goods that cater to rural clients' unique needs and preferences. For instance, firms like Hindustan Unilever and Nestle have created affordable and localized goods like Swasth Bharat soap and Maggi Masala-ae-Magic, mainly for rural buyers.



## Healthcare

Healthcare is a vital aspect of rural marketing. Rural consumers often lack access to proper healthcare facilities due to lesser accessibility. This makes them vulnerable to various diseases which are highly infectious. Companies can market affordable healthcare products like medicines, vaccines, and medical tools to rural users. Similarly, firms can promote health and hygiene cognition among rural buyers by educating them via campaigns and programs.



<https://images.app.goo.gl/Uac22ZDVyZ8yk8d49>

## Education

Education is another area where rural marketing has a very good scope. Rural areas often need more access to quality education facilities, making it difficult for pupils to acquire the necessary skills and knowledge. Firms can promote affordable education products like books, stationery, and technology to rural users. Similarly, firms can also give scholarships and other assistance to promote rural pupils and help them pursue higher education.

## Rural Marketing Examples

The following are some examples of thriving rural marketing campaigns in India.

### ITC e-Choupal

ITC's e-Choupal initiative is a formative example of a successful rural marketing strategy. It is a web-based platform that provides farmers with details on weather, market prices, and best agricultural practices, which helps them in proper planning. Through e-Choupal, ITC also provides farmers with agricultural inputs like seeds, fertilizers, and pesticides, which helps the agricultural sector grow.

### Amul

Amul is another example of successful rural marketing. Amul's "utterly butterly delicious" campaign was successful in rural areas. Amul has created cheap and localized products, viewing the needs of the rural audience.

### 1.1.7 TAXONOMY OF RURAL MARKETS

Rural Marketing can be classified based on the following as stated below.

#### Product Classification

In rural marketing, products can be divided into two classes Agricultural and Non-Agricultural products.

**Agricultural products** include crops, seeds, fertilizers, and agricultural machinery, while **non-agricultural products** include FMCG products, consumer durables, and services. There is also scope for agri-related products such as vehicles, irrigation tools, etc., which also fall in this category. Nowadays, the government is also providing many grants and funds for better growth of these goods.

#### Market Structure

The market structure of rural marketing can be classified into two types - **primary and secondary markets**. The primary market is where the goods are first sold or exchanged. At the same time, the secondary market is the place where the product is resold or redistributed to the final consumer. The rural market is unlike the urban market and needs to be catered to differently.

#### Marketing Mix

Marketing mix in rural marketing can be classified into four elements - **product, price, promotion, and place**. As per the marketing mix, product refers to the type of goods or services being marketed, price refers to the cost of the product, promotion refers to the advertising and sales promotion activities, and place refers to the distribution channels used to reach the target audience. The product, price, and place of the rural markets are distinct from that of the urban. Understand about Price penetration.

## CONSUMER MARKET

- a) **Constituents** Individuals and Households.
- b) **Products** Consumables, Food- Products, Toiletries, Cosmetics, Textiles and Garments, Footwear etc.
- c) **Durables** Watches, Bicycles, Radio, T.V, Kitchen Appliances Furniture, Sewing Machines, Two Wheeler etc.

## INDUSTRIAL MARKET

- i. **Constituents** Agricultural and allied activities, poultry farming, fishing, Animal husbandry, Cottage Industries, Health center, School, Co-operatives, Panchayat office etc.
- ii. **Products** Consumables, seeds, Fertilizers, Pesticides, Animal feed, Fishnets, Medicines, Petroll diesel etc.
- iii. **Durables** Tillers, Tractors, Pump sets, Generators, Harvesters, Boat etc.

## SERVICES MARKET

**Constituents** Individuals, Households, offices and Production firms.

**Services** Repairs, Transport, Banking credit, Insurance, Healthcare, Education, communications, Power etc.

### 1.1.8 Evolution of Rural Marketing

The term 'rural marketing' used to be an umbrella term for the people who dealt with rural people in one way or other. This term got a separate meaning and importance after the economic revaluation in Indian after 1990. So, before venturing into the other aspects of rural marketing let us discuss the development of this area in different parts which is briefly explained here.

**Part I (Before 1960)** Rural marketing referred to selling of rural products in rural and urban areas and agricultural inputs in rural markets. It was treated as synonymous to 'agricultural marketing'.

Agricultural produces like food grains and industrial inputs like cotton, oil seeds, sugarcane etc. occupied the central place of discussion during this period. The supply-chain activities of firms supplying agricultural inputs and of artisans in rural areas received secondary attention. The local marketing of products like bamboo baskets, ropes, window and door frames, small agricultural tools like ploughs by sellers like black smiths, carpenters, cobblers, and pot makers were emphasized in general. This was totally an unorganized market where all *bantias* and *mahajans* (local business people) dominated this market.

**Part II (1960 to 1990)** In this era, green revolution resulted from scientific farming and transferred many of the poor villages into prosperous business centers. As a result, the demand for agricultural inputs went up especially in terms of wheat and paddy. Better irrigation facilities, soil testing, use of high yield variety seeds, fertilizers, pesticides and deployment of machinery like power tillers, harvesters, threshers etc. changed the rural scenario. In this context, marketing of agricultural inputs took the importance. Two separate areas of activities had emerged-during this period 'marketing of agricultural inputs' and the conventional "Agricultural Marketing". During this period, the marketing of rural products received considerable attention in the general marketing framework. The formation of agencies like Khadi and Village Industries Commission, Girijan Cooperative Societies APCO Fabrics, IFFCO, KRIBHCO, etc., and also the special attention government had paid to promote these products were responsible for this upsurge. Village industries flourished and products like handicrafts, hand loom textiles, soaps, safety matches, crackers etc. hit the urban market on large-scale from rural areas.

**Part III (After Mid 1990s)** The products which were not given attention so far during the two earlier phases were that of marketing of household consumables and durables to the rural markets due to

obvious reasons. The economic conditions of the country were as such that the rural people were not in a position to buy these kinds of products. Secondly, our market was in a close hope and we never allowed companies (foreign) to operate in Indian market. But we lifted the and opened up economy, consequently companies started flourishing in India. The small villages/hamlets were widely scattered making reach difficult and expensive consequently. Rural markets were seen an adjunct to urban market and conveniently ignored. However, since 1990s, India's industrial sector had gained in strength and maturity. Its contribution to GNP increased substantially. A new service sector had emerged signifying the metamorphosis of agricultural society into industrial society. Meanwhile, due to the development programmes of the central and state governments, service organizations and socially responsible business groups like Mahatma Jyoti Birla Group, Tata, Birlas, Goenkas and others, the rural area witnessed an all-round socio-economic progress. The economic reforms further accelerated the process by introducing competition in the markets. Steadily, the rural market has grown for household consumables and durables.

Rural marketing represented the emergent distinct activity of attracting and serving rural markets to fulfil the needs and wants of persons, households and occupations of rural people. As a result of the above analysis, we are in a position to define rural marketing "Rural marketing can be seen as a function which manages all those activities involved in assessing, stimulating and converting the purchasing power.

### 1.1.9 Factors Affecting Rural Marketing

Several factors can affect rural marketing, some of which have been discussed below.

## Infrastructure

The need for proper infrastructure, such as roads, electricity, and water supply can make it difficult to market products and services in rural areas. Although this is being formed, it still has a long way to go.

## Income levels

The low income levels in rural areas can limit the purchasing power of rural consumers. The income levels directly relate to the purchasing power of a person, and so the products should be priced according to the income of a person.

## Literacy levels

The low literacy levels in rural areas can make it difficult to market products and services that require a certain level of education. In this case, translators are hired by the firms to communicate better.

## Social and cultural factors

The social and cultural factors in rural areas can influence the buying behaviour of rural consumers. They are the people who are believed to have a large impact on the buying decision of a person.

### 1.1.10 Objectives of Rural Marketing

The primary objectives of rural marketing are stated below.

- They are providing access to products and services to rural consumers accordingly.
- They are increasing firms' revenue by fully tapping into the rural market as per their potential.
- It is creating employment opportunities in rural areas to uplift the living standards of the people there.
- They are promoting rural development by encouraging entrepreneurship amongst people there.

### 1.1.11 Opportunities for Rural Marketing

Rural marketing presents several opportunities for firms, some of which have been discussed below.

**Untapped market potential** Rural areas hold a lot of potential markets which can be catered to.

**Growth potential** The growth prospect of the rural market is very high as the people there are unaware of the uses of certain goods. If they are educated correctly, the demand will increase greatly.

**Low competition** The contest in the rural market is fairly low as they still need to be tapped. This can be a very good chance for the companies to enter and capture the market.

### 1.1.12. Advantages and Disadvantages of Rural Marketing

There are several advantages and disadvantages of rural marketing, some of which have been discussed below.

#### Advantages of Rural Marketing

The advantages of rural marketing have been discussed below.

- Large untapped market potential- This makes room for better sales.
- Low competition- This makes room for better capture of the market and also creates loyal buyers.
- High growth potential- As the market is untapped, it makes this market more lucrative as compared to the urban markets.
- Low marketing costs- As there is less competition, the promotions need not be run multiple times for recall; indeed, just education will do the job.

#### Disadvantages of Rural Marketing

Although rural marketing is a vital tool, executing it is a very difficult task. Some of the limitations have been discussed below.

**Limited Infrastructure** Rural areas often need more infrastructure like roads, electricity, and telecommunications, which makes it difficult for firms to reach rural users.

**Limited Access to Information** Rural consumers usually need access to vital details, which makes it difficult for them to make informed purchasing decisions. Businesses need to invest in marketing strategies that are targeted toward rural consumers and are tailored to fulfil their needs and preferences.

**Cultural and Linguistic Barriers** Different areas have different languages, so the native people communicate in unique ways with one another. India is a very diverse nation; it is very difficult to make people using several languages understand the message and also with the same meaning.

**Limited Distribution Network** Rural areas often need an efficient and effective distribution network, making it difficult for businesses to reach rural consumers. This happens due to a need for proper infrastructure and roadways and also means of transportation in those areas.

**Seasonal Demand** The rural markets are sometimes different; they are driven by sales, and so the demands are seasonal.

**Traditional Outlook** People in rural areas are very traditional, so the products should not hurt the sentiments of the people there.

**Inadequate media coverage for promotions** It isn't easy to educate people about the products and also make them aware of their benefits.

**Slow purchasing decisions** The people in rural areas are very skeptical, so the markets and purchases happen very slowly.

## Let's Sum Up

Rural marketing is a specialized field that focuses on the unique needs of rural consumers. It involves understanding diverse demographic, economic, cultural, and geographical factors to effectively market products and services. The nature of

rural markets includes high diversity, price sensitivity, and the influence of local traditions and leaders. By categorizing rural markets based on geography, demographics, economics, culture, behavior, and accessibility, marketers can devise targeted strategies to tap into the vast potential of rural consumers. Understanding these aspects is crucial for successful rural marketing initiatives.

### Check Your Progress – Quiz – 1

1. What is the primary focus of rural marketing?
  - a. Export-oriented
  - b. City-centric
  - c. Urban-based
  - d. Rural-based.
2. Which of the following best describes the concept of rural marketing?
  - a. Selling products only in urban areas.
  - b. Marketing strategies tailored for rural consumers and markets.
  - c. Exclusively promoting agricultural products.
  - d. Ignoring the needs of rural consumers.
3. What does the term "taxonomy of rural markets" refer to?
  - a. Classification of rural markets based on geographical location.
  - b. Categorization of rural markets based on income levels.
  - c. Division of rural markets into different segments based on characteristics.
  - d. A specific tax system applied to rural markets.
4. What does the rural marketing environment include?
  - a. Only economic factors
  - b. Socio-cultural, economic, and technological factors
  - c. Political factors
  - d. Only environmental factors
5. What does e-Choupal aim to achieve in rural areas?
  - a. Promote urban-centric products.
  - b. Empower rural farmers through information technology.
  - c. Establish urban shopping malls in rural regions
  - d. None of the above

## Section 1.2 Strategies for Successful Marketing in Diverse Environments

### 1.2.1 Components of Rural Marketing

Like any other marketing, rural marketing is also made up of the 4 P's, such as discussed below.

**Product** Developing products that cater to the specific needs and preferences of rural consumers. The products in rural marketing are mainly agricultural goods.

**Price** Offering products at a price that is affordable for rural consumers. The people targeted are low-income group people, so the price of the goods is also to be kept low.

**Promotion** Creating awareness about products and services through effective advertising and promotional activities. The people need to be educated about the goods.

**Place** Ensuring that products and services are easily accessible to rural consumers.

According to **Kotler**, rural marketing is not limited to agriculture-related products. It includes promoting and selling products and services that are required by rural consumers. It is about understanding the unique needs and preferences of rural consumers and providing them with products and services that meet their needs.

### 1.2. 2 Challenges in Rural Marketing

Rural marketing, which involves marketing products and services to rural consumers and businesses, presents unique challenges due to the distinct characteristics and socio-economic conditions of rural areas. Some of the key challenges in rural marketing include

**Low Literacy Levels** Rural areas often have lower literacy rates compared to urban areas. This can affect communication and promotional strategies, as written materials may not be as effective.

**Diverse Culture and Languages** Rural areas are culturally diverse, with various languages, traditions, and customs. Marketers need to adapt their messaging and products to local cultures and languages.

**Limited Infrastructure** Rural areas may lack adequate transportation, roads, electricity, and communication infrastructure. This can impact the distribution of products and the reach of marketing campaigns.

**Dispersed Population** Rural populations are often dispersed across vast geographical areas. Reaching these scattered consumers can be costly and logistically challenging.

**Low-Income Levels** Rural consumers typically have lower income levels than their urban counterparts. Affordability is a significant concern when marketing products and services to this segment.

**Seasonal Income** Many rural consumers rely on agriculture, which is seasonal. Income levels can vary significantly depending on crop yields and other factors affecting purchasing power.

**Limited Access to Finance** Access to banking and financial services may be limited in rural areas. This can hinder rural consumers' ability to make large or credit-based purchases.

**Lack of Awareness** Rural consumers may have limited awareness of product options, brands, and the latest technologies. Education and awareness-building efforts are essential.

**Traditional Preferences** Rural consumers often have traditional preferences and may be resistant to new products or brands. Marketers need to understand and respect these preferences.

**Distribution Challenges** The distribution network in rural areas can be challenging to establish and maintain. Poor road conditions and infrastructure can make it difficult to reach remote villages.

**Healthcare and Hygiene Concerns** Health and hygiene are critical concerns in rural areas. Products related to healthcare and hygiene need to be marketed effectively, emphasizing their benefits.

**Environmental Factors** Rural marketing efforts should consider environmental factors and sustainability, especially when promoting agricultural products and practices.

**Government Policies** Government policies, subsidies, and regulations can have a significant impact on rural marketing. Marketers need to navigate these policies effectively.

**Competitive Landscape** Competition in rural markets is increasing as more companies recognize the potential of these markets. Understanding and managing competition is crucial.

**Communication Barriers** Limited access to mass media in rural areas can be a communication barrier. Marketers may need to rely on alternative media and communication channels.

**Supply Chain Challenges** Maintaining a reliable supply chain in rural areas can be challenging due to infrastructure limitations and seasonality.

### 1.2.3 Methods of Rural Marketing

There are several tools that are applied in rural marketing, some of which have been discussed below.

**Direct Marketing** As the people in rural marketing have a low literacy rate, they need to be told about the usage of the product, and they need to be made aware of the necessity of it as well.

**Rural Haats** These haats are traditional markets that the local people are quite familiar with and are usually visited for any purchase. These places can be used to market the goods and create awareness.

**Mobile Vans** As transportation facilities are very limited in these areas, mobile vans are a very economical option for promotions.

**Rural Fairs and Exhibitions** Due to limited areas where people gather and can be educated about the products, the local fairs and exhibitions can be used as areas where products can be displayed and advertised to capture a larger audience.

**Digital Marketing** Although people are not very educated, now everyone has access to smart phones, which can be used as a medium for promotions.

Rural marketing and rural markets are hidden gems of India, and there is a very wide scope for companies to make immense sales there and increase their profits. Although there are a lot of efforts to be required by the firms to capture the targeted audience, if the firms are able to crack this, they will surely benefit from it. Rural marketing is a complex and dynamic field that presents both challenges and opportunities for businesses. While rural areas offer vast untapped markets with significant growth potential, marketing in these regions requires a nuanced and strategic approach. Rural marketing is not just about selling products; it's about creating sustainable relationships and value in rural communities. Success in rural markets requires a deep understanding of local dynamics, a commitment to meeting the unique needs of rural consumers, and a willingness to invest in infrastructure and distribution networks that can serve these markets effectively. With the right approach, businesses can tap into the immense potential of rural markets and contribute to rural development while achieving their own growth objectives.

#### 1.2.4 Differentiating Rural Marketing from Urban Marketing

**1. Infrastructure availability** Electricity supply, availability of finance facility, education level, roads, connectivity, and presence of organized markets In these infrastructural aspects, the rural market varies widely from the urban market.

**2. Income Streams** The pattern of income generation in rural areas based on agriculture is seasonal and highly unreliable unlike the fixed monthly income in the urban areas. This created a consumption pattern that is quite different from the urban one.

**3. Lifestyle** The lifestyle and daily routine of consumers in two markets is markedly different. This creates significantly different profile of urban and rural consumers for the same product.

**4. Context** Because of variation in infrastructure, lifestyle and the income aspects, the context in which an individual exists in rural areas is very different from the one urban areas. This creates difference in nature and priorities of needs in two markets.

**5. Socio-cultural background** Value system and thus perception towards goods/services and consumption in general is quite different in the two markets.

**6. Accessibility** The cost and logistics of accessing consumers in a highly widespread and heterogeneous rural market are very different from those involved in reaching urban consumers concentrated in good number in a single location. It demands two distinct marketing approaches.

**7. Media reach and habits** The reach of media vehicles and the media habits, varying widely in rural and urban markets, requires different type of promotional strategy in these two markets.

**8. Nature of competition** The nature and intensity of competition amongst the brands is very different in the two markets.

**9. Consumer behavior** The consumer's response to marketing stimuli differs widely in two markets. The rural consumer behaviour is quite different from that of urban buyer's behaviour.

### 1.2.5. Rural Marketing Environment

Rural marketing environment means all those factors like demographic – Physical, Economic, Social etc. which affect the rural marketing. When marketing

activities are done in the rural areas, it is necessary to know the conditions of rural markets in terms of environment which is ever changing.

Rural marketing requires an understanding of the rural environment in which companies have to operate to deliver product and services. The environment gives the complete picture of threats and opportunities of the markets. Environment means external conditions or surroundings, those in which people live or work and it includes all elements, factors, conditions that have some impact on growth and development of certain organism.

Marketing cannot take place in isolation. Marketing being a dynamic activity is always affected by its environment. A successful marketing is customer-centric; it starts from understanding the customers. Consumer decisions and actions can be properly understood only when the force field in which they are operating is understood. As such, a study of environmental factors is essential for marketers.

An environment is that which surrounds an organization. It is therefore, important for marketer to realize the developments and trends in the environment. It is the sum totals of internal and external factors where former are controllable and later are uncontrollable. So, environment also affects rural marketing.

The rural marketing environment is complex and is changing continuously. Rural marketing is affected by the dynamism and uncertainty of the environment within which it functions. Therefore, it is essential to understand the rural marketing environment elements in detail to meet out the challenges and explore all the opportunities provided by the rural markets.

Rural marketing environment encompasses the marketing team within an organization and includes all of outside factors of marketing that affect the marketing team's ability to develop and maintain successful customer relationship with that targeted customer group. As such, a study of environmental factors is essential for marketers. It is also important for marketer to realize the developments and trends in the environment. Today decisions are not only for current problems but also for future opportunities, performance and results.

Environment is the sum totals of internal and external factors where former are controllable and later are uncontrollable. Rural marketing activity is basically a focused marketing activity of an organization. So, environment also affects rural marketing. The rural marketing environment is complex and is changing continuously.

## 5 Prof Anil Kumar Yadav, DDU Gorakhpur University, Gorakhpur

Rural marketing is affected by the dynamism and uncertainty of the environment within which it functions. India's vast rural market offers a huge potential for a marketer facing stiff competition in the urban markets. The rural market environment is very different from the familiar surroundings of the urban market.

Therefore, it is essential to understand the rural marketing environment elements in detail to meet out the challenges and explore all the opportunities provided by the rural markets. The following are

### The environmental factors which influence the trade practices in rural marketing

**1. Political Environment** The government's intervention in the trade and commerce practices promoting the small-scale rural industries and penetration of other business units in the rural areas to enhance the condition of people living in these areas, influence the rural markets to a great extent.

**2. Social Environment** The social environment consists of the following

- ✚ sociological factors, i.e., rural consumer's lifestyle, preference and habits;
- ✚ anthropological factors determine the culture and the way of living of the consumer and;
- ✚ psychological factors constitute of the attitude, perception, behaviour, personality and mental soundness of the consumer.

All these factors also influence the rural markets.

**3. Technological Environment** With technological advancement, marketers can now use the latest marketing tools and strategies. The modes of communication

and transportation have been improved therefore the goods or services can be supplied in rural areas in a short period.

**4. Economic Environment** The marketers need to consider economic factors, including a healthy competition, consumer welfare and optimal price to conquer the rural markets.

**5. Physical Environment** Another essential factor is the physical distribution of the goods or services into the rural markets, which can be achieved through the development of infrastructure.

**6. Ethical Environment** Business ethics are essential for achieving the long-term goals of the organization. Thus, the moral values of the company play a key role in marketing the products in rural areas.

### 1.2.6 Becoming a Successful Rural Marketer

To succeed in rural marketing, consider the following strategies

1. **Localized Approach** Tailor products and marketing messages to suit local tastes and preferences.
2. **Affordability** Price sensitivity is high in rural markets. Offer affordable products and consider installment-based payment options.
3. **Distribution Networks** Build efficient and wide-reaching distribution networks to ensure product availability in remote areas.
4. **Education and Awareness** Invest in educational campaigns to raise awareness about products and their benefits.
5. **Partnerships with Local Influencers** Collaborate with local leaders and influencers who have credibility in the community.

Rural marketing is a specialized field that requires a deep understanding of the unique challenges and opportunities present in rural areas. By adopting a tailored and empathetic approach, businesses can tap into the vast potential that rural markets offer.

## Let's Sum Up

In understanding the dynamic contrast between urban and rural marketing, learners delve into the nuanced environmental factors influencing consumer behavior and market dynamics. While urban markets thrive on diversity, technological advancements, and extensive distribution networks, rural markets present unique challenges including poor infrastructure, seasonal income fluctuations, and reliance on traditional communication channels. However, becoming a successful rural marketer necessitates grasping the intricacies of rural consumers, adapting products and communication strategies accordingly, and forging strong local partnerships. This entails a deep understanding of cultural nuances, leveraging local influencers, and establishing robust distribution channels to effectively penetrate rural markets and foster sustainable growth.

## Check Your Progress – Quiz – 2

1. In the comparison of urban vs rural marketing, which factor is a key difference?
  - a. Population density
  - b. Availability of technology
  - c. Income levels
  - d. All of the above
2. What is a crucial aspect for becoming a successful rural marketer?
  - a. Ignoring local customs and traditions.
  - b. Treating rural consumers as a homogenous group.
  - c. Adapting strategies to local needs and preferences
  - d. Focusing solely on urban markets.
3. Which of the following is a common challenge in rural marketing communication?
  - a. High literacy levels
  - b. Lack of diversity in languages
  - c. Well-established media channels
  - d. Limited access to traditional media and low literacy levels
4. What is the role of SFAC in agriculture?
  - a. Regulating urban markets.
  - b. Supporting small farmers in forming agribusiness ventures.
  - c. Focusing on urban export zones.
  - d. None of the above

5. What is the primary objective of eNAM (National Agriculture Market)?
- Restricting market access for farmers
  - Promoting traditional marketing practices.
  - Integrating agricultural markets across India.
  - Encouraging isolated marketing approaches.

### 1.3 Unit Summary

Rural marketing entails the process of promoting and selling products or services to the rural population, encompassing tailored strategies to address the unique characteristics of rural markets. It involves understanding the diverse demographic, economic, cultural, and infrastructural factors that differentiate rural markets from urban ones. Key aspects include product customization, effective communication through local languages and traditional media, and robust distribution channels. Successful rural marketing requires a deep understanding of the rural consumer, leveraging local influencers, and adapting products and services to meet their specific needs. Companies like Amul, with its extensive rural distribution network, and Mahindra & Mahindra, with its focus on agricultural equipment, serve as exemplary case studies of successful rural marketing initiatives. Learners are tasked with conducting a market analysis of a rural area, identifying consumer needs and preferences, and developing a comprehensive marketing plan tailored to the rural market environment. Important terms to know include price sensitivity, local opinion leaders, infrastructure challenges, and community engagement.

### 1.4 Glossary

<b>Price Sensitivity</b>	The degree to which changes in price affect consumer demand.
<b>Local Opinion Leaders</b>	Influential individuals within rural communities who shape the opinions and buying behavior of others.
<b>Infrastructure Challenges</b>	Obstacles related to transportation, communication, and basic amenities that affect market accessibility and distribution.
<b>Community Engagement</b>	Building relationships and actively involving rural communities in marketing initiatives.

<b>Distribution Networks</b>	Systems for delivering products or services to rural consumers, including retail outlets, wholesalers, and logistics channels.
<b>Customization</b>	Adapting products, pricing, and communication strategies to meet the specific needs and preferences of rural consumers.
<b>Seasonal Demand</b>	Fluctuations in consumer purchasing patterns influenced by agricultural seasons, festivals, and local events.
<b>Word-of-Mouth</b>	Informal communication among rural consumers, often based on personal experiences and recommendations from friends, family, or neighbors.
<b>Value for Money</b>	The perception of consumers that a product or service offers good quality relative to its price, which is particularly important in price-sensitive rural markets.
<b>Local Culture</b>	Traditional beliefs, customs, and practices specific to rural communities, which influence consumer preferences and purchasing decisions.
<b>Supply Chain Management</b>	The coordination of activities involved in sourcing, manufacturing, and distributing products to rural markets, ensuring efficient and timely delivery.
<b>Last-Mile Connectivity</b>	The final stage of distribution where products are delivered from distribution centers to remote rural locations, often facing logistical challenges due to poor infrastructure.
<b>Geographical Indications (GI)</b>	Products with a specific geographical origin and qualities or reputation associated with that origin, often used in rural marketing to highlight authenticity and uniqueness.
<b>Microfinance</b>	Financial services, such as small loans and savings accounts, provided to rural individuals and businesses with limited access to traditional banking services, facilitating rural economic development.
<b>Digital Divide</b>	The gap between urban and rural areas in terms of access to digital technologies and internet connectivity, which impacts the effectiveness of digital marketing strategies in rural markets.

## 1.5 Self – Assessment

1. Define Rural Marketing and explain its significance.
2. Discuss the key characteristics of rural markets that differentiate them from urban markets.
3. Explain the concept and nature of rural marketing. How is it different from urban marketing?
4. What is the taxonomy of rural markets? Discuss the segmentation of rural markets based on different criteria.
5. Compare and contrast urban marketing and rural marketing. Highlight the key differences and similarities.
6. Identify and explain the components of the rural marketing environment. How do these factors influence marketing strategies in rural areas?
7. Describe the challenges faced by marketers when communicating with rural consumers. How can these challenges be addressed?
8. What role does technology play in rural marketing? Provide examples of technological interventions that have been successful in rural markets.

## 1.6 Case Study

**Amul** (Anand Milk Union Limited) Amul is a renowned example of successful rural marketing in India. It has effectively penetrated rural markets with its dairy products through a cooperative model. By empowering local farmers and establishing a robust distribution network in rural areas Amul has become a household name even in the most remote villages.

