

Retail Marketing Confronts for Rural Regions: A Comprehensive Analysis

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Abstract

This comprehensive research paper focusses upon ascertaining the various confronts which lie in the path of retail marketing for various retailers operating in the rural regions and those retailers who wish to make their inroads in the rural regions. Retail marketing as one of the basic components of marketing is a complex process which involves entailing several operations in order to achieve the desired results. The application and execution of these steps in the rural regions can be a challenging task and therefore this research paper intends to find out what are these confronts and how can the rural retailers overcome these. This research paper talks about several key factors that any retailer must keep in mind while making inroads into the rural markets such as consumer behaviour, consumer inclination, costs, distribution etc. and at the same time also tries to identify the challenges which lie in rural retail marketing such as poor channels of distribution, lack of consumer education, lack of reach, unpopularity of online platforms, less purchasing power etc.

Keywords: Retail Marketing, Retailing, Marketing, Rural Marketing, Advertising, Promotion, Channels of Distribution, Online Retailing, Consumer Behaviour, Consumer Purchasing Power, Consumer Education, Product Reach, Rural Segments

Research Objective: To identify and critically examine the various confronts that lie in the path of rural retail marketing.

Research Type: Analytical and Descriptive

Research Methodology: First of all this research paper encompasses understanding and analysing the various confronts which have already been identified and studied by the researchers all across the globe. Secondly, collecting and analysing new data from selected rural retailers of National Capital Region in order to identify the current challenges that lie in the path of rural retail marketing.

Research Scope: The scope and utility of this type of research is enormous and would provide firms a platform in identifying the various rural retail marketing confronts in advance. Furthermore, this research will help in building new and modern rural retail marketing theories and principles ultimately benefitting the firms.

INTRODUCTION

The concept of rural retail marketing has evolved out of retail marketing; retail marketing refers to a set of tools and techniques that a marketer undertakes in order to identify the needs of a customer and finally satisfying them. Now the

concept of rural retail marketing can be defined as “a process of identifying the needs of rural customers and satisfying them”. So one can easily identify that the concepts of retail marketing and rural retail marketing are similar as far as the principles are concerned, the only difference lies in the application of these principles according to the size and the nature of the markets. This research paper critically examines the application and viability of these principles for rural markets.

Before getting into the complexities of rural retail marketing, one should first try to understand the meaning of rural. The word rural has several definitions depending upon the region for which it is being defined; the term rural can have absolutely distinct definitions in India, United States, Ireland, Canada etc. because of the variations in the level of population, consumer literacy, access to technology etc. since the primary focus of this research paper is on India, therefore let us define the term rural for India. As per the census of 2011 and the data collected recently by the Ministry of Rural and Urban Development, the term rural refers to “any region which has a population of maximum two million within its vicinity”.

The term rural represents nations such as India in the best manner possible as around seventy percent of the population resides in the villages. This rural segment has always been the maximum revenue generation segment for various firms such as ITC, Hindustan Unilever, Procter and Gamble, Dabur etc. This research paper critically examines the various rural retail marketing tools and techniques which these companies have been undertaking and at the same time this paper also intends to find out the various challenges these companies have been facing and what have they done to overcome these challenges.

Rural retail marketing has not only been a matter of great concern for India but also nations like United States, China, United Kingdom, Canada, Russia etc. due to distinctions in the population segments of the urban and rural regions.

RURAL RETAIL MARKETING CONFRONTS IN INDIA

India is a nation with diverse culture and complexities, this adversity and difference among the regions asks for a different retail marketing strategy for urban and rural markets. The rural markets of India have always been an attractive source of revenue for different companies operating in India such as Indian Tobacco Company, Procter and Gamble, Unilever etc. The major reason why these companies have been targeting these regions is the fact that more than seventy percent of the population of India resides in these regions.

