

# Retail Marketing for Rural and Urban Regions: A Comparative Study

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## Abstract

This comprehensive research paper attempts to make a comparison between retail marketing in rural and urban regions respectively. The paper talks about several aspects of retail marketing in urban and rural regions such as challenges involved in rural retail marketing in India and overseas, privileges of rural retail marketing, challenges of urban retail marketing, privileges of urban retail marketing, market share analysis for rural and urban retailers in India, role of consumer behaviour in rural and urban retail marketing, government initiatives for retail sector in India, thorough comparison between rural and urban retail marketing via research study conducted in the selected regions of Delhi NCR. The core objective of undertaking this comprehensive research is to make a valid comparison between the retail marketing tools, strategies and aspects for rural and urban regions, along with a thorough comparison between the advantages and challenges of retail marketing in rural and urban regions as well.

**Key Words:** Retailing, Retail Marketing, Urban Retail Marketing, Rural Retail Marketing, Consumer Behaviour, Market Structures, Retail Marketing Challenges, Retail marketing Privileges, Rural Retailing, Urban Retailing

**Research Objective:** The primary objective of undertaking this comprehensive research is to make a thorough and all-inclusive comparison between retail marketing in rural and urban regions.

**Research Type:** Analytical and Descriptive

**Research Methodology:** The methodology for this comprehensive research has been divided into two phases. Firstly, comparing various retail marketing tools, strategies, challenges and privileges for rural and urban regions from the data already available from different sources. Secondly, the research involves conducting a study in the rural and urban areas of Delhi NCR region so as to ascertain the current scenario of retail marketing in both the regions respectively.

**Research Scope:** This critical research would help multinationals and retail giants in ascertaining the challenges of retail marketing in advance for rural and urban regions, and at the same time recognizing the advantages as well.

## INTRODUCTION

Retail marketing is a modern discipline which can be defined as 'a set of decisions undertaken by a retail marketer to ascertain the requirements of a customer and satisfying them in the best manner possible'. To put that in simple words, retail

marketing stands for nothing but persuading a customer towards a certain product or service through the use of a set of tools. The term retail marketing is often confused with the term retailing which is defined as 'the sale of goods and services to the customers'. Thus, retailing is sales oriented and retail marketing is customer oriented.

The discipline of retail marketing has been divided into two branches namely rural retail marketing and urban retail marketing. Rural retail marketing can be defined as a set of tools undertaken by the retail marketer in order to ascertain the needs of the rural customers and satisfying them. On the other hand, urban retail marketing can be defined as 'a set of tools undertaken by the retailer in order to ascertain the requirements of the urban customers and satisfying them.

Both the subsidiaries of retail marketing, that is rural retail marketing and urban retail marketing have their own challenges and privileges which become extremely crucial for any retail marketer to analyse in advance so as to achieve the best results. There are several factors involved in initiating the retail marketing process and these factors need to be taken care off in a professional and efficient manner so as to finally convince the customer. A few of these factors are age of the customer, tastes and preferences, purchasing power, income of the customer, etc.

Retail marketing comprises of four tools namely product, price, place and promotion. All of these tools need to taken care off in the best manner possible so as to achieve the desired results. Product can be defines as 'a bundle of utilities satisfying a customer'. Price can be defined as 'the value charged by a retail marketer from the customers in exchange for the goods and services provided'. Place can be defined as 'a set of decisions undertaken by the retail marketer in order to make available the right commodity to the customer at the right time'. The final tool of promotion can be defined as 'a set of tools undertaken by the retailer marketer in order to make the customer aware about the product or service he intends to sell'.