**Question 1** How has Amul's cooperative model benefited local farmers in rural India?

**HUL** (Hindustan Unilever Limited) HUL has implemented various rural marketing strategies to reach consumers in rural India. One notable example is the 'Shakti' initiative where HUL partners with local women entrepreneurs known as Shakti Ammas to distribute its products in rural areas. This not only expands market reach but also provides livelihood opportunities to women in rural communities.

**Question 1** What are some key advantages of HUL's 'Shakti' initiative for both the company and rural communities?

**Mahindra & Mahindra** Mahindra & Mahindra has focused on rural marketing by catering to the agricultural sector. Through the launch of innovative farm equipment and services tailored to the needs of rural farmers Mahindra & Mahindra has established itself as a leader in the rural market segment.

Question 1. How has Mahindra & Mahindra tailored its products and services to meet the specific needs of rural customers in India?

## 1.7 Answers for check your progress

<b>Section 1.1</b>	<b>Navigating the Rural Marketing</b>
1.	d. Rural based
2.	b. Marketing strategies tailored for rural consumers and markets
3.	c. Division of rural markets into different segments based on characteristics
4.	b. Socio-cultural, economic, and technological factors
5.	b. Empower rural farmers through information technology
<b>Section 1.2</b>	<b>Strategies for Successful Marketing in Diverse Environments</b>
1.	d. All of the above
2.	c. Adapting strategies to local needs and preferences
3.	d. Limited access to traditional media and low literacy levels
4.	b. Supporting small farmers in forming agribusiness ventures
5.	c. Integrating agricultural markets across India.

## 1.8 Reference & Suggested Readings

- C.S. Gopalakrishnan Rural Marketing Concepts and Practices Vikas Publishing House, 2000.
- Sanal Kumar Velayudhan, Rural Marketing Targeting the Non-urban Consumer, SAGE Publications, 3<sup>rd</sup> Edition, 2021
- Pradeep Kashyap and Siddhartha Raut, Rural Marketing Text and Cases" by Pearson Education India, 2010
- Dinesh Kumar, Rural Marketing Indian Perspective SAGE Publications, 2<sup>nd</sup> Edition, 2021.

**UNIT II - Rural buyer behaviour**

Rural buyer behaviour – Aspects of rural buyer behaviour – Rural consumer decision making process – Environmental factors affecting rural consumers – Buyer characteristics and innovation adoption – Rural STP approach – Guidelines for effective segmentation and emerging rural market segments.

**RURAL BUYER BEHAVIOUR**

Section	Topic	Page No
<b>UNIT – II</b>		
<b>Unit Objectives</b>		
<b>Section 2.1</b>	<b>Deciphering Rural Consumer Behavior</b>	<b>36</b>
2.1.1	Rural Consumer Definition	36
2.1.2	Characteristics of rural consumer	37
2.1.3	Types of Consumers	39
2.1.4	Myths related to the rural consumer	40
2.1.5	Rural Consumer Behaviour	41
2.1.6	Classification of Rural Consumers based on their Behaviour	41
2.1.7	Factors of Rural buyer behavior	42
2.1.8	Rural Consumer and Aspects of Rural Marketing	43
2.1.9	Factors Influencing Rural Consumer Behaviour	45
2.1.10	Stages in consumer buying process	47
2.1.11	Factors Affecting Consumer Buying Behavior	48
	Let's Sum Up	51
	Check your Progress – Quiz – 1	51
<b>Section 2.2</b>	<b>Navigating Rural Consumer Dynamics</b>	<b>52</b>
2.2.1	Environmental factors affecting rural consumers	52
2.2.2	Buyer characteristics and innovation adoption	58
2.2.3	Rural Segmentation Targeting Positioning	60
2.2.4	Approaches to Rural Segmentation	62
2.2.5	Advantages and Limitations of Rural STP	65
2.2.6	Pre-requisites for Effective Segmentation	66

	Let's Sum Up	70
	Check Your Progress – Quiz – 2	70
2.3	Unit Summary	71
2.4	Glossary	72
2.5	Self – Assessment	73
2.6	Case Study	73
2.7	Answers for check your progress	74
2.11	Reference and Suggested Readings	75

## Unit Objectives

The objective is to thoroughly comprehend rural buyer behavior, encompassing the various aspects influencing their purchasing decisions, such as cultural, social, economic, and psychological factors. This includes exploring the rural consumer decision-making process, analyzing environmental influences like infrastructure and governmental policies, understanding buyer characteristics relevant to innovation adoption, and applying a strategic rural segmentation, targeting, and positioning (STP) approach. The goal is to develop effective guidelines for segmentation and identify emerging market segments within rural areas, thereby enabling effective engagement and strategic expansion in rural markets.

## Section 2.1 Deciphering Rural Consumer Behavior

### 2.1.1 Rural Consumer Definition

A Rural Consumer is an end-user of the products offered in rural markets. More precisely, a rural consumer is one who buys goods & services for self-consumption, reselling or reproduction in rural areas.

The rural consumer has less disposable income. Therefore, they prefer to buy less expensive products. They differ from urban consumers in respect of lifestyles and thinking.

Marketers noticed a significant change in rural consumers due to the growth in

- ✚ Disposable Income
- ✚ Education Facilities
- ✚ Media Reach
- ✚ Urban Interactions
- ✚ Reach of the marketers

Rural markets emerged as potential markets over the years. With the markets, there is growth in the consumer base possessing varied characteristics. Therefore, rural marketers analyze the consumption pattern and lifestyle of the consumer. To remain competitive, marketers try to develop rural and region-specific marketing strategies.

Hence, marketers must explore and understand rural consumers' buying habits and preferences. This is helpful in meeting the organizational marketing objectives and earning profits.

### 2.1.2 Characteristics of rural consumer

The user's needs and wants in the rural market are different. Thus, the rural consumer possesses distinctive characteristics from urban consumers.



#### Education

Consumers are less literate due to fewer educational facilities. Marketers need such strategies which generate product awareness considering this characteristic. They can incorporate an audio-visual medium of communication in their marketing campaign.

#### Low-Income Levels

The income of the rural consumer has grown over the years. But still, their disposable income is spent on basic necessities. They prefer affordable products and purchase only the required quantity of goods. Marketers must try to launch their products in small packaging and at lower rates.

## Occupation

The consumption pattern of rural consumers largely depends upon their income and occupation. It is observed that the occupation of a rural consumer is framing in general. There exist other professions as well, like service providers, technical workers, etc. The companies must launch such products in markets that satisfy all income groups.

## Impact of Reference Groups

In rural areas, the consumer is often influenced by a few people. Consequently, there is a significant change in their buying behaviour. Rural marketers must plan their strategies that positively impact these influencers.

The people who may influence rural consumers may include

- ✚ Local Vendors
- ✚ Teachers
- ✚ Bank Managers Local Leaders
- ✚ Health Workers, etc.
- ✚ Media Habits

People residing in rural areas are less literate, as discussed above. Thus, print media does not have much impact on rural consumers. Companies must use those communication channels that reach consumers quickly.

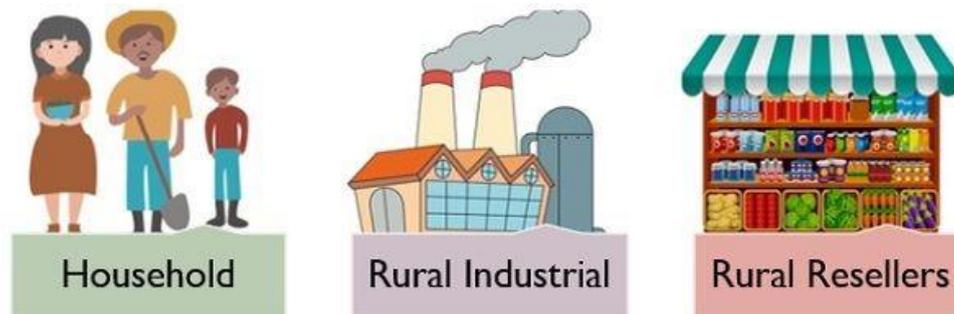
## Brand Loyalty

Rural consumers tend to be loyal to brands. With the development, rural consumers are well aware of the available brands. Some brands have successfully created a strong consumer base in rural markets.

## Value for Money

It is the main characteristic of rural consumers. Consumers look for quality products at justified prices. Rural marketers should try to create a sense of trust in the mind of the consumers. And offer products that deliver maximum benefits as per their value.

### 2.1.3 Types of Consumers



<https://images.app.goo.gl/2Pyq2GviJUmcM3XG6>

We can categorize users of rural areas into three categories mentioned below

**Households** The customers who purchase products for self-consumption. The goods purchased are consumed and not used for further production. They buy products for **Family Needs** and **Personal Use**

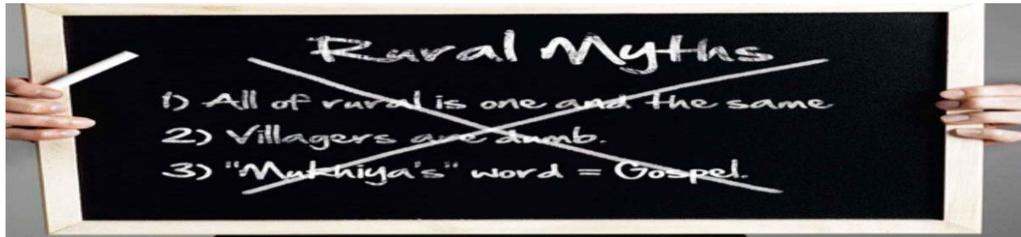
**Rural Industrial** This type of consumer buys products for reproduction. The industries procure raw materials from the market and reproduce them into a new product.

**Rural Resellers** They are the retailers of rural areas. The rural resellers don't consume the products themselves. However, they buy the products to resell them in the local markets.

### Myths about Consumers in Rural Areas

There are some myths about the Rural Consumer. Rural marketers need to know the real picture to develop an effective strategy.

### 2.1.4 Myths related to the rural consumer



<https://images.app.goo.gl/S96G277YvkAmEy36A>

Following are several myths related to the rural consumer

- 1. Buy only low-priced products** The rural consumer seeks value for money. That doesn't mean they only buy low-priced goods. They make purchase decisions based on quality, functionality, and product availability.
- 2. Homogeneous consumer base** Marketers have a misconception that all rural consumers are homogeneous. But research reveals that in rural areas consumer base is diversified. Their taste and preferences differ from one another.
- 3. Buy whatever the companies offer to them** Consumer brand loyalty makes marketers think that consumers will buy anything they offer. But, companies must make continuous initiatives to attract and retain their consumers.
- 4. No brand awareness** With the increase in literacy rate and widespread use of the Internet and Broadcast media, consumers are aware of the products. Consequently, they can differentiate among various brands and products available in the market.
- 5. Many uses of products** It is perceived that rural consumers use a product in multiple ways. This may be an outcome of the incomplete information provided to the user about the products. The marketer must convey the correct usage and directions for the use of the products.

## The exploitation of Rural Consumers

Some marketers may even exploit innocent consumers residing in rural areas in the following ways

- ✚ Wrong measurement of the goods.

- ✚ Undue high prices of the products are charged.
- ✚ The sale of fake and duplicate products in the rural markets.
- ✚ Misguiding consumers by giving wrong product information.
- ✚ The sale of expired medicines in the market.
- ✚ The dominance of the suppliers, producers and officials by creating groups.

### 2.1.5 Rural Consumer Behaviour

In rural areas, consumers get highly influenced by internal and external forces. The rural marketing strategy widely depends upon the consumer's behaviour.

Marketers try to achieve a high level of consumer acceptance. So, they explore and understand the preferences of the consumer. Also critically examines rural consumer behaviour.

The rural consumers include

- ✚ Individuals
- ✚ Groups
- ✚ Organizations, etc.,

**We can classify buyer behaviour according to**

**Degree of involvement** while making the purchase. Also, the risk and investment associated with the product.

The **Time of purchase**, i.e., planned, emergency or impulse.

### 2.1.6 Classification of Rural Consumers based on their Behaviour



<https://images.app.goo.gl/uRmbZkBQALDo6gPP9>

### **Habitual Group**

Such customers consistently buy specific products because they are completely satisfied with them.

### **Cognitive Group**

People belonging to this group have some selective perception, and their buying behaviour gets influenced by it.

### **Emotional Group**

Customers in this class are influenced by their emotional intellect. They are more focused towards the product's image and features.

### **Impulsive Group**

This group make purchase considering the physical attributes of the product. Thus, there is no brand query from the customer's end.

### **New Group**

With the growth and development of a new group has emerged over the years.

## **2.1.7 Factors of Rural buyer behavior**

### **Need Recognition for Product**

In rural areas, consumers recognize their needs based on both internal cues (like hunger or thirst) and external stimuli (such as advertisements or word-of-mouth recommendations). Marketers aim to create awareness and generate interest in their products or services through various promotional activities, especially in rural areas where needs may be more basic and necessities-driven.

### **The Purchasing Power of Rural Consumer**

Rural consumers have varying levels of purchasing power, influenced by factors like income, savings, and access to credit. Marketers need to offer products

that are affordable and provide value for money. Understanding the economic conditions of the target rural market helps in pricing strategies and product offerings.

### **Cost-Benefit Analysis by Rural Consumer**

Rural consumers carefully evaluate the benefits of a product against its costs. For durable goods like tractors, they consider factors such as maintenance costs, operational benefits, and brand reputation. For everyday items like FMCG products, they may consider factors like price, quality, and utility. Marketers need to communicate the value proposition effectively to align with the perceived benefits of the rural consumers.

### **Societal Acceptance of Purchase**

Social influences play a significant role in rural buying decisions. Family members, friends, and community leaders influence purchase decisions through recommendations and word-of-mouth. Collective decision-making is common, especially for significant purchases. Marketers can leverage these social networks by building relationships with opinion leaders and influencers within rural communities.

### **Rural Consumer's Attitude toward Products and Brand**

Post-purchase, consumers develop attitudes towards the product based on their experience. Positive experiences lead to satisfaction and loyalty, while negative experiences can result in dissatisfaction and negative word-of-mouth. Marketers need to focus on delivering quality products and services that meet or exceed customer expectations to build long-term relationships and brand loyalty.

## **2.1.8 Rural Consumer and Aspects of Rural Marketing**

The rural market is extensive and diverse. It makes up a significant part of the Indian economy. However, the rural market is different and cannot be treated the same as the urban market. Needs and behaviors of rural customers are different and the way rural markets operate and the factors that influence it are distinguished.



<https://images.app.goo.gl/11aLeNwQwzmYCx5G6>

## Key Demographics of Rural Markets

To understand more about Rural Markets, we can divide the consumers into suitable categories. Some of the categories are

### Income

The population living in rural areas usually come from low income groups. This is because the most common occupations involve farming, labor work, small shop retailers, people providing small services, and similar small scale occupations. Hence, their earnings are usually low. Also, people in the rural areas usually earn wages and payments on a daily or weekly basis. Consumers are more inclined towards buying necessary consumer goods.

### Occupation

As discussed earlier, the rural population are involved in simpler occupations. This involves labor workers, farmers, shopkeepers, and small scale retailers and service providers. People are more likely to buy household use products, industrial and farming raw material. This can be insightful for brands and potential businesses to create products that provide value and cater to their basic needs, while creating more room to offer other products.

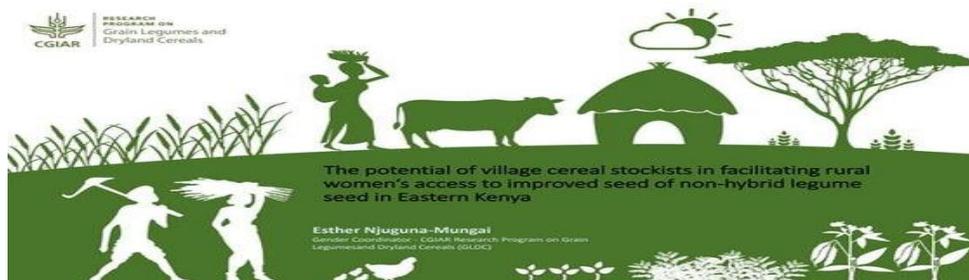
### Culture

Culture is an inseparable part of our country and more prominently so in rural areas. Cultural factors such as different religions, castes, traditions and linguistic groups often affect the choices, and purchase decisions.

## Age Groups

Rural areas often display higher populations who are middle aged or seniors. Younger population tends to move to urban or semi urban areas in search of education and employment opportunities. Hence, it may be effective to use products that target the resident population in the areas.

### 2.1.9 Factors Influencing Rural Consumer Behaviour



<https://images.app.goo.gl/KoE126QkCMpUMrij7>

## Culture

Depending on the region, cultural groups often display subtle to major differences in buying behavior. Politics also play a part in shaping buyer perspectives. This may involve rules or curbs set by local Gram Panchayat to bigger political groups. Social traditions and attitudes affect how a rural consumer perceives your product. Attitudes towards taboo topics can be influential in product choices.

Further, Indian Society is classified into castes and sub castes, which is more prominent in rural areas. Caste System may affect an individuals social rights and behavior, and subsequently the choice of products they buy. In some regions, the caste system may prove a challenge in free flow of goods.

From a marketing perspective, it is important to be sensitive towards different castes while ensuring that the brand, their product or product messaging does not offend any caste or group or their sentiments and attitudes while crafting our message or product in a manner that offers a solution.

## Literacy

The level of income of the rural population also impacts their buying preferences and patterns. For example, lower income groups may buy less products and in minimal quantities, compared to higher income groups. The level of income itself is influenced by other economic factors that we will be discussing below.

## Employment

Amount of employment opportunities available nearby rural regions along with frequency of wages impact a household's level of income, further affecting their purchase decisions. Occupations like farming and industries can cultivate demand for raw materials.

## Cost of Living and Infrastructure

Cost of living is the amount rural consumers have to pay to avail essential facilities and services. This could be the expenses incurred on housing, transportation, utilities and medical facilities. Higher spending on living can lead to reduction in spending on consumer products.

## Infrastructure and Technology

Infrastructure like sufficient transportation, warehouses, and communication can ensure smoother flow of products within supply chains, allowing more choice of products to be available to rural consumers. With time, awareness of a wider and newer range of products can improve rural consumption patterns, reducing conservative buying and making them open to trying new products and brands. Technology like the internet and television, can help with e-commerce activities, online services, and more awareness about different choices of products available in the market.

## Government Policies

The government often provides various schemes, subsidies, incentives, and programs to encourage development of rural areas. Subsidies and incentives from

the government can facilitate purchases in those areas.

### 2.1.10 Stages in consumer buying process

#### Need recognition

It is the difference between the desired state and the actual state. A rural consumer first recognizes his needs and accordingly thinks of purchasing the product. This is the first step in the simple decision making model. For instance a farmer in a rural area wants to purchase a colour television

#### Pre purchase search

After the need has been identified, the next step is to do a pre purchase search. Pre purchase search is of two types namely internal search using ones memory and external search which involves getting more information from friends or relatives (word of mouth). Marketer dominated sources, comparison shopping, public malls etc. A successful information search leaves a buyer with possible alternatives, the evoked set. Here the farmer may go to a nearby city and visit a showroom that has multiple products.

#### Evaluation of alternatives

This third step is to basically pick the best alternative from the available. In this step the buyer needs to establish criteria for evaluation. He makes a decision about what features he wants or does not want in the product. Accordingly ranks are given to the alternatives. The farmer may look for products of Videocon, Onida, and LG that are available with the dealers and finally select one of them. If he is not satisfied with the choice made the buyer can return to the search phase. Also marketers try to influence the buyer by µframing alternatives.

#### Purchase decision

This is action that results in the purchase of the product from among available alternatives. The customer may plan to purchase a specific product that suits his needs and is within his budget, etc. This includes product, package, store, method of purchase among other things.

For example the farmer may plan to go for LGs Sampoorna Colour Television as it has a vernacular onscreen display, better sound and superior picture quality. Besides it is priced at only Rs 8,500.

## Purchase

This involves the actual purchase of the product. However it may differ from the decision due to time lapse between the purchase decision and the actual purchase or may also depend upon the availability of the product.

## Post purchase behaviour

This is the final step in the simple model of consumer relationship with the seller does not come to an end with the purchase especially in the case of consumer durables. This is not an important factor for FMCG. The farmer may see whether LG has a service centre nearby in case the product needs servicing.

It is found that the main elements studied for analyzing rural consumer decision making process are media exposure, purchase aspects, behaviour of the consumer towards price, quality relations, credit and influence of the retailer.

### 2.1.11 FACTORS AFFECTING CONSUMER BUYING BEHAVIOR

The various factors that affect buying behaviour of in rural India are

- 1) Environment of the consumer**-the environment or the surroundings in which the consumer lives has a very strong influence on the buyer behavior. E.g.- electrification, water supply effects demand for durables.
- 2) Geographic influence**-the geographic location in which the rural consumer is located also speaks about the thought process of the consumer. For instance, villages in south India accept technology quicker than in other parts of India. Thus, HMT sells more winding watches in the north while they sell more quartz watches in the south.
- 3) Influence of occupation**-The land owners and service can buy more of category2 & category3 durables than agricultural laborers.

**4) Place of purchase-**Company's need to access consumers at in flue village shops.

**5) Creative use of product-**The study of product and provides indicators to the company on the need for education and also for new product ideas.

E.g.- godrej hair dye being used as a pain to the color horns of ox. Washing machine being used for making lassic.

**6) Brand preference and loyalty-**the people in rural market will not give preference for brand products but they give importance for loyalty of the product. 80% of the sale is branded items in 16 product category.

## **SOCIAL FACTORS**

### **1) Sociological factor-**

Consumer society or the community is important. The consumer life style is influenced by the social setup. The social constitution and changes influence customer habits, taste, and lifestyles.

### **2) Anthropological factors-**

The reasonable cultures and subcultures and living patterns influence advertising sales promotion, selling strategies and packing. The consumers in east India have different taste.

### **3) Psychological factors-**

Consumer behavior attitudes personality and mental make ups are unique. The study of behavior is vital to evolve marketing mix.

## **TECHNOLOGICAL FACTORS**

The rapid expansion of telecommunication facilities and mobile phone has provided opportunities for rural people to keep in touch with men and markets. Development of TV networks and reasonable channels has enabled the marketers to pass on message about product and services to rural people. In rural areas

especially in large villagers and villagers near to towns and cities, children and youth have accessed to information such as job opportunities, national news, weather conditions, bank loans etc.. IT and internet are sure to spread up exchange of information in rural india though at a slower rate compare to urban market

## **ECONOMIC FACTORS**

### **1) Competition-**

A good and healthy competition brings in good and overall improvement in economic activities. It also brings good quality, good quantity and price.

### **2) Consumers-**

The consumer today is quite knowledgeable and choosy. His progress and well being should be the aim of any economic activity.

### **3) Price-**

Pricing is a delicate issue where it should be market friendly, not too high or too little. The marketers have to keep in mind to get decent returns on investment and effects of producers and marketers.

### **4) Ethical forces-**

Business minus ethical values brings degeneration. In the long run it brings problems. No standardization, exploitation and falsification are main ethical values in such organization.

### **5) Political forces-**

The government policies towards trade and commerce, internal taxation and preferential treatments have a influence on the marketing strategies. The marketing environment has to meet the political frame work in which a government is made to work.

### **6) Physical forces-**

The infrastructure availability for movement and storage of goods play an important role in the physical distribution of goods and reaching the consumers. Efficient and cheaper logistics helps the market in a big way.

### **7) Technological force-**

The fast changing science and technology gives a cutting edge to the marketing of products. The changes warrant changes in marketing , inputs and strategies. Faster and efficient communication and transport systems have speeded up marketer. The capital is made to work faster and harder

### **Political factors**

The government have taken initiative for economic development of rural areas and have invested heavily in agriculture, irrigation, electricity, khadi and village industries and infra structure facilities such as roads, communication, hospitals, school, and banking. The initiatives certainly let to rural prosperity and opportunities for the marketers.

### **Let's Sum Up**

Understanding rural buyer behavior involves recognizing the influence of socio-economic factors, cultural norms, and limited access to information, infrastructure challenges, product preferences, and trust in decision-making. Learners can explore these aspects through field research, interviews, and case studies to grasp the complexities of rural consumer behavior and its implications for businesses, culminating in presentations to share insights and reflections.

### **Check Your Progress – Quiz – 1**

1. What socio-economic factors influence rural consumer behavior?
  - A) Access to technology
  - B) Education level
  - C) Proximity to urban areas
  - D) Fashion trends
2. Which of the following is a cultural influence on rural buyer behavior?
  - A) Global advertising

- B) Local traditions
  - C) Online shopping trends
  - D) International fashion brands
3. What do rural consumers often rely on due to limited access to information?
- A) Online reviews
  - B) Word-of-mouth recommendations
  - C) Social media influencers
  - D) Television advertisements
4. Infrastructure and accessibility challenges in rural areas affect
- A) Online shopping habits
  - B) Frequency of trips to shopping malls
  - C) Transportation and market access
  - D) Brand loyalty
5. Product preferences and needs of rural consumers are influenced by
- A) Urban lifestyle trends
  - B) Local climate and lifestyle
  - C) International fashion magazines
  - D) Social media influencers
6. What is crucial for building trust with rural consumers?
- A) International brand presence
  - B) High pricing strategies
  - C) Relationships with local retailers
  - D) Celebrity endorsements

## Section 2.2 Navigating Rural Consumer Dynamics

### 2.2.1 Environmental factors affecting rural consumers

Environmental factors play a significant role in influencing the behavior and preferences of rural consumers. These factors can encompass a wide range of elements, including physical, social, cultural, and economic aspects of the rural environment. Here's a detailed exploration of some key environmental factors and how they impact rural consumers



## 1. Rural Economic Environment

The rural economic environment encompasses the economic conditions, structures, and activities that influence rural communities' livelihoods, income levels, and overall prosperity. Key aspects include

1. **Agricultural Dependence** Many rural areas rely heavily on agriculture as the primary economic activity. Factors such as land availability, soil quality, water access, and climate conditions profoundly impact agricultural productivity and income levels.
2. **Income Disparities** Rural economies often face income disparities, with some households enjoying higher incomes from successful farming, while others struggle due to limited resources, land fragmentation, or seasonal employment.
3. **Employment Opportunities** Apart from agriculture, rural economies may offer employment opportunities in sectors such as agribusiness, forestry, mining, tourism, and cottage industries. However, job availability and wage levels can vary significantly across regions.
4. **Infrastructure Development** The availability of infrastructure, including roads, transportation networks, electricity, telecommunications, and market facilities, significantly influences rural economic development. Improved infrastructure can enhance market access, trade opportunities, and investment prospects.
5. **Market Access** Rural communities' access to markets, both for selling agricultural produce and purchasing goods and services, is critical for

economic growth. Limited market access due to poor infrastructure, distance, or market monopolies can hinder rural development.

- 6. Government Policies and Support** Government policies, subsidies, and support programs targeting rural development, agriculture, and livelihood enhancement play a crucial role in shaping the rural economic environment. Policies related to land tenure, credit availability, input subsidies, and market regulations can impact rural economic dynamics.