Now wherever there lies huge opportunities, there lies challenges as well and this is the reason why these huge companies have always struggled with identifying the retail marketing strategies and implementing them. There are several reasons identified by various retail marketing experts in India so as why the task of rural retail marketing is challenging. A few key constraints can be discussed as,

First and foremost, the biggest challenge that any retail marketer faces in the rural regions is lack of consumer education and awareness. Consumer awareness is one reason which makes the identification of the needs and sales a tough task, the marketers in the rural regions need to take extra pain in educating the consumers first and then moving on to sales unlike the urban markets. Secondly, the lack of adequate channels of distribution is one reason why most of the companies struggle in the rural regions. Huge corporate giants such as the ones mentioned earlier have been incurring a huge sum of amount in developing their channels of distribution and so as to reach the potential customer with ease.

Apart from physical distribution, consumer psyche is another big confront for any company to overcome. The psyche of the customers in the rural regions is entirely different from the ones residing in the urban regions, rural consumer behaviour is driven and affected by several forces such as trying a product before using it, cost sensitivity, consumption in small quantities, resistance for bulk purchase and preferring frequent purchases, quality concerns, resistance from purchasing perishable products etc.

In addition to the above reasons, one major constraint in the path of rural retail marketing is lack of organized retail market. Big retail giants such as Bharti Group, Walmart can never establish themselves with ease in the rural markets unlike the urban markets because the rural retail sector is still dominated by the unorganised retail stores commonly known as 'kirana shops'.

RURAL RETAIL MARKETING CONSTRAINTS IN CANADA, RUSSIA AND IRELAND

Rural retaining and rural retail marketing is not only a matter of concern for nations like India, China and Mexico but even less populated nations like Canada, Russia and Ireland have faced considerable difficulties on this front. Alibaba Retail Group has studied the concept of rural retail marketing thoroughly for Russia and has adopted several strategies accordingly. The rural regions of Russia are scattered all around the nation with distances miles away from the metropolitan centres and hubs such as Moscow and St. Petersburg. These massive distances between the urban and the rural centers of Russia have led to an entirely new marketing strategy for online retailers such as Alibaba. Alibaba has adopted the strategy of fifteen days maximum delivery time for products in the rural markets of Russia keeping in mind the adverse cold weather and accessibility.

Apart from Russia, the tools and techniques of Retail Marketing differ for the rural regions of Canada as well. Canada is a vast country with several small isolated regions with different kinds of needs and requirements. Big retailers

such as Amazon, Walmart, Tesco Plc, Unilov, Bonsure etc. have undertaken special measures to cater the needs of these markets. Different rural provinces of Canada have been posing different challenges, for instance, the province of Quebec is French dominated and therefore asks for an entirely different retail marketing strategy. Big retail giants mentioned above always had to introduce products and services using the first language as French unlike the United States or other English speaking regions.

Similarly, the province of British Columbia is dominated by the English and therefore this asks for a different retail strategy all together. Now moving on to Ireland; Ireland is a very small nation in the European Union with hardly a population of 8.9 million but still there are several disparities between the rural and the urban markets. The needs and the requirements of the people residing in Dublin which is an urban center are completely different from the ones residing in Nova Selc which is a rural region and therefore the retailers have undertaken distinct retail marketing strategies for these two different kinds of regions. Ireland is having English as its main language and Gaelik as one of its primitive languages in the rural dominated regions and therefore the process of rural retail marketing becomes difficult and complex.

RURAL RETAIL MARKETING MIX FOR INDIA

The concept of rural retail marketing mix has evolved out of the theory of marketing mix and the tools and techniques of rural retail marketing are similar to those of conventional marketing mix with distinctions only in the scale of the principles. Dr. Philip Kotler, one of the founders and developers for marketing mix, gave the concept where marketing mix is nothing but a combination of four tools of Product, Price, Place and Promotion.

The concept of rural retailing lies on the same pillars of marketing mix i.e. product, price, place and promotion. In this section we will be discussing these tools for rural markets in detail. Let us begin with product; product is one component in the tool of rural marketing mix where any marketer has to come out with a distinct strategy unlike the urban regions. For instance the psyche of rural customers for consuming any product is in small quantities and therefore companies such as proctor and gamble have come out with the strategy of introducing products in small quantities such as pouches instead of boxes for products such as shampoos and detergents.

