

**DETERMINANTS OF RETAIL SELECTION DECISION: A
COMPARATIVE STUDY OF RURAL AND URBAN CONSUMERS**

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ABSTRACT

India is a land of Villages. Villagers constitute major part of market base which is seldom realized by urban retailers. Over the past few years rural India has witnessed an increase in the buying power of consumers, accompanied by their desire to upgrade their standard of living. Major retailers who have already established themselves in the Indian market have now realized that the urban market is already has been saturated & rural market is largely unexploited. Host of projects, such as NREGA, ITC's e-chaupal, HLL's project Shakti, retail hubs like Kisan Sansar (Tata), Haryali Kisan Bazar (DMC), both from the government and the private companies, have changed the rules of the marketing game in rural India. Despite the irregular buying capacity of rural markets, the taboos and traditions it is steeped in, the rural market in India is a highly lucrative one. The paper discusses the profile of the rural Indian customer and analyses the characteristics of the diverse and scattered rural market comparatively with urban Indian customers. The paper goes on to explore what factors do the rural & urban consumer considers before choosing a particular product.

Keywords: Rural, Customers, Urban, Retailers, Market, Product

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INTRODUCTION

Villages are integral part of any nation. They become even more prominent in Asian & African countries where majority of population lives in villages. The major portion of Indian population resides in rural India. According to the Indian recent census report, there are 638,365 villages in India and about 74% of Indian population lives in these villages. The main occupation of the Indian rural population is agriculture and related occupations. The scenario is changing, as the economic development in the urban area is much faster due to industrialization such as IT, automobile, and the like. One-sixth of the world's population live in India. Therefore, India is an attractive market (Ling and Dawn, 2004). The economy witnesses increased potential for consumption, increased competition, and availability of products both in terms of quality and quantity, and increased level of awareness among consumers. A large urban middle class and upper class, which constitutes one-third of the population, is a huge market for branded goods. The market for branded goods is increasing at 8 per cent per annum and in certain consumer goods; it is increasing at even 12 per cent. The Indian economy is the third largest in Asia. It is expected to grow at 7 per cent. Besides this, the Indian companies are entering into strategic alliances with the foreign reputed brands (Kinra, 2006). It has been known that elderly population in 2010 has only been 9 per cent of the population as against 19 per cent of US and 30 percent of Japan. This implies that the Indian consumers are comparatively younger as compared to the consumers of other nations including developed ones (Ling and Dawn, 2004).

People who are at the bottom of the pyramid too have aspirations to consume goods and services, which are enjoyed by the high-end consumers. It makes difference in the buying behavior of the consumers. A product being treated as a gift item in an urban area may be perceived as a necessity item in the rural area. It may happen that the urban consumer buys any item out of impulse and for rural consumer it may be a planned activity to buy the same. The urban consumer may not depend upon the dealer for obtaining useful information about the product, but a rural consumer may heavily depend upon the dealer for getting assurance about the product. Urban consumer may look for exclusiveness of designs in the products and on the contrary rural consumer may be more concerned about the core functionality of the product, which he/she intends to buy.

LITERATURE REVIEW

Rural marketing is all about planning & implementation of marketing function for the rural areas. The key for succeeding in rural markets lies in comprehending the psychology of rural consumers & their needs. So Rural marketing can be defined as “ the process of delivering

better standard of living & quality of life to the rural environment, taking into consideration the prevailing rural environment”(Rao 1985). Importance of rural markets in emerging economies is growing day by day. Increase in purchasing power & thereby the demand for variety of products by rural consumers paved the way for greater opportunities in these markets. Now there's not much difference in the buying behaviors of Rural & Urban consumers.

While Urban India was in the midst of slowdown, with global meltdown effect, rural markets were ticking down well. The demographic measures are not accurate predictors of consumer behavior. The demographic factors have remained relevant in the past. These are now obsolete due to narrowing differences in income, education and occupational status. Another argument against using demographics is that these have generally failed to explain and predict consumption behavior. Though these have remained useful in determining the buying behavior at the broad product-class level items such as durable appliances, automobiles, and housing, yet these have failed to explain the brand-choice behavior.

Psychographics is the method of defining lifestyle in measurable terms. Using psychographics along with demographics may help the marketers to understand their consumers better (Louden and Della Bitta, 2002). Keeping in view the importance of the decision and the complexity of the buying situation, the greater degree of rationalization may come after the actual purchase, if it was not produced at the time of purchase. Therefore, indirect questioning and more subtle psychological approach are required for obtaining information regarding intrinsic factors that influence the buying action (Downham and Treasure, 1956). Social class is superior to income in the cases where spending patterns differ among different social classes, though they belong to same income group. The product usage is more closely related to the income than to the social class in certain durable goods (Myers *et al*, 1971). Generally social class is dominant to income for consumer behaviour in terms of goods that do not involve high expenditures.