## 2. Rural Socio-cultural Environment

The rural socio-cultural environment encompasses the social structures, norms, values, traditions, and community dynamics prevalent in rural areas. Key aspects include

- 1. Community Cohesion** Rural communities often exhibit strong social bonds, mutual support networks, and collective decision-making processes. Community cohesion fosters cooperation, sharing of resources, and solidarity in times of need.
- 2. Traditional Practices** Rural societies may adhere to traditional customs, rituals, and cultural practices that shape daily life, social interactions, and economic activities. These traditions influence consumer behavior, social roles, and attitudes towards innovation.
- 3. Gender Roles** Gender dynamics and roles within rural communities can significantly impact socio-cultural norms and economic activities. Gender inequalities in access to resources, decision-making power, and participation in the labor force persist in many rural areas, affecting development outcomes.
- 4. Caste and Ethnic Diversity** Rural communities often exhibit diversity in terms of caste, ethnicity, language, and religion. Caste-based hierarchies and ethnic divisions may influence social interactions, resource distribution, and economic opportunities within rural societies.
- 5. Education and Health** Access to education, healthcare, and social services is essential for human development and social well-being in rural

areas. Disparities in education and healthcare infrastructure, along with cultural barriers, can affect socio-economic outcomes and quality of life.

### 3. Rural Political Environment

The rural political environment encompasses the governance structures, policies, institutions, and power dynamics that influence decision-making and resource allocation in rural areas. Key aspects include

- ✚ **Local Governance** Rural areas are often governed by local government bodies such as village councils, panchayats, or rural municipalities. Local governance structures play a crucial role in service delivery, infrastructure development, and community participation in decision-making.
- ✚ **Policy Priorities** Government policies and priorities regarding rural development, agriculture, land use, natural resource management, and social welfare significantly impact rural communities' well-being and livelihoods.
- ✚ **Political Representation** Rural populations may have varying levels of political representation and influence at local, regional, and national levels. Adequate representation and participation in political processes are essential for advocating rural interests and addressing local needs.
- ✚ **Power Dynamics** Power dynamics, patronage networks, and elite capture can influence resource allocation, policy implementation, and access to public services in rural areas. Addressing power asymmetries and promoting inclusive governance are critical for equitable development.
- ✚ **Policy Implementation** Effective implementation of rural development policies, programs, and projects requires coordination among various government agencies, stakeholders, and civil society organizations. Transparency, accountability, and community participation are essential for successful policy implementation.

### 4. Rural Technological Environment

The rural technological environment encompasses the availability, adoption, and impact of technology and innovation in rural areas. Key aspects include

- ✚ **Digital Divide** Disparities in access to technology, internet connectivity, and digital literacy contribute to a digital divide between rural and urban areas. Limited access to information and communication technologies (ICTs) can hinder rural development and economic opportunities.
- ✚ **Agricultural Technology** Technological innovations in agriculture, such as improved seeds, mechanization, irrigation systems, and precision farming techniques, play a crucial role in increasing productivity, efficiency, and resilience in rural farming communities.
- ✚ **Infrastructure Development** Infrastructure for energy, transportation, telecommunications, and water supply is essential for facilitating technology adoption and innovation diffusion in rural areas. Investments in rural infrastructure are necessary to overcome technological barriers and enhance connectivity.
- ✚ **Innovation Ecosystem** Creating an enabling environment for innovation and entrepreneurship in rural areas requires supportive policies, incentives, and institutional frameworks. Encouraging collaboration between government, academia, research institutions, and private sector actors can foster a vibrant innovation ecosystem in rural regions.

Understanding and addressing these external environmental factors are essential for promoting sustainable rural development, enhancing livelihoods, and improving the well-being of rural communities. Effective policies, programs, and interventions should consider the interplay between economic, socio-cultural, political, and technological dimensions of the rural environment.

### **Some other factors**

**Geographic Location** Rural areas have diverse geographical features like mountains, plains, forests, etc., impacting access to goods, services, transportation, and natural resources. Remote areas may face accessibility challenges compared to more accessible regions.

**Climate and Weather Conditions** Weather patterns and climate variability influence rural consumers' purchasing decisions, especially for farmers, whose

buying behavior is tied to seasonal changes and extreme weather events like droughts or floods.

**Natural Resources** Rural areas are rich in resources like water, land, minerals, and forests, shaping local economies and consumer behavior. Preferences may vary based on dependence on specific resources like forestry or agriculture.

**Infrastructure Development** Quality infrastructure, including roads, electricity, telecommunications, and internet connectivity, affects rural consumers' market access, information availability, and service accessibility.

**Cultural and Social Factors** Rural communities have strong cultural identities and social networks influencing consumer behavior. Traditional beliefs, values, and social norms impact preferences and word-of-mouth communication.

**Economic Conditions** Rural economies vary in income levels, employment opportunities, and economic diversification, affecting purchasing power and consumption patterns. Economic fluctuations and policies also influence consumer behavior.

**Technological Advancements** Technological innovations like mobile phones, internet access, and e-commerce platforms can transform rural consumer behavior, improving access to information, markets, and financial services.

**Environmental Awareness** Increasing environmental consciousness among rural consumers influences preferences for eco-friendly products, sustainable practices, and conservation efforts, driven by factors like education, policies, and awareness campaigns.

Understanding these factors is crucial for marketers and policymakers to effectively target and serve rural consumers, developing strategies aligned with their needs, preferences, and the promotion of sustainable development and economic growth.

## 2.2.2 Buyer characteristics and innovation adoption

Buyer characteristics play a crucial role in the adoption of innovation in rural marketing. Understanding these characteristics can help marketers tailor their strategies to effectively promote and diffuse innovative products or services in rural areas. Here's a breakdown of how buyer characteristics influence innovation adoption in rural marketing



<https://images.app.goo.gl/c2Y6JJdmywZfou167>

**Demographic Factors** Demographic variables such as age, gender, education level, income, and occupation influence rural consumers' adoption of innovation. For example, younger, more educated individuals may be more open to trying new products or technologies compared to older, less educated individuals. Marketers need to segment the rural market based on demographic factors to identify target groups that are more likely to adopt innovations.

**Psychological Factors** Psychological factors such as attitudes, perceptions, beliefs, and values shape rural consumers' attitudes towards innovation. Perceived benefits, risks, and compatibility with existing practices influence the adoption decision. Marketers can use targeted communication strategies to address perceived barriers and highlight the advantages of innovation to appeal to rural consumers' psychological needs and motivations.

**Social Influence** Social networks, peer groups, family dynamics, and community relationships play a significant role in influencing innovation adoption in rural areas. Word-of-mouth communication and social norms can either facilitate or hinder the diffusion of innovation within rural communities. Marketers can leverage social

influence by engaging opinion leaders, community influencers, and local networks to promote and endorse innovative products or services within rural communities.

**Economic Considerations** Economic factors such as affordability, accessibility, and perceived value-for-money impact rural consumers' willingness to adopt innovation. Innovations that offer cost savings, increased productivity, or improved livelihood opportunities are more likely to be adopted by rural consumers. Marketers need to consider pricing strategies, financing options, and distribution channels that align with the economic realities of rural consumers to facilitate adoption.

**Cultural and Traditional Influences** Cultural values, traditions, and customs shape rural consumers' preferences and behaviors. Innovations that align with cultural norms and respect traditional practices are more likely to gain acceptance in rural markets. Marketers should conduct thorough cultural analysis to ensure that their innovation is culturally sensitive and resonates with rural consumers' values and lifestyles.

**Technological Readiness** Technological literacy, access to infrastructure, and familiarity with new technologies influence rural consumers' readiness to adopt innovation. Lack of access to electricity, internet connectivity, or technical support may hinder the adoption of technology-driven innovations in rural areas. Marketers need to consider the level of technological readiness and provide necessary support, training, and infrastructure to facilitate innovation adoption in rural markets.

**Risk Perception and Uncertainty** Rural consumers may perceive innovation as risky or uncertain, particularly if it deviates from familiar practices or involves significant investment. Marketers need to address these concerns by providing information, assurances, and risk-mitigation strategies to build trust and confidence among rural consumers. Offering trial periods, warranties, or guarantees can help alleviate perceived risks and encourage adoption.

By understanding the diverse characteristics and preferences of rural buyers, marketers can develop targeted marketing strategies that resonate with rural consumers' needs, values, and aspirations. Effective communication, community

engagement, and collaboration with local stakeholders are essential for successful innovation adoption in rural marketing.

### 2.2.3 Rural Segmentation Targeting Positioning

#### Segmentation

Segmentation involves dividing the heterogeneous rural market into distinct and homogeneous groups of consumers who share similar characteristics, needs, and preferences. The goal of segmentation is to identify meaningful segments that can be targeted with tailored marketing strategies. Segmentation criteria in rural markets can include

**Geographic Segmentation** Based on geographical factors such as location, climate, terrain, and population density.

**Demographic Segmentation** Based on demographic variables such as age, gender, income, education, occupation, and family size.

**Psychographic Segmentation** Based on lifestyle, values, attitudes, interests, and behavior patterns.

**Behavioral Segmentation** Based on purchasing behavior, brand loyalty, usage rates, and product preferences.

Companies may use a combination of these segmentation variables to create more precise and actionable segments within the rural market.

#### Targeting

Targeting involves evaluating and selecting specific segments within the rural market that offer the greatest potential for profitability and growth. The goal is to focus resources and efforts on segments that align with the company's objectives and capabilities. Targeting strategies in rural markets can include

## Undifferentiated Targeting

Targeting the entire rural market with a standardized marketing approach. This strategy is suitable when rural consumers share similar needs and preferences.

## Differentiated Targeting

Targeting multiple segments within the rural market with separate marketing strategies tailored to each segment's unique characteristics. This strategy allows companies to meet the diverse needs of rural consumers effectively.

## Concentrated Targeting

Targeting a single or limited number of highly specific segments within the rural market. This strategy is ideal for companies with limited resources or niche products/services that cater to a particular segment.

Companies should consider factors such as segment size, growth potential, competitiveness, and compatibility with the company's offerings when selecting target segments.

## Positioning

Positioning involves developing a clear and differentiated perception of the company's products or services in the minds of rural consumers within the selected target segments. The goal is to create a unique and favorable image of the brand that sets it apart from competitors. Positioning strategies in rural markets can include

**Product Attributes** Emphasizing specific features, benefits, and quality aspects of the product or service that resonate with rural consumers.

## Price Positioning

Positioning the product or service based on its pricing relative to competitors, perceived value, and affordability for rural consumers.

## Distribution Channels

Positioning the product or service through appropriate distribution channels that are accessible and convenient for rural consumers.

## Brand Image

Building a strong brand identity and reputation that reflects the values, aspirations, and preferences of rural consumers.

## Messaging and Communication

Developing marketing messages and communication strategies that resonate with the cultural, linguistic, and social context of rural communities.

Effective positioning requires a deep understanding of the target segments, competitors, and market dynamics in rural areas.

### 2.2.4 Approaches to Rural Segmentation

First level segmentation could be done on the basis of occupation, i.e. farm and nonfarm activities. The compilation of an index could then be attempted with farmers categorized into five prosperity levels, ranging from very poor to very prosperous.



<https://images.app.goo.gl/Ekeh8eZScMyfnueV7>

## Geographic Segment

**Regions** East, West, North and South

**Village size** <500, 501-1000, 1001-2000, 2001-5000, >5000. Rural lifestyle changes with village size due to variation in the level of infrastructural and economic development.

**Density** Low, moderate, high (Villages with high population density have better infrastructural facilities and higher purchasing power.

**Climate** Summer, Rainy, winter (Talcum Powder is used more in hot and humid regions)

**Culture** (culture affects language, dress, food habit and location)

### **Demographic Segmentation**

**Age and life cycle** Children, teenagers, young adults, elders, seniors (Confectionary and toys are more desirable in childhood, whereas young adults seek motorcycles, soft drinks, trendy clothes and music systems)

**Family structure** Nuclear, joint (Family pack or economy refill packs work very well with joint families, Joint family translates to greater consumption of products)

**Gender** was classified into three categories like Male, female and transgender.

**Income** Due to irregular income patterns and multiple sources of income, assessment of rural income is difficult.

**Land ownership** Land owners, rich farmers, small or marginal farmers, agricultural labourers. Segmentation on the basis of size of landholding, area of land under cultivation, irrigation method, crop mix and rate of money realization. Education & House type

**Occupation** Cultivators, shopkeepers, poultry, artisans Religion & Caste Settlement of villages on the basis of religion and caste. Ex. Rajput village.

## Psychographic Segmentation

**Social class** –Social class is determined by a combination of factors like education, occupation, income, wealth and others.

**Lifestyle** –Overall manner in which a person lives and spends time and money. Personality.

## Behaviour Segmentation

**Occasions** Festival, mela, jatra, weekly haat. In rural areas, most durables are purchased during or after the harvest season because this is when farmers have cash in hand after selling their agricultural produce. Melas offer products at attractive prices and weekly haat days are the time to purchase daily-use products, vegetables and spices.

**Benefits sought** Quality, convenience, value for money, service. Rural consumers are more concerned with the utility of the product than its appearance and sophistication.

**User status** – Rural consumers fall into the category of first-time users for most product categories. Therefore, the focus on product trials and demonstrations is very crucial in rural market. Tag line for Ghariwas Detergentkarein' induce customers to try out the product.

**Usage rate** – Usage for most FMCG products is relatively low among rural consumers due to poor affordability. Marketers have launched sachet packs for rural consumers and family packs for joint families.

**Loyalty status** – Rural buyers take a long time to decide on a particular brand, but once they are convinced, they are more brand loyal than their urban counterparts.

**Place of purchase** – Village shops (Tea, kerosene), Haats (Food grain, pulses, vegetables), nearest town (Fertilizers, seeds), Melas (Clothes, cheap jewelry)

## Multi-attribute Segmentation

Thomson rural market index –Overall indicator of rural market potential and considers 10 variables Agricultural labourers, Gross cropped area, Gross irrigated area, Area under non-food crops, Pump sets, Fertilizer consumption, Tractors, Rural credit, Rural deposit, Villages electrified.

MICA Rural Market Ratings Used to segment rural markets. For each district the socio-economic indicators are classified as Demographics, Major occupations, Communication methods, Educational profiles, Shops and other establishments, Commercial banks, Agricultural data, Medical facilities, Major crops.

### 2.2.5 Advantages and Limitations of Rural STP

#### Advantages of Rural STP

**Customized Marketing** Allows companies to tailor their marketing efforts to the unique needs and preferences of different rural market segments, increasing the effectiveness of their campaigns.

**Resource Optimization** Helps companies allocate their resources more efficiently by focusing on segments with the highest potential for profitability and growth.

**Enhanced Competitiveness** Enables companies to differentiate their offerings from competitors and establish a strong position in the rural market, thereby gaining a competitive advantage.

**Improved Customer Satisfaction** By catering to the specific needs of rural consumers, companies can enhance customer satisfaction and loyalty, leading to long-term relationships and repeat business.

#### Limitations of Rural STP

**Complexity** Segmenting rural markets can be challenging due to the diverse and heterogeneous nature of rural communities, making it difficult to identify clear and distinct segments.

**Limited Data Availability** Access to accurate and up-to-date data on rural consumers may be limited, hindering the segmentation process and leading to less precise targeting.

**Cost and Time Intensive** Implementing STP strategies in rural markets requires significant investment of time, resources, and expertise, which may be prohibitive for some companies.

**Risk of Overlooking Segments** There is a risk that companies may overlook certain segments within the rural market that have untapped potential, leading to missed opportunities for growth and revenue.

### 2.2.6 Prerequisites for Effective Segmentation

In order to be effective, a segmentation exercise would have to fulfill the following requirements.



<https://images.app.goo.gl/2UGEj79xKsdAhQZF9>

## MEASURABLE

Segments are formed with the help of certain variables. These variables should be distinct, clear, and measurable. Only then can segments be described in exact terms and the differences between them understood properly. So far, companies have not been able to reach rural market due to lack of poor data related to markets and consumers. In the absence of information related to size, purchasing power and profiles of rural consumers, marketers tend to consider rural consumers as being similar to urbanites. Also, factors measurable in urban (e.g. monthly income) cannot be measured directly in rural due to non-uniform income patterns and multiple sources of income.

## Accessible

Reach is important to serve the different segments. Till recently, marketers preferred urban markets over rural because of the inaccessibility of the latter. Rural consumers were reached through vans and village retailer visiting distributors and retail outlets in nearby towns. Now, while segmenting rural markets, it is important for the marketer to ensure that the segmented market is conveniently reachable for the quick and efficient delivery of products. With significant improvement in connectivity of villages and increased interest in using traditional haats and other new channels for distribution, rural marketers are becoming more and more accessible.

## Differentiable

Segments merit the consideration and attention of marketers only when they have distinguish features. Rural consumers are identified as a separate segment as their responses are likely to be different from those of urban customers, at least for some products. For instance, while buying a motorcycle, rural consumers give more importance to the sturdiness, mileage and carrying capacity of the vehicle, whereas urban consumers look for style, power and aesthetics.

## Substantial

A segment is attractive to the marketer only when it is profitable. A segment should as such possess the following characteristics

- a. **Homogeneity** The segment should consist of people who are similar in their views, education, preferences, attitudes, and actions. As such, it will make it easy to cover them.
- b. **Largeness** The segment should comprise either a large number of light users or a small number of heavy users, so that marketing is profitable to the company.

## Degrees of Segmentation

The segmentation is considered as a process with two polar points from zero to complete, four distinct segment approaches are identifiable as follows





**Micro marketing**-Micro marketing involves tailoring products and programs to suit the taste of specific locations and individuals. It includes local marketing and individual marketing.

<https://images.app.goo.gl/wxQysMrA7UwTkYDk9>

**Local marketing** -It involves in the programs to suit the taste of specific locations and wants of local group's on a geographical bases.

**Individual marketing** -Individual market is customized marketing or one to one marketing. Tailoring units' hotels, tourist operators provide individualized services for example building contractors builds houses of flats to specific requirements of customers.

### **Basis of Segmentation**

**Geographic segmentation**-Region East, West, North, South; Village Size <500, 501-1000, 1001-2000, 2001-5000, >5000; Density Low, Medium, high; Climate Summer, rainy, winter; Culture 56 socio cultural regions.

**Demographic** –Age, Family Size (nuclear or joint), gender, Income, Occupation, Education, SEC, religion, race, Nationality, social class

**Psychographic** –Use of Psychology and demographics, Lifestyle (AIO) –Nike, Benetton, Personality –Femina – woman of substance; \* Values –HiDesign leather accessories consumers who hold the value \_\_style and elegance in a classical sense'

**Behavioral Segmentation**- based on buyer's knowledge of, attitude towards, use of, or response to a product.

**Occasions** –Marriage, Birth –Archies and Hallmark cards Benefits –In soaps - Dettol –antiseptic, Lux –Beauty

**User Status**–Non users, first time users, potential users, regular user Usage rate  
–Light users, medium users, heavy users

**Buyer Readiness State**–Cold Prospect, Hot Prospect

**Loyalty status**–Hard Core Loyals, Split Loyals, Shifting Loyals, Switchers Attitude  
–enthusiastic, positive, indifferent, negative, hostile

## Let's Sum Up

Understanding rural consumer behavior requires consideration of various environmental factors, such as geography, climate, cultural norms, and economic conditions, which influence their purchasing decisions. Buyer characteristics and innovation adoption play key roles in shaping rural consumer behavior, with demographics, lifestyle, and attitudes impacting their acceptance of new products and technologies. Employing the Rural STP (Segmentation, Targeting, Positioning) approach allows businesses to effectively segment the rural market, target specific consumer groups, and position their offerings strategically to meet the diverse needs of rural consumers. Guidelines for effective segmentation involve identifying homogeneous segments, ensuring measurability and accessibility, and considering profitability and growth potential. Furthermore, identifying emerging rural market segments presents opportunities for businesses to capitalize on evolving consumer preferences and market dynamics, thereby enhancing their competitiveness in rural markets.

## Check Your Progress – Quiz – 2

1. What refers to external factors influencing rural consumer behavior?
  - A) Demographics
  - B) Environmental factors
  - C) Psychographics
  - D) Geographic segmentation

2. Which term relates to the traits and attributes defining rural consumer behavior?
  - A) Innovation adoption
  - B) Buyer characteristics
  - C) Positioning
  - D) Targeting
3. Which strategic framework involves Segmentation, Targeting, and Positioning in rural markets?
  - A) B2B marketing
  - B) Rural STP approach
  - C) Guerilla marketing
  - D) Mass marketing
4. What are the guidelines for effective segmentation?
  - A) Identify homogeneous segments
  - B) Ensure measurability
  - C) Consider profitability
  - D) All of the above
5. Which term refers to identifying and capitalizing on evolving rural market segments?
  - A) Traditional marketing
  - B) Emerging rural market segments
  - C) Market saturation
  - D) None of the above

## **2.3 Unit Summary**

Understanding rural buyer behavior involves recognizing the unique characteristics and decision-making processes of consumers in rural areas. Key aspects include environmental factors influencing their behavior, buyer characteristics affecting their preferences and adoption of innovation, and the rural consumer decision-making process. Employing the Rural STP (Segmentation, Targeting, Positioning) approach allows businesses to effectively segment the rural market, target specific consumer groups, and position their offerings strategically. Guidelines for effective segmentation include identifying homogeneous segments

and considering profitability and growth potential. Additionally, identifying emerging rural market segments presents opportunities for businesses to capitalize on evolving consumer preferences.

## 2.4 Glossary

<b>Socio economic Factors</b>	Factors such as income, education, and occupation that influence purchasing decisions in rural areas.
<b>Cultural Influences</b>	The impact of local customs, traditions, and values on consumer preferences and brand choices.
<b>Limited Access to Information</b>	Challenges faced by rural consumers in accessing product information, often leading to reliance on word-of-mouth and local networks.
<b>Infrastructure and Accessibility</b>	Issues related to transportation, market access, and availability of retail outlets that affect shopping patterns in rural areas.
<b>Product Preferences and Needs</b>	The specific requirements and desires of rural consumers based on lifestyle, climate, and occupation.
<b>Trust and Relationships</b>	The importance of building trust with rural consumers through relationships with local retailers, quality products, and reliable service. Environmental
<b>Factors</b>	These are external elements such as geography, climate, infrastructure, and cultural norms that influence rural consumer behavior.
<b>Innovation Adoption</b>	This refers to the process by which rural consumers accept and integrate new products or technologies into their lives.
<b>Rural STP Approach</b>	STP stands for Segmentation, Targeting, and Positioning. In rural marketing, this approach involves segmenting the rural market based on characteristics like geography and demographics, targeting specific segments with tailored marketing strategies, and positioning products or services to meet the unique needs of rural consumers.

## 2.5 Self – Assessment

1. Explain the key aspects of rural buyer behavior Provide examples to illustrate your points.
2. Discuss the influence of environmental factors on rural consumer behavior. How environmental factors affect the purchasing decisions of rural consumers?
3. Describe the rural consumer decision-making process.
4. Explore the concept of buyer characteristics in rural markets.
5. How do demographics, psychographics, and behavioral factors shape the preferences and buying behavior of rural consumers?
6. Examine the Rural STP (Segmentation, Targeting, Positioning) approach in detail. and How can businesses effectively apply this approach to tailor their marketing strategies to rural markets?
7. Provide an overview of the guidelines for effective segmentation in rural markets.
8. What considerations should companies take into account when segmenting the rural market, and why are these guidelines important?

## 2.6 Case Study

### Hindustan Unilever Limited (HUL) Project Shakti

HUL, a leading consumer goods company in India, implemented Project Shakti to penetrate rural markets effectively. This initiative aimed to empower rural women by turning them into micro entrepreneurs who sell HUL products in their communities. By leveraging the existing social networks and distribution channels of these women, HUL was able to reach remote rural areas where traditional distribution networks were inadequate. This approach not only boosted sales but also created employment opportunities and empowered women in rural India.

**Question 1 How did HUL ensure the sustainability of the micro-entrepreneurship model under Project Shakti to empower rural women in the long term?**

### Mahindra & Mahindra Farm Equipment Sector

Mahindra & Mahindra, a major player in the Indian agricultural machinery market, recognized the importance of understanding the unique needs and challenges of rural farmers. By conducting extensive research and engaging with local communities, Mahindra developed a range of innovative products tailored to address the specific requirements of smallholder farmers. For example, they introduced low cost tractors with fuel efficient engines and easy to maintain designs, making mechanization accessible to farmers with small landholdings. This customer centric approach helped Mahindra solidify its position as a trusted brand in rural India.

**Question 1** What specific steps did Mahindra & Mahindra take to gather insights from rural farmers and communities in order to develop products that meet their unique needs effectively?

### 2.7 Answers for check Your Progress

Section 2.1	Deciphering Rural Consumer Behavior
1.	B) Education level
2.	B) Local traditions
3.	B) Word-of-mouth recommendations
4.	C) Transportation and market access
5.	B) Local climate and lifestyle
6.	C) Relationships with local retailers
Section 2.2	Navigating Rural Consumer Dynamics
1.	B) Environmental factors
2.	B) Buyer characteristics
3.	B) Rural STP approach
4.	D) All of the above
5.	B) Emerging rural market segments

## **2.8 Reference and Suggested Readings**

- ❖ Ashok M. V (2021), “Emerging Trends in Agricultural Marketing in India”, Brillion Publishing, New Delhi
- ❖ DebarunChakrabaorty, Soumya KantiDhara, AdrinilSantra (2021), “Rural Marketing in India Texts and Cases”, Atlantic Publishers and Distributors Pvt Ltd, Chennai
- ❖ Acharya S.S Agarwal N.L., (2019), “Agricultural Marketing in India”, 6th Edition., BS Publishers & Distributors Pvt Ltd, India
- ❖ Ashok M. V (2021), “Emerging Trends in Agricultural Marketing in India”, Brillion Publishing, New Delhi

### UNIT – III Rural product strategy and pricing

Rural product strategy – Rural product classification and decisions – Product innovation strategies – Customer value strategies – Rural branding and packaging strategies – Role of Agricultural Price Commission in India (APC) - Introduction to APC - Basic objectives of the Commission - Determination of Minimum Support Price (MSP) - Non price measures - Minimum support price of selected commodities - Benefit to the farmers - Rationale of support pricing - Limitations of MSP.

## RURAL PRODUCT STRATEGY AND PRICING

Section	Topic	Page No
<b>UNIT – III</b> Unit Objectives		
<b>Section 3.1</b>	<b>An Introduction- Rural Product Strategy</b>	<b>77</b>
3.1.1	Introduction Of Rural Product Strategy	77
3.1.2	Product Strategies To Work In The Rural Landscape	79
3.1.3	Rural Product Classification And Decisions	80
3.1.4	Five Levels Of Products	81
3.1.5	Product Innovation Strategies	82
3.1.6	Essential Elements Of A Successful Product Innovation Strategy	83
3.1.7	Customer Value Strategies	84
	Let's Sum Up	85
	Check Your Progress – Quiz – 1	86
<b>Section 3.2</b>	<b>An Introduction Rural Branding and Packaging Strategies</b>	<b>89</b>
3.2.1	What Constitutes A Brand?	89
3.2.2	Branding In Rural Market	87
3.2.3	The Challenges In Creating A Brand In Rural Areas Involved Followings	88
	Lets Sum Up	91
	Check Your Progress – Quiz 2	91
<b>Section 3.3</b>	<b>overview of Agricultural Price Commission</b>	<b>92</b>
3.3.1	Introduction of Agricultural Price Commission In India (APC)	92
3.3.2	Role Of Agricultural Price Commission In India (APC)	93

3.3.3	How Is The MSP Determined?	94
3.3.4	Benefit To The Farmers	95
3.3.5	The Rationale Behind Declaring MSP Is As Under	96
3.3.6	The Various Issues Related To MSP-Regime Are As Follows	96
3.3.7	Importance Of Legal Backing For MSP In Making Farming Financially Sustainable	97
	Lets Sum Up	98
	Check Your Progress – Quiz – 3	98
3.4	Unit Summary	99
3.5	Glossary	100
3.6	Self – Assessment	100
3.7	Case Study	101
3.8 s	Answers For check your progress	102
3.9.	Reference and Suggested Readings	103

## Unit Objectives

This unit provides an in-depth understanding of rural product strategies, including product classification, product decisions, product innovation strategies, customer value strategies, rural branding and packaging strategies, and the role of the Agricultural Price Commission (APC) in India. The unit aims to equip students with the knowledge and tools to effectively develop and manage products for rural markets.

