

Emerging Dimensions of Homemaking Retail to Explore Rural Household

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ABSTRACT: This paper is an overview touching certain important aspects of retail marketing like: opportunities in rural area, Significant players in market, advantages and disadvantages of various marketing policies and models. Moreover there would be conclusion and recommendations in the end of the paper. The main aim of this paper is to highlight the various opportunities home making household retail in rural area.

INTRODUCTION: This paper would undergo discussion on the following points.

- A) Rural Scenario in India
- B) Opportunity from changing Demographics in India
- C) Highlights of significant players
- D) Policies for the rural retail
- E) Impediments
- F) Features of rural market
- G) Recommendations.

Rural Scenario in India:

Rural India accounts for roughly 70% of the population. Almost 6, 27,000 villages are home to 790 million Indians today. At present 85% of the organized retailing takes place in India's urban areas. But the good thing is that the retail focus has already shifted to the rural areas. The Indian rural market with its vast size and demand base offers great opportunities to marketers. Two-thirds of country's consumers live in rural areas and almost half of the national income is generated here.

Of late, India's largely rural population has also caught the eye of retailers looking for new areas of growth. A slew of supermarket chains, including those of the Tata and ITC, are set to storm the rural areas of the country as corporate realize the huge potential of the untapped market ITC launched the country's first rural mall '**Chaupal Sagar**', offering a diverse product range from FMCG to electronic appliances to automobiles, attempting to provide farmers a one-stop destination for all of their needs. Companies such as **Godrej and DCM Shriram** Consolidated are launching '**one-stop shops**' for farmers and their communities. Godrej Agrovet, for instance, is planning to set up 1,000 **Aadhar stores** across rural India by 2010. DCM Shriram plans to set up 35 rural/semi-urban utility marts over 2006-07. Positioned as a one-stop shop, the **Hariyali**

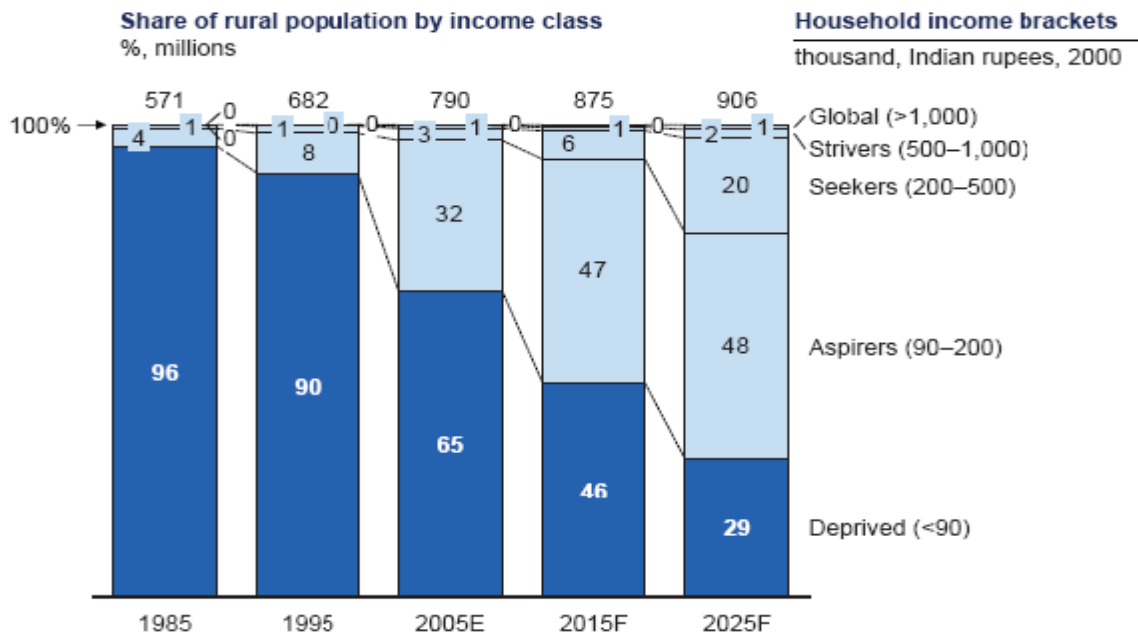
Kisaan Bazaar Chain will cater to a variety of farmers' needs by providing access to retail banking, LPG outlets and even a motorcycle showroom.

As clear from the story on Reliance Fresh and Metro, organized retail sector can bring a revolutionary change in rural India unless it goes for quick short-term gains. With Wal-Mart famous for its '**Always Low Prices**' coming in India with Bharati as equal partner, Indian farmers and rural craftsmen can hope for a better direct deal. Retailing does not benefit just the consumer. It can give huge benefits to other industries, to government, and to the entire economy.

