

**MANAGEMENT PROGRAMME**

**Term-End Examination**

**December, 2010**

**MS-611 : RURAL MARKETING**

*Time : 3 hours*

*Maximum Marks : 100*

*(Weightage 70%)*

**Note :**

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

**SECTION-A**

1. Explain how the rural environment influences marketing decisions for products and services in India, with the help of suitable examples ? Explain how the following are affected :
  - (a) Product decision.
  - (b) Pricing decision.
  
2. What is the importance of reference group influences in rural buying behaviour ? Answer with reference to the following :
  - (a) Colour television.
  - (b) Insurance policies.

3. Describe the different types of promotional pricing methods used for rural markets. What type of promotional pricing would you use for the following and why ?

(a) Electric fans.

(b) Biscuits.

4. What is the significance of the following for promotion of products and services in rural India ? Explain with the help of suitable examples.

(a) Haats and Melas.

(b) Wall paintings.

5. Write short notes on *any three* of the following :

(a) Importance of retailers in Rural Markets.

(b) MISH.

(c) Behavioural aspects in rural distribution.

(d) Use of celebrities in rural advertising.

(e) Timing of rural advertising.

## SECTION - B

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

### **Case : Indradhanush Paints Limited**

Indradhanush Paint Limited (IPL) had been traditionally operating in the rural market for a number of years. Mr. R. Gupta was incharge of rural market operations. The sales force working with Gupta reported a decline in sales over the last nine months, compared to the corresponding period during the previous year. As a result of this, the rural market share of the company dipped from 45% to 43% this year. Hence Mr. Gupta was a very worried man and he rightly felt that the situation was serious enough to warrant a review of their rural market operations.

### **The Company**

IPL was formed by an Indian visionary in the early 40s. It was aptly called Indradhanush to add color to the life of rural India. At that time the whole paint industry was dominated by multinationals like ICI, British Paint, Goodlass Nerolac and others.

IPL had a very humble and modest beginning. By the 1960s IPL had a wide network of distribution system with 47 sales offices in the country. Today, it is one of the largest paint companies with four manufacturing units incorporating state-of-the-art technology.

Initially the company started off with small distributors, since the larger distributors were already under the control of the multinationals. The rural market was totally neglected by the multinationals and as a conscious strategy IPL entered the rural market. Over the years IPL built up a strong distribution network, which covered the rural areas also. Now it has a presence in all settlements with the population of at least 5,000 people.

### **The Product Range**

The low purchasing power in rural areas is a well-known fact, which made IPL introduce small pack sizes of 50 ml, 100 ml, 200 ml. tins in case of paint and one litre packs in case of distemper, which was acknowledged as a pioneering strategy. This small-size packs gave the company a competitive advantage in the rural market and this strategy paid handsome dividends in the form of a loyal customer base.

## **Rural Paint Market**

The rural paint market has been observed to be highly price sensitive. Traditionally the rural folk used the cheapest material available, a mixture of lime and gum (called "chuna") for white-washing the walls of their house. But they were slowly getting disenchanted with this, since it has to be done every year. Further "chuna" also tends to flake off over time, leaving ugly patches on the walls.

Paints are mostly used by the rural people to paint the horns of animals and the wheels and body of bullock carts. The rural households which could afford it, painted the front door of the house to make it look more attractive. Distemper is used to colour-wash the walls as in any urban households. The sale of paints and distemper was seasonal and it is associated with festivals where the farm animals were worshipped.

### **IPL's Strategy and Position**

IPL enjoys the highest market share in rural areas among the organized sector (30-35%) units. As stated earlier, this was due to the fact that IPL adopted a strategy of "going rural". IPL recommended low margins for its rural retailers (traditionally IPL kept a margin of 10% for itself

and allowed one to two per cent for retailer). The rural retailers were to be compensated by ensuring a higher turnover with adequate promotion measures. In spite of having the largest market share, IPL never adopted a market skimming strategy.

The company's strength is its distribution network; 'A conscious strategy of widening the distribution base to reach as many customer as possible'. IPL has about 15,000 retailers, 47 branches and 7,000 distributors. IPL followed a policy of keeping identical margins for all dealers irrespective of their size and location. The company fixed a maximum retail price and the retailer was given the freedom of discounting the retail price.

IPL's "Harvester" brand of distemper introduced about six years ago was not doing well in the rural areas. A high quality distemper which provides a smooth finish to the walls, this brand was quite popular in urban areas but surprisingly did not do too well in rural areas.

### **A Survey**

In 2003, Mr. Gupta initiated a survey in selected rural areas with a view to understand the market better.

## **Salient Observations**

- (i) Rural people found Harvester distemper and IPL paints expensive and were not prepared to invest such large amounts inspite of the good quality.
- (ii) The shades available in Harvester distemper were very light and did not meet the rural requirement, which was for dark and strong colours.
- (iii) Paints were used to colour the horns of animals, bullock carts and the front door of the houses, while distemper was used for colour-washing the walls of the houses.
- (iv) It was found that the consumers were switching over to cheaper brands of paints and distemper from the traditional "chuna" because of its inherent disadvantages.
- (v) There exists a definite market for paints and distemper in rural areas but it should be inexpensive and affordable. This was the main reason why the inferior quality paints and distemper were preferred by them.
- (vi) Cheaper paint and distemper manufactures resorted to direct selling to the rural retailers.

- (vii) It is customary to paint or colour-wash every year before the festival seasons like Sankaranthi or Pongal in the south or Bhaisaki or Deepavali in the north.
- (viii) Cheap paints and distempers used "low price" as their USP.
- (ix) Price of Harvester distemper was found to be prohibitive for a large number of rural customers.
- (x) In addition to about 1,000 manufactures in the unorganized sector, another 400 units were coming up and their products were to reach the market in three to four years, time.

**Questions :**

- (a) Based on these observations, what would you suggest to Mr. Gupta in terms of his pricing and promotion strategy for distemper and paint ?
  - (b) What type of promotional appeal should IPL use and why ?
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