

Advantages of Retail Marketing in Rural Regions: A Thorough Analysis

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Abstract

This through research paper contains an in depth analysis of the various privileges that a rural retail marketer has while approaching his customers. The paper discusses the concept of rural retail marketing in detail followed by a complete analysis its advantages; moreover, the paper also speaks about several crucial aspects of rural retail marketing such as key components of rural retail marketing, various advantages that can be capitalized in rural retail markets, consumer behaviour in rural markets, government policies and support for rural retailers, present scenario of rural retail marketing in India, key rural retail marketing strategies used by multinationals in India, future prospects of rural retail marketing in India and overseas. Major rural retail marketing advantages covered in this paper are less advertisement costs, promotional costs, media costs whether print media or electronic media, low distribution costs, easy and convenient store management and branding, convenience in physical handling of goods and logistics management, inexpensive warehousing, easy market segmentation and targeting, less product class and width, less need of introducing new product class and width frequently. In the end, the paper contains a research study conducted on the rural retailers operating in Delhi NCR in order to ascertain the various privileges these retailers come across while undertaking marketing activities.

Keywords: Retail Marketing, Rural Retail Marketing, Retail Marketing Privileges, Retail Marketing Opportunities, Rural Retailing, Rural Consumer Behaviour, Government Rural Initiatives, Rural Marketing, Segmentation

Research Objective: The primary objective of undertaking this comprehensive research is to identify the various privileges that lie in the path of rural retail marketing and analysing them.

Research Type: Analytical and Descriptive

Research Methodology: The methodology for this thorough research has been divided into two phases. Firstly, it would involve studying and analysing the various privileges of rural retail marketing which have already been identified by various researchers and multinationals. Secondly, it involves collecting necessary information from selected retailers operating in the rural regions of Delhi NCR so as to identify and analyse any new advantage that may lie in the current scenario of rural retail marketing.

Research Scope: This critical analysis would help multinationals, corporates, retailers, etc. in identifying in advance the various retail marketing privileges that they may have if they were to operate in the rural markets of India.

INTRODUCTION

Rural Retail Marketing is a concept which has been derived from the concept of Rural Marketing. Rural Retail Marketing can be defined as 'a set of decisions which a retailer undertakes in order to identify the needs of the rural customers and satisfying them'. A concept similar to rural retail marketing is rural retailing which can be defined as 'sale of goods and services to the ultimate rural consumers'.

Hence, one can realize that the concept of rural retail marketing is customer oriented whereas the concept of rural retailing is sales oriented. Various companies operating in the rural markets of India always made a clear distinction between the above two concepts and have always executed the concept of rural retailing post executing rural retail marketing. A few companies to successfully adopt this strategy are Colgate, ITC and Unilever.

Rural retail marketing is a wide discipline and its scope and application for a nation like India is enormous as more than seventy percent of its population resides in the rural regions. Rural retail marketing is not only a significant discipline in India, but also in nations such as China, Mexico, Russia and South Africa where the population of the people residing in the rural and semi urban regions is enormous.

The concepts of rural retailing and rural retail marketing have never remained static and have always undergone a continuous alteration. These alterations have primarily been on account of factors like increase in consumer reach, consumers preference for better products, increase in consumer awareness, rising purchasing power of the rural customers, rural centric government policies, etc. All of these factors have played a significant role in reshaping the discipline of rural retail marketing.

KEY COMPONENTS OF RURAL RETAIL MARKETING

The concept of rural retail marketing entails several components collectively known as 'rural retail marketing mix'. The concept of rural retail marketing mix has been derived from the concept of marketing mix and its components are pricing, place, product, promotion. All of these components can be discussed as,

Pricing is concerned with a set of decisions concerned with adding a value in the form of cost to any product or service offered. Price is considered as the most important tool of rural retail marketing mix as the consumers residing in the rural

regions of India are cost sensitive and always expect value for money before purchasing any product or availing any kind of service. Most of the retailers operating in the rural regions of India try their level best in keeping the prices as competitive as possible to capture the markets and retain the customers.