## RURAL RETAIL MARKETING CHALLENGES IN INDIA

A rural retail marketer has to face several confronts while approaching the customers. These confronts can arise on several grounds such as poor income levels of the customer thereby leading to low purchasing power for the products that a retail marketer is intending to offer. In addition to this, there are several other confronts as well which a rural retail marketer has to face. These can be discussed as,

Poor channels of distribution, logistics, physical handling, warehousing and insurance of the products are the key reasons why a rural retail marketer cannot follow his retail marketing strategies efficiently. The channels of distribution and all the services facilitating business need to be perfect and as per the needs and requirements of the retail marketer so that he can make the goods available to the customer in the least time possible and in the best manner possible. Hence, poor logistics in the rural regions of India are one of the biggest disadvantages of rural retail marketing.

Another confront lying in the path of rural retail marketing is lack of quality personnel. It becomes extremely difficult for any retailer operating in the rural regions of India to hire the right talent, that is efficient and dynamic retail marketers who can understand the needs of the rural customers and convince them accordingly.

Another challenge for retail marketing in rural regions is several bottlenecks in the process of data collection and need estimation. It becomes difficult for any rural retail marketer to ascertain the needs and requirements of the people due to poor literacy rates and inability of the people to comprehend the questionnaires given to them. Moreover, the reluctance of the people to involve in the sampling process creates further problems for any retail marketer.

The other common challenge lying in the path of a rural retail marketer is non viability of electronic commerce in the rural areas. The people residing in the rural areas are not comfortable in using e-retail platforms for purchasing goods and services and this is the reason why the margin of the crowd using this kind of platform is extremely low. Due to this, a rural retail marketer cannot use any online platform in order to promote and sell its products and services.

### **PRIVILEGES OF RURAL RETAIL MARKETING**

The discipline of rural retail marketing poses several confronts for any retail marketer, but at the same time it offers several privileges as well, a few of which can be discussed as,

First and foremost, the biggest advantage of rural retail marketing is that the size of the rural markets are huge, in India the population of the rural regions account for 70 percent of the total population. This provides a scope for making profits in large numbers for any company, therefore, the utility of retail marketing in this regard becomes critical. Most of the multinationals operating in India such as Proctor and Gamble, Unilever, Dabur, ITC etc. have given special importance to rural retail marketing because of the massive markets and have made considerable amount of profits.

Secondly, the cost for promotional activities in rural regions is extremely low which helps the retail marketer in saving a lot of money unlike the urban regions. Various costs such as advertising, electronic media, print media, outdoors, billboards, sales promotion, public relations, etc. are not required in rural regions due to which the pain and expenses of the retail marketer gets reduced by a huge margin and he can focus upon the rest retail marketing strategies.

Thirdly, the tastes and preferences of the customers residing in rural regions is static due to which the retail marketer doesn't need to change his retail marketing strategies on regular basis unlike the urban regions and also there is no need for him to introduce new products in the market or innovate regularly.

In addition to this, the cost of the channels of distribution in rural regions is extremely low because there is no need to maintain strong and wide channels of distribution because the retail marketer has to operate in small regions only. Moreover, the costs involved in facilitating trade such as logistics management, insurance, risk management, banking, etc. are also not required due to which the burden of retail marketers gets reduced by an enormous amount unlike the urban territories.

At last but not the least, one big advantage that the rural markets offer to any retail marketer is that it helps in clearing the old stock of the companies for various durables. The shelf life of several commodities in the urban regions is short lived due to the constantly changing trends and fashions but these trends take place very slowly in rural regions due to which it helps various companies in promoting and selling their old stocks in these markets where the trends are still alive for those products. The best example of such commodities are electronic equipment such as television, mobile phones, gadgets, etc.

### **URBAN RETAIL MARKETING CHALLENGES IN INDIA**

Like the rural markets, the urban markets pose several challenges as well. A few of these can be discussed as,

First and foremost, the costs for promotional activities are extremely high and they occupy a considerable amount of share in the budgets of all the retail marketers. Costs arising on account of advertising, print media, electronic media, outdoors, billboards, sales promotion, public relations, premiums and discounts, etc. are beyond proportions and outside the control of any retail marketer who wishes to operate in the urban regions.