## Section 3.1 An Introduction - Rural Product Strategy

### 3.1 1 Introduction of Rural Product Strategy

Rural marketing requires a tailored approach to reach consumers in these unique regions. Here are some key strategies for businesses to consider:

**Product Localization:** Understand Local Needs: Gain a deep understanding of the specific needs, preferences, and behaviors of rural consumers.

**Adapt Products:** Modify existing products or develop new ones that cater to local tastes, cultural norms, and affordability.

**Targeted Promotions and Advertising:** Leverage Local Channels: Utilize local media outlets, such as community radio, newspapers, and village announcements, to reach rural audiences effectively.

Create Relevant Messaging: Develop advertising campaigns that resonate with rural values and address their specific concerns.

**Robust Distribution Networks:** Build Strong Partnerships: Collaborate with local distributors, retailers, and agents who have a deep understanding of rural markets.

Optimize Logistics: Ensure efficient transportation and storage of products to reach remote areas.

**Competitive Pricing:** Consider Affordability: Set prices that align with the income levels of rural consumers.

Offer Value Propositions: Highlight the benefits and value that your products provide to justify the pricing

A prime need for any firm to emerge as a strong player in the rural market is by carefully identifying gaps in the rural market and crafting the right product offering for consumers. Chalking out a product strategy for rural market differs in many aspects when compared to urban counter parts. Needs and demand of rural consumer might be contrasting to that of urban consumer and therefore its necessary to hit the right chord when entering the rural market. The prime objective is to design products to suit rural requirements.

Conventional wisdom on rural marketing states that the needs of the rural consumers are similar to those of the urban consumers. Hence, the products made to urban specifications should suit the requirements of the rural consumers. However, this is not true in many cases, as there is a market difference between rural and urban environments. For instance, Kerosene or LPG gas stoves, where the flame can be controlled, are used for cooking in urban areas, while an open fire or 'Chulha' is used in rural areas. Pressure cookers with handles on one side suit the

urban consumers, but not the rural consumers for use on an open fire or a 'chulha'. Perhaps, a wide-bodied cooker with handles on opposite sides may suit rural requirements. Therefore, while designing and developing products, the requirements of the rural consumers are to be considered and rural-specific products developed.

During the late eighties, shampoo sales boomed when it was introduced in sachet pack, because it suited the consumers in low income groups. Hindustan Motors (HM) launched a utility vehicle the RTV (rural transport vehicle), aimed at rural market. Hence, product development for rural consumers is necessary.

Though marketers are still trying and experimenting ways to successfully tap the rural arena, below are few product strategies which have been widely adopted and have proved themselves to work in the rural landscape

### 3.1.2 Product Strategies to Work in the Rural Landscape

**Small unit packing** This method has been tested by products like shampoos, pickles, biscuits, Vicks cough drops in single tablets, tooth paste, etc. Small packings stand a good chance of acceptance in rural markets. The advantage is that the price is low and the rural consumer can easily afford it.

Example is the Red Label tea Rs. 3.00 pack which has more sales as compared to the large pack. This is because it is very affordable for the lower income group with the deepest market reach making easy access to the end user satisfying him. The small unit packing's will definitely attract a large number of rural consumers.

**New product designs** Keeping in view the rural life style the manufacturer and the marketing men can think in terms of new product designs.

For e.g. PVC shoes and chappals can be considered suited ideally for rural consumers due to the adverse working conditions. The price of P.V.C. items is also low and affordable.

**Sturdy products** Sturdiness of a product is an important factor for rural consumers. The experience of torch light dry battery cell manufacturers support this

because the rural consumers preferred dry battery cells which are heavier than the lighter ones. For them, heavier weight meant that it has more over and durability. Sturdiness of a product either or appearance is an important for the rural consumers.

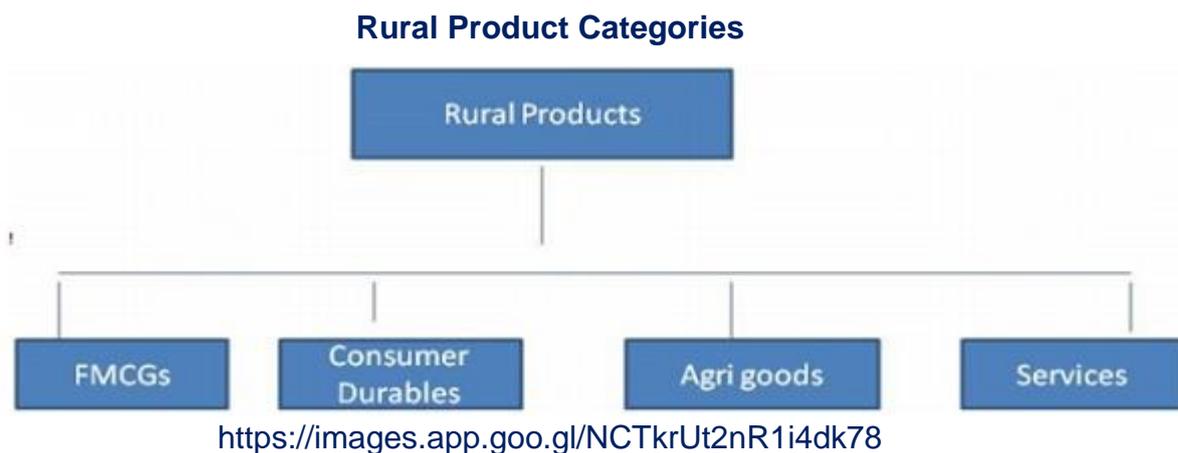
**Utility oriented products** The rural consumers are more concerned with utility of the product and its appearance Philips India Ltd. Developed and introduced a low cost medium wave receiver named BAHADUR during the early seventies. Initially the sales were good but declined subsequently. On consumer research, it was found that the rural consumer bought radios not only for information and news but also for entertainment.

**Brand name** for identification, the rural consumers do give their own brand name on the name of an item. The fertilizers companies normally use a logo on the fertilizer bags though fertilizers have to be sold only on generic names. A brand name or a logo is very important for a rural consumer for it can be easily remembered.

Many times rural consumers ask for 'peeli tikki' (Yellow Bar) in case of conventional and detergent washing soap. Nirma made a 'peeli tikki' (Yellow Bar) specially for those peeli tikki users who might have experienced better cleanliness with the yellow colored bar as compared to the blue one although the actual difference is only of the color.

### 3.1.3 RURAL PRODUCT CLASSIFICATION AND DECISIONS

In rural marketing, products can be divided into two classes agricultural and non-agricultural products. Agricultural products include crops, seeds, fertilizers, and agricultural machinery, while non-agricultural products include FMCG products, consumer durables, and services.



- ✚ **FMCG** –Major players are HUL, Dabur, Marico, Colgate Palmolive, Nirma, CavinKare and Godrej
- ✚ **Consumer Durables** –Usha, Bajaj, Philips, Titan, Godrej, Videocon, Onida, Salora, Hero Cycles, Hero Honda, Mahindra & Mahindra and Tata. New entrants –LG, Samsung and Maruti.
- ✚ **Agricultural Products**–Agricultural inputs such as seeds, fertilizers, pesticides, insecticides and implements (tractors, tillers and threshers) Livestock, poultry and fishery. Major players are Rallis India, Monsanto, DCM Shriram, Chambal Fertilisers, IFFCO, Mahindra & Mahindra, Eicher and Escorts.
- ✚ **Services** –Telecommunications (BSNL), transport, health care, banking (SBI), insurance (LIC) and education.

### 3.1.4 Five levels of Products

Five levels of the product offering Core benefit, basic product, expected product, augmented product, potential product.

The **core benefit** (mobility, entertainment) and the **basic product** (eg. Motorcycle, television) remain the same both in rural and urban.

**At the third level**, the marketer prepares an expected product and defines a set of attributes and conditions that a buyer normally expects when he purchases a product. A rural television buyer expects good picture quality, clear sound and an easy to operate set, whereas an urban consumer looks for digital sound, flat screen,

and features such as child lock and picture in picture. A motorcycle buyer in rural expects good shock absorbers, fuel efficiency and low maintenance cost, whereas an urban buyer expects good appearance, power and style.

**At the fourth level,** rural consumers expect a Television set that can run on batteries and provides better picture quality in weak signal conditions and on-screen display in local Languages for easy operation. For urban consumer, could be an in-built DVD player with a television and a set top box to watch his or her favourite

**Fifth level,** by offering TV sets that can sustain high voltage fluctuations or TV that can run on alternate sources of power.

### 3.1.5 Product Innovation strategies

**PRODUCT INNOVATION** is critical for companies to stay competitive. Developing innovative products can help companies breathe new life into their businesses by creating new ways to meet customers' needs and reinvigorating a stagnant market — perhaps even entering into new markets. Despite its value, product innovation isn't without its challenges. It's a complex process, and there are many factors to consider. Understanding customers' needs, balancing innovation with profitability, and the complexity of developing new technologies are all challenges companies may face, as well as the need to compete with existing products, resistance to change, and risk management.

Developing successful product innovation strategies Any type of innovation requires careful consideration and planning. Companies must evaluate the risks vs. rewards, the cost of implementing new technologies, existing market dynamics, and the existence of a need in the market that's not currently being served. A product innovation strategy is a detailed plan outlining these factors and the path the organization will take to improve on its existing products and services or introduce new products and services.

### 3.1.6 Essential Elements of a Successful Product Innovation Strategy.

**Define your objectives** First, identify your business objectives. Clearly define your business goals, goals for your product or service, and the driving forces behind

pursuing innovation.

**Maintain a deep market understanding** It's always essential for companies to keep a finger on the pulse of their market, but it's even more so when your business is developing a product innovation. Product-market fit can make or break the success of an innovation, so you'll need deep insights into the **Voice of the Customer** (VoC), **customer sentiment**, and **customer feedback**, including common pain points.

**Develop your value proposition** Maintaining (or gaining) a competitive advantage is a top priority and it's vital to the success of your business. Your value proposition defines what differentiates you from your competition, so this advantage should be your primary focus when developing product innovations. What value do you offer consumers? Your product should offer better performance, a lower cost, increased convenience, a longer lifespan, or some other substantial value over the existing market options.

Create a resource management plan Resource management is one of the most important aspects of a product innovation strategy. Without the required resources, you won't be able to execute fully, if at all. Determine the time, funding, labor, and other resources you'll need to bring your product innovation to market. Ensure that you have a realistic timeline and that the necessary resources are available.

**Product development, testing, and launch** Before introducing a product innovation, you want to be certain that it meets the needs of your target customer and performs as expected. Develop a detailed product development plan as well as a plan for testing and evaluating prototypes or early product iterations with your target audience. You'll also want a detailed product launch plan in place. Consider product distribution, marketing, advertising, roles and responsibilities, and actionable steps.

### 3.1.7 CUSTOMER VALUE STRATEGIES

Customer value-based pricing is a pricing strategy where businesses charge a price based on the perceived value of their product or service to the customer. In other words, companies set their prices based on how much value their customer feels they will get from the product or service



<https://images.app.goo.gl/okExcR4XAAk9afuT6>

**1. Willingness to Pay** Willingness to pay is the highest price a customer is willing to pay for your product or service. Customers are more likely to make a purchase when companies charge any amount up to that threshold. Charging even a cent above heightens the risk that customers will decide against purchasing. This could not only deter current and potential customers, but also affect your business's impact on the competitive market. The difference between the customer's willingness to pay and the final price of the purchase is known as customer delight. This is the level of goodwill, loyalty, and brand enthusiasm the customer feels after making a purchase, which is typically tied to the value they've claimed from the transaction.

**2. Price** refers to the final price a company charges when it sells a product or service. As such, price is the point on the value stick that a firm has the most control over. It can be set at any point between a firm's cost of production and its customers' willingness to pay.

When a firm sells a product or service, the value is split between the customer and the firm. As explained above, customers receive the difference between their willingness to pay and the actual price, while the company gets the difference between the price it charges and the costs associated with creating the product. This

is referred to as the firm's margin. Where the company chooses to set its price determines how value is shared with the consumer.

Naturally, companies aim to maximize profits from each sale. But they also strive to boost customer delight to build brand loyalty and turn single purchases into repeat ones. This creates a level of competition wherein a firm must find the optimal point on the value stick to achieve both goals.

**3. Cost** refers to how much money goes into producing a product or service, including all of its components. This includes physical costs, such as the various nuts, bolts, and widgets that make up an item, along with non-physical costs, such as utilities and rental space.

The lower a firm's cost, the higher the value it can share with its target customers. This creates competition between a firm and its suppliers that work to drive the price up to maximize value.

**4. Willingness to Sell** Willingness to sell, also known as willingness to accept, is the lowest price a firm's suppliers are willing to accept in exchange for the raw materials needed to create products. While many suppliers would like to sell goods for the highest amount possible to maximize profits, most are willing to reduce prices to a certain extent to make a sale. Their willingness to sell represents the lowest point they're willing to drop before it no longer makes sense to pursue a sale.

The difference between the suppliers' willingness to sell and what they charge the firm is known as supplier surplus—or supplier delight—and it represents the value captured from a sale at the firm's expense.

### Let's sum up

Rural product strategy encompasses tailoring products to meet the unique needs of rural consumers through effective classification, innovative approaches, and strategies aimed at delivering superior customer value. Product classification involves categorizing goods based on local demand and economic feasibility to optimize marketing efforts. Innovation strategies focus on developing new products

or improving existing ones to address specific challenges and capitalize on opportunities in rural markets. Customer value strategies aim to create, deliver, and communicate value effectively, enhancing satisfaction and fostering loyalty among rural consumers. Together, these elements form a comprehensive approach to successfully penetrate and thrive in rural markets.

### Check Your Progress – Quiz – 1

1. What is the primary objective of rural product strategy?
  - A) Maximizing profits in urban markets
  - B) Tailoring products to meet rural consumers' needs
  - C) Introducing luxury products in rural areas
  - D) Reducing product variety
2. Why is product classification important in rural marketing?
  - A) It increases production costs
  - B) It helps in reducing market reach
  - C) It guides informed product decisions
  - D) It eliminates consumer preferences
3. What do product innovation strategies focus on?
  - A) Reducing consumer satisfaction
  - B) Developing new products or improving existing ones
  - C) Maximizing production costs
  - D) Ignoring market trends
4. What is the goal of customer value strategies?
  - A) To increase production costs
  - B) To eliminate product variety
  - C) To create, deliver, and communicate superior value
  - D) To reduce market competition
5. How do customer value strategies contribute to business success in rural markets?
  - A) By reducing product innovation
  - B) By increasing production costs
  - C) By enhancing customer satisfaction and loyalty
  - D) By eliminating market competition

## Section 3.2 An Introduction Rural Branding and Packaging Strategies

### 3.2.1 What constitutes a Brand?

A brand is defined as a name, term, sign, symbol or special design or some combination of these elements that is instead to identify or differentiate the goods or services of one seller or a group of sellers. A brand, by definition, is a short hand description of a package of value, on which consumers can rely to be consistently the same or better over a period of time. A brand distinguishes a product or service from competitive offerings.

### What constitutes a Rural Market?

The rural markets constitute low and spread out population and limited purchasing power. Rural markets have acquired significance, as the overall growth of the economy has resulted into substance revolution; the rural areas are consuming a large quantity of industrial and urban manufactured products. There are various economic layer found in the rural market like small farmers, big landlords, marginal farmers, laborers' and artisans. Demographic Variation at state level is also visible. The McKinsey report (2007) on the rise on consumer markets in India predicts that in twenty years the rural market will be larger than the total consumer markets in countries such as South Korea or Canada Today, and almost four times the size of today's urban market and estimated size the of the rural market at \$577billion. Low purchasing power and limited disposable income is another challenges. This is improving day by day because of programme directed to enhance our agricultural productivity.

### 3.2.2 Branding in Rural Market

The concepts of brand is migrated from Urban to rural areas .Consumers have graduated to branded products with increased affordability as a result of increasing rural incomes in recent years. A brand name in the rural context facilitates easy brand recall and in drawing any colours, visual or numeric association. But some brands are known by their names, for example, Nirma and Baba Zarda. The

choice of Sampoorna as the name for its rural television brand helped LG as it is a Sanskrit word meaning "wholesome" and hence it cuts across all regional linguistics barriers. The latest one is Broke Bond Sehatmand. The motive behind launching Sehatmand was tea as Health Supplement in the rural areas. HUL fused Vitamin B in every granule of tea by the use of technology. Company is tried to fill up the gap of required Vitamine B with an intention to reduce numbers in undernourished or malnourished category of people.

### 3.2.3 The challenges in creating a brand in Rural Areas involved followings

- ❖ Relate brand with rural lifestyles
- ❖ Relate brand with appropriate status symbol.
- ❖ Relate brand with rural environment.

## CREATING A BRAND IDENTITY

Brands have their own personality, they connect and talk to consumers. Bhumi Putra and Sarpanch series of tractors from Mahindra and Mahindra helped brand to create own identity in rural areas. It provided opportunities to relate villagers (Son of Soil) to Sarpanch, who commands high respects and status in village communities. Idea has created own identity by connecting village Panch Parukh with villagers. This only happens when the brand has found an acceptance in the rural market as the one offering good value proposition. But building brands in rural areas is a different science altogether. This requires a specific committed focus and may not happen as spill over from urban market or by doing slight modification in communication and brand building efforts that were planned for urban markets.

The following tools, approaches and strategies have been employed by different organizations, to successfully build their brand in the rural markets

## Rural Product Development

The rural market is a fast growing one and has a huge population with a great level of disposable income. To encash this, products have to be specifically developed to meet the needs of rural markets. Sometimes, existing products might have to be modified to suit these markets too accordingly. Rural product

development has the strong edifice on a great deal of research like feasibility studies, rural aspiration, rural profiling and so on.

- ❖ Ex SBI Agriculture Development Branch.
- ❖ KISAN CRDIT CARD from Nationalized bank.
- ❖ Anna data Programme of ETV.
- ❖ E choupal from ITC.
- ❖ Krishi Today ,A National Hindi Magazine by CARD.
- ❖ Broke Bond Sehatmand.

## Relevance

The journey should begin with brand name itself. Ex Kissan Credit Card, Hariyali Bazar.

The Punch Line should be in tune with rural India .Ex. 'Thanda matlab Coca-Cola', The product has relation with ethos of social and cultural fragrance. Ex. Babool Neem Toothpaste. Every aspect of communications i.e. color, logo, slogan must be applied in same manner to relate with rural fragrance.

## Media

Media selection strategy is very important in rural marketing. Companies have to consider following points while going for choosing media

- ❖ Reach in Rural Media.
- ❖ Interest of rural consumers.
- ❖ Exhibits live demonstration.
- ❖ Show strength of Brand.

Demonstration van with audiovisual equipments is effective than short commercial on Television. Mandis and Melas are best place to demonstrate products and disseminate knowledge on usages and benefits of products among villagers. Because of high level of interaction, haats can be an effective medium for rural advertising. Villagers are in buying mood at the haats and mandis. Around 7,600 mandis, all over India provide a good opportunity to have direct interaction with up to 200 farmers a day.

## Message

Message should be in fine tune with rural parlance and such that the rural audience can easily make out the intended meaning. It should meet the rural sensibilities and should be amended and transformed in ©Summer Internship Society Online access @ [www.publishingindia.com](http://www.publishingindia.com) Management Prudence Journal 83 accordance with the cultural variation from one region to another. It must be attached with emotions and presented with storylines of rural folks.

### **Word of Mouth Publicity**

The word of mouth publicity is more effective communication tools in rural markets. The common features of rural India are every day collective gossiping and bathak with different age group. In this gathering, they are exchanging and sharing informal experiences. And this is the biggest word of mouth transmission of products and services. Another ways to influence rural consumers is influencing opinion leaders. The educated youth is new brand opinion leader in villages so the corporate have to design the communication in such a way to attract and make them understand the tempo and meaning of goods and services.

### **Rural Branding**

For creating a brand which is really seems too rural require local media to promote brands like Melas, Haats ,film shows ,street shows ,Road shows. A long-term campaign will keep your brand at the top-of the-mind and build brand loyalty. So the brands are in safe hands.

### **Rural Events**

One of the best ways to capture the attention of the rural audience is through Event-management. The conducting an event in rural areas can bring a good response because the limited scope and venue for rural entertainment.. A well-planned event can get the product the expected mileage. Road Shows, Melas, Street-Theatre, Film Shows are some of the interesting events in rural areas. These make a visually strong impact and long term brand recollect. Rural public are the

target audience and hence the portfolio of event management has to be handled professionally with utmost care and broad perspective.

### Let's sum up

Effective rural branding and packaging strategies are essential for capturing the attention and trust of rural consumers. They involve creating a distinct brand identity that resonates with local culture and values, utilizing packaging that are both functional and visually appealing. By integrating these strategies, businesses can enhance product visibility, communicate authenticity, and foster lasting consumer loyalty in rural markets.

### Check Your Progress – Quiz 2

1. What is a primary goal of rural branding strategies?
  - A) Maximizing profits in urban markets
  - B) Establishing a distinct identity in rural markets
  - C) Ignoring cultural relevance
  - D) Eliminating product variety
2. Why is cultural relevance important in rural branding?
  - A) It increases production costs
  - B) It reduces brand recognition
  - C) It alienates local consumers
  - D) It enhances brand loyalty
3. What do effective packaging strategies focus on in rural markets?
  - A) Maximizing production costs
  - B) Reducing product visibility
  - C) Protecting products and appealing to consumers
  - D) Eliminating product variety
4. How does packaging design impact consumer perception in rural markets?
  - A) It has no effect on consumer behavior
  - B) It influences product appeal and usability
  - C) It reduces product accessibility
  - D) It eliminates brand recognition
5. What role does branding play in rural markets?
  - A) Increasing production costs

- B) Enhancing product visibility and consumer trust
- C) Ignoring consumer preferences
- D) Eliminating market competition

## Section 3.3 Overview of Agricultural Price Commission in India

### 3.3.1 Introduction of Agricultural Price Commission in India (APC)

The Commission for Agricultural Costs & Prices (CACP) is an attached office of the Ministry of Agriculture and Farmers Welfare, Government of India. It came into existence in January 1965. Currently, the Commission comprises a Chairman, Member Secretary, one Member (Official) and two Members (Non-Official). The non-official members are representatives of the farming community and usually have an active association with the farming community.

It is mandated to recommend minimum support prices (MSPs) to incentivize the cultivators to adopt modern technology, and raise productivity and overall grain production in line with the emerging demand patterns in the country. Assurance of a remunerative and stable price environment is considered very important for increasing agricultural production and productivity since the market place for agricultural produce tends to be inherently unstable, which often inflict undue losses on the growers, even when they adopt the best available technology package and produce efficiently. Towards this end, MSP for major agricultural products are fixed by the government, each year, after taking into account the recommendations of the Commission.

As of now, CACP recommends MSPs of 23 commodities, which comprise 7 cereals (paddy, wheat, maize, sorghum, pearl millet, barley and ragi), 5 pulses (gram, tur, moong, urad, lentil), 7 oilseeds (groundnut, rapeseed-mustard, soyabean, seasmum, sunflower, safflower, nigerseed), and 4 commercial crops (copra, sugarcane, cotton and raw jute).

CACP submits its recommendations to the government in the form of Price Policy Reports every year, separately for five groups of commodities namely Kharif crops, Rabi crops, Sugarcane, Raw Jute and Copra. Before preparing aforesaid five pricing policy reports, the Commission draws a comprehensive

questionnaire, and sends it to all the state governments and concerned National organizations and Ministries to seek their views. Subsequently, separate meetings are also held with farmers from different states, state governments, National organizations like FCI, NAFED, Cotton Corporation of India (CCI), Jute Corporation of India (JCI), trader's organizations, processing organizations, and key central Ministries. The Commission also makes visits to states for on-the-spot assessment of the various constraints that farmers face in marketing their produce, or even raising the productivity levels of their crops. Based on all these inputs, the Commission then finalizes its recommendations/reports, which are then submitted to the government. The government, in turn, circulates the CACP reports to state governments and concerned central Ministries for their comments. After receiving the feed-back from them, the Cabinet Committee on Economic Affairs (CCEA) of the Union government takes a final decision on the level of MSPs and other recommendations made by CACP. Once this decision is taken, CACP puts all its reports on the web site for various stakeholders to see the rationale behind CACP's price and non-price recommendations.

### 3.3.2 Role of Agricultural Price Commission in India (APC)

The main function of the APC (renamed as Commission for Agricultural costs and Prices in 1985) is to advise the Government on price policy for agricultural commodities. The Commission is expected to determine and announce administered prices on a yearly basis.

#### **PLAYS A KEY ROLE IN HANDLING MARKET INEFFICIENCIES.**

- It provides an assurance of a remunerative and stable price environment. This is important for enhancing agricultural production and productivity since the marketplace for agricultural produce tends to be inherently volatile.
- It helps the farmers obtain a fair price for their crops, even if the market situation is unstable, thereby preventing the farmers from falling into the vicious cycle of debt.
- The Government sets the MSPs on the basis of the recommendations given by the committee. The CACP currently recommends the MSPs for 23

commodities, which include seven grains, five pulses, seven oilseeds, and four commercial crops.

S. No	Categories	Crops
1	Cereals	paddy, wheat, maize, sorghum, pearl millet, barley, and ragi
2	Pulses	gram, tur, moong, urad, lentil
3	Oilseeds	copra, jute, cotton, and sugarcane
4	Commercial crops	copra, jute, cotton, and sugarcane

- CACP submits its recommendations to the Government in the form of Price Policy Reports each year. The reports consist of five categories of commodities namely Kharif crops, Rabi crops, Sugarcane, Raw Jute, and Copra.
- The CACP, while recommending support prices for a commodity takes a comprehensive overview of the entire structure of the economy of a particular commodity, and likely effects of price policy on the rest of the economy.
- The Commission also makes surprise visits to States for on-the-spot assessment of the various constraints that farmers face in marketing their products or in raising the yield of their crops.

### 3.3.3 How is the MSP determined?

The Minimum Support Price was first introduced by the Government in 1966-67 for Wheat in the wake of the Green Revolution. It was introduced with the aim to save the farmers from depleting profits.

- The Government buys the crops at the MSP if the prices go down after harvest. This helps the farmers indirectly.
- The Government decides the MSP after taking into consideration the recommendations of the CACP, the opinions of the State Governments and all the other relevant Ministries.

- The Price Support Scheme (PSS) for oilseeds and pulses is implemented by the Department of Agriculture and Cooperation through the National Agricultural Cooperative Marketing Federation of India (NAFED).
- NAFED is the nodal procurement agency for oilseeds and pulses. Thus, when the prices of oilseeds, cotton, and pulses fall below the MSP, NAFED purchases it from the farmers at MSP.
- The procurement prices are usually announced at the beginning of the sowing season.
- This way, the CACP tends to have a very wide area of responsibility in the economic affairs of the country.

### 3.3.4 Benefit to the Farmers

The procurement at Minimum Support Price (MSP) is being done by Central and State Agencies under various schemes of Government. Besides, the overall market also responds to declaration of MSP and Government's procurement operations which results in private procurement on or above the MSP for various notified crops. Therefore, accurate number of farmers benefiting from MSP declaration is difficult to assess. However, the farmers benefitted from Government procurement at MSP is as under-

Year	2018-19	2019-20	2020-21
No of Farmers	1,71,50,873	2,04,63,590	2,10,07,563

Government of India announces Minimum Support Prices (MSP) for 22 major agricultural commodities of Fair Average Quality (**FAQ**) each year in both the Crop seasons after taking into account the recommendations of the Commission for Agricultural Costs and Prices (CACP). Government also extends remunerative price to farmers through its various interventions schemes.