The next tool is product. Product can be defined as 'a bundle of utilities satisfying the needs of the customers'. The preference of the rural people for any sort of product is different when compared against the urban crowd, for instance, the people residing in the rural regions have the tendency of trying a product before choosing it and therefore they avoid bulk purchasing. This is the reason why most of the multinationals operating in rural regions of India came up with the concept of introducing pouches and sachets for products like shampoo and detergent.

The next tool for rural retail marketing is place. Place can be defined as 'a set of decisions undertaken by any company to ensure the delivery of the desired product or service at the desired time'. The tool of place comprises of several activities such as physical distribution, channels of distribution, logistics management, physical handling etc. All of these activities need to be performed with full coordination and perfection in order to make the goods available to the rural customers.

The final tool for rural retail marketing is promotion. Promotion can be defined as 'a set of activities undertaken in order to make the consumers aware about the products and services which is being offered to them'. Like place, promotion also comprises of several activities such as advertising, print media, electronic media, outdoor, billboard, sales promotions, public relations, discounts, premiums, value added services, etc. all of these activities need to be performed keeping in mind the awareness, education, tastes and preferences of the rural consumers.

PRIVILEGES THAT CAN BE CAPITALIZED UPON WHILE PURSUING RURAL RETAIL MARKETING

The discipline of rural retail marketing provides several privileges to any retail marketer. Almost all the multinationals operating in the rural markets of India have been fully utilizing these advantages to tap the huge market and increase their market share. A few privileges of rural retail marketing can be discussed as,

First and foremost, the biggest advantage that any rural retail marketer has is extremely low or no promotional costs. The cost for promoting any product or service in the rural regions is extremely less in comparison to the urban regions. While promoting goods and services in the urban regions, a retail marketer has to incur heavy expenses on account of advertising, print media, electronic media, outdoors, billboards, sales promotion, discounts and premiums, public relations, sampling, etc. All of these expenditures turn out to be extremely low in the rural regions.

The next privilege that a rural retail marketer is having is inexpensive channels of distribution. Due to less coverage and size of the rural regions, any retail marketer's task becomes extremely easy and convenient as far as channels of distribution

is concerned. While operating in the urban regions, the retail marketers have to plan a big chain of logistics and distribution because of the massive size and coverage of the markets but this complex and tiring task gets easier when speaking for rural regions.

The third privilege that any retail marketer has in the rural regions is simple and ordinary tastes and preferences of the people. The tastes and preferences of the people residing in rural regions is simple and static in nature unlike the urban crowd whose expectations, tastes and preferences keep on changing with time which becomes extremely difficult for any retailer to meet. In the rural regions, the lifespan of any durable product is far more than the lifespan of the same product in the urban regions, and this certainly reduces the pain of the retail marketers and they don't need to change their branding strategies frequently.

At last but not the least, one privilege that any retail marketer enjoys in the rural regions is personal relationship with the customer. Due to less population and limited number of retail stores, the retail marketers have an opportunity to build personal relationships with the customers. The strategies used by retail marketers in this regard are providing credit services, occasional discounts, home deliveries, etc. all if these tactics help the retail marketers in customer retention.

CONSUMER BEHAVIOUR IN RURAL MARKETS

Rural retail marketing cannot be undertaken and capitalized unless the consumer behaviour of the rural markets is known. The consumer behaviour of the rural markets is affected by several factors, a few of them can be discussed as,

First and foremost, price of a commodity is the biggest concern of any rural customer. So, one can say that the consumer behaviour of any rural customer is affected and determined by the price of the commodity he or she intends to purchase. This is the sole reason why all the multinationals and retail giants operating in the rural markets of India try their level best to ensure that the prices they are charging for their products and services is kept as competitive as possible. Many multinationals such as Procter and Gamble, Hindustan Unilever, Dabur have taken several steps in this regard for instance, introducing small packs in the form of pouches and sachets for products like detergent and shampoo so that their prices can be reduced.

