ABSTRACT:
Organized retail is increasingly taking off in India and as more than 65% of India’s population is living in rural areas, retailers are fast penetrating rural markets with different models to serve the shoppers of rural and semi-urban India with many innovative ideas like smaller size products that appeal to this segment. This project first studies some of the retailers who have already entered these markets with rural supermarket format: Future group and Godrej’s joint venture Aadhar, ITC’s Choupal Saagar, DCM’s Hariyali Kisaan Bazaar, Triveni Khushali Bazaar. The objective of the project is to study the organized rural retailers to discuss some of the opportunities and challenges for the organized rural retailer and thereafter to give useful suggestions to the retailers so that they can successfully tap and satisfy rural markets.

KEY WORDS:
Rural Retailing, Rural India, Organized Retailing.

INTRODUCTION:
According to the provisional data released by Census India (2011), the population of India is 1.21 billion comprising rural and urban population that is 68.84 percent and 31.16 percent respectively. A vast majority of country’s population resides in rural areas. In mid 1990s, the story of organized retail in India started in modest way in metro cities like Madras, Hyderabad and Bangalore – mainly in urban India. Today, the retail sector is witnessing exponential growth with retail development taking place not only in major cities and metros, but also in Tier-II and Tier-III cities including some of the rural and semi-urban areas. Therefore, the next phase of growth, after saturating urban retail markets, is expected to come from rural India which accounts almost half of the domestic retail market. Retail companies are expected to tap the rural segment of the country further as their key engine of growth. Therefore, companies like HUL and ITC are focusing on the rural market as it constitutes over 33 percent of India’s total FMCG consumer base. Organized retailing, especially in rural India, is still in a nascent stage. With rising income level and improving lifestyle of rural consumer, the retail sector is promising a huge growth in rural India.

In a National Retail and FMCG Summit (2011) organized by the Confederation of Indian Industry, Mr. Thomas Varghese, Chairman, CII National Committee said, “Farmers who earn less than 25 per cent of consumer price can make up to 30 per cent more through organized retail. It will benefit consumers by making common goods more affordable, leading to a savings of $25 to 30 billion or almost 0.5 per cent of country’s GDP by 2020.” Another report by A.T Kearney’s Global Retail Development Index (2011) ranked India fourth among the top 30 developing countries for retail expansion world-wide. Organized retail accounts for 7 percent of India’s roughly $435 billion retail market and it is expected to reach 20 percent by 2020. Moreover, retail sales account for 33 percent of India’s GDP and employs over 38 million people in the country. According to KPMG report (2011), Indian retail industry is the fifth largest in the world. Organized retail industry is one of the fastest growing industries in India and with growing market demand. Retail industry is expected to grow at a pace of 25 to 30 percent annually. Growing young population, rising disposable income, increasing number of working women and growing urbanization coupled with changing consumer preferences are some of the strong growth drivers of India’s organized retail industry.

KEY PLAYERS IN ORGANIZED RETAILING SEGMENT IN RURAL INDIA
The retail market in rural India is highly fragmented and mainly dominated by small and independent traditional shops. Following are some major retailers, who are, at present, catering to rural segment of India except ‘Khushali Bazaar’ which discontinued its business from April, 2010.

Triveni Engineering & Industries Ltd (TEIL) is the third largest sugar producer in India with a presence in the engineering sector. It is also the market leader for manufacturing steam turbines, high speed gears and gear boxes and water and waste water treatment equipments. It was incorporated in 1932, under the name Ganga Sugar Corporation and renamed as Triveni Engineering & Industries Ltd. on 31 March, 2000. TEIL is a diversified business model having two unrelated businesses – Sugar production and Engineering. In February 2005, the company introduced ‘Khushali Bazaar’ – a chain of stores for rural and semi urban customers mainly to support its sugar business. It operated over 0.125 million square feet with 42 stores concentrated only in UP and Uttrakhand. It launched this new enterprise to meet the demands of the farming community by offering variety of products and services like agri-products, farming equipments, cattle feed, plastic furniture etc.

Range of Products and Services offered by ‘Khushali Bazaar’
Hariyali Kisaan Bazaar:

It is the division of DCM Shriram Consolidated Limited (DSCL)’s Agri-Business. The company (DSCL) operates in two lines of business – Agri/Rural, Chemicals and polymers. Their Agri-business offerings comprise agricultural inputs, both manufactured and merchandised, outputs, distribution and services. The company initiated a ‘Rural Retailing’ initiative with the objective to move towards providing total solutions to the farmers. Hence, it can be said one-stop shop for meeting farming and family needs of the rural population. It has 264 outlets in many villages of eight different states – Haryana, Punjab, Uttar Pradesh, Rajasthan, Uttrakhand, Madhya Pradesh, Maharashtra and Andhra Pradesh. It serves approx. 4 million rural families in catchment area of around 2.2 million square feet. Each ‘Hariyali Kisaan Bazaar’ store offers multiple products and services to the rural and farming community and each of its centers operates in a catchment of about 20 kms. A typical centre caters to agricultural land of about 50000-70000 acres and impacts the life of approx. 15000 farmers.

