Retail Marketing in Rural India

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Abstract- In the world of cut throat competition, every marketer is searching better solutions and products and services to serve the end users. The rural markets are growing at five times the rate of urban markets, thereby offering ample opportunities to marketers. Presently, nearly 67% of the population resides in rural India and their retail requirements are partially met by the unorganized retail stores. With organized retail increasingly taking off in India, retailers are fast penetrating rural markets with different models to serve the shoppers of rural and semi-urban India with many innovative ideas like smaller size products that appeal to this segment. This study is an attempt to explore the potential of rural retail market of India, accessing their needs for products and brands. The retail revolution is going to act as a catalyst. So, the new concept that is hitting the market today is the "Rural Retailing”.

Keywords : Rural market, Retail market, Rural costumers, Retailers, Consumer Behaviour

I. INTRODUCTION

The Retail Industry in India is arising as a one of the better industries having added 10 percent of the country’s GDP and about 8 percent of the employment. Today, the retail sector is witnessing exponential growth with retail development taking place not only in major cities and metros, but also in Tier-II and Tier-III cities including some of the rural and semi-urban areas. At present 85% of the organized retailing takes place in India’s urban areas. When the urban market is near saturation in the face of stiff competition from global players, the marketers are targeting the rural markets. Now the focus is at bottom of the pyramid. New and indigenized formats such as departmental stores, hypermarkets, supermarkets, specialty and convenience stores, and malls, multiplexes and fun zones are fast dotting the retail landscape. With rising income level and improving lifestyle of rural consumer, the retail sector is promising a huge growth in rural India.

II. REVIEW OF LITERATURE

(Neha Nazneen Siddiqui, 2006) Retail is an arising area in India. The country’s activating retail murlal presents an admirable befalling to investors from beyond the globe, to use India as a cardinal business hub. Marketers charge new strategies to accomplishment Indian rural market.

(Puneet Bansal, Veerpal Kaur Maan and Mepande Rajora, 2013) In this paper Researchers discussed about the perspectives in the rural retail & the challenges in rural marketing also gave some suggestions about how rural marketing can be done more effectively.

(Surajit Dey, Dr. Sameena Rafat, Puja Agarwal, 2012) This study is an attempt to explore the potential of rural retail market of India, accessing their needs for products and brands. The study also aims at developing a business model for the rural retail market in India.

(Ashish Gupta, 2011) The objective of the study is to understand the importance of rural retailing and changes in rural consumption pattern it also depicts the challenges & opportunities in rural retailing and rural markets.

(Rajan Girdhar, 2011) This paper suggests the retailers through a comprehensive model to consider key elements and variables to be successful in rural markets along with some of the opportunities and challenges for retailers while entering country’s rural markets.

(Kavitha T C and B.S.V.S.R.Krishna, 2013) This paper examines the marketing strategies developed by the FMCG industry to drive the potential rural market in India by 4As approach.

Objectives

- To understand the importance of rural retailing.
- To develop a comprehensive model for retailers in rural markets
- To understand the changes in rural consumption pattern
- To concentrate the problems faced by rural markets
- To understand the challenges & opportunities in rural retailing and rural markets.

III. RESEARCH METHODOLOGY

This research paper is a review paper and based on secondary data that is collected from various sources Journal Articles, Magazines, Newspapers and Periodical Research Reports using EBSCO database. Then, the theoretical sampling (not statistical sampling) of selected researches is employed to examine the theoretical issue of the model. This paper suggests retailers should possess strategies to success in their field.
1. Retail Market in Rural India

The Indian rural retail market is the next growth frontier for corporate India as it offers an opportunity for a large player. Rural market in Indian economy generates almost more than half of the country's income.

1.1 Demographic profile of rural areas

According to Central Intelligence Agency (CIA)
- No. of Villages 649,481
- Rural Population 899483513
- There are total 3,697,527 retail outlets in rural India
- Rural literacy rate (7 year and above) is 72.3%
- 145,98 villages with population less than 200
- and 13,113 Villages with population over 5000

1.2 Rural Marketing

The Rural Marketing refers to the activities undertaken by the marketers to encourage the people, living in rural areas to convert their purchasing power into an effective demand for the goods and services and making these available in the rural areas, with the intention to improve their standard of living and achieving the company’s objective.

1.3 Phases in rural marketing

Phase I: Before (1960s)

Before 1960s rural marketing referred as marketing of only rural products in rural area. It was also called as agricultural marketing. The agricultural products like food grains and industrial inputs like cotton, sugarcane etc. were the primary products marketed.