The next tool for rural retail marketing is price; pricing is one rural retail marketing tool which plays the maximum role. The people in the rural markets are very sensitive to costs therefore it becomes imperative on the part of any marketer to ensure that the prices for the various kinds of products offered in these regions are competitive. This is the sole reason why costly and high end products are never the priority of any marketer as far as the rural markets are concerned, for example Hero Motor Corporation will never intend to sell its premium bikes in the rural regions rather its primary focus will remain upon consumer bikes such as Splendor.

The next tool for rural retail marketing is 'place'. Place refers to a set of decisions concerned with efficient handling of the

goods thereby leading to their delivery to the right customer at the right time. The tool of place has a direct association with channels of distribution and physical distribution, both of these tasks are extremely difficult in the rural markets and therefore it becomes imperative on the part of the marketers to take care of this situation efficiently. Most of the big retail giants in India have created special channels of distribution for this purpose.

The final tool for rural retail marketing mix in India is 'promotion'. Promotion refers to a set of decisions that a marketer takes in order to create awareness about its products and services. Keeping in mind the awareness and product knowledge of the customers in the rural markets, the rural retail marketers in India need to come up with different kinds of promotional strategies unlike the urban markets.

RURAL RETAIL MARKETING FOR SELECTED COMPANIES IN INDIA

So far the research paper has focussed upon the discipline of rural retail marketing as a whole and has discussed several critical factors involved in this discipline especially with reference to facing the confronts involved in its implementation in the rural markets. This segment discusses the various rural retail marketing tools and techniques which the various companies operating in India have been using.

There are several retail giants operating in India such as Indian Tobacco Company, Proctor and Gamble, Hindustan Unilever, Dabur Ltd etc. All of these retail giants have been using different retail marketing strategies for the rural markets and have been really successful in implementing the same. To begin with ITC is one company which has been able to tap the rural tobacco market in the best way possible. This retail giant is known for tapping the vast unorganized rural markets of India by channelizing and distributing its products among the kirana shops and street stalls, more than sixty percent of its tobacco revenue generation is from the rural markets. Corporate Social Responsibility is another area which has considerably enhanced the image of ITC in the rural segments of India.

Secondly Proctor and Gamble is another company which has been extremely successful in tapping the rural markets of India by introducing small and innovative packages for its products. For instance, P&G is the pioneer for introducing pouches for detergents and shampoos so as to reduce the size and price of the product and making it convenient for the rural customers for trial and purchase. This retail marketing strategy has also been adopted by other players in the market as well.

Hindustan Unilever has always been known for its diverse and effective channels of distribution. This retail giant has an outreach density of six hundred meters beating the channels of distribution for giants such as Pepsico India and Coke. Hindustan Unilever has also been known for the incentives which it offers to its rural agents. This strategy has lead to a better performance of its agents when compared against other brands.

At last but not the least Dabur Ltd India has also been really effective in tapping the massive rural segments of India by promoting and popularizing its ayurvedic and herbal products

in a very convincing manner. This is the first company in India to adopt the strategy of popularizing ayurvedic and natural products and has won the faith and confidence of the rural segments for decades now.

CONSUMER BEHAVIOR FOR RURAL MARKETS

Consumer behaviour is one of the most critical components of Marketing and therefore when we speak of rural retail marketing, it becomes imperative to understand the behaviour of the consumers residing in the rural regions. There are several factors affecting the consumer behaviour of the rural consumers. A few of them can be discussed as,

First and foremost, consumer awareness and literacy is one factor that plays a massive role in ascertaining so as what retail marketing strategy must be applied for a specific region depending upon its literacy and awareness. For instance when any marketer has to tap the rural markets of Kerala, his retail marketing tools might not be completely different from the tools used in the urban markets because of the high rates of literacy and awareness among the consumers. On the other hand, the rural retail marketing tools and techniques would differ entirely for those regions where the literacy rates are extremely low.