The rural market is no longer a non-player in the retail game. It is now accounting for over one-third of the market for most durable and non-durable products. Even manufacturers are developing new products with the rural consumer in mind besides using village-oriented marketing strategies for brand promotions. Whether it is Rani Mukherjee promoting the chocolate Munch or master batsmen Sachin wowing village lads with a soft drink, both ad makers as well as top company honchos know where to put their money and how. The rural market is no longer of hypothetical empirical value but is well researched and reached by most companies looking to tap India's vast and abundant bounty.

Opportunity from changing Demographics in India

RURAL POVERTY WILL DECLINE SIGNIFICANTLY BY 2025



Note: Figures are rounded to the nearest integer and may not add up to 100%.
Source: MGI India Consumer Demand Model, v1.0

Features of Indian Rural Markets

Large and Scattered market:

The rural market of India is large and scattered in the sense that it consists of over 63 crore consumers from 5,70,000 villages spread throughout the country.

Low standard of living:

The consumer in the village area do have a low standard of living because of low literacy, low per income, social backwardness, low savings, etc.

Traditional Outlook:

The rural consumer values old customs and tradition. They do not prefer changes.

Diverse socio-economic backwardness:

Rural consumers have diverse socio-economic backwardness. This is different in different parts of the country.

Infrastructure Facilities:

The Infrastructure Facilities like roads, warehouses, communication system, financial facilities are inadequate in rural areas. Hence physical distribution becomes costly due to inadequate Infrastructure facilities. The rural bazaar is booming beyond everyone's expectation. This has been primarily attributed to a spurt in the purchasing capacity of farmers now enjoying an increasing marketable surplus of farm produce. In addition, an estimated induction of Rs 140 billion in the rural sector through the government's rural development schemes in the Seventh Plan and about Rs 300 billion in the Eighth Plan is also believed to have significantly contributed to the rapid growth in demand. The high incomes combined with low cost of living in the villages have meant more money to spend. And with the market providing them options, tastes are also changing.

Problems in the Booming Rural Marketing

Although the rural market does offer a vast untapped potential, it should also be recognized that it is not that easy to operate in rural market because of several problems. Rural marketing is thus a time consuming affair and requires considerable investments in terms of evolving appropriate strategies with a view to tackle the problems.

The major problems faced are:

- Lack of literacy and awareness
- Low per capita income
- Wide geographic spread.
- Gaps in road and Telecommunications connectivity.
- Lack of reliable electricity and water supply
- Limited Distribution network for example cold storage.
- Competition from local players

Underdeveloped People and Underdeveloped Markets:

The number of people below poverty line has not decreased in any appreciable manner. Thus underdeveloped people and consequently underdeveloped market by and large characterize the rural markets. Vast majorities of the rural people are tradition bound, fatalistic and believe in old customs, traditions, habits, taboos and practices.

Lack of Proper Physical Communication Facilities:

Nearly fifty percent of the villages in the country do not have all weather roads. Physical communication of these villages is highly expensive. Even today most villages in the eastern parts of the country are inaccessible during the monsoon.

Media for Rural Communication:

Among the mass media at some point of time in the late 50's and 60's radio was considered to be a potential medium for communication to the rural people. Another mass media is television and cinemas. Statistics indicate that the rural areas account for hardly 2000 to 3500 mobile theatres, which is far less when compared to the number of villages.

Many Languages and Dialects:

The number of languages and dialects vary widely from state to state, region to region and probably from district to district. The messages have to be delivered in the local languages and dialects. Even though the number of recognized languages are only 16, the dialects are estimated to be around 850.

Dispersed Market:

Rural areas are scattered and it is next to impossible to ensure the availability of a brand all over the country. Seven Indian states account for 76% of the country's rural retail outlets, the total number of which is placed at around 3.7 million. Advertising in such a highly heterogeneous market, which is widely spread, is very expensive.

Low Per Capita Income:

Even though about 33-35% of gross domestic product is generated in the rural areas it is shared by 74% of the population. Hence the per capita incomes are low compared to the urban areas.

Low Levels of Literacy:

The literacy rate is low in rural areas as compared to urban areas. This again leads to problem of communication for promotion purposes. Print medium becomes ineffective and to an extent irrelevant in rural areas since its reach is poor and so is the level of literacy.

Prevalence of spurious brands and seasonal demand:

For any branded product there are a multitude of 'local variants', which are cheaper, and, therefore, more desirable to villagers.

Different way of thinking:

There is a vast difference in the lifestyles of the people. The kind of choices of brands that an urban customer enjoys is different from the choices available to the rural customer. The rural customer usually has 2 or 3 brands to choose from whereas the urban one has multiple choices. The difference is also in the way of thinking. The rural customer has a fairly simple thinking as compared to the urban counterpart.

The 4A Approach

The rural market may be alluring but it is not without its problems: Low per capita disposable incomes that is half the urban disposable income; large number of daily wage earners, acute dependence on the vagaries of the monsoon; seasonal consumption linked to harvests and

festivals and special occasions; poor roads; power problems; and inaccessibility to conventional advertising media. However, the rural consumer is not unlike his urban counterpart in many ways.

The more daring MNCs are meeting the consequent challenges of availability, affordability, acceptability and awareness (the so-called 4 As).