Secondly, the tastes and preferences of the people residing in the urban regions keep on changing frequently due to which it becomes extremely difficult for the retail marketer to catch up and he is forced to initiate and follow new and innovative marketing strategies with time. For instance, the demand for products such as electronic tablets, mobile phones, gadgets, etc. keep on changing drastically throughout the year due to massive competition and advances in the field of science and technology and therefore, it becomes extremely difficult for the Urban retail marketer to catch up this massive pace of the preferences of the people and he has to keep innovating without failing in order to survive in the market.

Thirdly, the costs for operations in urban regions is extremely high. For instance services such as channels of distribution, physical handling of goods and services, insurance, risk management, store operation costs, rentals, in-store retail branding, etc. are extremely expensive due to which retail marketing becomes difficult. Moreover the changes in the policies of the government also hamper the productivity and

efficiency of the retail marketers as they cannot practice their strategies due to various restrictions from the government agencies.

International competition is another big factor which has increased the costs of retail marketers by a huge amount. In order to match the standards of the international players operating in the market, the retail marketer has to come out with those marketing strategies which are at par with these international players so as to convince the customers and grab their attention.

### **PRIVILEGES OF URBAN RETAIL MARKETING**

The discipline of urban retail marketing offers several privileges to any retail marketer, a few of them can be discussed as,

First and foremost the urban regions leave a scope for acquiring quality personnel due to the availability of good talent in large numbers. This privilege is not available to retailers operating in the rural regions and they are forced to continue with inefficient retail marketers due to lack of quality talent.

Secondly, the channels of distribution in urban regions are extremely good and efficient due to which a retail marketer faces no difficulties in 'placing' strategy. He can easily take up the activity of physical distribution and logistics without any hindrance and achieve the targets in the least time possible.

The reach and viability of electronic commerce is the biggest advantage of urban retail marketing due to its massive reach and preference of the customers. The customers residing in the urban regions are comfortable with using electronic platforms for shopping and making payments, this reduces the cost of retail marketers by a considerable amount. The retail marketers have the privilege of promoting their goods and services via platforms such as Amazon, Snapdeal, Flipkart, etc. where the charges for promotion turn out to be extremely low and at the same time it becomes convenient for the customers to purchase the desired product or service.

Apart from this, the rules and regulations of the government in the past one and a half decade have been in favour of retailing due to which the retailers operating in the urban regions need to face less bottlenecks in comparison to the early times.

Rising popularity of organized retail formats such as single retail formats, multi-brand retail formats, departmental stores, speciality stores, super markets, etc. have raised the bar of retail marketing as a discipline rather than merely an activity. The modern retail formats (including electronic retailing) demands great amount of skills and understanding on the part of the retail marketers and due to this, the retail marketers have started taking the task of retail marketing seriously and the margins in these modern retail formats are enormous and therefore offer a lot of scope for the retail marketers.

### **MARKET SHARE ANALYSIS FOR RURAL AND URBAN RETAIL MARKETS IN INDIA**

The retail markets of India are one of the largest in the world covering millions of households. The markets of India have been divided into two major sections namely rural retail markets and urban retail markets. The market share of these regions can be discussed as,

The rural markets have a population covering almost 70 percent of the total population of the country but low income levels and purchasing power of the customers lowers the economic status and market value of these regions. Multinationals like ITC are a few exceptions whose profits from the rural territories of India are more in comparison to the profits it makes from the urban regions. The primary reason for this is the fact that, the consumption of tobacco in the rural regions is far more than the consumption in the urban regions.

The share of rural markets in the retail sector have been changing with time. Before 1991, that is before the entry of foreign players in the Indian market, the share of rural markets was huge due to the sole dependence of the Indian economy on agriculture. But with the introduction of globalization and liberalization, more and more companies started making their inroads in India and since then the retail markets of urban India took a big jump and their share started increasing rapidly.