Consumer tastes and preferences is another factor that needs to be considered by any rural retail marketer before making inroads into any rural segment of India. The tastes and prefers differ significantly for the rural regions in India and the retail marketer must adapt accordingly with these changes. Unlike the urban centres, the rural consumers are having different tastes and preferences, for instance their choices for goods may depend upon its quality rather than its branding and advertising.

The other extremely important factor that needs to be considered by any retail marketer before making inroads into the rural markets is consumer lifestyles and values. The need and requirement of any customer depends largely upon his/her values and lifestyles. The lifestyle of rural customers vary significantly when compared against the urban customers, this is the reason why the rural retail marketers need to adopt an entirely different marketing strategy. For instance, the demand of clothes and apparels in rural regions is need driven rather than fashion driven unlike the urban markets.

Apart from the above, there are other factors as well which affect the consumer behaviour of rural segments such as social customs, cultures and society. Therefore it becomes imperative on the part of any rural retail marketer to study these factors in detail before catering the needs of the customers.

VIABILITY OF ELECTRONIC COMMERCE FOR RURAL RETAILING

Electronic commerce is one component of retailing commonly known as e-retailing which has gained considerable popularity in the past one decade where customers from all the segments of the society have been using this tool with ease.

Viability of this particular tool has always remained a concern for the rural retail marketers. A country like India is extremely diverse and has the concentration of its population at distinct levels. The concentration might seem extremely high for the metropolitan regions but it might go extremely less for the rural regions. Electronic commerce is highly effective in the urban centers due to a better and convenient reach, efficient warehousing and courier connectivity, internet and so on.

The facilities mentioned above do not apply to the rural regions due to several constraints such as poor warehousing facilities, lack of courier and posting reach, poor physical distribution, poor internet connectivity.

In addition to these there are other factors as well which hamper the existence of electronic retailing in India such as the resistance of the rural people to shop via internet and so on. India is not only the country where electronic retailing is a concern, even the nations such as China, Myanmar and Russia do face problems in applying and using internet for shopping on account of extreme weather conditions, lack of consumer knowledge, vast territorial coverage, landscape issues such as forests, hence the delivery of products and services becomes difficult.

Big retailers such as Amazon and Alibaba have expressed their concern towards the betterment and wide reach of telecommunications all across the globe so that the platform of online retailing can be used. Still there are several countries in Africa and Asia which are in their development phase and are having poor telecommunications network therefore it becomes very important for these nations to improve their services so that internet becomes accessible to every citizen regardless of their region.

This is the sole reason why the governments of almost all the developing nations have been taking concrete steps in improving the quality and reach of internet all across its regions so that everyone can make full use of it and online retailing can be carried out effectively without any hurdle.

Hence, one can say that although online retailing is a popular tool worldwide, still there are several remote and rural regions where its viability is a big concern.

CURRENT SCENARIO OF RURAL RETAILING IN DELHI NCR

In order to understand the current picture of rural retail, a thorough study was done in the rural regions of Delhi NCR. The study involved collecting valuable information from various retailers through random sampling operating in the areas of Shamli, Mahendargarh, Bhiwani, Nuh, Jhajjar and Bharatpur.

The retailers of these regions were asked several questions regarding the various retail marketing tools and techniques they apply for their goods and services and what challenges they face at the same time. The most common challenge that almost all the retailers agreed upon was lack of consumer awareness, the retailers for HUL said that their agents were facing considerable difficulties while dealing with the rural customers.

The retailers informed us that in some localities and sectors, it becomes really difficult to convince the customers for any product due to their lack of knowledge about the product and its utility.

The next most common problem that all the retailers agreed upon was poor channels of distribution, connectivity and physical distribution. The retailers of Jhajjar shared that they face tremendous difficulties in selling their agro based products due to poor channels of distribution. They said that sugarcane, which is one of the most common agro based product of that region could not be supplied or transferred in the desired quantity due to lack of adequate logistics. The same problem was encountered by the retailers of Mahendargarh as well for selling wheat to their customers.

In addition to the above problems, illiteracy was another big concern for these retailers. The retailers operating in Nuh faced several difficulties on account of illiteracy, the retailers informed us that several conventional forms of promotion such as the outdoors, advertising etc. were done in the local languages due to the inability of the people to comprehend Hindi and English.

