A Study on Factors affecting the Efficiency of Rural Retailing

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Abstract

Retailing is dynamic, it simply means that it is progressive in nature; it keeps on changing itself with the emerging trends. There are various elements that are working as the forces for retail dynamics. One such force is rural retail. This paper examines basically what are the factors that are supporting the growth of rural retailing. A questionnaire was developed and the response of 122 consumers has been taken from the rural areas of Dehradun. Factor analysis has revealed four major factors they are employability, availability of products, infrastructure development and intellectual development. The paper concludes that if the variables explored, continue to grow in the same way, the day is not very far when the rural retail will earn a business equivalent to that of urban areas.

Key words: rural retailing, factor analysis, employability, availability of products, infrastructure development and intellectual development.

INTRODUCTION

The word retail has a very small meaning, it means 'to cut or to break the bulk', however the term Retail Management is not a small concept and it has a very broad meaning and a wide framework. When we say that Retailing is dynamic, it simply means that it is progressive in nature, it keeps on changing itself with the emerging trends. There are various elements that are working as the forces for retail dynamics. One such force is rural retail. The retail business in India accounts for Rs 7400 billion with about 1200 million retailers. 90percent of retail shops are kirana stores. Rural marketing one of the emerging concept. Rural market is dynamic and has stood for centuries on its own; nobody can ignore Rural India which comprises one tenth of the world population. The rural consumer discerning and rural market are vibrant. The Indian Rural consumer market is vast in size and offers a huge opportunity with 128 million household and the rural population is nearly three times the urban. Rural India has a large consuming class with forty one percent of India's middle – class and fifty eight percent of the disposable income. Rural marketing has reached appreciated heights in recent years, with respect to growth and size of the potential of rural markets. Facts reveal that rural consumers have low disposable income but as the time goes there are changes in the rising of their income and standard of living which happens because of different types of government schemes such as MNREGA , Rural Credit, Microfinance ,Encouragement to Cottage and Micro industry.

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Hence, marketers note a huge potential in rural India. According to previous survey made by NCAER, the growth rate of FMCG market and Durable market is higher in rural areas.

Motivation for study

The rural Indian economy, growing at 8-10 per cent every year, will be adding $90-100 billion of new consumption in the next five years, over the current base of $240-250 billion. There are a number of factors supporting this growth: increasing incomes due to good monsoons and government initiatives and schemes; employment opportunities in infrastructure and industry projects across the country and; emphasis on local employability.

Favorable demographics (nearly 300 million people born after 1990 in rural India), emphasis on basic education and a growing connect with the world at large through media and the Internet are further strengthening the case. There are enough challenges, too: a fragmented consumer base, limited infrastructure (power, road connectivity), low unit spending power, a strong regional influence on consumption and communication, reaching out to 600,000-plus villages and centers, among others. This new consumption will be basic plus, with a high share of packaged foods, personal care, consumer durables and IT products, two- and four-wheelers, and fashion accessories, among others. Over the last five years, some consumer product companies have recognised the potential of rural markets and invested time and resources to tap into this opportunity - understanding and segmenting the consumer, based on their spends and lifestyles.

Some innovations like re-engineered products, pricing and packaging to customise features and value relevant for these markets. For instance, LG has Sampoorna, a customised TV; Godrej soaps has introduced 50-gm packs and Samsung has launched Guru - a mobile that can be charged with solar energy. This innovation for rural markets has paid off well for some of the FMCG, consumer durables and automobile companies, and will continue to grow as they get closer to their target consumer and refine their business models. Rural India offers a similar opportunity for modern retail as well. The initial set of modern retail initiatives here have been mostly centred on farm equipment and produce, or stripped-down versions of urban concepts. The opportunity is now large enough to develop concepts that are 'Built for Rural India,' where all elements are built around the requirements, challenges and complexities of the market as well as the availability (or lack) of products and services. Players will have to think of suitable segmentations in terms of all the four Ps: product, price, positioning, place and promotions. They would need to rethink their entire supply chain and logistics as well. These formats could be a combination of retail, wholesale and they could also be medium-to large footprint modern distribution hubs located in the current convergence points.

Objectives:

To explore the factors affecting the growth of rural retailing.

Methodology:

The sampling design

A few rural areas have been taken as sample for conducting this study. The study has taken into consideration a growth of rural retailing. The decision to select these areas was that the people were co operative.

Data collection: The data was collected from the consumers and the shopkeepers of rural areas in Dehradun through a questionnaire which had two major sections namely:

Expectations and experience of consumers from retail shops in their areas.

Measurement scale: The questionnaire consisted of a series of statements, where the respondents (consumers and retailers) needed to provide answers in the form of agreement or disagreement to express their attitude (expectations and experiences) towards the retail shops and the innovation programs.

A Likert scale was used so that the respondent can select a numerical score ranging from 1 to 5 for each statement to indicate the degree of agreement or otherwise. Where 1, 2, 3, 4, and 5 denote "Strongly Disagree", "Disagree", "Neither agree nor disagree (Neutral)", "Agree", and "Strongly disagree" respectively.