- For making effective procurement by Government agencies at MSP and providing maximum benefits of MSP to the farmers, procurement centres are opened by respective State Government Agencies and Central Nodal Agencies like NAFED, FCI etc. after taking into account the production, marketable surplus, convenience of farmers and availability of other logistics /

infrastructure such as storage and transportation etc. large number of the purchase centres in addition to the existing Mandis and depots / godowns are also established at key points for the convenience of farmers to ensure procurement at MSP.

- Moreover, if the farmers gets favourable terms to sell his produce or better price than MSP, they are free to sell their produce anywhere other than the Govt agencies.
- This information was given by Union Minister for Agriculture and Farmers Welfare Shri Narendra Singh Tomar in a written reply in Lok Sabha today.

Minimum Support Price (MSP) is the rate at which the government purchases certain crops from farmers. MSP is decided based on the recommendations of the Commission for Agricultural Costs and Prices (CACP).

### 3.3.5 The Rationale behind Declaring MSP is as under

1. It protects the farmer from unwarranted fall in prices which results in distress sales, such as due to market volatilities.
2. It helps in ensuring food security as assured procurement at MSP acts as incentive for cultivation.
3. Developmental schemes such as PM-POSHAN, Anganwadi Services Scheme, TPDS, etc. are supported through grains procured by Food Corporation of India (FCI) at MSP. Distribution of affordable food under TPDS helps reduce extreme poverty.
4. Diversification of crops is targeted through MSP for 23 crops under the MSP system. E.g., Ragi, Bajra, Soyabean etc.
5. MSP is used as a device to reduce import-dependence and food inflation. E.g., highest increase in MSP for pulses and oilseeds in 2021.

### 3.3.6 The various issues related to MSP-regime are as follows

1. Subsidies for MSP create a fiscal burden for the government. Trade-distorting nature of subsidies creates challenges in trade negotiations at WTO and deters private investments in the agriculture sector.

2. It incentivizes cropping patterns which are not suited for agro climatic zones, leading to ecological harm. E.g., depleting water-table in Punjab due to paddy cultivation.
3. Bias towards wheat and rice in FCI's procurement leads to neglect of other crops under MSP which are sold at below-MSP prices.
4. Poor land allocation for crops like oilseeds and pulses results in import-dependence in edible oil and protein-based inflation, respectively.
5. Only 14 per cent of land-owning farmers benefit from MSP. Smaller farmers face poor price realization due to cartelization of middlemen.
6. The MSP-regime, enacted in the era of food shortages, is ill-suited to address current priorities in agriculture such as stability in food production, fragmentation of land, lack of investments etc.

### 3.3.7 Importance of legal backing for MSP in making farming financially sustainable

#### POSITIVE ROLE LIMITATIONS

1. Legalizing MSP will give farmers the right to claim MSP with enforcement through courts.
2. It can help improve price realization for farmers from the private sector. This would improve the rural economy.
3. Farmers can avoid burden of high input costs of select crops, through diversification towards any of the 23 MSP crops.
4. Production of pulses and millets could increase, helping to usher in climate-smart agriculture.
  - ❖ Increased litigation and judicial burden.
  - ❖ Inflation due to higher procurement cost.
  - ❖ It may result in evaporation of private sector purchases. Along with limited storage capacity at FCI, it could create food insecurity.
  - ❖ Poor export competitiveness due to high cost of production and poor yield; global trade hurdles for amber-box subsidies.

- ❖ Open-ended procurement for all crops is not possible due to unsustainable subsidy requirements. Rs. 5.4 lakh crore is needed to purchase just 10% output of 23 MSP crops.
- ❖ Problems like small farms, disguised unemployment, lack of investments and infrastructure are main reasons for agrarian distress. MSP doesn't address these issues.

Legal backing for MSP is neither sufficient nor necessary for making farming financially sustainable. Solutions such as income-support (PM-KISAN, KALIA, Rythu Bandhu etc.) or price deficiency systems (PM-AASHA) provide more progressive solutions. The MSP-regime needs an overhaul, but there is also need for sectoral reforms in agriculture and beyond

### Let's sum up

The Agricultural Price Commission (APC) in India serves pivotal roles in ensuring fair agricultural pricing and stability. It is tasked with recommending Minimum Support Prices (MSPs) to safeguard farmers' incomes, considering factors like production costs, market trends, and supply-demand dynamics. The APC also advocates non-price measures such as procurement and subsidies to support agricultural sustainability. MSPs benefit farmers by providing income security and promoting production, thereby enhancing rural livelihoods and ensuring food security. However, the system faces challenges such as market distortions and fiscal constraints, necessitating continuous evaluation and adaptation to effectively support India's agricultural sector.

### Check your Progress – quiz – 1

1. What is the main objective of the Agricultural Price Commission (APC)?
  - A) To maximize profits for farmers
  - B) To recommend Minimum Support Prices (MSPs) for agricultural commodities
  - C) To eliminate agricultural production
  - D) To reduce market competition commodities

2. How does the APC determine Minimum Support Prices (MSPs)?
  - A) By ignoring cost of production
  - B) By considering market trends and demand
  - C) By reducing farmer income
  - D) By eliminating government intervention
3. What are non-price measures recommended by the APC?
  - A) Increasing production costs
  - B) Ignoring market trends
  - C) Procurement, subsidies, and market infrastructure development
  - D) Eliminating farmer income
4. What are the benefits of Minimum Support Prices (MSPs) to farmers?
  - A) Reduced income stability
  - B) Economic instability
  - C) Income security and increased production
  - D) Increased market competition
5. What is the rationale behind support pricing by the APC?
  - A) To increase production costs
  - B) To reduce market competition
  - C) To ensure fair returns and stabilize agricultural markets
  - D) To eliminate government intervention

### **3.4 Unit summary**

This unit provides a comprehensive exploration of strategies crucial for successful product marketing in rural markets. It covers the customization of products to meet rural consumers' specific needs, effective product classification and decision-making processes, and innovative approaches to product development. The unit emphasizes creating and delivering superior customer value through tailored strategies, effective rural branding, and packaging approaches that resonate with local culture and preferences. Additionally, it examines the pivotal role of the Agricultural Price Commission (APC) in ensuring fair prices through MSP recommendations, alongside non-price measures, benefits, and limitations. Overall, learners gain insights into enhancing market penetration and fostering sustainable economic growth in rural sectors.

### 3.5 Glossary

1. **Minimum Support Price (MSP)** A government-fixed price at which it purchases crops from farmers, ensuring a minimum profit.
2. **Customization** Adapting products to meet the specific needs and preferences of a target market.
3. **Sustainable Practices** Methods of production that do not deplete resources or harm the environment, ensuring long-term availability.
4. **Affordability** Ensuring products are priced within the financial reach of target consumers.
5. **Durability** The ability of a product or packaging to withstand wear, pressure, or damage.
6. **Agricultural Price Commission (APC)** An organization established to stabilize agricultural prices and ensure fair returns for farmers.
7. **Input Subsidies** Financial assistance provided to farmers to reduce the cost of agricultural inputs like seeds, fertilizers, and equipment.
8. **Technological Support** Assistance provided to farmers in adopting modern farming techniques and equipment.
9. **Market Stability** The prevention of extreme fluctuations in market prices, ensuring consistent supply and demand balance.
10. **Cultural Relevance** Ensuring products and marketing strategies resonate with the cultural values and practices of the target market.

### 3.6 Self – Assessment

1. Explain the significance of rural product strategy and how it differs from urban product strategy. Provide examples to illustrate your points.

2. Describe the challenges faced by companies when determining pricing strategies for rural markets. How can these challenges be overcome?
3. Analyze the impact of innovative product packaging on the acceptance and success of products in rural markets. Provide examples of successful packaging strategies.
4. Evaluate the effectiveness of market skimming and market penetration strategies in rural markets. Which strategy do you think is more suitable and why?
5. Discuss the importance of understanding cultural and environmental differences when designing products for rural consumers. Provide examples of products that have been successfully adapted for rural markets.
6. Examine the role of brand recognition and loyalty in rural markets. How can companies build and maintain strong brand identities in these areas?
7. Assess the impact of limited financial resources and banking infrastructure on consumer behavior and purchasing power in rural markets. What strategies can companies employ to address these issues?
8. Describe the role of the Agricultural Price Commission (APC) in India. How does it contribute to the determination of Minimum Support Price (MSP) and benefit farmers?
9. Critically analyze the limitations of the Minimum Support Price (MSP) system in India. What alternative measures could be implemented to support farmers and ensure fair pricing?

### **3.7 Case Study**

#### **Minimum Support Price (MSP) for Wheat in India**

The Agricultural Price Commission (APC) in India plays a crucial role in determining the Minimum Support Price (MSP) for various agricultural commodities to ensure farmers receive remunerative prices. The MSP for wheat is set annually by the APC based on factors like production costs, market prices, and inflation rates.

**Question How does the Minimum Support Price (MSP) benefit wheat farmers in India?**

#### **MSP for Paddy in Punjab, India**

Punjab, known as the "Granary of India," heavily relies on MSP for paddy set by the APC to support its large farming community.

The APC's MSP for paddy is essential in Punjab due to its high agricultural output, with measures in place to prevent exploitation by middlemen.

**Question What role does the Agricultural Price Commission (APC) play in setting MSP for paddy in Punjab?**

#### **Cotton MSP in Maharashtra, India**

Background Maharashtra, a key cotton-producing state, relies on APC's MSP for cotton to protect farmers from price fluctuations and ensure stable incomes.

Details The APC's MSP for cotton in Maharashtra involves measures to support smallholder farmers and promote sustainable agricultural practices.

**Question How does the Minimum Support Price (MSP) for cotton in Maharashtra impact farmers' livelihoods?**

### **3.8 Answers for Check your Progress**

Section 3.1	An Introduction - Rural Product Strategy
Section 1	B) Tailoring products to meet rural consumers' needs
2	C) It guides informed product decisions
3	B) Developing new products or improving existing ones
4	C) To create, deliver, and communicate superior value
5	C) By enhancing customer satisfaction and loyalty
Section 3. 2	An Introduction Rural Branding and Packaging Strategies
1	B) Establishing a distinct identity in rural markets
2	D) It enhances brand loyalty
3	C) Protecting products and appealing to consumers
4	B) It influences product appeal and usability
5	B) Enhancing product visibility and consumer trust

Section 3.3	overview of Agricultural Price Commission
1	B) To recommend Minimum Support Prices (MSPs) for agricultural Community
2	B) By considering market trends and demand
3	C) Procurement, subsidies, and market infrastructure development
4	C) Income security and increased production
5	C) To ensure fair returns and stabilize agricultural markets

### **3.9. Reference and Suggested Readings**

C.S.G. Krishnamacharyulu and Lalitha Ramakrishnan, Rural Marketing: Text and Cases", Pearson Publication India 2021 (4th Edition)

Sanal Kumar Velayudhan "Rural Marketing: Targeting the Non-Urban Consumer" SAGE Publications Pvt. Ltd, 2022.

## **UNIT – IV FOOD PROCESSING INDUSTRY INFRASTRUCTURE IN INDIA**

Food processing industry infrastructure in India - Meaning of processing - Advantages of food processing – Processing of agricultural commodities (Wheat, Paddy, Pulses and Oilseeds) – Importance of cold chains - Rural distribution strategy – Rural distribution and logistics – Direct vs Indirect marketing – Organised rural retailing – Types of retail outlets – Rural malls – e-tailing and training for rural retailers – Rural supply chain management – ITC e-choupal – Rural promotion mix – Marketing communication challenge in rural markets.

### **FOOD PROCESSING INDUSTRY INFRASTRUCTURE IN INDIA**

<b>Section</b>	<b>Topic</b>	<b>Page No</b>
	UNIT – IV	
	Unit Objectives	
<b>Section 4.1</b>	<b>Fundamentals of Food Processing and Agricultural Commodities</b>	<b>106</b>
4.1.1	Meaning of Food Processing	106
4.1.2	What is the Status of the Food Processing Sector in India?	106
4.1.3	Government Initiatives Related to Food Processing Sector	107
4.1.4	Challenges Related to Food Processing Sector	108
4.1.5	Benefits of Food processing	108
4.1.6	Processing of Agricultural Commodities (wheat, paddy, pulses and oilseeds)	109
	Let's Sum Up	113
	Check Your Progress – Quiz – 1	113
<b>Section 4.2</b>	<b>Cold Chains, Rural Distribution, and Marketing- An Introduction</b>	<b>114</b>

4.2.1		Meaning of Cold Chain	114
4.2.2		Importance of Cold Chain Management	115
4.2.3		Rural Distribution Strategy	115
4.2.4		Rural Distribution And Logistics	116
4.2.5 .		Direct Vs Indirect Marketing	117
4.2.6		Organized Retailing	118
4.2.7		Types of Retail outlets	120
4.2.8		Introduction to Rural Retailing and E-Tailing	124
		Let's Sum Up	127
		Check Your Progress – Quiz – 2	128
<b>Section 4.3</b>		<b>overview of Supply Chain Management, ITC e-Choupal, and Rural Promotion</b>	<b>129</b>
4.3.1		Rural Supply Chain Management	129
4.3.2		E-Choupal Initiative by Itc	130
4.3.3.		Rural Marketing – Promotion Mix Strategies	131
4.3.4		Meaning of Sales Promotion	132
4.3.5		Types of Sales Promotion	133
4.3.6 .		Marketing Communication Challenge In Rural Market	136
		Let's Sum Up	138
		Check Your Progress – Quiz – 3	138
4.4		Unit Summary	139
4.5		Glossary	139
4.6		Self – Assessment	140
4.7		Case Study	141
4.8		Answers for check your progress	142
4.9		Reference and Suggested Readings	143

## UNIT OBJECTIVES

The objective is to comprehend the significance and benefits of food processing, which transforms raw agricultural commodities such as wheat, paddy, pulses, and oilseeds into value-added products. This includes understanding the role of cold chains in preserving food quality, optimizing rural distribution strategies, and evaluating direct versus indirect marketing approaches. Furthermore, the aim is to explore organized rural retailing concepts like rural malls and e-tailing, along with providing training for rural retailers to enhance their effectiveness. The objective also encompasses improving rural supply chain management, leveraging initiatives like ITC e-choupal for better market access, and addressing challenges in marketing communication to effectively promote food products in rural markets.

### Section 4 1 Fundamentals of Food Processing and Agricultural Commodities

#### 4.1.1 Meaning of Food Processing

Food Processing is the process of transforming food items into a form that can be used. It can cover the processing of raw materials into food via different physical and chemical processes. Various activities covered in this process are mincing, cooking, canning, liquefaction, pickling, macerating and emulsification.

It takes clean, harvested crops, or butchered and slaughtered animal products to produce attractive, marketable, and in several cases, life-long food products. However, food processing can also lower the nutritional value of the food and might include additives that might adversely affect health.

#### 4.1.2 What is the Status of the Food Processing Sector in India?

##### Food Processing

- ✦ The food processing sector is a crucial component of the overall food supply chain.

- ✚ It involves the **transformation of raw agricultural and livestock products into processed and value-added food products** that are suitable for consumption.
- ✚ This sector encompasses a wide range of **activities, technologies, and processes** aimed at making food products **safer, more convenient, and longer-lasting**, while also enhancing their flavor and nutritional value.

## Food Processing Sector in India

- ✚ The Food processing sector significantly contributes to India's economy, accounting for **13% of exports and 6% of industrial investment**.
- ✚ The sector has attracted substantial **foreign direct investments (FDI)**, with **USD 4.18 billion** pouring in from **2014 to 2020**, indicating **confidence in its future prospects**.
- ✚ It is **expected to generate a whopping 9 million jobs by 2024**. Also, by 2030, India is set to become the **world's fifth-largest consumer of food and food technology**, as household consumption quadruples.
- ✚ This underlines the **sector's immense growth potential**.

### 4.1.3 Government Initiatives Related to Food Processing Sector

- ✚ Inclusion of food & agro-based processing units and cold chain as an agricultural activity under Priority Sector Lending (PSL) norms in April 2015. Shifting from product-by-product approval to an ingredient and additive-based approval process by the Food Safety and Standards Authority of India (FSSAI) through notifications in 2016 as a measure toward ease of doing business.
- ✚ Allowing 100% Foreign Direct Investment (FDI) approval under automatic route for the food processing sector.
- ✚ Setting up a Special Food Processing Fund of Rs. 2000 crore with National Bank for Agriculture and Rural Development (NABARD).
- ✚ Other Government Initiatives
  - Pradhan Mantri Kisan Sampada Yojana
  - Pradhan Mantri Formalisation of Micro Food Processing Enterprises Scheme

- Production Linked Incentive (PLI) Scheme for food processing industry.

#### 4.1.4 Challenges Related to Food Processing Sector

- ✚ **Lack of Cold Chain and Storage** Inadequate cold storage and transportation facilities result in significant post-harvest losses of perishable goods. This not only affects food quality but also impacts the income of farmers.
- ✚ **Fragmented Supply Chain** The supply chain in India is highly fragmented, leading to inefficiencies and increased costs. Poor road and rail infrastructure can result in delays and losses during transportation.
- ✚ **Complex Regulations** The food processing industry is subject to a complex web of regulations, licenses, and permits, which can be challenging for businesses to navigate.
- ✚ **Inconsistent enforcement of regulations** can lead to unfair competition and quality issues.
- ✚ **Food Safety Concerns** An Ensuring food safety and quality standard across the supply chain remains a significant challenge. Contaminated or adulterated food products can harm public health and damage the reputation of the sector.
- ✚ **Research and Development** Limited investment in research and development inhibits innovation and the development of new, value-added products.
- ✚ India's research and development (R&D) expenditure-GDP ratio of 0.7% is very low when compared to major economies and is much below the world average of 1.8%.

#### 4.1.5 Benefits of Food processing

The important benefits of food processing include

1. Food processing reduces the number of harmful bacteria in food that can

cause diseases. For eg., drying, pickling dehydrates the food product and alters the pH that prevents the growth of harmful microorganisms.

2. It also improves the shelf-life of food products.
3. It reduces health inequalities and major health concerns.

#### 4.1.6. Processing of Agricultural Commodities (Wheat, Paddy, Pulses and Oil Seeds)

1. A large number of units are engaged in processing and value addition. There are 13.9 million agri business units in India of which 5.11 Million are food processing units in unorganized sector.
2. Agricultural Products are processed by employing different types of machinery and technology.
3. Processing range from simple drying, parboiling, husking, polishing, and grinding, to the complex form of producing an altogether new product.
4. Hydro thermal treatment is one of the most common steps in the processing of food grains.
5. Pre-milling treatment. This treatment is used for such purposes as
  - i) Improving shelling efficiency.
  - ii) Improving nutritional quality.
  - iii) Improving milling quality in paddy.
  - iv) Facilitating dehulling of corn and wheat.
  - v) Facilitating de-husking and splitting of kernels during milling of pulses
  - vi) Reducing toxic effect by soaking into hot water, as in the case of Kesari dal.
  - vii) Removing disagreeable odour as in case of soya bean.

#### Processing of Wheat

In India, about 90 percent of the wheat is consumer in the form of chapattis and 10 percent as bread, biscuits, buns and other bakery products. Irrespective of the form of consumption, Wheat grains are required to be milled to convert them into flour or other forms of broken ( like dalia). Wheat grain consists of 85 percent endosperm, 12 percent bran and 3 percent germ.

## Processing of Paddy

Paddy- rice milling is one of India's largest industries, for the output of this industry exceeds the total of all other food grain processing industries.

Paddy consists of about 20 percent husk, 6 percent bran, 2 percent germ and 72 percent endosperm (rice) . There are six major steps in the processing of paddy, depending upon the method used for processing.

### 1. Drying

Drying refers to the reduction of the moisture content in paddy to about 14 percent. At the time of harvesting, paddy contains 16 to 18 percent moisture. Drying can be done either in the sun or by means of mechanical drier ( forcing heated or unheated air through the in a bin or a thin moving stream). Mechanical drying was introduced in India in 1965.

### 2. Cleaning

Cleaning is done to remove the foreign matter present in the paddy.

### 3. Parboiling

Parboiling involves soaking and steaming paddy to impart a desired flavor to it and to increase the out-turn. It reduces breakage in milling, improves storage life, and helps in the preservation of vitamins and protein in the rice grains.

### 4. Husking

Husking refers to the removal of husk from the rice grain. Rice milling is undertaken to remove the husk and a specified percent of bran from the seeds and endosperm.

**Four principal rice milling methods are employed in India. These are**

1. **Hand pounding** This method involves the pounding a paddy with poles or

a pestle and mortar.

2. **Huller mills** The heart of huller rice mill is a fluted metal cylinder rotating with 500 to 600 rpm within a hollow stationary cylinder. Husk and bran are removed in one operation by abrasive action. The rice is polished by a second and third pass through the machine.
3. **Sheller mills** An under-run disc Sheller consists of two stones or composition wheels, each 18" to 56" in diameter, and laid on top of one another. Between these two stones, paddy is husked by the rotation of the adjustable lower wheel. The bran is removed by polishing cans or rice hullers. The husk, bran and rice are separated mechanically.
4. **Rubber Roller mills** Each mill consists of a pair of rotating rubber rollers between which paddy is poured at one to four tones per hour, depending on the design of the mill. Shelling results from the abrasion created by the two rollers turning at slightly different speeds. Soft rollers minimize breakage.

A comparison of the four rice milling methods, In 1970, there were 59020 mechanized rice mills of all types in India. This number increased to 139298 in 2008.

**The increase in the number of different types of rice mills in India between 1970 to 2014.**

**Polishing** is the removal of bran and germ from the rice grain.

**Separating** This means separation of the parts of broken grain from whole grain.

**Grading** is separation of rice by size. Head rice are the grains that are  $\frac{3}{4}$  of a whole gain and larger brokens are smaller grains.

## **PROCESSING OF PULSE**

Pulses are slow to cook, has low digestibility and possess many anti-nutritional' factors which hinders the absorption of nutrients. To overcome these cons of pulses, processing is done to improve texture, taste, and flavor, bio-availability of nutrients, decrease anti-nutritional compounds, enhanced anti-oxidant activity and decreased microbial activity. Few processing techniques generally undertaken are

splitting, soaking, germination, drying, roasting, fermentation and cooking. Processing affects the physical, chemical and nutritional makeup of pulses and a good understanding on the changes brought about through processing can help use processing techniques to their fullest potential.

**1. ROASTING** In roasting, heat from a hot surface is given to food and simultaneously moisture from food is let out into air and then moist air is exhausted out from roaster. After moisture removal, series of browning and caramelization reactions follows.

**2. SOAKING** In soaking, simply the pulse grains are soaked in tap water in ratio 15 v/v for 12 hours at room temperature. After 12 hours, grains are washed properly and drained.

**3. COOKING** cooked using thermal processing techniques to bring in changes in texture, aroma, taste, flavor and nutritional availability. In this review, main focus would be on steaming, boiling and autoclaving or pressure cooking of pulses.

**4. GERMINATION** The germination process is initiated when seed breaks out from its inactive state when it comes in contact of water. When out of dormant stage bioactive compound becomes alive and starts synthesizing more phytochemicals and phenolic which have health promoting benefits.

**5. FERMENTATION** Fermented pulses has reduced level of ANFs, improved flavor, texture, taste, aroma, increased synthesis of amino acids and bioactive components thus enhancing digestibility of pulses.

## PROCESSING OF OIL SEEDS

❖ **CLEANING** The first preparation step is cleaning to remove foreign materials from the oil seeds. This includes the separation of plant tissues, pebbles, dust, etc. to protect the processing equipment and enable the production of high quality soy products. Some weed seeds have been shown to reduce the oxidative stability of the extracted oil if they are not removed..

❖ **DRYING** To remove the hull effectively a moisture content of 10% is needed, which requires a drying process prior to dehulling. Heated air is distributed through the oil seeds to achieve some loss of water, followed by cooler air, which removes the residual moisture laden air.

❖ **DEHULLING** De-hulling operation is performed for the removal of seed coat which also helps in reducing the anti-nutritional factors.

❖ **CONDITIONING** Conditioning is done with the help of heat and moisture to obtain the optimum plasticity necessary for flake production, prior to oil extraction.

❖ **EXTRACTION** Extraction of oil from the mash is done with the help of screw, hydraulic, or centrifugal presses, this method is known as dry method. Extraction of oil can also be done through wet method, where hot water as a liquid is used to extract oil from ruptured cell of oil seeds.

## Let's Sum Up

Food processing is a vital part of the agricultural industry, transforming raw commodities into consumable and marketable products. The processing of wheat, paddy, pulses, and oilseeds involves specific methods to produce flour, rice, dal, and edible oils, respectively. The cold chain plays a crucial role in preserving the quality and safety of perishable food items, ensuring they remain fresh from production to consumption. The advantages of food processing include extended shelf life, improved safety and quality, convenience, value addition, and nutritional enhancement

## Check Your Progress – Quiz – 1

1. What is food processing?
  - A. Growing crops
  - B. Transforming raw ingredients into consumable products
  - C. Selling food items in the market
  - D. None of the above

2. Which of the following is an advantage of food processing?
  - A. Increased food wastage
  - B. Extended shelf life
  - C. Reduced nutritional value
  - D. Higher prices for consumers
3. What is the primary purpose of cold chains?
  - A. To heat food
  - B. To preserve food quality and safety
  - C. To dry food items
  - D. To package food products
4. Which commodity is processed by de-husking and milling?
  - A. Wheat
  - B. Paddy
  - C. Pulses
  - D. Oilseeds
5. Which process is used to produce flour from wheat?
  - A. De-husking
  - B. Milling
  - C. Parboiling
  - D. Fermentation

## Section 4.2 Cold Chains, Rural Distribution, and Marketing- An Introduction

### 4.2.1 MEANING OF COLD CHAIN

The cold chain is the process of maintaining a temperature-controlled environment for perishable products from the point of production to the point of consumption. The term "food cold chain" refers to a collection of procedures used to ensure that perishable food products are maintained or stored at the ideal temperature range throughout the supply chain, from the moment of harvest to the final consumer at the point of sale.

## 4.2.2 Importance of Cold Chain Management

### Improved Product Quality and Safety

Cold chain management ensures preservation of product quality and safety by maintaining precise temperature control throughout the supply chain. This reduces the risk of spoilage, degradation or contamination and is particularly important in the pharmaceutical and biologics industries to maintain product efficacy.

### Increased Efficiency and Cost Savings

Cold chain management not only preserves product quality and safety but also leads to increased efficiency and cost savings. By reducing waste and spoilage, reduces disposal costs, minimizes product recalls, and streamlines the supply chain, leading to lower distribution costs and increased profits.

### Enhanced Customer Satisfaction

By ensuring that products are delivered in good condition, customers can have confidence in the quality and safety of the products they purchase. This can lead to increased customer loyalty and repeat business. Additionally, by improving the efficiency of the supply chain, customers are able to receive their products faster and more reliably, leading to greater satisfaction.

### Compliance with Regulations

In industries like pharmaceuticals and biologics, cold chain management is a regulatory requirement. Compliance with temperature control protocols ensures regulatory compliance, avoiding fines and penalties, while effective cold chain management demonstrates a commitment to quality and safety, improving reputation and competitiveness.

## 4.2.3 Rural Distribution Strategy

**1.Ensuring Reach & Visibility** –The thing which is critical, is to get the Stock Keeping Unit right, as rural retailer can't afford environment, being first on the shelf in

the product category and developed a privileged relationship with the retailer is a source of competitive advantage to consumer good companies.