The other factor affecting the consumer behaviour in the rural regions is tastes and preferences of the consumers. The tastes and preferences of the people residing in the rural regions of India is different when compared with the urban and semi urban regions. Consumers in the rural regions focus primarily on the utility, durability and quality of any product rather than fancy features such as colour, style, branding, etc. of the product. This is the reason why the retail marketers operating in the rural markets of India try to convince the customers upon the qualitative features of the product they are intending to sell.

Another important factor affecting the consumer behaviour of the rural markets is the levels of literacy. The literacy levels of the people residing in the rural regions is extremely low due to which their awareness about new and innovative products

available in the urban market is also very low. Moreover, modern retail formats such as online retailing, electronic commerce, electronic payments, etc. cannot be used in these markets as well due to low literacy and reluctance of the customers in using these tools. This is the reason why the retail marketers have confined themselves in using only those tools and techniques which the rural customers are comfortable with and can easily comprehend.

At last but not the least, the consumer behaviour of the rural crowd is also affected by several other factors such as 'brand perception'. For any brand to be successful in the rural regions, its perception needs to be extremely good in the minds of the customers. For instance, TATA and ITC have undertaken several CSR initiatives in many rural regions of India like providing free education, charity, opening up hospitals, etc. All of these factors help in creating a good brand name for any company thereby acting as a catalyst in retail marketing.

GOVERNMENT SUPPORT FOR RURAL RETAILERS IN INDIA

The central and state governments in India have undertaken several concrete steps to improve the rural markets in India. A few initiatives of the government can be discussed as,

First of all, the central government has taken serious steps in transforming several villages into economically viable regions. The government has offered bail out packages of several crores to improve the structure of the rural markets. Several urban retailers have shown interests in operating in the rural markets due to strengthening of these regions by the government. The state governments have undertaken several concrete measures in ensuring that more and more of urban retailers and modern retail formats make their inroads in these developing regions so that they can be revamped.

The central and state governments have been encouraging organized retailers all across the nation to make their inroads in the rural regions. The governments have been offering several incentives also such as providing inexpensive land, leasing services, providing all necessary legal clearances, facilitating electricity, power and other necessary resources. All of these initiatives have been undertaken in the best interest of the rural crowd thereby enhancing the prospects of rural retail marketing.

Apart from inviting the organized retailers, the governments have also been really successful in providing capital and credits for small start-ups and businesses in the rural regions. The government has been encouraging farmers to come up with their own outlets rather than supplying their produce to the agents and retailers, this step has given an entirely new meaning to retail marketing where the producers are retailers now.

Multinationals are being encouraged to come up with their stores and outlets in the rural regions and the government has been successful in introducing practices such as contract farming, etc. wherein both the parties, i.e. the farmers as well as the multinationals have been making good profits. In addition to this, the initiative of the central government to transform tier 'B' and tier 'C' cities of India into smart cities

has also given an entirely new dimension to rural and semi urban retail marketing.

PRESENT SCENARIO OF RURAL RETAIL MARKETING

The scenario for rural retail marketing has changed by a considerable amount in the past one and a half decade due to several factors such as increase in the income of the consumers, change in the taste and preferences of the rural customers, a shift in their lifestyles, government policies, entry of organized retailing etc. all of these factors have resulted in a massive transition of the rural markets in India. The present scenario of rural retail marketing appears to be promising so as its future prospects.

Rural retail marketing in the present scenario is driven by several factors mentioned above along with the changes taking place globally. India is not the only country with massive rural population but countries like China, Mexico, South Africa are passing through the same stage as well. Moreover the popularity and reach of internet as means for commerce, trade and payments have also changed the retailing scenario all together.

India is witnessing a massive transition in its rural markets thereby enhancing the scope for retail marketing as well, retail marketers earlier had to face a lot of difficulties while operating in the rural markets due to different strategies and approaches in comparison to the urban markets. But with the modernization and development of the rural markets, this tiring and challenging task of the retail marketers has reduced considerably. Retail marketers, now are open and comfortable in applying certain urban retail marketing techniques in rural markets as well.