At last but not the least the retailers of Bhiwani shared that, they faced a lot of problem on the account of credit services which they had to give to their customers. The customers of this particular region insisted on purchasing goods on credit rather than cash and in order to tap and sustain those customers, the retailers had to agree to accept the payments later on.

In addition to these problems, the retailers of these regions also shared that the modern formats for payments such as paytm were also not applicable.

PLATFORM FOR FUTURE RURAL RETAIL MARKETERS

The scenario for retailing has changed considerably in the past one decade for both the regions whether rural or urban. The scenario for rural markets in India at present appear the way urban markets were one or one and a half decades ago. The motive of all the state governments in India, Trade and Commerce Ministry is to modernize the rural markets of India by popularizing the concept of cashless payments and transactions.

The platform for future retailing in rural markets appears a bit stagnant and slow in comparison to the urban markets due to less modernization and awareness of the customers. The government's initiatives and policies are constantly towards developing the retail formats in India particularly in the rural regions and has come up with several schemes and policies.

As per the experts of rural marketing in India, the rural markets are going to be very promising in the time to come and several formats such as organised retail formats, online retailing etc. which are common in the urban regions are going to be popular in these regions too. In addition to this, there also have been considerable amount of changes in the attitude and lifestyles of the rural consumers; like the urban consumers, these rural consumers have also started preferring branded and better

products due to increments in their literacy rates and purchasing power.

The initiatives undertaken by the government such as providing short term and easy loans for start ups through microfinances and other lending institutions have also paved a way for the growth of retail sectors in the rural regions. The best beneficiaries of this initiative of the government have been farmers who now have a platform for selling their produce via private outlets owned by them. This has also completely restructured the shape of rural retailing in India.

Furthermore, the modern retail formats in India such as Bharti Group, Walmart etc. have been eyeing the rural markets for their vast population and potential. These retail giants have realized the value of the rural markets and therefore in the coming future, they will come up with new and innovative retail marketing strategies to tap these markets. Several other retail giants have already taken concrete steps in this regard and certainly the coming future of retail in the rural regions appears bright and promising.

KEY RURAL RETAIL MARKETING STRATEGIES UNDERTAKEN BY AMAZON, ALIBABA AND WALMART

Global retail giants such as Amazon, Alibaba, Walmart etc. have been introducing several rural retail marketing strategies for their consumers residing in several different countries such as India, Russia, China, Mexico and Ireland. Alibaba, one of the biggest online retail giants in the world, came out with the strategy of maximum delivery time of fifteen days in Russia during the severe cold season. This strategy was introduced keeping in mind primarily the rural consumers, who faced a lot of difficulty in obtaining the necessary goods.

Amazon has also taken several measures in this regard for the rural dominated regions of Africa where it has been able to deliver the goods in almost the same time as the urban consumers. Walmart's next target is to tap the vast rural dominated markets of China, Mexico and India by taking over the dominant online retailers operating locally in those regions, for instance Flipkart, the largest online retailer in India was taken over in order to expand its reach in the small tier cities and villages of India.

These retail giants have consistently taken the task of training their personnel in order to identify the needs of the rural consumers and satisfy them in the best manner possible through new and innovative rural retail marketing tools.

CONCLUSION

After carefully going through and analysing this descriptive and analytical research paper, one can summarize that the rural markets of India and overseas provide a tremendous market for all sorts of retailers but at the same time offer several hurdles and confronts that the retailers need to face and overcome. The major rural retail marketing hurdles which the retailers face are lack of consumer education, lack of consumer awareness, lack of adequate channels of distribution, poor physical distribution,

inadequate logistics and its management, ineffective and inadequate warehousing, poor supply chain management, consumer lifestyles, consumer values, social laws and customs, consumer tastes and preferences. The government of India has also taken several steps to modernize the retail formats operating in the rural regions and this trend has laid to the concept of 'modern rural retail marketing' and has been really successful in tapping the rural markets.

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