**2. Reaching upto Mandis, Towns, Semiurban centres** – Organizations can cater to rural needs for consumer durables, clothes, kitchen equipment and agri-input by making their products available upto feeder towns, semi-urban centers or mandis.

**3. Targetting larger villages** –There are only 85000 large villages out of more than 6,38,000 villages. But they have 40% of the rural population and 60% of total consumption.

**4. Understanding of Peak seasons** – Peak season times in rural parts are Festivals, harvest and marriage seasons. Bulk of the demand for the consumer durables concentrated during these times. The rural consumers are in shopping mood and have the cash for the same at this time. Organizations have to ensure that their products are available at these times.

**5. Delivery vans** – Company delivery vans which can serve two purposes; they can take the products to the customers in select rural areas and also enable the firm to establish direct contact with them and thereby provide an opportunity for promotion.

**6. Collaboration for Distribution** – Various organizations with comparatively lesser distribution reach can collaborate with organizations that already have achieved high penetration levels in rural areas. For eg. P&G had tie-ups with Godrej, Marico Industries and now its planning one with Nirma for distribution of Camay soaps.

**7. Converting unorganized sector manufacturers into distributors** – Small scale manufacturers have good knowledge of the territory and have good sales network. Organizations like Exide are attempting to convert these small scale manufacturers to become their dealers.

#### 4.2.4 Rural distribution and Logistics

Every Brand seeking to tap into India's fast-growing rural markets will need to focus primarily on their logistics if they are to reach, acquire and retain customers, a leading consultancy has argued.

The rural India is getting urbanized very fast and the taste of rural is almost going to be the same as urban has. That is why there is a huge scope in rural India as the business is growing very fast as

- Socioeconomic condition is growing
- Literacy Level is increasing
- Increase in Income
- Increasing the reach of infrastructures like IT & electricity every where
- Increase in expectation of rural India

Improvisation of Supply Chain for rural India is utmost important at this juncture.

The hurdles you have to cross are many more like

- ❖ Deprived people and deprived markets
- ❖ Lack of communication facilities
- ❖ Transport Issues
- ❖ Many languages and dialects
- ❖ Dispersed markets
- ❖ Low per capita Income
- ❖ Low levels of literacy
- ❖ Prevalence of spurious brands and seasonal demand
- ❖ Different way of thinking
- ❖ Warehousing problem
- ❖ Problems in sales force management
- ❖ Distribution problem.

#### 4.2.5 Direct Vs Indirect Marketing.

Categorizing marketing activities often makes it easier to learn about different marketing tactics and implement them into your own campaigns. One of the most

popular categories is based on the direction of conversation flow between marketers and consumer's inbound and outbound marketing.

Similarly, based on how you target your audience and the nature of your message, you can also segment your marketing as either direct or indirect.

Direct marketing addresses an audience—you guessed it—directly, meaning without intermediaries. Letters, telemarketing, and text messages are all direct marketing activities, and they are aimed at specific segments of your overall target audience. Though it has some drawbacks, direct marketing can greatly benefit your business.

Indirect marketing, on the other hand, uses a broader messaging style that addresses your whole target audience and even some people on the edge of that audience all at once. Content and social media marketing are examples of indirect marketing activities.

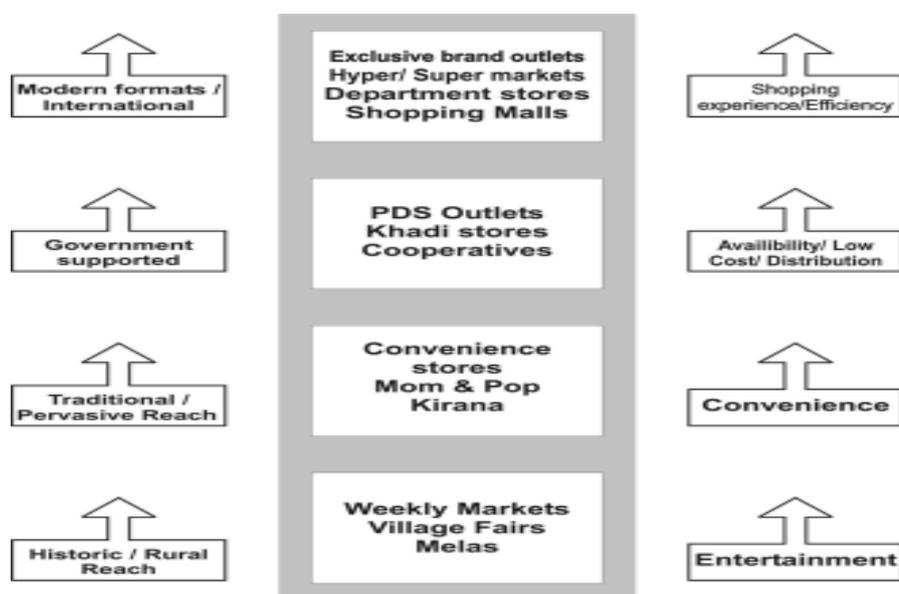
#### **Key differences between direct and indirect marketing**

<b>Direct</b>	<b>Indirect</b>
One-to-one conversation style	One-to-many conversation style
Sales-focused, narrow messaging	Education-focused, broad messaging
Low execution time and faster ROI	Low execution time but slower ROI
Eliminates intermediaries such as media outlets and online publications	May include intermediaries such as partnerships with magazines, influencers, television and radio channels, and more
Short, well-defined sales funnel	Long sales funnel and evaluation times
Ideal in an established market where you can leverage existing brand awareness to close sales	Ideal in a new market where marketing efforts help develop brand awareness

### **4.2.6 Organized Retailing**

With more than 15 million owner manned mom-and-pop stores, India is often called a nation of shopkeepers. This is referred to as unorganized retailing and it refers to the traditional formats of low-cost retailing such as the local corner shops,

owner manned general stores, paan/beedi shops, convenience stores, hand carts and pavement vendors, etc. On the other hand, organized retailing refers to trading activities undertaken by licensed retailers who are registered for sales tax, income tax, etc. These include the publicly traded supermarkets, corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses.



Source:- ICICI Bank (2004 February) White Paper Pitches for Foreign Direct Investment in Retail.

The face of retailing in India was changed by the emergence of organized retail formats along with a shift in the Indian consumer's attitude. The above figure shows the evolution of the Indian retail market. However, organized retailing in the Indian markets has mostly been in the urban regions and the overall Organized Retail Penetration (ORP) is low at 8% (in 2015) showing that a lot of potential still exists.

### Organized Retailing in Rural Indian Markets

The unorganized retailers hold advantages such as being personal, strong relationships, serving as points of news, offering credit and helping the people in difficult times. Further, they understand the local requirements and offer low prices as they have low overheads. By 2012, urban Indian markets was where 85% of the organized retailing took place in India. However, with a lot of foreign players entering, limited and expensive desirable real estate and foreign investment restrictions have pushed the India's retail market closer to maturity.

The rural Indian market on the other hand, consists of 833,087,662 people (68.84% of total) living in around 6,40,867 villages. Development of the rural market began after the Green Revolution when the demand for farm inputs like hybrids seeds and fertilisers began rising. Yet only a small part of the vast rural market remains covered by organized retailers such as DCM Shriram's Hariyali, HUL's Project Shakti and **ITC's e-Choupal**.

**The following figure shows the evolution of the different retailing formats in the rural markets**

Organized retailing offers certain advantages such as operating in a large scale with multiple outlets, being highly efficient and hold high bargaining power over suppliers due to their volume purchases. In addition to these advantages, following are some drivers which are fueling organized retailing in the rural markets

### Scope

This study looks at various secondary sources of information regarding the major players involved in organized retailing in the rural Indian markets. An analysis of their marketing mix along with their strategies is done and the opportunities and challenges for retailing in these markets are identified. Following are the organized retailing entities covered as a part of this study

- Warana Bazar
- Godrej Aadhaar
- ITC e-Choupal & Caupal Sagar
- HUL Shakti
- DSCL Hariyali Kisaan Bazaar.

### 4.2.7 Types of Retail outlets

Retailing refers to a process where the retailer sells the goods directly to the end-user for his own consumption in small quantities.

1. **Department Stores** A department store is a set-up which offers wide range of products to the end-users under one roof. In a department store, the

consumers can get almost all the products they aspire to shop at one place only. Department stores provide a wide range of options to the consumers and thus fulfill all their shopping needs.

### Merchandise

- ✚ Electronic Appliances
- ✚ Apparels
- ✚ Jewellery
- ✚ Toiletries
- ✚ Cosmetics
- ✚ Footwear
- ✚ Sportswear
- ✚ Toys
- ✚ Books
- ✚ CDs, DVDs

### Examples - Shoppers Stop, Pantaloon

1. **Discount Stores** Discount stores also offer a huge range of products to the end-users but at a discounted rate. The discount stores generally offer a limited range and the quality in certain cases might be a little inferior as compared to the department stores.

Wal-Mart currently operates more than 1300 discount stores in United States. In India Vishal Mega Mart comes under discount store.

**Merchandise Almost same as department store but at a cheaper price.**

2. **Supermarket** A retail store which generally sells food products and household items, properly placed and arranged in specific departments is called a supermarket. A supermarket is an advanced form of the small grocery stores and caters to the household needs of the consumer. The various food products (meat, vegetables, dairy products, juices etc) are all properly displayed at their respective departments to catch the attention of the customers and for them to pick any merchandise depending on their choice and need.

## Merchandise

- ✚ Bakery products
- ✚ Cereals
- ✚ Meat Products, Fish products
- ✚ Breads
- ✚ Medicines
- ✚ Vegetables
- ✚ Fruits
- ✚ Soft drinks
- ✚ Frozen Food
- ✚ Canned Juices

3. **Warehouse Stores** A retail format which sells limited stock in bulk at a discounted rate is called as warehouse store. Warehouse stores do not bother much about the interiors of the store and the products are not properly displayed.
4. **Mom and Pop Store (also called Kirana Store in India)** Mom and Pop stores are the small stores run by individuals in the nearby locality to cater to daily needs of the consumers staying in the vicinity. They offer selected items and are not at all organized. The size of the store would not be very big and depends on the land available to the owner. They wouldn't offer high-end products.

## Merchandise

- ✚ Eggs
- ✚ Bread
- ✚ Stationery
- ✚ Toys
- ✚ Cigarettes
- ✚ Cereals
- ✚ Pulses
- ✚ Medicines

5. **Specialty Stores** As the name suggests, Specialty store would specialize in a particular product and would not sell anything else apart from the specific range. Specialty stores sell only selective items of one particular brand to the consumers and primarily focus on high customer satisfaction.

Example -You will find only Reebok merchandise at Reebok store and nothing else, thus making it a specialty store. You can never find Adidas shoes at a Reebok outlet.

6. **Malls** Many retail stores operating at one place form a mall. A mall would consist of several retail outlets each selling their own merchandise but at a common platform.
7. **E-Tailers** Now a day the customers have the option of shopping while sitting at their homes. They can place their order through internet, pay with the help of debit or credit cards and the products are delivered at their homes only. However, there are chances that the products ordered might not reach in the same condition as they were ordered. This kind of shopping is convenient for those who have a hectic schedule and are reluctant to go to retail outlets. In this kind of shopping; the transportation charges are borne by the consumer itself.

**Example - EBAY, Rediff Shopping, Amazon**

8. **Dollar Stores** Dollar stores offer selected products at extremely low rates but here the prices are fixed.

Example -99 Store would offer all its merchandise at Rs 99 only. No further bargaining is entertained. However the quality of the product is always in doubt at the discount stores.

## RURAL MALLS

While retail giants and mall operators are sweating it out to gain a foothold in B and C class towns, India's first rural hypermarket had silently opened its doors.

Courtesy, the tobacco to hospitality giant ITC. The latter calls this a second layer of its e-Choupal initiative.

Spread over 5 acres of land at Sehore in Madhya Pradesh, ITC has soft-launched its first rural hypermarket about two weeks back. The initial response “footfall of about 700-800 people on weekdays and soaring to 1,000 on weekends with conversion levels of 35%.

There are **6,100** e-Choupals in operation in 35,000 villages in 10 states (Madhya Pradesh, Haryana, Uttarakhand, Uttar Pradesh, Rajasthan, Karnataka, Kerala, Maharashtra, Andhra Pradesh and Tamil Nadu), affecting around 4 million farmers.

#### 4.2.8 Introduction to Rural Retailing and E-Tailing

India is a huge country with large and diverse rural markets. The rural areas of the country lacks proper infrastructure and they depend heavily on agriculture and allied activities. But we see the winds of change sweeping the rural landscape with the advancement of technology. There is rapid economic growth in rural areas and modern retail trade is making its presence felt in rural India past few years.

Franchising is becoming popular, particularly in the service sector retail. However, Rural Retailing and management of franchising operations can be quite complex. In this context it is important E-tailing to select the right franchisees.

### RURAL RETAILING

It was ITC's initiative that helped to establish the first footprint of rural malls in India through e-choupal paving the way for Choupal Sagar where the farmer could come in with his harvest laden vehicle accompanied by his family, get his produce weighed and off-loaded at a fair price while the female member of the family could have her pick of the packaged food, cereals, clothes, spices etc. The young ones could try their hands at the various games and toys displayed. The mall houses a soil testing laboratory, a pathology lab (in collaboration with Apollo Hospitals), a diesel pump and a cafeteria. Moreover adequate space is there to display new brands of tractors, farm implements, fertilizers, motorbikes etc.

Therefore, in this unit we discuss the rural scenario of retailing, its formats, concept and types of franchise. We also discuss the e-tailing operations.

## Initiatives

- ❖ Tata Chemicals and Rallis India combine to come up with Tata Kisan Sansar- a network of one stop shops providing agri-inputs to loans to knowledge.
- ❖ Mahindra Shubhlabh and Mahindra Krishi Vihar operate in 11 states offering a range of products and services to increase farm productivity.
- ❖ Godrej Agrovet and Gulinohar Foods part of the Godrej Group have based the rural initiative on two concepts called Aadhar and Manthan. Through these the company sells not only animal feed, its own products but also other brands as well as offers services like veterinary care and soil testing.
- ❖ DCM Shriram Consolidated Ltd into consumer finance and insurance has 101 outlets in rural areas called as Hariyali Kisan Sazaars (HKB) which provide not only agri inputs but also consumer durables and FMCG products.
- ❖ Triveni Engineering has set up 44 Triveni Khushali Bazaars (TKB) in four states.
- ❖ The MP Government has proposed to set up rural shopping malls across the state to serve the area outside the retail distribution network of manufacturing companies.
- ❖ The UP State Agro Industrial Corporation plans to set up Agri Marts across Uttar Pradesh dealing in farm implements, seeds, fertilizers, tractors and veterinary products.

## E-TAILING

The internet is revolutionizing the world of retail, both in terms of the way we shop and the prices we are paying. There has been a great surge over the last few years of people buying their goods/services online, and it has become a recognizable and successful sales/distribution channel for many businesses. E-tailers are simply retailers who use the internet to sell their goods/services to their customers, rather than actual stores. There are two types of e-tailers, one category whereby e-commerce is the only operation undertaken by the company; examples of such organizations include E-Bay, Amazon and Dell. The other type includes e-commerce as part of their overall marketing strategy, while still having a physical,

'bricks and mortar' store, whereby customers can still go in and purchase the good service. Examples of this type of e-tailer are Dixons, Tesco and WH Smith.

### **Advantages of e-tailing**

- ❖ **Easy and Comfortable** It is one of the big advantages. A customer can easily access the information of the products on the net. He can get the information of the different products or services offered by a particular company by just a few clicks, of the mouse in a leisure hour, rather than wasting his valuable time to reach the shop, navigate through the store for a particular product, asking the sales person's help etc.
- ❖ **No real estate cost** from the retailer point of view, there is no real estate expenditure in case of e-tailing, whereas he has to spend a huge amount of revenue for physical store set-up and for maintaining the stores.
- ❖ **No maintenance charges** the employment of sales people, store operation persons, maintaining the store layouts are cut off in e-tailing when compared in a typical retail store set-up.
- ❖ **Better interaction with the customer?** The main advantage of e-commerce is its ability to reach the customers on individual basis and react approximately to the responses of individual customers. Interaction is a vital tool for customization. The database is maintained for the customers visiting the site, the11 wants and demands, their queries etc which can be answered by the e-tailor to develop a good relationship with the consumer and may use the data in future to expand his business.
- ❖ **Large coverage** A supermarket or a retail store has a limited area of operation. It caters to customers of a city or the area where it is operating, but a web site can be accessed from any part of the country, or any part of the world and at any point of time(there is no time limit-store operating time), thus increasing the potential customer base.

### **LIMITATIONS OF E-TAILING**

- ❖ Most of the e-tailing ventures have not been as profitable as they were expected to be, the reasons being

- ❖ Customer cannot see, touch or feel the products physically because they are displayed on the net.
- ❖ The product seen may not be the same as the product displayed in the web site.
- ❖ As the Internet users are mostly of the metros and urban areas, it is unable to gather a sizable slice of market.
- ❖ It failed to conquer the rural market segment.

For purchase of food and grocery products, consumers mainly depend on the physical stores where they can compare the quality physically and make the purchase to carry away the goods. They may even get the goods delivered just by a phone call within no time and need not order on the net and then wait for the delivery.

- ❖ Most customers buy on net to experience a new way of purchase but don't repeat or be a loyal customer as in case of purchases made in retail stores.
- ❖ Inadequate information provided for certain products like clothes, cosmetics etc involve higher customer involvement. Most of the purchases made on net comprises books, music etc because the information required in making a purchase decision is simple.

### **Let's Sum Up**

The concept of cold chains is critical in ensuring the quality and safety of perishable food products by maintaining a specific temperature range throughout the supply chain. Effective rural distribution strategies are necessary to overcome challenges such as poor infrastructure and dispersed populations, with both direct and indirect marketing playing significant roles. Organized rural retailing, including various types of retail outlets and modern formats like rural malls, enhances consumer access to a wide range of products. E-tailing and training for rural retailers further support the development of efficient and competitive retail practices in rural areas.

## Check Your Progress – Quiz – 2

1. What is the primary benefit of cold chains in the food industry?
  - A. Increase food prices
  - B. Preserve food quality and safety
  - C. Reduce production costs
  - D. Simplify logistics
2. Which marketing approach involves selling directly to consumers?
  - A. Direct Marketing
  - B. Indirect Marketing
  - C. Wholesale Marketing
  - D. Retail Marketing
3. What is e-tailing?
  - A. Selling products door-to-door
  - B. Selling products online
  - C. Selling products in traditional markets
  - D. Selling products through intermediaries
4. Which type of retail outlet is commonly found in rural areas?
  - A. Supermarkets
  - B. Kirana stores
  - C. Malls
  - D. Department stores
5. What is the main challenge in rural distribution logistics?
  - A. High urban population
  - B. Poor infrastructure
  - C. Abundant resources
  - D. Homogeneous consumer preferences

## Section 4.3 An Overview of Rural Supply Chain Management

### 4.3.1 Rural Supply Chain Management

A basic rural supply chain system consists of goods or items that flow through various levels of hierarchies of suppliers, distributors and customers. We require a mechanism to track the goods at every level of the supply chain system.

The Top-level of this model has five different processes which are also known as components of Supply Chain Management – Plan, Source, Make, Deliver and Return. Let's deep dive into each component Plan Planning is imperative to control inventory and manufacturing.

#### Strategies of Rural Marketing

- ✚ Product Strategies. The company must first assess the needs and expectations of rural clients. ...
- ✚ Pricing Strategies. Consumers in rural marketplaces are less brand aware and more receptive to product prices. ...
- ✚ Distribution Strategies. ...
- ✚ Promotion Strategies.

#### Common Supply Chain Manager Roles and Responsibilities

- ✚ Working with the procurement team for sourcing.
- ✚ Negotiating with suppliers and customers for best prices, payment terms, and delivery timelines.
- ✚ Planning, production, and inventory control.
- ✚ Warehousing process optimization.
- ✚ Logistics, cost, and schedule control.

### 4.3.2 E-Choupal Initiative by ITC

#### E-Choupal initiative by ITC

ITC's Agri Business Division, one of India's largest exporters of agricultural commodities, conceived e-Choupal as an efficient supply chain aimed at delivering value to its customers around the world on a sustainable basis. The concept was conceived to tackle the challenge posed by the unique features of Indian agriculture characterized by small, fragmented farms, weak infrastructure, and the involvement of numerous intermediaries.

#### Intervention

The initiative attempts to take the concept of agricultural extension services from the Internet to the farm. E-Choupal is a virtual market place where farmers can do the transaction, facilitated by an internet linked computer, directly with a purchaser and can realize better price for their produce. E-choupals are village Internet kiosks that enable access to information on weather, market prices and scientific farm practices. The initiative offers farmers required information, products and services they need to enhance farm productivity, improve farm-gate price realizations and cut transaction costs. The company provides the infrastructure for the choupal, including a computer, a printer, UPS system, solar panel and internet connectivity through VSAT. Each kiosk is run by a local farmer (sanchalak), selected from the village and provided with short training. The sanchalak provides the space and has to meet other operational expenditures such as electricity charges. Farmers are free to use this facility and there is no fee or registration charge.

#### Impact

Launched in June 2000, the company has so far established 6,450 kiosks across eight states (Madhya Pradesh, Karnataka, Andhra Pradesh, Maharashtra, Rajasthan, Uttarakhand and Tamil Nadu). The services reach more than 35,000 villages, benefitting over 40 lakh farmers growing soybean, coffee, wheat, rice, pulses and shrimp, through 6,100 installations. The company has also launched a flagship extension programme called 'Choupal Pradarshan Khet' (CPK) or demonstration plots to help farmers enhance farm productivity by adopting

agricultural best practices. It is also currently working with agri-startups for providing many services including location specific weather forecasts, crop advisory, quality testing of crops, etc. to farmers. As per company report, of the 10 lakh beneficiaries under CPK, incomes of around 34,000 farmers have doubled (107% growth) by adopting all the practices and recommended inputs. The balance farmers' income has also shown an income increase of 30% to 75%, depending on adoption of various recommended practices.

### 4.3.3. RURAL MARKETING – PROMOTION MIX STRATEGIES

Let us now understand the different promotion strategies involved in rural marketing.

#### Personal Selling

It is a process of face to face interaction between the salesperson and the prospective customer. Through a proper training and guide, a salesman can be a valuable medium between the marketer and the prospective customer.

A good salesperson is the one who has thorough knowledge about the product he is about to sell and tries to strike a common point of link between the product and the customer needs.

#### Personal Selling in Rural Region

Most of the marketers think personal selling is not feasible in rural areas because of various reasons ranging from scattered population to a large number of villages to be covered.

Though still not a prevalent practice adopted by the national level marketers, personal selling is widely done by the local manufacturers of utensils, garments, edible good etc.

For the marketer to adopt personal selling as a tool of promotion in rural area, following are few of the basic requirements that need to be present in their salesperson –

- **Familiarity with the Rural Area** – It is difficult for the salesperson to be familiar with rural area. As the population of rural region is scattered, it becomes a lot more important for the salesperson to have sufficient knowledge about rural area which he is supposed to cover.
- **Proficiency in Local Language** – Fluency in the local language is another key skill that must be present in the salesperson. It acts as a major communication point in converting prospective customer into an actual one.
- **Acquaintance with the Rural Folks** – It is a common tendency among rural people that they only pay attention to those people whom they can consider as a part of their social group. Thus, if the salesperson belongs to the particular rural district, in that case his job not only becomes easy but also chances of success in achieving his sales target increase strongly.
- **Be Persuasive but not Pushy** – A good salesperson is one who is persuasive but not pushy in nature. Rural people are always skeptical in nature about the new product and strongly hesitate to purchase it due to lack of faith.  
Here a salesperson needs to remove the doubts of the prospective customer and make him believe to purchase the product. But being too pushy in his approach can ruin the chances of sale of the product.
- **Public Relations** – Public relations in case of marketing promotions in case of rural areas are highly important so as to create the formal relationship with the newly acquired customers. Also, dissemination of information concerning the rural folk is possible only through effective public relations.

Educating rural people about the importance of administering polio drops to children, vaccination to mother and child, sanitation, hygiene etc. has become possible only through the publicity health campaigns.

#### 4.3.4 Meaning of Sales Promotion

It is a short term tool adopted by the marketer to increase the sales of the particular product / service in a particular area for a particular period of time.

According to marketers, sales promotion includes those sales activities that supplement both personal selling and advertising, and coordinating. It also involves making the advertisements effective, such as displays, shows and exhibitions and demonstrations.

### 4.3.5 Types of Sales Promotion

The following are the different types of sales promotion –

#### Push-up Sales Promotion

It is the technique where marketers persuade third parties i.e. intermediaries like dealers, retailers etc. to stock the products of the respective company and push them towards the ultimate customers.

Marketers started providing various incentives, pop material etc. to the intermediaries which encourage them to sell the products to the customers. To increase product sales ratio push-up sales promotion is the important part of promotion efforts taken up by the companies.

In case of rural marketing the companies also follow push-up sales promotion strategies. The commonly followed push-up sales promotion strategies include –

- ✚ **Free display materials** – Free display materials like banners, sign boards, neon lights etc. are distributed among dealers to attract and inform the customers about the products.
- ✚ **Storage materials** – Storage materials like racks, shelves, refrigerators etc. are distributed among shopkeepers who help in visual merchandising and also aid in storing the product.
- ✚ **Demonstrations** – Important technique of push-up sales promotion, free demos at dealers' shops inform the consumers about the handling of the product.
- ✚ **Incentives to dealers** – under the push-up sales promotion special incentives are provided to dealers on the number of units sold to the ultimate consumers.

- ✚ **Lucky draw contest** – It is to motivate dealers to stock the company's products and promote sales, and lucky draw contest are organized among dealers.
- ✚ **Free gifts** – It is a common strategy adopted by the companies and free gifts are often distributed among dealers during festive seasons to increase the consumer base.
- ✚ **Pull-up sales promotion** – As the name suggests, pull-up sales promotion is the tool where marketer pulls the customers towards their product through various promotional strategies and advertising.

Customers come through schemes like Buy 1-Get 1 Free, discounts, exchange offers etc. These schemes attract customers towards the product and the customers end up purchasing the products. In context of rural marketing, the following pull-up sales promotional strategies can work well –

### **Free Distribution of Samples**

Distributing free samples among rural people not only popularize the product but also gain huge acceptance among them. When the company decides to enter into new market and launch the new product, in such cases free distribution of samples is an effective pull-up sales promotional activity.

As compared to urban consumers, the tendency to try the new product is low in case of rural consumers because they have lack of faith about the new products. Free samples encourage trial purchase among consumers.

### **With-pack Premiums**

Here, a free product is given either inside the pack or outside the pack. This attracts the rural customers to purchase the product. This is successful only when the free product is either complementary or useful to the consumers. For example, a free toothbrush that comes complementary with toothpaste.

## Price-off Premiums

This refers to the cut-price technique for a product. This is useful not only in case of FMCGs but also in case of consumer durables if the discount is appropriate.

**Money Refund Premiums** It refers to the price of the product, which is partially refunded to the consumers on the repurchase of same product by showing of proof of previous purchase like cash memo, empty wrapper, poly packs etc.

**Exchange Premiums** It is quite similar to the above strategy, under which instead of refund of money a new product is given to consumers on showing of proof of previous purchase.

## Interactive Games

Innovative fun-filled games generate interest among the rural crowd. The winner of the game can be rewarded with the product of the company which sponsored such games. Sometimes such games ensure high customer involvement and also increase the interaction between the marketer and target customers.

## Fairs and Exhibitions

Fairs are a part of rural people's life. For the rural people, they are the source of entertainment and a good opportunity to launch their products for the marketers in the rural market. It has mass appeal as several villagers come to fairs.