Multinationals and retail giants such as ITC, Unilever, Pepsico, Dabur, Proctor and Gamble, etc. operating in the rural regions have expressed a positive opinion and outlook for retail marketing. Retail marketers of almost all these multinationals have shared that their retail marketing strategies for many segments have been on the same lines as for the urban customers. This shows a positive prospect for rural retail marketing as in the time to come, it is not going to be different from urban retail marketing.

The rural retail markets of Mexico and China are growing even at a faster pace in comparison to India and are on their path of matching the urban retail standards three to four decades from now. Studies conducted in these markets have shown that the consumers of these markets can no longer be allured through old and primitive retail marketing techniques and many of those tools and techniques have become obsolete.

KEY RURAL RETAIL MARKETING STRATEGIES USED BY MULTINATIONALS

The multinationals operating in the rural markets of India have been using several retail marketing tools and techniques since the past few decades and there have been several changes in these tools as well with time. Key rural retail marketing tools

that are being used presently by the various multinationals can be discussed as,

First of all, adapting as per the needs and requirements of the rural customers has always been the first priority of all the multinationals. Multinationals and retail giants such as ITC, Proctor and Gamble, Dabur, Britannia, Pepsico, TATA, Unilever, etc. have always conducted a study on identifying the needs and traits of the customers where they wish to operate. Hence, these companies have always come out with strategies as per the needs and requirements of the customers, for example ITC came out with the strategy of introducing small packs for products such as biscuits and wafers so that it could become convenient and affordable for the villagers to purchase it.

The second common retail marketing strategy used by multinationals for rural customers is rural promotion via advertisement, print media, electronic media and outdoors. Most of the advertisements done by the companies in these rural regions are either in the local language or Hindi. This strategy ensures that the right message is delivered to the right customer in the best manner possible without any hindrance. The same applies for outdoors and print media as well where the multinationals prefer advertising their products and services in the local newspapers. Hence, communicating in local language is one of the key rural retail marketing strategies.

Another common retail marketing tool used by the multinationals is public relations and corporate social responsibility. Companies such as ITC and TATA undertake several CSR and charitable activities in the rural regions of India so as to build a positive image in the minds of the people living in the near vicinity. TATA ever since its inception, has always taken initiatives such as building hospitals, roads, providing jobs to the needy, etc. and ITC has been successful in making its name for undertaking education initiatives. All of these factors grab the eyeballs of the rural customers and helps in retaining them. Hence, the image of any brand must be build keeping in mind the social initiatives that need to be undertaken in the area of its operation.

FUTURE PROSPECTS OF RURAL RETAIL MARKETING IN INDIA AND OVERSEAS

As discussed earlier the future of rural retail marketing looks bright and promising. There are several factors which will contribute towards the success of rural retail marketing in the future to come. It becomes imperative on part of any retailer to understand and comprehend these factors in order to ensure their success.

The future of rural retail marketing is certainly going to be customer driven and factors such as customer tastes and preferences, lifestyle and values, income levels, awareness, levels of education, government initiatives, industrial transitions, etc. are going to determine the path for rural retail marketing in India. Multinationals which wish to make their inroads in the Indian rural market need to ensure that they undertake a thorough study of these critical factors and plan their retail marketing strategies accordingly.

Apart from customer driven factors, sales driven tools and techniques are also going to play a critical role in determining the future of rural retail marketing in India. To put it in simple words, retailing in rural regions of India is going to be sales driven in the coming future like it is already in the urban regions. Several external factors such as macroeconomic factors, industrial regulations, market structures, government initiatives, etc. are also going to be equally important in the coming years.

The prospects of rural retail marketing seem promising for China as well due to massive rural population and preference for better products and services. Chinese companies and business houses have been successful in initiating rural retailing and therefore the future of rural retail marketing looks positive as well. In the past one decade, the income levels of people residing in the rural regions has increased and therefore they are now on the target list for promoting and selling expensive products. The manufacturing sector of China and its industrial output have also played a significant role in revamping the structure of its rural markets.