Range of Products and Services in ‘Hariyali Kisaan Bazaar’ Retailing Services

- Agri-inputs – Fertilizers, Pesticides, Diesel and Petrol (under alliance with BPCL)
- Farming – Farming instruments, Contract farming
- Others – FMCG, durables, apparels, Seed Processing etc.
- Insurance – Agriculture, Agronomy advisory, Insurance, Credit etc.
- Others – Output Procurement & Trading

Aadhaar:

Started in December 2003, Aadhaar Retailing was Godrej Agrovet’s rural retail initiative catering to the growing consumption demand in rural India. Godrej Agrovet Ltd., a part of the Godrej Group, is a market leader in animal feeds, branded chicken, innovative agri-products & oil palm development in India. In March 2008, Aadhaar Retailing entered into a joint-venture between Future Ventures India Limited (FVIL) which held 70 percent stake and Godrej Agrovet which held rest of the 30 percent stake in Aadhaar Retailing Limited. FVIL is part of Future Group – an established leader in Indian retail sector. It had purchased the stake for Rs 30.18 core from its promoter Godrej Agrovet. Aadhaar is a rural and semi-urban retailer of agricultural products and consumer products. Besides retailing, it provides Agri-services in rural area and operating through 51 exclusive outlets (as of February, 2011). The combined entity is expected to create more value that is driven by Future Group’s excellent knowledge in retailing and Godrej’s reach of rural consumers as well as vast experience in rural marketing in the country.

Range of Products and Services in ‘Aadhaar’ Retailing Services

- Agri-inputs – Fertilizers and Pesticides
- Durables – Mobile phones & accessories, appliances, Kitchenware etc.
- Others – Furniture from Godrej Interio, Toys, Cosmetics, Stationery and gift items, fresh fruits & vegetables etc.
- Credit and Financing – Agroloans to the farmers (by HDFC Bank), Life insurance (ICICI Prudential) etc.
- Others – food-court, Soil testing and provide advice to farmers.

ITC Choupal Saagar:

ITC launched the Choupal Saagar in 2004 and it is one of the first organized retail forays into the hinterland. Choupal Saagar is a rural hypermarket which is managed by ITC’s agri-business division. Farmers can sell their commodities and can buy almost everything including cosmetics, garments, electronics, appliances and even tractors. Currently, there are 24 Choupal Saagars: 11 in Madhya Pradesh, 5 in Maharashtra and 8 in Uttar Pradesh. With the success of e-Choupal (world’s largest rural digital infrastructure), ITC is engaged in scaling up the rural retailing initiative to establish a chain of 100 Choupal Saagars in the near future. Local sourcing of vegetables and fruits allows the company to deliver fresh and save on the expense of a cold chain. Moreover, ITC’s procurement centers functions to provide farmers the option of selling their produce directly to ITC instead of bringing it to the mandi. ITC’s Agri Business Division conceived e-Choupal as a more efficient supply chain aimed at delivering value to its customers around the world on a sustainable basis. It is an initiative to link directly with rural farmers for procurement of agricultural/ aquaculture produce like soybeans, wheat, coffee and prawns (Dangi & Singh, 2010). Launched in June 2000, ‘e-Choupal’, has already become the largest initiative among all Internet-based interventions in rural India. Among those discussed above, there are few others: HUL’s Shakti, Reliance Retail’s Fresh & Fresh Plus, Mahindra & Mahindra’s Shubhlabh and Tata’s Kisan Sansar, who are capitalizing on rural India’s potential by partnering with farmers and establishing rural retail chains.

REVIEW OF LITERATURE:

To know the market as well as consumers is a challenging task. It is imperative for retailers to gain insights of rural consumers. Kulkarni (2011) emphasized that the marketers who want the effective penetration and reach in the rural markets need to understand the ever-changing nature of the rural markets because it has always been difficult to judge the rural market as well as rural consumers. The size of rural market is estimated to be 42 million households and rural market has been growing at five times the pace of the urban market.
Rural India is at the centre-stage of all retail growth in the future. However it continues to suffer from lack of basic infrastructure. Caught in the vicious poverty-cycle, rural India, in absence of adequate infrastructure, finds it difficult to undertake activities that can accelerate economic growth. Home to close to 69 per cent of India’s total population, rural India faces the daunting task of providing sustainable income and employment opportunities to a major section of the population, especially the lower income households. In absence of infrastructure facilities, there is lack of market access to rural population, slow growth in organized retail and thus, limited livelihood opportunities, stagnation in agriculture and aggravation of rural poverty levels. Absence of infrastructure also makes rural markets fragmented, characterized by high costs of transactions and high information asymmetry.