Availability

The first challenge is to ensure availability of the product or service. India's 627,000 villages are spread over 3.2 million sq km; 700 million Indians may live in rural areas, finding them is not easy.

Affordability

The second 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 whom are on daily wages. Some companies have addressed the affordability problem by introducing small unit packs. Godrej recently introduced three brands of Cinthol, Fair Glow and Godrej in 50-gm packs, priced at Rs 4-5 meant specifically for Madhya Pradesh, Bihar and Uttar Pradesh - the so-called 'Bimaru' States. Hindustan Lever, among the first MNCs to realise the potential of India's rural market, has launched a variant of its largest selling soap brand, Lifebuoy at Rs 2 for 50 gm. The move is mainly targeted at the rural market. Coca-Cola has addressed the affordability issue by introducing the returnable 200-ml glass bottle priced at Rs 5. The initiative has paid off: Eighty per cent of new drinkers now come from the rural markets. Coca-Cola has also introduced Sunfill, a powdered soft-drink concentrate. The instant and ready-to-mix Sunfill is available in a single-serve sachet of 25 gm priced at Rs 2 and multiserve sachet of 200 gm priced at Rs 15.

Acceptability

The third challenge is to gain acceptability for the product or service. Therefore, there is a need to offer products that suit the rural market. One company, which has reaped rich dividends by doing so, is LG Electronics. In 1998, it developed a customised TV for the rural market and christened it Sampoorna. It was a runaway hit selling 100,000 sets in the very first year. Because of the lack of electricity and refrigerators in the rural areas, Coca-Cola provides low-cost ice-boxes - a tin box for

new outlets and thermocol box for seasonal outlets. The insurance companies that have tailor-made products for the rural market have performed well. HDFC Standard LIFE topped private insurers by selling policies worth Rs 3.5 crore in total premia. The company tied up with non-governmental organisations and offered reasonably priced policies in the nature of group insurance covers.

Awareness

Mass media is able to reach only to 57% of the rural population. Creating awareness then, means utilizing targeted, unconventional media including ambient media. For generating awareness, events like fairs and festivals, Haats, etc., are used as occasions for brand communication. Cinema vans, shop-fronts, walls and wells are other media vehicles that have been utilized to increase brand and pack visibility. Ideas like putting stickers on the hand pumps, walls of the wells putting on tin plates

on all the tree surrounding the pond are some of the innovative media used by personal wash like Lux and Lifebuoy and fabric wash items like Rin and Wheel. Idea was to advertise not only at

the point of purchase but also at the time of consumption. With large parts of rural India inaccessible to conventional advertising media - only 41 per cent rural households have access to TV - building awareness is another challenge. Fortunately, however, the rural consumer has the same likes as the urban consumer - movies and music - and for both the urban and rural consumer, the family is the key unit of identity. However, the rural consumer expressions differ from his urban counterpart. Outing for the former is confined to local fairs and festivals and TV viewing is confined to the state-owned Doordarshan. Consumption of branded products is treated as a special treat or indulgence. Hindustan Lever relies heavily on its own company-organised media. These are promotional events organised by stockists. Godrej Consumer Products, which is trying to push its soap brands into the interior areas, uses radio to reach the local people in their language. Coca-Cola uses a combination of TV, cinema and radio to reach 53.6 per cent of rural households. It doubled its spend on advertising on Doordarshan, which alone reached 41 per cent of rural households. It has also used banners, posters and tapped all the local forms of entertainment. Since price is a key issue in the rural areas, Coca-Cola advertising stressed its 'magical' price point of Rs 5 per bottle in all media. LG Electronics uses vans and road shows to reach rural customers. The company uses local language advertising. Philips India uses wall writing and radio advertising to drive its growth in rural areas. The key dilemma for MNCs eager to tap the large and fast-growing rural market is whether they can do so without hurting the company's profit margins. In case of nestle, company's product portfolio is essentially designed for urban consumers which cautions companies from plunging headlong into the rural market as capturing rural consumers can be expensive.

Role of Rural Retailing

Retailing is the final phase of the distribution channel and it is clear by now that it is availability and distribution that drives growth in rural Indian markets. Hence retailing will be significant and will undergo greater organisation and maturity as is being witnessed in the urban markets, even in the rural markets. Innovative retail models which take into account the nuances of rural markets is the way forward. Study on buying behaviour of rural consumer indicates that the rural retailers influences 35% of purchase decisions. Therefore sheer product availability can affect decision of brand choice, volumes and market share. India offers a huge, sustainable and growing rural market which can be tapped effectively through innovative distribution channels with retailing being the most critical element of

Recommendations

- Integration of rural initiatives into business model like ITC
- Corporate should supplement government efforts & resources (infrastructure development, education system, storage)
- Creating retail stores which should be rural in nature so that the rural masses identify themselves with these stores.
- Innovative & Exciting Initiatives such as Village BPO should be given impetus to tap the talent in the rural India.

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