The South American nation of Mexico has also shown a similar pattern for its rural markets and with time the retail marketing strategies used over there are similar to the ones used in the urban regions. Brazilian rural agricultural markets have also shown a hike in the retailing figures and with time the formats and strategies for retailing have changed considerably. These South American nations have shown a massive growth in their rural and semi urban regions and at the same time the massive size of the markets have attracted the eyeballs of international retailing giants such as Wal-Mart, Tesco, etc. in establishing themselves in these promising markets via new, innovative and better retail marketing strategies.

RETAIL MARKETING ADVANTAGES IDENTIFIED IN THE RURAL REGIONS OF DELHI NCR THROUGH RESEARCH STUDY

This section of the paper discusses about a research study that was conducted in the selected rural markets of Delhi NCR. The regions included in the study were Shamli, Mahendargarh, Bhiwani, Nuh,

Jhajjar and Bharatpur. The study involved asking relevant questions from the retailers operating in these regions so as to ascertain what privileges lie in their path while pursuing retail marketing. The findings of the study can be discussed as,

The retailers operating in these regions were primarily unorganized and operated on individual basis and on a single network. These retailers shared their retail marketing tools and techniques and the various advantages which they come across while undertaking retail marketing activities. First of all the most common answer given by these retailers was low promotion costs, i.e. most of these retailers agreed upon the fact that retail marketing is an inexpensive task when compared against the urban regions. They shared that, the costs of print media, electronic media and outdoors turned out to be really

inexpensive due to which budgetary constraints never existed on this front.

The second privilege identified while extracting necessary information from these retailers was low store operation, management and branding costs. The retailers shared that the rentals of the retail outlets were extremely low in comparison to the urban regions and the costs involved in managing the stores was also less because less labour was needed and this reduced the staff costs. Moreover in-store branding activities costed nothing as they were not required while operating in those regions.

In addition to these, the retailers informed that, the costs of distribution, physical handling, logistics were extremely cheap due to which agents in the channel were not required and making the goods available to the ultimate customers at the right place and at the right time became very easy and convenient. Low size of retail outlets and small scale of operations also acted like a catalyst in this regard thereby cutting down the costs of the retailers by considerable margins.

The expenses involved in storage, insurance, risk management and other service oriented activities also turned out to be inexpensive and eased the pressure of the retail marketers and they could focus easily upon their strategies and tools without bothering about these factors.

The tastes and preferences of the customers also eased the pressure of the rural retail marketers where they didn't have to change their strategies and tools frequently because the nature of the demand of the rural customers was static for long periods unlike the urban customers whose demand keep on changing with time due to frequent changes in their tastes and preferences.

Retail marketers operating in these regions also shared that they could easily afford and execute the tools of value added services such as free home delivery services, credit facilities, replacements, etc. as the size of the markets were less and consumer loyalty was high. These services cost extremely high in urban markets due to expensive service charges and competition in the market.

The retailers also shared that selling products in small quantities for the same unit was extremely profitable. That is, for products like shampoo and detergents, selling them in small pouches and sachets generated good revenue for them collectively at the end of the month as there were frequent buyers for these products which were being sold in small quantities.

CONCLUSION

After going through this comprehensive research paper, one can make a valid conclusion that retail marketing offers numerous privileges to the retailer operating in the rural markets and these privileges have been utilized in the best manner possible by the multinationals and small retailers operating in the rural markets of India. Rural retail marketing not only offers several advantages in the Indian markets but also in the markets of developing nations such as China,

Mexico, Brazil and Russia. Major rural retail marketing privileges in India and similar nations are low cost of promotion, advertising, print media, electronic media, outdoors, stagnant consumer tastes and preferences, inexpensive channels of distribution, physical handling and logistics, inexpensive store management and in-store retail branding, low cost for value added services, easy customer retention, supportive government policies and increase in the levels of rural income.

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