As India moves into modern retailing with several changes with regard to its markets, bands and consumers there are unique challenges that a multinational company entering India has to cope up with, whether it is a fast moving consumer goods (FMCG) company or a multinational retail chain like Tesco or Wal-Mart. There are unique retailing aspects that need to be studied in detail by these companies. While the world over the retail density (number of shops per 1000 consumers) is on the decline, the retail density in India is on the increase. This is because of the fact that small neighbourhood shops called kirana shops about eleven million in India. They have been a part of the Indian shopping culture for several decades and even toady organized retailing (modern retail outlets) contribute just 2-3% of the total retail sale in the country. Point of Purchase (POP) materials are used both by kirana shops and by organized supermarket retail outlets. This study investigates the impact of POP materials on kirana shop purchases and the purchases of consumers from supermarkets. Given the importance of POP material on the purchase of FMCG purchases, the authors feel that this study will be useful to bridge the gap between theory and practice and will provide valuable insights to managers involved in retailing.

Rural Marketing: Success Stories:

Over the past few years schemes like ITC’s echaupal, HUL’s project Shakti, shampoo sachets launched by Chick, BSNL’s rural schemes have made a mark in rural India. Many retail hubs like Kisan Sansar (Tata), Haryali Kisan Bazar (DMC), Reliance Fresh, Naya Yug Bazaar, etc has been able to make a dent in the village economy. The most successful story is that of HUL, the Indian subsidy of Uniliver. The trigger point for HUL came when a local firm Nirma, through its new product formulation, pricing and distribution challenged HUL’s detergent business. Nirma’s strategy was to attack from below or at the bottom of the pyramid. This made HUL not only realize its vulnerability but also identify a new opportunity. Since then, HUL has launched various initiatives to reach out to the rural consumer. It has not only changed its packaging and product compositions but has successfully tried to broaden and strengthen its distribution channels into the grassroots level. HUL has also empowered rural women by assisting them in obtaining financial assistance through its Project Shakti.

According to figures released by market researcher AC Nielsen, demand for personal care products grew faster in rural areas than urban areas during the period April-September 2009. Several FMCG companies such as Godrej Consumer Products, Dabur, Marico have increased their marketing efforts in rural India and small towns in order to establish a local distribution networks and increase visibility. ’Rural melas’ are being organised by Godrej in order to access potential rural consumers. Major domestic retailers like AV Birla, ITC, Godrej, Reliance and many others have already set up farm linkages. Hariyali Kisan Bazaars (DMC) and Aadharas (Pantaloons-Godrej JV), Choupal Sagars (ITC), Kisan Sansars (Tata), Reliance Fresh, Project Shakti (Hindustan Unilever) and Naya Yug Bazaar have established rural retail hubs. Coca-Cola and Pepsi soft drink brands suffered a setback in August 2008 due to a product contamination scare. Both of them had already cut profit margins in order to fend off competition from low-priced local fruit drinks. This prompted their focus to shift to the rural belts. Indian consumers are accustomed to drinking a variety of locally-produced soft drinks that are sold in small stands throughout the country. Rural India is still a highly price-sensitive marketplace. Moreover the average consumer has insufficient income to engage in discretionary spending. In order to position themselves for sales growth, the major soft drink companies priced a 200-ml bottle at Rs 5 per bottle. In order to remain cost competitive, soft drink companies had to contain the transportation costs involved in expanding their distribution network into distant towns and villages. Faced with high fuel and vehicle costs, companies are turning to less expensive means of transportation including ox carts and rickshaws.

OBJECTIVES OF THE STUDY:

(a) To study the formats of key players in organized retailing segment in rural India;

(b) To analyze the factors affecting rural retailing in India.

(c) To study the opportunities and challenges faced by rural retailers.

RESEARCH METHODOLOGY:

- TYPE OF STUDY: the study is Exploratory in nature. This type of research is conducted for a problem that has not been clearly defined. We have collected primary data with the help of self-designed close ended questionnaire duly filled by the rural people.

- SAMPLE SIZE- For collecting data, convenience sampling method was used. Various nearby villages were surveyed and the sample size was 100.