Customers may be attracted by using the mass media like organizing folk songs competition, folk dances, magic shows, puppetry shows, street theatre, acrobatic skills, juggler, etc.

Another important thing is the use of vibrant colors in the company's stalls. This pulls the crowd towards buying the product.

## Village Haats

Haats are the weekly markets from where rural people buy the items of daily necessities, garments, farm inputs etc. They are the source for rural people and a place of social get together. The existence of haats can be traced back to ancient times — the times of Chandragupta Maurya.

Haats provide to the marketers an opportunity to display their products. Consumers are ready to try the product by overcoming all inhibitions and can get the touch and feel of the product and this will further generate sales as most of the people come to the haats with an intention to buy.

## Melas

Melas are again the essential element of India's culture and pull masses. In a trade mela, one can find variety of products. Melas are held usually in festive seasons like Dussehra, Diwali, Holi, Eid etc.

During melas, marketers get to interact with a large number of consumers and encourage for trial purchase. These melas help the marketers target large audience.

### 4.3.6. Marketing Communication Challenge in Rural Market.

Urban methods of communications, or those used in developed countries, consist of spraying consumers with advertising and beautiful images in the manner of using insect sprays, and then waiting for customers to turn up to buy products. The sprays have to be changed periodically as consumers become immune to advertising. In rural markets, it is quite a different ball game.

Companies are likely to face the following challenges while communicating with rural audiences

#### i. Low Literacy Levels

Rural areas suffer from low literacy. Customs and traditions rule, which makes adoption of new products and practices difficult. There is also a limited penetration of

print media in rural markets. Companies, therefore, face difficulties in developing their communication mix.

## **ii. Media Reach and Exposure**

Though media reach is improving over the years, it is still poor in many villages. In many media-dark villages, there is limited access to television, radio and print, and hence people have limited exposure. Suitable media vehicles just do not exist.

## **iii. Diverse Audiences**

Villages in India show diverse cultures, languages, varied customs and traditions and lifestyles. This makes one-size-fits-all strategy irrelevant. Companies, used to urban-oriented mass campaigns, find it difficult to tailor-make campaigns for every region.

## **iv. A Dearth of Information**

There is a shortage of information in rural areas. Lack of good local content and reliable information providers add to the dearth of relevant information that villagers can use.

## **v. Scattered Audiences**

Mass media finds it difficult to penetrate rural areas because audiences are scattered over large distances.

## **vi. Lack of Well-Developed ICT Infrastructure**

Internet penetration is limited because of lack of ICT infrastructure. This is changing as there is increasing use of mobile phones in rural markets. Any rural communications strategy will work only if the listed problems are addressed.

## Let's Sum up

Rural supply chain management faces unique challenges due to infrastructure limitations and dispersed markets. ITC's e-choupal initiative has revolutionized this landscape by integrating digital technology to connect farmers directly with markets, enhancing efficiency and transparency. The rural promotion mix in such contexts emphasizes personal selling, local events, and culturally relevant messaging to effectively reach rural consumers. However, marketing communication in rural areas encounters hurdles like low literacy rates and diverse dialects, necessitating innovative approaches such as audio-visual aids and community influencers to overcome these barriers and foster meaningful engagement.

## Check Your Progress – Quiz – 3

1. What is the primary function of ITC e-Choupal?
  - A. Selling urban products in rural areas
  - B. Providing internet access and agricultural information to farmers
  - C. Distributing processed food products
  - D. Conducting market research
2. Which factor is a challenge in rural marketing communication?
  - A. High literacy levels
  - B. Homogeneous culture
  - C. Diverse languages and cultural differences
  - D. Abundant access to traditional media
3. What does rural supply chain management involve?
  - A. Urban distribution
  - B. Flow of goods, information, and finances in rural areas
  - C. Only procurement processes
  - D. None of the above
4. Which element is part of the rural promotion mix?
  - A. Personal selling
  - B. Digital marketing only
  - C. No advertising
  - D. Exclusive reliance on billboards
5. What is a key benefit of efficient rural supply chain management?
  - A. Increased product wastage
  - B. Enhanced market access
  - C. Higher consumer prices
  - D. Decreased product quality

## 4.4 Unit Summary

The food processing industry in India involves transforming raw agricultural commodities like wheat, paddy, pulses, and oilseeds into consumable products, providing benefits such as extended shelf life, enhanced food safety, and increased marketability. The industry relies on robust infrastructure, including cold chains, to maintain product quality from farm to consumer. Effective rural distribution and logistics strategies, combining direct and indirect marketing, are essential for reaching rural consumers. Organized rural retailing, encompassing various retail outlets and rural malls, and e-tailing platforms, supported by retailer training programs, enhance market accessibility. ITC's e-choupal exemplifies leveraging digital solutions for rural supply chain management. Effective rural promotion mixes and addressing marketing communication challenges are crucial for engaging rural markets and fostering economic growth.

## 4.5 Glossary

**Supply Chain Management** Managing the flow of goods from production to consumption.

**ITC e-Choupal** Initiative providing market information to farmers.

**Rural Promotion Mix** Marketing strategies tailored to rural consumers.

**Marketing Communication** Methods used to convey messages to consumers.

**Cultural Differences** Variations in consumer behavior based on culture.

**Food Processing** Transforming raw ingredients into consumable food products.

**Milling** Grinding grains to produce flour.

**Cold Chains** Refrigerated systems that preserve perishable food.

**Direct Marketing** Producers sell directly to consumers.

**Indirect Marketing** Involves intermediaries in the selling process.

**Rural Malls** Large retail complexes in rural areas.

**De-husking** Removing the husk from grains.

**Parboiling** Partially boiling grains to enhance nutritional value.

## **4.6 Self – Assessment**

1. Explain the concept of food processing and its significance in the Indian food industry. Discuss the different levels of food processing with suitable examples.
2. Discuss the advantages of food processing for both producers and consumers.
3. How does food processing contribute to the overall economy of India?
4. Describe the processing methods for key agricultural commodities such as wheat, paddy, pulses, and oilseeds. How do these methods impact the quality and shelf life of the final products?
5. What is the importance of cold chains in the food processing industry? Outline the main components of a cold chain and the challenges faced in implementing cold chain systems in India.
6. Analyze the rural distribution strategy in India. What are the key challenges in rural distribution and logistics, and how can they be addressed to improve the supply chain?
7. Compare and contrast direct and indirect marketing in the context of rural markets. Discuss the advantages and disadvantages of each approach for farmers and consumers.
8. Evaluate the role of organized rural retailing in transforming rural markets.
9. What are the different types of retail outlets found in rural areas, and how do they cater to the needs of rural consumers?
10. Discuss the concept of e-tailing and its impact on rural retailing in India.
11. What are the challenges and opportunities associated with training rural retailers for e-tailing?

12. Examine the ITC e-Choupal initiative. How does it empower farmers and contribute to the efficiency of the agricultural supply chain? Provide examples of its benefits and limitations.
13. Identify and discuss the marketing communication challenges in rural markets.
14. What strategies can be employed to effectively promote products in rural areas, considering the unique characteristics of these markets?

## 4.7 Case Study

### Amul's Dairy Processing

Amul is a cooperative dairy company in India known for its extensive dairy processing infrastructure. Amul collects milk from millions of dairy farmers daily, processes it into various dairy products like milk, butter, cheese, and ice cream, and distributes these products across India.

**Question How does Amul's robust dairy processing infrastructure contribute to the economic empowerment of rural dairy farmers?**

### ITC's Agri Business

ITC Limited operates in the agri-business sector with a focus on food processing and rural development. ITC has established integrated agriculture value chains for commodities like wheat, paddy, and pulses, encompassing processing facilities, cold chains, and rural distribution networks.

**Question What are the key challenges ITC faces in maintaining the quality and freshness of agricultural commodities through its cold chain infrastructure in rural areas?**

### Haldiram's Food Processing

Haldiram's is a leading Indian snack food manufacturer with a significant presence in the food processing industry. Haldiram's processes a variety of food products such as

snacks, sweets, and ready-to-eat meals, utilizing advanced processing technologies and adhering to strict quality standards.

**Question How does Haldiram's effectively manage its rural distribution strategy to ensure widespread availability of its products across diverse rural markets in India?**

#### 4.8 Answers for check your progress

Section	Answers
<b>Section 4.1</b>	<b>Fundamentals of Food Processing and Agricultural Commodities</b>
1.	B. Transforming raw ingredients into consumable products
2.	B. Extended shelf life
3.	B. To preserve food quality and safety
4.	B. Paddy
5.	B. Milling
<b>Section 4.2</b>	<b>Cold Chains, Rural Distribution, and Marketing- An Introduction</b>
6.	B. Preserve food quality and safety
7.	A. Direct Marketing
8.	B. Selling products online
9.	B. Kirana stores
10.	B. Poor infrastructure
<b>Section 4.3</b>	<b>overview of Supply Chain Management, ITC e-Choupal, and Rural Promotion</b>

11.	B. Providing internet access and agricultural information to farmers
12.	C. Diverse languages and cultural differences
13.	B. Flow of goods, information, and finances in rural areas
14.	A. Personal selling
15.	B. Enhanced market access

#### **4.9 Reference and Suggested Readings**

- ❖ Food Processing Principles and Applications edited by Stephanie Clark, Stephanie Jung, and Buddhi Lamsal
- ❖ Handbook of Food Processing Food Safety, Quality, and Manufacturing Processes" edited by Theodoros Varzakas and Constantina Tzia
- ❖ Supply Chain Management Strategy, Planning, and Operation" by Sunil Chopra and Peter Meindl
- ❖ Logistics and Supply Chain Management" by Martin Christopher
- ❖ Journal of Food Processing and Technology

## UNIT – V COOPERATIVE MARKETING

Cooperative marketing Meaning - Role of cooperatives - Structure of cooperative marketing societies - Types of Co-operative marketing societies – Membership – Functioning – Agri export zones – Small Farmers Agri Business Consortium - eNAM – Tamil Nadu State Agricultural Marketing Board.

## COOPERATIVE MARKETING

Section	Topics	Page No
<b>UNIT – V</b>		
<b>Unit Objectives</b>		
<b>Section 5.1</b>	<b>overview of Cooperative Marketing</b>	<b>145</b>
5.1.1	Meaning Of Cooperative Marketing	145
5.1.2	Benefits Of The Co-Operative Marketing	146
5.1.3	Role Or Functions of Co-operatives	146
5.1.4	Structure Of Cooperative Marketing Societies	147
5.1.5	Types Of Co-Operative Marketing Societies	148
5.1.6	Co-Operative Society Membership	150
5.1.7	Functions Of Co-Operative Marketing Societies	152
	Let's Sum Up	153
	Check Your Progress – Quiz – 1	154
<b>Section 5.2</b>	<b>Navigating Agri Export Zones (AEZs) and Small Farmers Agri Business Consortium (SFAC)</b>	<b>155</b>
5.2.1	Agri Export Zones	155
5.2.2	Objectives Of Aezs	155
5.2.3	Components Of Aezs	156
5.2.4	Benefits Of Aezs	157
5.2.5	Key Components Of Aze	159
5.2.6	Benefits Of AZE	161
5.2.7	Measures To Promote Exports From Agri Export Zone	161
5.2.8	Small Farmers' Agri-Business Consortium	162
5.2.9	Functions Of Small Farmers Agri-Business Consortium (SFAC)	163
5.2.10	Programs Of Small Farmers Agri-Business Consortium (SFAC)	164
	Impact And Benefits	164
	Let's Sum Up	165
	Check Your Progress – Quiz – 2	166

<b>Section 5.3</b>	<b>Navigating e-NAM and Tamil Nadu State Agricultural Marketing Board</b>	<b>167</b>
5.3.1	e-NAM (National Agriculture Market)	167
5.3.2	Objectives And Features	167
5.3.3	The Tamil Nadu State Agricultural Marketing Board (TNSAMB)	168
5.3.4	Role of TNSAMB	169
5.3.5	Functions Of TNSAMB	170
5.3.6	Significance Of TNSAMB	171
	Let's Sum Up	174
	Check Your Progress	174
5.4	Unit Summary	175
5.5	Glossary	177
5.6	Self-Assessment Questions	177
5.6	Case Studies	178
5.7	Answers For Check Your Progress	179
5.8	Reference and Suggested Readings	180

## Unit Objectives

To provide learners with a comprehensive understanding of cooperative marketing, including its meaning, the role of cooperatives in supporting farmers and improving market access, and the structure of cooperative marketing societies. Learners will explore the various types of cooperative marketing societies, their membership criteria, and functioning, along with key initiatives such as Agri Export Zones, Small Farmers Agri-Business Consortium (SFAC), and the e-NAM (National Agricultural Market) platform. Additionally, they will gain insights into the Tamil Nadu State Agricultural Marketing Board's role in facilitating agricultural marketing and promoting farmer welfare.

## Section 5.1 An overview of Cooperative Marketing

### 5.1.1 Meaning of Cooperative Marketing

An agricultural marketing cooperative is an association of farmers who voluntarily cooperate to pool their production for sale. That pooled production is marketed and distributed through the cooperative which is owned and controlled by the farmers themselves.

### 5.1.2 Benefits of the Co-operative Marketing

- ✚ Direct contacts with final buyers.
- ✚ Increase in the bargaining strength.
- ✚ Credit provision.
- ✚ Storage opportunities.
- ✚ Market information.
- ✚ Transport.
- ✚ Standardizing and grading.
- ✚ Influencing the market prizes.

### 5.1.3 Role or Functions of cooperatives

The main functions of co-operative marketing societies are

1. To market the produce of the members of the society at fair prices.
2. To safeguard the members for excessive marketing costs and malpractices
3. To make credit facilities available to the members against the security of the produce brought for sale
4. To make arrangements for the scientific storage of the members" produce.
5. To provide the facilities of grading and market information which may help them to get a good price for their produce?
6. To introduce the system of pooling so as to acquire a better bargaining power than the individual members having a small quantity to produce for marketing purposes
7. To act as an agent of the government for the procurement of food grains and for the implementation of the price support policy
8. To arrange for the export of the produce of the members so that they may getter better returns.
9. To make arrangement for the transport of the produce of the members from the villages to the market on collective basis and bring about a reduction in the cost of transportation and
- 10.To arrange for the supply of inputs required by the farmers, such as improved seeds, fertilizers, insecticides and pesticides.

### 5.1.4. Structure of Cooperative Marketing Societies

In Tamil Nadu, consumer cooperatives have a three tier structure with Tamil Nadu Consumer Cooperative Federation at state level, cooperative wholesale stores at the district level and primary cooperative stores at the base level.

The pattern of the three-tier structure has been discussed in the paragraphs that follow

#### (i) **Base level**

At the base level, there are primary cooperative marketing societies. These societies market the produce of the farmer members in that area. They may be single commodity or multi commodity societies, depending upon the production of the crops in that area. They are located in the primary wholesale market, and their field of operations extends to the area from which the produce comes for sale, which may cover one or two tensile, panchayat samitisor development blocks.

#### (ii) **Central/District level**

At the district level there are central co-operative marketing unions or federations. Their main job is to market the produce brought for sale by the primary co-operative marketing societies of the area. These are located in the secondary wholesale markets are generally offer a better price for the produce. The primary co-operative marketing societies are members of these unions in addition to the individual farmer members. In the two-tier structure, the state societies perform the functions of district level societies by opening branches throughout the district.

#### (iii) **State level**

At the state level, there are apex (state) cooperative marketing societies. These state level institutions serve the state as whole. Their members are both the primary co-operative marketing societies and the central co-operative unions of the state. The basic function of these is to coordinate the activities of the affiliated societies and conduct such activities as inter-state trade, export-import, procurement, distribution of inputs and essential consumer goods, dissemination of market information and rendering expert advice on the marketing of agricultural produce. The cooperative

marketing network of the country includes 29 state level marketing federations, 173 district/regional marketing co-operative societies, 2478 general purpose primary marketing societies and 5028 special commodities societies.

### 5.1.5 Types of Co – Operative Marketing Societies

#### 1. Consumer Cooperative Society

These societies are primarily for consumers who wish to buy household goods at lower prices. The society buys goods or products in bulk amounts directly from the producer on wholesale rates and sells them to the members, thus eliminating the need for a middleman. The purchased goods are sold to members and non-members in cash. Capital is raised by issuing low denominational shares to the members who also get dividends on the shares. Consumer co-operatives do not use advertising but rely on word-of-mouth. They ensure a regular supply of goods at reasonable rates. They set up stores or outlets to sell goods and avail huge trade discounts from producers. Some of the best examples of a consumer co-operative society are Super Bazar and Apna Bazar.

#### 2. Producer Cooperative Society

Also known as industrial co-operatives, these types of cooperative societies look out for the small-scale producers in a cut-throat market scenario. Production and distribution are handled from within the co-operative. These producers could be farmers, ayurvedic herbal medicine producers, organic produce sellers, handicraft or handloom producers, artisans, etc. Raw materials, ingredients, tools, processing units, etc. needed for the manufacturing or producing the goods are obtained by the members directly, provided to the producers and the final output is distributed to the buyers/non-members without a middle link. Producers pool in their resources, increase production volumes and minimize risk in the face of the competitive capitalistic markets. Best examples are dairy, fish farmers, weavers and artisans and tribal co-operatives.

#### 3. Cooperative Credit Societies

These are urban and rural financial societies that provide loans to members at low rates of interest, protecting the members from massive debts to traditional money lending agencies. They serve a basic but highly personalized banking role in

a sense. They have deposit schemes in forms of saving accounts, FD, RD, pension schemes, etc. The money procured is then given on loans to members as personal loans, agricultural loans, housing or vehicle loan, etc. These societies are regularly aided by state and national government subsidies and funding. Some examples are Teachers Co-op Credit society, State Electric Board Employee Co-op Credit Society.

#### **4. Marketing Cooperative Society**

Mostly for the benefit of farmers, these societies function to market the produce profitably at the best possible prices, increase the bargaining strength of the farmers and protect them from the trials of individual selling and market exploitation. The profits are distributed on the basis of the contribution of produce made. They also educate the farmers on market prices, stabilize supply against demand, help them get loans, and help with grading, pooling, processing and procurement of produce and provide safe storage and reliable transportation facilities. Some good examples are Milk Co-operatives in Gujarat, Maha Grape, Cotton Marketing Co-ops.

#### **5. Housing Cooperative Society**

Housing co-ops are a type of society that provides affordable housing to the middle and low-income groups. One becomes a member by purchasing shares in the cooperative. Instead of owning the real estate, the members own a share in the entire corporation, which in turn gives them a house to reside in. Such societies are commonly found in urban and semi-urban cities. They construct the residences or flats and provide them to the members to live in and collect the money in installments. In other cases, they provide the land to the members who themselves construct their own residences.

## 6. Cooperative Farming Societies

The financially challenged farmer may not be able to maximise his agricultural output individually and earn optimum profits. Farming co-ops are a way for farmers to retain the right to their land, yet pool together and consolidate land, livestock and equipment while earning a share in the total output as per the contribution made. In better farming co-ops, members co-operate for pre-sowing, seeds, fertilizers and equipment, and joint selling, but cultivate the land separately. In joint farming, they pool in the land as well. Co-op tenant farming is the type in which the society leases the land to the farmers and collects the rent. In collective farming co-ops, farmers are members for life and cannot remove their land but can transfer the land rights to another.

### 5.1.6 Co-Operative Society Membership

A member of a co-operative society is someone who applies for admittance into the society by purchasing shares in it and is eventually granted registration, membership and a residential unit to occupy. Let's understand the six kinds of memberships in cooperative societies.

**1. Original Member** An original member is a person under whose name the membership exists (whose name is on the purchase deed) and is registered as a shareholder and allowed admittance into the society. He is the first point of contact for the society and his name is recorded as the primary shareholder on the share certificate. If there are any other members nominated after the original member, their names appear subsequently. After having purchased the residence (owning shares) in the society, he is considered an 'Active Member' if he attends at least one general body meeting in a period of five years, pays his maintenance charges and other society charges on time.

**2. Associate Member** An associate member is someone who jointly owns the shares/property in the society and whose name appears subsequently after the original member's name in the share certificate. Associate members are admitted into the society after paying the admittance fee of Rs 100. Even though the ownership of the residence is not primarily under the associate

member's name, he/she has the right to occupy the residence after the written consent of the original member and (upon written approval) is also allowed to attend the **general body meetings** of the society. Associate members are usually the spouse, parents and children of the original member.

An associate member can also vote and contest in the election of the housing society and if he/she wins, has the right to be the office-bearer in the Managing Committee of the society as well. Keep in mind that any associate member who only paid the admittance fee but does not have joint ownership in the shares/property of the society, cannot contest for the Election. As associate membership ceases to exist upon the death or resignation of the member. Even if the original member ceases to be a member anymore, the associate membership still holds value as long as they own shares/property in the society.

**3. Nominal Member** As defined by the model bye-laws, "Nominal Member" means a person who does not hold the right, title and interest in the property individually or jointly admitted to Membership as such after registration. A nominal member is not given any shares in the society. Usually, nominal members are sublettees, tenants or licensed caretakers (such as agents), etc. As the name suggests, a nominal member only has the right to occupy the residence and live in the society by following the bye-laws, but they do not have to attend general body meetings and cannot stand for election or vote and do not have a say in the workings of the Managing Committee but are treated as the rightful residents of the society. Admittance fee for a nominal member is also Rs 100.

**4. Sympathizer Member** A sympathizer member is somewhat of an honorary position and it is given to a member who shares the common goals, interests and objectives of the society. He has no right to vote and is not allotted any shares in the society. A sympathizer member is usually someone with a high degree of specialization and responsible for guiding the society in his area of expertise. This could include architects, engineers,

finance experts, housing experts, etc. They are not admitted as members with any residential or title rights.

**5. Corporate Member** A legally registered company can become a member of a society to provide accommodation to its employees. But the government dictates that more than 50% of total membership cannot be granted to a company in a housing society. The company's MOA should have a clause that they can invest money in purchasing residences/shops in the society. The managing committee of such a society should have no more than one-fourth of company members in. Only if the company has invested funds in the society, they have the right to be a part of the committee and the appointed representatives have the right to vote as well. The company is also responsible for informing the society the change in residence occupants and pay monthly contributions to the society.

**6. Minor Member** A minor is eligible to enter into a contract and obtain membership of the society but only through his guardian or legal representative; when he is no longer a minor, he has the statutory right to participate in any sale transactions of the residence on his own. If the property is under the name of the minor and handled through the guardian, the society cannot undertake any legal actions regarding transfer unless a judgment is ruled by 'competent court'.

### 5.1.7 Functions of Co-Operative Marketing Societies

The co-operative marketing societies play an important part in the following

1. They arrange for sale of member's produce to the best possible advantage by enabling them to obtain better price because of the sale in bulk and consequent economy in the cost of marketing.
2. They undertake activities in connection with grading, pooling and procuring of produce of members. Unfortunately very few marketing societies have undertaken this activity and even those who undertake it., do it on a limited scale. It is confined to a few products only; cotton, jute, turmeric, potatoes etc.

3. Some co-operative marketing societies have now undertaken other types of processing activities.
4. Co-operatives provide storage facilities to their members by renting or owning godowns and thereby facilitate grant of advances against pledge of produce, and sale of member's produce.
5. They make advances to members on the pledge of produce and support them in interim periods between deposit of produce and sale. Against the deposit of goods, members may receive advances upto the extent of 75% of the current market price.
6. They protect members from several malpractices like unauthorized deduction, incorrect weighments etc. They also eliminate the long chain of middlemen and connect the producer with the consumer.
7. Co-operative marketing reduces waste and stands for fair trading practices and uses its influence against rings and manipulation of prices.
8. Co-operative marketing teaches the farmers business methods and serves them as agencies for supplying market information.
9. Marketing societies stabilize prices over long periods by adjusting the supply according to market demand. In this way seasonal fluctuations of price or their evil effects can be eliminated.
10. Co-operative marketing societies are also being encouraged to participate in the export trade of the country so that the actual grower might get a better price for his produce.

### Let's Sum Up

Cooperative marketing empowers farmers by enabling them to collectively market their produce, ensuring better prices and reduced exploitation. These cooperatives provide necessary infrastructure, financial support, and market information. Types of cooperative marketing societies include primary marketing societies; district-level marketing societies, and state-level marketing federations, each playing a distinct role in supporting farmers.

### Check your Progress – quiz – 1

1. What is the primary aim of cooperative marketing?

- a. a) Increase taxes
  - b. b) Empower individual traders
  - c. c) Enable farmers to collectively market their produce
  - d. d) Decrease agricultural production
2. Which of the following is NOT a type of cooperative marketing society?
- a. a) Primary marketing society
  - b. b) District-level marketing society
  - c. c) National marketing federation
  - d. d) State-level marketing federation
3. Cooperative marketing societies primarily help farmers to
- a. a) Store their produce indefinitely
  - b. b) Obtain better market prices and bargaining power
  - c. c) Reduce agricultural production costs
  - d. d) Increase land holdings
4. The structure of cooperative marketing societies includes
- a. a) Only primary marketing societies
  - b. b) District-level and state-level federations
  - c. c) National marketing bodies
  - d. d) Individual traders
5. Membership in cooperative marketing societies is usually
- a. a) Open only to large-scale farmers
  - b. b) Voluntary and open to all farmers
  - c. c) Restricted to urban traders
  - d. d) Compulsory for all rural residents

## Section 5.2 Navigating Agri Export Zones (AEZS) And Small Farmers Agri Business Consortium (SFAC)

### 5.2.1 Agri Export Zones

Agri Export Zones (AEZs) are designated geographical regions within a country identified for promoting agricultural exports. The main aim is to leverage local agricultural potential by improving infrastructure, providing targeted support, and creating an environment conducive to export-oriented production.

Under chapter 16 of Exim Policy 2001, a new concept of Agri Export Zone (AEZ) has been inserted by Govt. of India.

### 5.2.2 Objectives of AEZs

#### Enhance Export Competitiveness

**Quality Standards** Implementing stringent quality control measures to meet international standards.

**Brand Building** Creating strong, recognizable brands for agricultural products from these zones.

**Market Intelligence** Providing farmers and exporters with data and insights into global market trends and demands.

#### Improve Infrastructure

**Transport Networks** Developing roads, railways, and ports to facilitate smooth transportation of goods.

**Storage Facilities** Establishing modern warehousing and cold storage facilities to preserve the quality of perishable products.

**Processing Units** Setting up processing plants for value addition to raw agricultural produce.

## Increase Farmer Incomes

**Higher Prices** Ensuring that farmers receive better prices for their produce through direct access to export markets.

**Market Linkages** Establishing direct connections between farmers and international buyers.

**Financial Support** Providing subsidies, low-interest loans, and other financial incentives to farmers and exporters within AEZs.

### 5.2.3 Components of AEZs

#### Infrastructure Development

**Roads and Highways** Improving the connectivity to farming areas for easier transportation of goods.

**Rail Connectivity** Enhancing rail networks to reduce transit times and costs.

**Port Facilities** Upgrading ports with advanced facilities for handling and exporting agricultural produce.

**Cold Chains** Creating a network of refrigerated transportation and storage to maintain the quality of perishable goods from farm to market.

#### Quality Control

**Standards and Certifications** Implementing international quality standards and certifications (like ISO, HACCP) to ensure the produce meets global requirements.

**Inspection and Testing** Setting up laboratories and inspection centers to test and certify products before export.

**Training** Providing training to farmers on best practices, pest control, and post-harvest management to maintain high-quality standards.

## Processing Facilities

**Value Addition** Establishing processing units to add value to raw produce, such as packaging, grading, and converting raw materials into finished products.