On the other side, the income is generally dominant to social class where the expenditures are substantial. There are goods such as clothing, make-up, automobile and televisions which are highly visible and moreover are the symbols of social class within class. The combination of social class and income remains dominant in such situations (Shaninger, 1981). Social class and status are different concepts though these have an important relationship. Status not only depends only on the social class but also depends upon many individual factors such as authority, power, and ownership of property, income, consumption patterns, life style, occupation, education, service, and associations. The concepts of role, reference group, class, status and prestige have proved to be especially useful in the analysis of consumer behaviour.

In order to investigate the buying patterns, the analysts have employed both social class and social status as variables. But it is probably true to say that the social class represents the status characteristics rather than class positions. Graham (1956) found that the acceptance of products differ according to the social class but not in a simple manner.

Various studies have revealed that the people of different social strata tend to differ in terms of their psychological and behavioral patterns (Williams, 2002). Television was accepted to the large extent by lower class members than by upper class members. Graham used occupation as the main indicator of the social class, though it was criticized later. But his hypothesis was substantiated that different classes will accept a given innovation to varying degrees. Some studies suggest that the people of higher social class positions are likely to be more innovative in their buying patterns. In spite of lack of any substantiation, the idea was widely accepted that new products are first accepted by higher classes and later transmitted to lower classes. Other sociological concepts of reference group and role behaviour are widely employed in consumer behaviour. Consumer behaviour occupies a midway position between social sciences (sociology, psychology, economics and anthropology) and the applied field of marketing. Consumer behaviour is used to refer the study of individual consumers and group of consumers such as families and the area of study covered is concerned with factors that cause the spending units to behave as they do. People with higher status occupations have characteristic personalities, motives and values.

NEED FOR THE STUDY

India is a land of Villages. Villagers constitute major part of market base which is seldom realized by urban retailers. Over the past few years rural India has witnessed an increase in the buying power of consumers, accompanied by their desire to upgrade their standard of living. Major retailers who have already established themselves in the Indian market have now realized that the urban market is already has been saturated & rural market is largely unexploited. Host of projects, such as NREGA, ITC's e-chaupal, HLL's project Shakti, retail hubs like Kisan Sansar (Tata), Haryali Kisan Bazar (DMC), both from the government and the private companies, have changed the rules of the marketing game in rural India. Despite the irregular buying capacity of rural markets, the taboos and traditions it is steeped in, the rural market in India is a highly lucrative one. The study has been carried out to explore the factors which influences rural & urban consumer before choosing a retail store.

OBJECTIVE OF THE STUDY

- To understand the buying behavior of the Urban & Rural consumers

- To compare the determinants which influence the consumers while choosing the retail store.

METHODOLOGY

Data Collection: The study was descriptive in nature and data was collected through a structured questionnaire from both rural and urban consumers. The questionnaire was designed taking into consideration 11 factors which influence the store selection.

Sample Size: The sample size consisted of 100 respondents which include 50% from both urban and rural consumers.

Data Analysis: Factor Analysis was conducted using SPSS. The questionnaire was based on 11 factors that were considered to be significant for comparative analysis.

FINDINGS & INTERPRETATIONS

Table-1: Factors influencing Rural Customers in store selection

Factors	Initial	Extraction
Location	1.000	.606
Reference	1.000	.722
Brand name	1.000	.568
Discounts	1.000	.879
Service	1.000	.540
Comfortness	1.000	.442
Product Variety	1.000	.781
Parking Facility	1.000	.382
Other's opinion	1.000	.774
Product Availability	1.000	.393
Entertainment	1.000	.470

Extraction Method: Principal Component Analysis.

Source: Primary data

Table-2: Factors influencing Urban customers in store selection

Factors	Initial	Extraction
Location	1.000	.690
Reference	1.000	.541
Brand name	1.000	.915
Discounts	1.000	.523
Service	1.000	.735
Comfortness	1.000	.773
Product Variety	1.000	.782
Parking Facility	1.000	.825
Other's opinion	1.000	.449
Product Availability	1.000	.664
Entertainment	1.000	.655

Extraction Method: Principal Component Analysis.