- TOOLS OF DATA COLLECTION- Self-designed closed ended Questionnaire was used as a tool to collect the data.

- TOOLS OF DATA ANALYSIS- Data is analyzed using percentage analysis with the help of pie charts.

Opportunities and Challenges for Retailers in Rural Markets
Opportunities:

There are enormous opportunities for the retailers that can be ensched if they enter rural markets with suitable formats in order to serve the rural consumers by focusing on all key elements.

Growing Farm and Non-Farm Income:

According to The National Council for Applied Economic Research (NCAER), India’s annual per capita income almost doubled from Rs.23, 198 in 2004-05 to Rs.46, 492 in 2010-11. Rural growth far outrstribed that in cities because of growing farm and non-farm incomes and government largesse in terms of loan waivers, guaranteed jobs and better support prices for crops. By 2015-2016, the rural income from non-farm and farm activities is expected to be 68 per cent and 32 per cent respectively compared with 60 per cent and 40 per cent respectively in 2007-2008. Similarly, there is change in consumption of food and non-food articles among consumers in rural India. From financial year 1988 to 2010, the consumption of non-food articles have increased from 36 per cent to 46 per cent of total spends. During the same period, consumption of food articles has been reduced from 64 per cent to 54 per cent of the total spends. Therefore, growing income of population in rural India will cause growth in consumption for food as well as non-food (car, bikes, fashion accessories etc.). So, there are clear signs of demand coming from rural segment of the country and therefore, a bouquet of opportunities for retailers to cater to their demand in the way it is required.

Challenges:

As many as opportunities, so many challenges too exist for organized retailing in rural India.

1. Difference between Organized and Unorganized Retailing in India: In the United States, 15 percent of retailing is unorganized, while 85 percent is organized. In India, it is just contrary i.e., out of total retail sector, 95 percent is unorganized and only 5 percent is organized. India’s unorganized sector competes with the organized sector in four main ways: Last mile delivery, Store locations, Consumer relationship building, and Credit based delivery.

2. Geographical and Cultural Differences: the culture of India is an amalgamation of diverse sub-cultures spread all over the Indian subcontinent. And cultural differences, most often, become very important factor for retailers to address. For instance, cultural differences were partly responsible for Wal-Mart’s difficulties in Germany and South Korea. So, retailers need to address this issue well before they enter Indian rural markets.

3. Urban – Rural Inequality: the main occupation of the Indian rural population is agriculture and related occupations. And they draw their livelihoods from crop cultivation, livestock, forestry or fishing etc. Whereas, the main livelihood drawn by urban population is mainly within the continuum of non-agricultural production or making/selling goods or services.

By understanding these differences, the retailers can decide a merchandise-mix that matches the needs of rural consumers. For instance, Aadhar Retailing – (Future Venture India Ltd.) subsidiary mainly stocks FMCG and Durable products but also stocks agri-input products to cater to farmer community and their needs. Lack of adequate infrastructure coupled with high penetration of small retailers makes retailing in rural markets highly fragmented. So, for a retailer, before entering rural markets, it is very important to gain knowledge and insight of target consumers as well as markets. They need to formulate their strategies that could be different from urban markets, to encase given opportunities and address some of the challenges discussed above.

CONCLUSION:

Various management scholars and economists have addressed the issues regarding rural markets and consumers in India. But, very less attention has been given to explore the sustainable business proposition for retailers to access Indian rural markets. The project depicts the understanding of rural market and rural consumers and Factors affecting rural retailing in India. This project provides suggestions to the retailers to play active role in adapting to the prevailing environment in Indian rural markets and help overcome challenges which are main obstacles for the growth of rural India. On the basis of the analysis done from the primary data collected from the rural people, following conclusions have been drawn:

- Large number of rural people prefers to visit Hariyali bazaar rather than other grocery stores. The most important thing is that people are well aware of rural malls and its benefits.
- Large group of people admit that they enjoy shopping from retail malls and they find items to be cheaper.
- 32% people agreed that they get better financial returns from retail chains for their grains.
- Farmers are the one who are benefited at its best because they could easily get complete agricultural solution and all the consumable and household items in these stores.
- Rural people get complete variety of products and services there, which reduces their trips to urban areas.
- Rural people are not much aware of private brands.
- 44% of total respondents agreed that FDI in rural India will contribute to the growth of retailing.

SUGGESTIONS:

- Try to generate more awareness of varied products among rural consumers that can be done by different promotional techniques.
- Retailer must work upon the supply chain management to provide better quality products at reasonable prices.
- Government and big corporate houses must try to improve the (infrastructure, Electricity, Road, Internet.)

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