**Technology Adoption** Introducing modern technologies in processing to enhance efficiency and product quality.

**Research and Development** Encouraging R&D for developing new processing techniques and value-added products.

## Market Linkages

**Export Promotion** Organizing trade fairs, buyer-seller meets, and marketing campaigns to promote agricultural products in international markets.

**Digital Platforms** Using e-commerce platforms to connect farmers with global buyers directly.

**Logistics Support** Facilitating seamless logistics to ensure timely delivery of products to international markets.

### 5.2.4 Benefits of AEZs

#### Increased Exports

**Market Diversification** Enabling access to multiple international markets, reducing dependency on domestic markets.

**Export Volume** Increasing the volume of exports through improved infrastructure and support.

**Foreign Exchange Earnings** Contributing to the national economy by earning foreign exchange from agricultural exports.

#### Better Prices for Farmers

**Direct Market Access** Eliminating intermediaries by providing direct access to international buyers.

**Price Premiums** Receiving premium prices for high-quality, certified products in the global market.

**Income Stability** Providing more stable and predictable incomes through long-term export contracts and partnerships.

### **Overall Rural Development**

**Employment Generation** Creating jobs in farming, processing, logistics, and export activities.

**Skill Development** Enhancing the skills of rural populations through training and capacity-building programs.

**Infrastructure Growth** Leading to overall infrastructure development in rural areas, including better roads, electricity, and water supply.

**Community Upliftment** Improving the living standards of rural communities through increased incomes and better facilities.

## 5.2.5 Key Components of AZEs

### 1. Infrastructure Development

**Roads and Highways** Building and upgrading roads to ensure that produce can be transported quickly and efficiently from farms to processing units and export points. This reduces spoilage and transportation costs.

**Rail Connectivity** Enhancing rail links to major ports and export hubs to facilitate bulk transportation of agricultural goods, reducing costs and transit times.

**Port Facilities** Investing in port infrastructure to handle agricultural exports efficiently, including specialized facilities for perishable goods.

**Cold Chains** Establishing a network of refrigerated trucks, warehouses, and storage units to maintain the quality of perishable products throughout the supply chain.

### 2. Quality Control

**Standards and Certifications** Adopting international standards (e.g., ISO, HACCP) to ensure products meet the quality requirements of global markets.

**Inspection and Testing** Setting up facilities for rigorous testing and inspection of products to certify their quality and safety for export.

**Training** Educating farmers on best agricultural practices, pest management, and post-harvest handling to improve product quality.

### 3. Processing Facilities

**Value Addition** Establishing units for cleaning, sorting, grading, and packaging of agricultural produce to add value and make them more attractive to international buyers.

**Technology Adoption** Introducing modern processing technologies to enhance efficiency, reduce wastage, and improve product quality.

**Research and Development** Investing in R&D to develop new products, improve existing ones, and innovate in processing techniques.

#### 4. Market Linkages

**Export Promotion** Conducting trade fairs, exhibitions, and buyer-seller meets to showcase agricultural products and establish connections with international buyers.

**Digital Platforms** Leveraging e-commerce and digital marketing to reach a global audience and facilitate direct sales.

**Logistics Support** Ensuring efficient logistics and supply chain management to deliver products to international markets on time and in good condition.

#### Real-World Example AEZ in Maharashtra, India

Mango Export Zone in Ratnagiri and Sindhudurg

##### Objective

To promote the export of Alphonso mangoes from Maharashtra.

**Infrastructure Development** Upgraded roads, established cold storage facilities, and improved port facilities in Mumbai for efficient export.

**Quality Control** Implemented strict quality standards and certification processes to meet the requirements of international markets.

**Processing Facilities** Set up units for grading, packaging, and processing mangoes into pulp, juice, and other value-added products.

**Market Linkages** Organized trade fairs and buyer-seller meets, and established direct links with buyers in Europe, the Middle East, and the United States.

### 5.2.6 Benefits of AZE

- Strengthening of backward linkages with a market oriented approach.
- Product acceptability and its competitiveness abroad as well as in the domestic market.
- Value addition to basic agricultural produce.
- Bring down cost of production through economy of scale.
- Better price for agricultural produce.
- Improvement in product quality and packaging.
- Promote trade related research and development.
- Increase employment opportunities.

Agri Export Zones are a strategic approach to enhancing agricultural exports by focusing on infrastructure, quality control, processing, and market linkages. These zones help in increasing export competitiveness, improving farmer incomes, and fostering overall rural development.

### 5.2.7 Measures to promote exports from Agri Export Zone

#### Financial Assistance

- ❖ Central as well as State Government and their agencies are providing a variety of financial assistance to various agri export related activities.
- ❖ These extend from providing financial assistance for Training and Extension, R&D, Quality Up gradation, Infrastructure and Marketing etc. Central government Agencies like APEDA, NHB, Dept of Food Processing Industries, Ministry of Agriculture provide assistance, a number of State Governments have also extended similar facilities.
- ❖ All these facilities are dovetailed and extended to promote agri exports from the proposed Zones in a coordinated manner.
- ❖ Some additional features like providing grants from Market Access Initiative fund could also be considered.

#### ii. Fiscal Incentives

- ❖ The benefits under Export Promotion Capital Goods Scheme, which were hitherto available only to direct exporters, have now been extended to service exporters in the Agri Export zones.

- ❖ Even service provided to ultimate exporters will be eligible for import of capital goods at a concessional duty for setting up of common facilities.
- ❖ They shall fulfill their export obligation through receipt of foreign exchange from ultimate exporters who shall make the payments from their EEFC account.
- ❖ Exporters of value added agri products will be eligible for sourcing duty free fuel for generation of power, provided the cost component of power in the ultimate product is 10% or more and the input-output norms are fixed by the advance licensing committee of the DGFT. In view of the power intensive nature of most of the value addition, almost all the exporters of value added agriculture produce will become eligible for such facility.
- ❖ Similarly, input-output norms can also be fixed for sourcing other inputs, like fertilizer, pesticides etc. duty free for cultivation purpose.

### 5.2.8 Small Farmers' Agri-Business Consortium

The Small Farmers Agri-Business Consortium (SFAC) is an initiative by the Government of India aimed at promoting agri-businesses and fostering entrepreneurship among small farmers. Its primary objective is to empower small farmers by facilitating their integration into the agri-business value chain, thereby enhancing their income and livelihood opportunities.

- SFAC is an exclusive Society focused on increasing incomes of small and marginal farmers through aggregation and development of agribusiness.
- SFAC has pioneered the formation and growth of Farmer Producer Organizations/Farmer Producer Companies, which is now being implemented across the length and breadth of the country. SFAC is progressing towards establishing an eco-system for FPOs/FPCs to make them sustainable and viable in the long run.
- SFAC offers Schemes like Equity Grant and Credit Guarantee Fund Scheme to FPCs to improve availability of working capital and development of business activities.
- SFAC promotes development of small agribusiness through its VCA Scheme for value added processing and marketing linkages.

- SFAC is also implementing the National Agriculture Market Electronic Trading (e-Nam) platform. The purpose is to provide for a single unified market for agricultural products with much higher price discovery for farmers.

### 5.2.9. Functions of Small Farmers Agri-Business Consortium (SFAC)

#### Access to Credit

SFAC facilitates access to credit for small farmers through various financial institutions and banks. It ensures that farmers receive timely and adequate credit at reasonable interest rates to invest in their agricultural activities and business ventures.

#### Technical Support

SFAC provides technical support to farmers by imparting training and knowledge on modern agricultural practices, technology adoption, and value addition techniques. This helps farmers improve productivity, quality, and efficiency in their farming operations.

#### Market Linkages

SFAC plays a crucial role in creating market linkages for small farmers. It connects them with potential buyers, exporters, agri-business firms, and retail chains both domestically and internationally. This direct market access ensures better prices for farmers and reduces dependency on middlemen.

### 5.2.10 Programs of Small Farmers Agri-Business Consortium (SFAC)

#### Venture Capital Assistance (VCA)

SFAC implements the Venture Capital Assistance scheme to provide financial support to Farmer Producer Organizations (FPOs) and agri-entrepreneurs. This

scheme helps in mobilizing investments for setting up agri-business ventures, establishing infrastructure, and adopting new technologies.

### **Equity Grant Fund (EGF)**

The Equity Grant Fund scheme under SFAC supports FPOs by providing them with equity grants to strengthen their capital base. This enables FPOs to expand their operations, enhance their market presence, and increase their bargaining power in agricultural markets.

### **Implementation**

SFAC collaborates with various stakeholders including government agencies, financial institutions, development organizations, and private sector partners to implement its programs effectively. It promotes the formation and capacity building of FPOs, supports them in accessing markets, and facilitates inclusive growth in the agricultural sector.

#### **5.2.11 Impact and Benefits**

**Empowerment of Small Farmers** SFAC empowers small farmers by providing them with the necessary resources, knowledge, and market access to transform into successful agri-entrepreneurs.

**Income Generation** By promoting agri-businesses, SFAC contributes to increasing the income levels of small farmers, thereby improving their standard of living and reducing rural poverty.

**Technology Adoption** The technical support and training provided by SFAC encourage small farmers to adopt modern farming techniques, which leads to higher productivity and better quality of agricultural produce.

**Market Access** SFAC's efforts in creating market linkages ensure that small farmers can sell their produce directly to buyers at fair prices, eliminating intermediaries and maximizing their profits.

## Example Success Story of SFAC in Rajasthan

SFAC collaborated with small farmers in Rajasthan to form Farmer Producer Organizations (FPOs) focused on organic farming. With SFAC's support through VCA and EGF schemes, these FPOs established processing units for organic produce and secured contracts with retail chains for direct supply. This initiative not only boosted the income of small farmers but also promoted sustainable agricultural practices in the region.

SFAC continues to play a pivotal role in promoting agri-businesses and enhancing the socio-economic status of small farmers across India. By providing financial assistance, technical expertise, and market opportunities, SFAC contributes significantly to the development of a robust and inclusive agricultural sector.

### Let's Sum Up

Agri Export Zones (AEZs) are specialized regions designated to enhance agricultural exports by providing infrastructure, processing, and marketing support. The Small Farmers Agri Business Consortium (SFAC) focuses on promoting agribusiness ventures for small farmers through financial assistance, market linkages, and technology dissemination. Both AEZs and SFAC aim to increase the profitability and sustainability of agriculture.

**Check Your Progress – Quiz – 2**

1. What is the main purpose of Agri Export Zones (AEZs)?
  - a) Increase import tariffs
  - b) Enhance agricultural exports
  - c) Reduce agricultural subsidies
  - d) Promote urban agriculture
2. Which organization focuses on promoting agribusiness ventures for small farmers?
  - a) AEZs
  - b) SFAC
  - c) FCI
  - d) NABARD
3. Agri Export Zones provide
  - a) Taxation services
  - b) Infrastructure and marketing support
  - c) Urban housing
  - d) Import regulations
4. The Small Farmers Agri Business Consortium aims to
  - a) Decrease agricultural productivity
  - b) Promote agribusiness ventures for small farmers
  - c) Increase urbanization
  - d) Reduce farmer subsidies
5. AEZs and SFAC both aim to
  - a) Increase agricultural imports
  - b) Enhance agricultural profitability and sustainability
  - c) Reduce agricultural research
  - d) Promote only large-scale farming

## Section 5.3 Navigating e-NAM and Tamil Nadu State Agriculture Marketing Board

### 5.3.1 e-NAM (National Agriculture Market)

e-NAM (National Agriculture Market) is an innovative online trading platform introduced by the Government of India to integrate agricultural markets across the country. It aims to create a unified national market by connecting existing Agricultural Produce Market Committees (APMCs) or mandis through a digital platform.

National Agriculture Market (eNAM) is a pan-India electronic trading portal which networks the existing APMC mandis to create a unified national market for agricultural commodities.

Small Farmers Agribusiness Consortium (SFAC) is the lead agency for implementing e-NAM under the aegis of Ministry of Agriculture and Farmers' Welfare, Government of India.

**VISION** To promote uniformity in agriculture marketing by streamlining of procedures across the integrated markets, removing information asymmetry between buyers and sellers and promoting real time price discovery based on actual demand and supply.

**MISSION** Integration of APMCs across the country through a common online market platform to facilitate pan-India trade in agriculture commodities, providing better price discovery through transparent auction process based on quality of produce along with timely online payment.

### 5.3.2 Objectives and Features

#### Real-time Price Discovery

e-NAM provides real-time information on prices of agricultural commodities traded across various mandis. This helps farmers in making informed decisions about when and where to sell their produce, ensuring fair price realization.

#### Transparency in Transactions

The platform enhances transparency by providing a transparent auction process. Farmers can view bids placed by buyers, enabling them to choose the best offer for their produce without being influenced by intermediaries.

### **Ease of Access for Farmers**

Farmers can register on the eNAM portal and upload details of their produce for auction. They can participate in auctions remotely, reducing the need to physically visit mandis and saving time and effort.

### **Better Price Realization**

By facilitating competitive bidding and eliminating intermediaries, eNAM aims to ensure that farmers receive better prices for their produce. This helps in reducing exploitation and ensuring fair returns to farmers.

### **Reduction in Marketing Costs**

The platform reduces marketing costs for farmers by eliminating middlemen and reducing transportation expenses through direct sale opportunities to buyers from across the country.

### **Improvement in Market Efficiency**

e-NAM enhances market efficiency by streamlining the trading process, reducing transaction time, and increasing market participation. This results in improved agricultural marketing outcomes and overall market efficiency.

#### **5.3.3 The Tamil Nadu State Agricultural Marketing Board (Tnsamb)**

The Tamil Nadu State Agricultural Marketing Board (TNSAMB) was constituted by an executive order of the State Government in G.O. Ms. No.2852 Agriculture Department, dated 24.10.1970 and functioning since 24.10.1970, with the objective to regulate the activities of Market Committees and to act as an advisory body.

The TNSAMB was functioning as a non-statutory board, and was reconstituted as a statutory board in accordance with the new Act "The Tamilnadu

Agricultural Produce Marketing (Regulation) Act 1987" which was brought into force from 1-2-1991, as per Government order No.299 Agriculture (AM I) Department, dated 13-6-1995.

### 5.3.4 Role of TNSAMB

- 1. Regulation and Development** TNSAMB regulates and develops agricultural markets within Tamil Nadu. It oversees the functioning of Agricultural Produce Market Committees (APMCs) and ensures fair practices in agricultural trade.
- 2. Market Infrastructure** The board is responsible for developing and maintaining market infrastructure such as market yards, auction platforms, storage facilities, and grading and sorting units. These infrastructures are essential for efficient and transparent agricultural marketing.
- 3. Price Stabilization** TNSAMB implements measures to stabilize prices of agricultural commodities. This includes monitoring market trends, intervening in times of price fluctuations, and providing market intelligence to farmers.
- 4. Promotion of Market Efficiency** By promoting fair competition and transparency in agricultural markets, TNSAMB aims to enhance market efficiency. It facilitates better price discovery mechanisms through competitive bidding and ensures timely payment to farmers.
- 5. Quality Control** Ensuring quality standards of agricultural produce is another key role. TNSAMB sets guidelines for grading, sorting, and packaging of commodities to meet market requirements and enhance marketability.
- 6. Market Information Dissemination** The board disseminates market information to farmers regarding prevailing prices, demand trends, and market conditions. This empowers farmers to make informed decisions about crop planning, harvesting, and marketing.

- 7. Support to Farmers** TNSAMB provides support services to farmers through various schemes and initiatives. This includes facilitating access to credit, insurance, and subsidies, as well as promoting farmer welfare programs.

### 5.3.5 Functions of TNSAMB

- 1. Licensing and Regulation**

It grants licenses to traders, commission agents, and market functionaries operating within APMC markets. It also regulates their activities to ensure compliance with market rules and regulations.

- 2. Market Management**

TNSAMB manages the day-to-day operations of APMC markets, including scheduling auctions, maintaining records of transactions, and resolving disputes among stakeholders.

- 3. Infrastructure Development**

Development and maintenance of market infrastructure such as roads, warehouses, cold storage facilities, and processing units to support agricultural trade and storage needs.

- 4. Price Support**

Implementation of price support schemes and procurement operations during bumper harvests or price crashes to protect farmers from distress sales and ensure minimum support prices (MSP) for specified crops.

- 5. Capacity Building**

Conducting training programs and workshops for farmers, traders, and market officials to enhance their skills in agricultural marketing, quality control, and use of modern marketing techniques.

## 6. Promotion of Cooperative Marketing

Encouraging the formation and functioning of cooperative marketing societies and federations to strengthen the collective bargaining power of farmers and promote fair trade practices.

## 7. Policy Advocacy

Representing the interests of farmers and agricultural traders in policy-making forums at the state and national levels to address issues related to agricultural marketing and trade.

### 5.3.6 Significance of TNSAMB

The Tamil Nadu State Agricultural Marketing Board plays a pivotal role in fostering a competitive and inclusive agricultural marketing system in the state. By ensuring fair market practices, enhancing market infrastructure, and supporting farmers through various initiatives, TNSAMB contributes significantly to the overall development and sustainability of agriculture in Tamil Nadu.

TNSAMB acts as a catalyst for agricultural growth by promoting efficient marketing practices, ensuring price stability, and providing essential support services to farmers and stakeholders in the agricultural sector of Tamil Nadu.

Tamil Nadu State Agricultural Marketing Board (TNSAMB) plays a pivotal role in regulating and promoting agricultural marketing activities within the state of Tamil Nadu. Its functions are geared towards enhancing market infrastructure, implementing market reforms, and facilitating direct marketing channels for agricultural produce.

Initiatives

### Regulated Markets Establishment

TNSAMB establishes and regulates agricultural markets, ensuring that they operate efficiently and adhere to fair trade practices. These regulated markets

(mandis) provide a platform for farmers to sell their produce under transparent and competitive conditions.

### **Promotion of Farmer-Producer Companies (FPCs)**

TNSAMB encourages the formation and operation of Farmer-Producer Companies (FPCs) in Tamil Nadu. FPCs enable small and marginal farmers to pool their resources, enhance bargaining power, and access better markets for their produce.

### **Modernization of Market Yards**

The board undertakes initiatives to modernize market yards and infrastructure across Tamil Nadu. This includes upgrading facilities for grading, sorting, packaging, and storage of agricultural commodities to meet modern market requirements.

### **Facilitation of Direct Marketing**

TNSAMB facilitates direct marketing initiatives where farmers can sell their produce directly to consumers, exporters, processors, or retail chains. This bypasses intermediaries, allowing farmers to capture a larger share of the final market price.

### **Implementation of Market Reforms**

The board implements market reforms aimed at improving the efficiency, competitiveness, and profitability of agricultural marketing in Tamil Nadu. These reforms include policy interventions to address market inefficiencies and promote fair pricing mechanisms.

## Impact and Benefits

### Empowerment of Farmers

TNSAMB's initiatives empower farmers by providing them with better market access, fair pricing, and improved infrastructure facilities.

### Enhanced Market Efficiency

The board's efforts in modernizing market infrastructure and implementing reforms contribute to enhancing the overall efficiency of agricultural markets in Tamil Nadu.

### Increased Income

Farmers benefit from higher price realization and reduced marketing costs, leading to increased income levels and improved socio-economic conditions.

### Success Story

TNSAMB's establishment of modernized market yards in Coimbatore and Madurai has significantly improved the trading experience for farmers. These upgraded facilities include state-of-the-art storage, grading, and auction facilities, enabling farmers to fetch better prices for their produce and ensuring fair and transparent transactions.

e-NAM and TNSAMB exemplify significant efforts in modernizing and improving agricultural marketing systems in India, particularly in enhancing transparency, efficiency, and profitability for farmers and stakeholders involved in the agricultural value chain. These initiatives play a crucial role in supporting agricultural growth, empowering farmers, and promoting sustainable development in the sector.

## Let's Sum Up

The electronic National Agricultural Market (e-NAM) is a pan-India electronic trading portal aimed at creating a unified national market for agricultural commodities by integrating existing APMC markets. The Tamil Nadu State Agricultural Marketing Board focuses on improving the agricultural marketing infrastructure and providing market intelligence to farmers within the state. Both initiatives seek to enhance transparency, efficiency, and farmer incomes through better market access and information dissemination.

## Check Your Progress – Quiz - 3

1. What is the primary goal of the electronic National Agricultural Market (eNAM)?
  - a) Decrease agricultural imports
  - b) Create a unified national market for agricultural commodities
  - c) Promote urban agriculture
  - d) Reduce farmer subsidies
2. Which organization focuses on improving agricultural marketing infrastructure in Tamil Nadu?
  - a) eNAM
  - b) SFAC
  - c) Tamil Nadu State Agricultural Marketing Board
  - d) FCI
3. e-NAM aims to
  - a) Integrate existing APMC markets
  - b) Increase import tariffs
  - c) Promote only large-scale farming
  - d) Reduce market access for small farmers
4. The Tamil Nadu State Agricultural Marketing Board provides
  - a) Urban housing
  - b) Market intelligence to farmers
  - c) Import regulations
  - d) Taxation services

5. Both e-NAM and the Tamil Nadu State Agricultural Marketing Board aim to
  - a) Increase market transparency and efficiency
  - b) Decrease agricultural productivity
  - c) Promote only traditional marketing methods
  - d) Increase agricultural subsidies

## 5.4 Unit Summary

This unit delves into the infrastructure and organizational frameworks that underpin the food processing and agricultural marketing sectors in India. It explores the roles and structures of cooperative marketing societies, the significance of Agri Export Zones (AEZs), and the support mechanisms provided by entities like the Small Farmers Agri-Business Consortium (SFAC) and e-NAM. Additionally, it highlights the functions and initiatives of the Tamil Nadu State Agricultural Marketing Board (TNSAMB), all aimed at improving the agricultural value chain, enhancing market access, and ensuring better income and sustainability for farmers.

## 5.5 Glossary

1. **Cooperative Marketing** A system where farmers pool their resources to market and sell their produce collectively to obtain better prices and reduce exploitation.
2. **Producers' Cooperatives** Organizations formed by producers to collectively process, market, and sell their products, ensuring better returns and market access.
3. **Consumers' Cooperatives** Retail organizations owned and operated by consumers to buy goods in bulk and sell at lower prices to their members.
4. **Processing Cooperatives** Co-operatives that engage in the processing of raw agricultural products, such as turning milk into cheese or fruits into jam, to add value and improve marketability.

5. **Export Cooperatives** Groups of producers that collaborate to export their products, providing better access to international markets and improving economic returns.
6. **Service Cooperatives** Co-operatives that provide various services to their members, such as credit, insurance, or agricultural inputs like seeds and fertilizers.
7. **Agri Export Zones (AEZs)** Designated areas aimed at boosting agricultural exports by providing necessary infrastructure, support services, and incentives to farmers and agribusinesses.
8. **Small Farmers Agri-Business Consortium (SFAC)** An organization that supports the development of agri-business ventures by small farmers through financial assistance, market linkages, and technology dissemination.
9. **National Agriculture Market (e-NAM)** A pan-India electronic trading platform that integrates existing APMC markets to create a unified national market for agricultural commodities.
10. **Tamil Nadu State Agricultural Marketing Board (TNSAMB)** A body that aims to improve agricultural marketing infrastructure and provide market intelligence and support services to farmers in Tamil Nadu.
11. **Primary Level Societies** The basic units of cooperative societies, formed at the village or local level, focused on specific activities like marketing, credit, or services.
12. **District Level Federations** Cooperatives that operate at the district level, serving as intermediaries between primary societies and state-level federations, and providing support and services to member societies.

**13. State Level Federations** State-wide cooperative organizations that coordinate and support district-level federations and primary societies, often involved in large-scale marketing and procurement activities.

**14. National Level Federations** Apex cooperative bodies that operate at the national level, representing the interests of state-level federations and primary societies, and involved in policy advocacy and large-scale operations.

**15. Quality Control** The process of ensuring that products meet certain standards of quality, safety, and consistency, critical in the processing and marketing of agricultural products.

## **5.6 Self-Assessment Questions**

1. Explain the meaning and role of cooperative marketing in the agricultural sector.
2. Discuss the structure and functioning of cooperative marketing societies.
3. Differentiate between the various types of cooperative marketing societies.
4. Describe the objectives and components of Agri Export Zones (AEZs).
5. How does the Small Farmers Agri-Business Consortium (SFAC) support small farmers?
6. What are the main features and benefits of the National Agriculture Market (e-NAM)?
7. Analyze the role and functions of the Tamil Nadu State Agricultural Marketing Board (TNSAMB).
8. How do cooperatives enhance the bargaining power of farmers?
9. Discuss the importance of infrastructure development in AEZs.
10. Evaluate the impact of cooperative marketing on rural development and farmer incomes.

## 5.6 Case Studies

### Amul Co-Operative

**Outcome** Successful in transforming India into the largest milk producer in the world. Amul's cooperative model has empowered millions of dairy farmers by providing them with a stable income and better market access.

**Question:** How did the cooperative model implemented by Amul transform the dairy farming landscape in India?

### Maharashtra's Alphonso Mango AEZ

**Outcome** Improved infrastructure and market linkages have led to significant increases in mango exports, higher prices for farmers, and enhanced overall rural development in the region.

**Question:** What specific improvements in infrastructure and market linkages contributed to the success of Maharashtra's Alphonso Mango AEZ?

### ITC e-Choupal

**Outcome** ITC's e-Choupal initiative has revolutionized rural markets by providing farmers with real-time market information, enabling them to get better prices for their produce and reducing the role of intermediaries.

**Question:** How has the ITC e-Choupal initiative empowered farmers to secure better prices and reduce dependency on intermediaries?

### Horticultural Produce Export

**Outcome** Establishment of AEZs in Punjab for horticultural produce has led to increased exports, better market prices, and significant improvement in the income levels of farmers.

**Question:** What role did the establishment of AEZs play in enhancing

<b>exports and improving income levels for farmers in Punjab?</b>
<b>SFAC and FPOs in Andhra Pradesh</b>
<b>Outcome</b> SFAC's support has enabled the formation of successful Farmer Producer Organizations (FPOs), which have improved market access, provided better prices, and enhanced overall productivity.
<b>Question: In what ways have SFAC-supported FPOs improved market access and productivity for farmers in Andhra Pradesh?</b>

## 5.7 Answers for check your progress

<b>Section 5.1</b>	<b>overview of Cooperative Marketing</b>
1	c) Enable farmers to collectively market their produce
2	c) National marketing federation
3	b) Obtain better market prices and bargaining power
4	b) District-level and state-level federations
5	b) Voluntary and open to all farmers
<b>Section 5. 2</b>	<b>Navigating Agri Export Zones (AEZs) and Small Farmers Agri Business Consortium (SFAC)</b>
1	b) Enhance agricultural exports
2	b) SFAC
3	b) Infrastructure and marketing support
4	b) Promote agribusiness ventures for small farmers
5	b) Enhance agricultural profitability and sustainability
<b>Section 5. 3</b>	<b>Navigating e-NAM and Tamil Nadu State Agricultural Marketing Board</b>
1	b) Create a unified national market for agricultural commodities
2	c) Tamil Nadu State Agricultural Marketing Board
3	a) Integrate existing APMC markets
4	b) Market intelligence to farmers
5	a) Increase market transparency and efficiency

## **5.8 Reference and Suggested Readings**

- S. S. Acharya and N. L. Agarwal, Agricultural Marketing in India, Oxford & IBH Publishing, 6<sup>th</sup> Edition, 2017.
- Cooperative Management and Administration, Sahitya Bhawan, 10th Edition, 2019
- G. Subbulakshmi and A. Udipi, Food Processing and Preservation, New Age International Publishers, 3rd Edition, 2016
- Freddie L. Barnard, Jay T. Akridge, Frank J. Dooley, and John C. Foltz , Agribusiness Management, Routledge (Taylor & Francis Group), 5th Edition, 2020