Source: Primary data

The above information will help us to make the following analysis

Location: As per the factor analysis the factors for Rural & Urban customers are 0.606 & 0.690 respectively. Urban consumers prefer location as the major factor for choosing the particular store as compared to rural consumers because it reduces the commuting distance, so he/she chooses retail store in his/her nearby locality.

Reference: As per the factor analysis the factors for Rural & Urban customers are 0.722 & 0.541 respectively. References from family & friends plays major role in choosing a particular store for rural consumers than for urban consumers, because of their economic conditions, they don't go in search of the information related to the retail store so they go by word of mouth.

Brand name: As per the factor analysis the factors for Rural & Urban customers are 0.568 & 0.915 respectively. Brand name is widely considered by urban consumer but it's not of much importance to a rural consumer as urban customer is more brand conscious, he goes in search of a particular brand in choosing a retail store and brand is considered as status symbol amongst urban consumer.

Discounts: As per the factor analysis the factors for Rural & Urban customers are 0.879 & 0.523 respectively. Discounts on commodities attract rural consumers more wherein the urban consumer is not distracted by the discounts because of their income factor. The per capita income of rural customer is low compared to urban customers.

Service: As per the factor analysis the factors for Rural & Urban customers are 0.540 & 0.735 respectively. Having Services like Free home delivery, pay by card, retailer's loyalty card is of prime importance for Urban consumer where as rural consumer doesn't give much importance to the factor because he just goes & gets the products due to ignorance/literacy.

Comfortness: As per the factor analysis the factors for Rural & Urban customers are 0.422 & 0.733 respectively. Ease of shopping like getting all the products or different brands at one place is the factor which attracts urban customer rather than rural customer

Product variety: As per the factor analysis the factors for Rural & Urban customers are 0.781 & 0.782 respectively. A variety amongst products is paid attention equally by both rural & urban customers.

Parking Facility: As per the factor analysis the factors for Rural & Urban customers are 0.382 & 0.825 respectively. Urban customers perceive a retail store with parking facility as the bonus for their tension free shopping than their rural counterparts because in a city like Bangalore parking is the biggest challenge for the customers and the urban customer doesn't want to go in search of parking place which is very time consuming.

Other's opinion: As per the factor analysis the factors for Rural & Urban customers are 0.744 & 0.449 respectively. Previous buying experiences of their fellow rural consumers are of prime importance for rural consumers.

Product Availability: As per the factor analysis the factors for Rural & Urban customers are 0.393 & 0.664 respectively. Product Availability plays important role for Urban Customers than the rural customers. The urban customer makes sure about the availability of product before travelling to the retail store, so that his efforts doesn't go in vain in reaching the retail store.

Entertainment: As per the factor analysis the factors for Rural & Urban customers are 0.474 & 0.655 respectively. Though Entertainment plays vital role between both the consumers, urban consumer gives more importance as he/she feels it as part of relaxation. Urban customer thinks entertainment is of prime importance while shopping at a retail store as he wants to relax amidst his busy schedule whereas rural customer rarely pays any attention to entertainment factor as his focus is just for shopping.

RECOMMENDATIONS

Although the rural market offers a vast untapped potential, it is found that it's not easy to operate in these markets. With the increasing social and cultural diversity, the growing wealth of products and services, consumers have increasingly wide range of shopping options. Hence some of the strategies should be designed by the retailer in order to tap both rural as well as urban consumers. Forming marketing partnerships with NGO's & agencies that have better understanding of lives & problems in rural areas would materialize in to better sales. For rural consumers it's always by word of mouth that increases the buying behavior. So retailers should develop sound promotional strategy such that the information related to the product should be made easily available to the consumers. Most of the rural consumers are unaware of the brands due to ignorance or literacy factor. So it's the retailer who has to educate the rural consumers regarding the usage of branded products.

CONCLUSION

In short the most ideal route to reach the rural as well as urban customer by the retailer is to understand the culture & sub-cultures, their aspirations & motivations, their needs, power centers & discretionary income. The communication networks & their reach & viability of engaging in promoting products to rural India play a significant role. Though the sophistication of the urban consumer has not reached the rural areas in a big way, it is but a matter of time for the new & trendy styles, preferences & demands to percolate into remote

areas. There is no single strategy; it's a judicious mix of strategies which are suitable for rural targets, which will work. As rural India becomes more evolved & enlightened, marketing paradigms that were once successful must be revisited, & newer ones must be evolved & introduced. Those marketing strategies that are based on relationship building would ensure sustained presence, survival & success in ventures in to rural as well as urban India.

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