By the end of 2010, the share of urban retail markets of India constituted over 65 percent of the entire market and since then the figures have remained constant primarily due to the modernization of the rural retail markets. Since 2010, the rural markets have shown a rapid annual growth of 11.2 percent due to the increasing popularity of organized retail formats and initiatives undertaken by the government. The government has since, tried its level best to reduce the differences in the retail markets of rural and urban regions and this has resulted in the improvement of rural retail markets by a considerable margin.

The retail market of India lies just behind United States of America, China and Mexico. As per the report submitted by WTO in its annual business summit of 2016, India is expected to play the most significant role in the coming years in the field of retail. The retail markets of India are expected to boom by a massive 14.8 percent in the coming one decade and at the same time, the modernization of the rural markets is going to add the pace further. The retail market of India is expected to surpass the retail markets of Mexico by 2029 with the major contributions of FMCG, electronic and consumer goods. China is the fastest growing retail market in the world with a massive figure of \$ 2.8 trillion.

### **ROLE OF CONSUMER BEHAVIOUR IN URBAN AND RURAL RETAIL MARKETS**

Consumer behaviour is one of the most critical component of retail marketing and therefore it becomes imperative on the part of any retail marketer to study and understand its elements. Consumer behaviour can be defined as 'the attitude of a consumer for a given period of time and state of mind'. That is, the choices and preferences of a consumer keep on changing

with time, moreover, the perception that a consumer has in his minds for any product or service also keeps on changing and this laid to the establishment of the concept 'product positioning'. So to put it in simple words, consumer behaviour is a non-static concept and any retailer needs to comprehend it well in order to apply the tools of retail marketing comfortably.

The consumer behaviour of urban and rural retail markets are distinct and therefore, it becomes imperative on the part of any retailer to follow these markets separately and apply separate tools as per the requirements. Consumer behaviour is also known as 'mood augmentation' and it becomes essential for any retailer to read the minds of rural and urban customers before approaching them. This is the first step in the process of ascertaining consumer behaviour.

The knowledge of consumer behaviour becomes the most critical step and foundation in the discipline of retail marketing. The consumer behaviour of rural customers is driven by factors such as quality, durability, trial of the product. Therefore, it becomes essential for any retail marketer to ensure that he is fully aware and equipped with these information about the customers in advance.

The consumer behaviour of urban customers is driven by factors such as rapidly changing tastes and preferences, high expectations, online viability, etc. All of these factors need to be taken into account before approaching a urban customer. This is the reason why multinationals such as ITC, Proctor and Gamble, Dabur etc. conduct several surveys and samples before approaching a customer so as to ascertain and estimate his requirements in advance.

Consumer behaviour is also determined by several other factors such as age, gender, income, lifestyles etc. all of these factors need to be analysed and studied in order to satisfy the complex needs of the customers. This is the reason why Dr. Philip Kotler, the father of modern day marketing has also given considerable importance to consumer behaviour in his theories.

#### **GOVERNMENT INITIATIVE FOR RETAIL SECTOR IN INDIA**

The government of India has taken several key steps towards modernizing and developing the retail sector of India. In 1991, the government opened the doors for multinationals such as ITC, Proctor and Gamble, Dabur, Hindustan Unilever, etc. and in 2010 the government allowed 100% foreign direct investment in single brand retail and 49% FDI in multi-brand retail. The government since then has taken several measures to ensure that the retail markets of India get improved.

The government has also undertaken concrete steps to ensure that the gap between urban and rural retail market narrows down and the rural retail markets modernize as well. In order to achieve this, the government has invited and given lands to several multinationals in the rural regions of India. The government has also tried its level best in facilitating the necessary tools of trade such as internet connectivity, etc.

Apart from this, the government has also taken the initiative of providing short term loans for start-ups and setting up

businesses in the rural regions especially for farmers. Several farmers have been able to set up their own stores and do not require any agent or third party to sell their produces. All of these initiatives have helped the farmers in uplifting themselves.

The government has also been trying its level best in ensuring that the foreign direct investment cap increases to 100% for multi-brand retail in India and companies like Wal-Mart, K-Mart, Tesco, Costco and other multi-brand retail giants can enter the Indian markets freely without any restrictions.