Phase II: (1960s-1990s)

During this phase marketing of agricultural inputs emerged. It is also called as “Green Revolution” phase which involved better irrigation facilities, use of fertilizers, pesticides, high-yield variety seeds, coupled with application of implements like tractors, harvesters, pump sets and sprinklers resulted in growth of agricultural production, changing the very content of rural markets. Companies like Mahindra & Mahindra, Sri Ram Fertilizers’ emerge.

Phase III (1990s till now)

During this phase, India’s industrial sector gained in strength and maturity. A new service sector emerged, signifying the transition of an agricultural society into an industrial one. In this phase the demand for consumables and durables raised.

1.4 Major Retailers in Rural India

ITC e-Choupal & Chaupal Sagar

ITC launched the Choupal Saagar in 2004. Choupal Sagar is a rural hypermarket which is managed by ITC’s agri-business division. Farmers can sell their commodities and can buy almost everything including cosmetics, electronics, appliances and even tractors. e-Choupal is termed as one of the most innovative concepts of independent INDIA. e-Choupal is an initiative of ITC Limited, a large multi business conglomerate in India, to link directly with rural farmers via the Internet for procurement of agricultural and aquaculture products.

Hindustan Unilever Limited (HUL) – Shakti

Shakti was initiated to reach the massive un-served and under-served markets that cannot be economically and effectively serviced through traditional methods. HUL identifies underprivileged women in villages and these women are trained to become Shakti Entrepreneurs (SEs) i.e. distributors of HUL products in villages to earn a sustainable income through this business.

IV. PREFERENCE OF RURAL CUSTOMERS

In rural markets, consumers are experimental and price conscious. Even though consumers at the bottom of the pyramid do not seem to have fixed income, the rural market prove to be surprisingly loyal. So if the companies could channelize this sentiment then they could really reap the rewards. Rural consumer insights show that they buy products more often (mostly weekly), buy small packs (low unit price more important than economy) and buy value for money, not cheap products.

2.1 Preference for size

According to Pramod Hanmatrao Patil,
- The preference of rural customers was for smaller size toilet soap where as the preference of urban customers was for larger - size toilet soap.
- The preference of both rural and urban respondents was for smaller and medium - size detergent soap (150 and 280 gm).
- For Fairness cream category, the preference of urban consumer was more for 150 gm pack, and it was almost similar in sachets and 25 gm pack. The percentage of consumers preferring sachets was more in the rural area than urban.
2.2 Quantity of purchase

- Both rural and urban consumers purchase soap in small quantity. The maximum preference is 1 unit per month.
- In rural areas, shampoos were purchased in sachets whereas in urban areas, shampoos were bought in bottles.

V. FACTORS INFLUENCING PURCHASE BEHAVIOUR OF RURAL CONSUMERS

The activities affect purchase behaviour of rural consumers is

Social Activities: Rural consumers always believe that whatever he buys it should be good which he will have a name in the society. It is not easy to influence them. They always believe that it is better to discuss with others before going for a purchase.

Cultural background: The rural consumers are very conservative, they believe in traditions, values, customs. They are superstitious and before buying anything they check with their elders. If it is in their culture they go for it.

Family Size: In rural areas, they live in joint families and any purchase decision they discuss with their family and make purchase.

Purchasing power: The economy nature of the consumer plays a major role in making buying decision of rural consumers. In rural areas, most of the people depend on agriculture only, so depending on the yield they get purchase. Hence it is one of the major factor that companies should consider while entering into the market.

VI. CHALLENGES FACED BY RETAILERS IN RURAL AREAS

Some of the challenges faced by retailers are:

4.1 Transportation

Transportation is an important aspect in the process of movement of products from urban production centers to remote villages. Many rural areas are not connected by rail transport. Due to this reason, most of the villages are not accessible to the marketers.

4.2 Communication

The languages vary from state to state, region to region and probably from district to district. Since messages have to be delivered in the local language, it is difficult for the marketers to design promotional strategies for each of these areas. The literacy rate is low in rural areas and the facilities such as post, telephones are extremely inadequate in rural areas which makes difficult for marketers to reach rural people.

4.3 Availability of Appropriate Media

It has been estimated that all organized media put together can reach only 30 per cent of the rural population of India. The print media covers only 18 percent and radio network, in theory, covers 90 per cent. But, actual listenership is much less. TV is popular, and is an ideal medium for communicating. It is estimated that TV covers 20 per cent of the rural population. The cinema, however, is a good medium for rural communication. But, these opportunities are very low in rural areas.

4.4 Branding

There is a vast difference in the lifestyles of the people. The choice of brands that an urban customer enjoys is not available to the rural customer. Day by day, though national brands are getting popular, local brands are playing significant role in rural areas. This may be due to illiteracy, ignorance and low purchasing power of rural consumers national brands failed to convince rural consumers local brands are becoming popular in rural markets in spite of their lower quality.