ANALYSIS OF DATA

Reliability analysis

An analysis was conducted for checking the reliability of the questionnaire and the results were obtained. The Cronbach's alpha (a measure of reliability) was calculated for both the sections of the questionnaire separately According to Hair, et al. (2007), these coefficients (0.729 and 0.862) indicate data reliability as they meet the minimum acceptable level of 0.7.

Factor Analysis

The gap in the scores of consumers for each attribute (expectation and experience) provided the clear picture on their view on the existence (effectiveness) of the retail shops. Since the gap analysis is based on the differences in the scores of consumers between their pre-opening expectations and post opening experience indicating its effectiveness, a factor analysis was applied for grouping the variables into factors based on this gap data.

The above attributes were divided into the above mentioned categories employability, availability of products, infrastructure development and intellectual development.

The factor analysis was conducted through a method called as Principal-components method as it explained more variance than would the loadings (values that explained how closely the variables were related to each one of the factors discovered) obtained from any other method of factoring. While doing the analysis, it was observed that the gaps gave the absolute value of gap scores. These absolute differences were interpreted on the basis of their signs (Positive-Expectations met and Negative-Expectations not met).

Varimax rotation was used to maximize the variance of the loadings within each factor to simplify the columns in the factor analysis. It helped in developing clearer factor loading patterns with some variables having high loadings on a particular factor and other variables having a loading nearer to zero. The factor loading of rotated components is presented in the table 1.

TABLE 1
ROTATED COMPONENT MATRIX

	Component			
	1	2	3	4
Employment Gap	0.64	0.34	0.18	0.28
Interest Gap	0.74	0.18	0.19	0.36
shops Gap	0.70	0.41	0.19	0.12
help Gap	0.80	0.21	0.26	0.15
Facilities Gap	0.64	0.44	0.32	0.14
products Gap	0.45	0.74	0.37	0.06
Relevance of the products Gap	0.45	0.74	0.37	0.06
variety Gap	0.09	0.65	0.16	0.51
Importance Gap	0.32	0.64	0.17	0.41
Attitude Gap	0.16	0.25	0.78	0.28
Time Gap	0.26	0.14	0.79	0.21
Teamwork Gap	0.22	0.15	0.85	0.06
Productivity Gap	0.49	0.18	0.42	0.52
Decision Gap	0.52	0.19	0.52	0.41

The results of Varimax rotation are summarized in table 3

TABLE 2
FACTORS EXTRACTED AFTER FACTOR ANALYSIS

Items in Factor1- Employability	**Items in Factor 2- Availabilty**	**Items in Factor 3- Infrastructure development**	**Items in Factor 4- Intellectual development**
Employment	Availability of products	Help	Decision
Interest	Relevance of products	Facilities	Decision
Productivity	Variety	shops	
Time	Importance		Teamwork

Multiple Regression analysis

The results of the factor analysis were carried forward by which the four independent variables (Factor 1, Factor 2, Factor 3 and Factor 4) were used to predict the dependent variable (overall efficiency gap) by multiple regression.

The Regression equation is as follows:

$Y= \alpha+ \beta_1F_1+\beta_2F_2+\beta_3F_3+\beta_4F_4.$

Where, Y= Overall efficiency gap = Consumers' clear perspective on the growth of the retail shops

α= Intercept.
F_1 = Employability.
F_2 = Availability of products
F_3 = Infrastructure development
F_4 = Intellectual development.
$\beta_1, \beta_2, \beta_3, \beta_4$ = Slopes associated with F_1, F_2, F_3, F_4

TABLE 3

REGRESSION COEFFICIENTS

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t-statistic	Significance.
1	(Constant)	0.27	0.06		4.29	0.00
	REGR factor score 1	0.2	0.06	0.30	4.08	0.00
	REGR factor score 2	0.13	0.06	0.15	2.03	0.04
	REGR factor score 3	0.30	0.06	0.35	4.69	0.00
	REGR factor score 4	0.38	0.06	0.43	5.87	0.00

TABLE 4
MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	0.65	0.429	0.40	0.67	19.33	0.00

Thus, overall efficiency depends on these four factors (F_1, F_2, F_3, F_4)

The factors included in the multiple regression models are explaining 42.9 % variation in the overall efficiency of the retail shops in rural areas and thus, one can conclude that regression model is significant. It means employability, availability of products, infrastructure development and intellectual development play a significant role in overall efficiency of retail shops in rural areas.

CONCLUSION

A discussed earlier, rural market is dynamic and has stood for centuries on its own; nobody can ignore rural market in India which comprises one tenth of the world population. The rural consumers are discriminating. The Indian Rural consumer market is vast in size and offers a huge opportunity with 128 million household and the rural population is nearly three times the urban. So the factors affecting their growth need a serious consideration. This study has tried to explore such factors and the analysis suggested that the factors explored are able to explain around 43 percent of variation in overall efficiency of rural retail marketing. This leaves again a gap or scope for the study that further more variables could be explored which will improve the explanatory power of the model.

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