The government's policies have not only remained confined to organized retailing but also unorganized retailing. The government has taken concrete steps in ensuring that the unorganized retailers of India specially the ones operating in the rural regions do not suffer post the entry of organized retailers in the market. This is the reason why the government has been taking several initiatives to improve the condition of the unorganized retailers in the market and has given them several incentives. Modernization of rural retail stores and unorganized retail stores is the top priority of the Indian government so as to reduce the disparity between the urban and rural retailers.

Government has allocated a budget of Rs. 4000 Crore in developing the villages, tier '3' and tier '4' towns of India into smart cities and in order to accomplish that, strengthening the business and industry is extremely important, whose small part is retail.

#### **THOROUGH COMPARISON BETWEEN RURAL AND URBAN RETAIL MARKETING THROUGH A RESEARCH STUDY CONDUCTED IN THE SELECTED REGIONS OF DELHI NCR**

This section contains a research study which was conducted in the regions of Delhi NCR separately for rural and urban retail markets. The sole objective of conducting such a study was to make a thorough comparison between the rural and the urban retail markets in terms of the various challenges and privileges that each of these markets come across.

Firstly, the retailers of rural regions were approached in order to obtain the necessary information from their side regarding the various challenges they face while pursuing retail marketing and what are the various privileges which they enjoy while using the retail marketing tools and techniques. The various challenges that the retail marketers faced while operating in the rural regions can be discussed as,

First and foremost, the markets in the rural regions were scattered and unorganized due to which the channels of distribution were poor and inadequate and the retail marketers could not use and apply the 'placing' strategies in an efficient manner. Moreover, the various services facilitating retail and business such as insurance, risk management, physical handling of goods and services, logistics management etc. were poor in quality and all of this hampered retail marketing by a considerable amount.

The other bottleneck which the retail marketers faced while operating in the rural regions was low purchasing power of the customers due to which expensive or luxurious commodities could not be marketed.

Apart from challenges, rural retail marketing also offered several privileges to the retail marketers such as a massive market, static tastes and preferences of the people, low consumer expectations, low costs of promotion whether print media, electronic media, outdoors, billboards, inexpensive channels of distribution, easy and convenient logistics management, inexpensive store management and branding, etc.

Now the second part of the study focussed upon identifying the various challenges and privileges which lie in the path of urban retail marketers. For this, various urban retailers were approached and enquired about the same. The responses of the retailers can be summarized as,

First of all, the various challenges that the retail marketers faced while operating in the urban markets was heavy promotional expenses arising on the account of advertising, print media, electronic media, outdoors, billboards. In addition to this, expensive channels of distribution created further bottlenecks for the retail marketers which arose on the account of expensive physical distribution, handling and logistics management. Apart from this various services facilitating retail marketing such as insurance, risk management, banking, warehousing, etc. were also very expensive for the retail marketers of urban regions.

The various privileges that the retail marketers shared was availability of quality talent, i.e. the urban regions provided a scope for acquiring quality and efficient talent for any retailer to market its goods and services. Apart from this, availability of good channels of distribution was another privilege that was shared by most of the retail marketers operating in the urban regions as it eased the process of retail marketing. In addition to this, the retail marketers shared several other privileges as well such as massive size of the markets and scope for huge profits, etc.

## CONCLUSION

After going through this comprehensive research, one can make a valid conclusion that retail marketing is a huge discipline encompassing several aspects, elements and branches. The two broad major branches of retail marketing are rural retail marketing and urban retail marketing and both of these branches pose several confronts and at the same time offer many privileges as well for any retail marketer who is operating in the rural regions or urban regions. Both urban as well as rural retail markets need to be addressed separately by any retail marketer because both the regions offer several opportunities and at the same time pose several difficulties as well. Hence, a retail marketer who wishes to operate in the rural and urban regions of India must ensure that he is able to gain the maximum advantage from both the regions and at the same time overcome all the bottlenecks as well.

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