4.5 Packaging

As far as packaging is concerned, as a general rule, smaller packages are more popular in the rural areas. At present, all essential products are not available in villages in smaller packaging. The lower income group consumers are not able to purchase large and medium size packaged goods. It is also found that the labeling on the package is not in the local language. This is a major constraint to rural consumers understanding the product characteristics.

VII. STRATEGIES FOR EFFECTIVE RURAL MARKETING

Most of the companies treat rural market as a dumping ground for the lower end products designed for an urban audience. But, this scenario is slowly changing and importance is given to the need of the rural consumer. Hence it is important to understand the 4Ps along with 4As of rural marketing with respect to a rural consumer. Any marketer should follow this strategy to sustain in rural market.

5.1 The 4As of Rural Marketing

1. Availability
The first challenge in rural marketing is to ensure availability of the product or service. India’s 6,50,000 villages are spread over 3.2 million sq km; 700 million Indians may live in rural areas, finding them is not easy. With the poor infrastructure, it is a greater challenge to regularly reach products to the far-flung villages. Marketer should plan accordingly and strive to reach these markets on a regular basis.

2. Affordability

The second major challenge is to ensure affordability of the product or service. With low disposable incomes, products need to be affordable to the rural consumer, most of who are on daily wages. This issue has been overcome by introducing unit packs by some companies, such as,

- Most of the shampoos are available in smaller pack.
- Coca-Cola has addressed the affordability issue by introducing the smaller bottle priced at Rs 5.

3. Acceptability

The next challenge is to gain acceptability for the product or service. Therefore, there is a need to offer products that suit the rural market. Example:

- LG Electronics have developed a customized TV for the rural market named Sampoorna. It was a hit selling 100,000 sets in the first year.
- Coca-Cola provided low-cost ice boxes in the rural areas due to the lack of electricity and refrigerators. It also provided a tin box for new outlets and thermocol box for seasonal outlets.

4. Awareness

Building awareness is another challenge in rural marketing. A large part of rural India is inaccessible to conventional advertising media. The media penetration in rural areas is only about 57Haats, mandis and melas are opportunities to create awareness in rural areas.

Findings and Suggestions

1. Maximum consumers purchase from nearby town and city retailers.

- Majority (60%) of the consumers purchase durable products like Television, Refrigerator, C.D./ D.V.D. Player, Portable Cell Phones etc from city retailers.
- For purchasing the products like Fans, House- hold Mixer, Almirah, Stove/ Gas Burner, Watches etc, the weekly market is still the most preferred place for the rural

- Around 80 % of the rural consumers purchase consumer durables like Fans, House-hold Mixer, Almirah (Storewell), Stove/ Gas Burner, Watches, etc from the retailers of the nearby town.

2. Retail Malls and Online purchase are not popular in rural market.

- Just 3 % of the consumers purchase from the retail mall or super Market.
- Only 6 % rural consumer responded that they purchase online and it is observed that products purchased online are generally cell phones.

3. Brand preference

- Godrej is the preferred brand in refrigerators.
- Havel’s and Crompton Greaves are the preferred brands among fans in rural sector.
- There are very less people in rural sector having washing machine and DVD player.

VIII. SUGGESTIONS OF THE STUDY

1. Word of mouth is an effective marketing and communication strategy works better in the rural markets. So the companies may use reference group and opinion leader to promote their brands in the rural areas.

2. It is also suggested that the company may appoint sales representatives. Representatives can give explanation and demonstration about the product usage to the rural public.

3. Distributors and retailers should be discouraged from buying local products. They should be encouraged to buy branded products by offering more margins, quantity discounts like trade discounts, cash discounts and also through relationship marketing.

4. The weekly market is very basic and local platform promoted by the rural people and for the rural people, and which has already gain a good acceptance level by rural consumers, so company should think to take the advantage of the same market by making their presence available atleast for small products such as fans, household mixers, watches, stove (gas burner), etc.
IX. CONCLUSION

In modern days, each and every industry is concentrating on rural areas because the urban areas are almost saturated. And the rural areas are having scope to develop and this is the right time for the retailers to enrich their market. The customer’s migration is more towards urban retail and this is one of the major drawbacks of the rural retailers. To overcome these they have to adopt some of the marketing strategies to cover the customers and retain their existing customers. In rural markets, customs and beliefs play important role in success or failure of any product. So, they can also move towards some modification on product, price, place and promotion to compete in this competitive rural market yet potential market.

REFERENCE