

## Rural Retail Innovations in India: New Dimension in Marketing

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Accepted 24 November 2013, Available online 01 December 2013, (Nov/Dec 2013 issue)

### **Abstract**

According to the great management guru Peter Ducker "the organizations' have only two functions, one is marketing and other is innovation." Rural markets are characterized with huge potential for marketers, but at the same time pose several challenges to serve them with similar set of marketing mix used in urban settings. The main challenges in rural marketing are: **Physical distribution, Channel management, Promotion and communication, Poor infrastructure, Uneconomical market size, Diverse socio-economic Consumer profile.** Against the backdrop of such a market environment, marketers need to design creative solutions to achieve success in rural markets. The problems of physical distribution and channel management adversely affect the quality of service (delivery) and cost. With poor or even no means of communication to exchange information with rural consumers directly, the success of a brand depends largely on the village retailers. Therefore, rural marketers have felt a great need to overcome the existing limitations across business stages in general and distribution in particular of which retailing is the final stage.

**Keywords:** Rural Retail Innovations, New Dimension In Marketing.

### **Introduction**

#### **Need of Innovation For Rural Market**

As the competition increases in the rural market there might be the need for competitively priced products that are developed as per the needs of the rural consumers. Non-consumers of yesteryears are entering into the rural market as first time buyers for a large number of products in a large numbers. This calls for shift in management thinking from gross margin to higher profit from high value unit sales to game of high volumes, capital efficiency and from one solution fits all thinking to market innovation.

#### **Principles of Innovations for Rural Markets**

The principles and practices of innovation to be adopted in rural market have to take into consideration: needs, lifestyles and consumer behaviour of the rural population. It is extremely important that the product, pricing, promotion and distribution strategy are not just innovative alone but they must make product value proposition attractive and relevant for rural consumers.

#### **Process Innovation**

Process innovations are critical in rural markets.

Innovation must focus on building a logistics infrastructure, including manufacturing that is in accordance with the prevailing conditions and can deliver solutions in a cost effective manner.

#### **Product Innovation**

Product development must start from a deep understanding of functionality, not just form. Marginal changes to products developed for customers in the towns might not be that effective in rural market. The infrastructure and environment, in which the rural consumers live and work in, demand a rethinking of the functionality a new. Poor consumer's problems cannot be solved with old technologies. New technologies need to be developed to make the product relevant to the rural consumers whose product use environment is very different from urban consumers.

#### **Price Innovation**

Conserving resources is the mantra; the product meant for rural market must eliminate or reduce, the various recurring costs and thus should reduce resource intensity. The option of reuse, refill and recycle are critical principles in product development for rural market as they reduce the overall cost of the product. India is a value for money society- while the value may range from a few rupees to millions, the basic instinct remains the

same. Market strategies must ensure the prices of the product are reduced either through re-engineering, cost saving in operations, reduction in pack sizes, deletion of frills from the core product, etc. but this reduction in price should not be at the cost of quality and service. Organisations have to focus on price performance of the product.

### **Promotional Innovation**

Changing demographic and spending profiles present countless opportunities for a creative response by the corporate sector. Promotional campaigns have to be innovative to target the youngsters by engaging them through combination of media options. Promotional campaign such as video mounted on trucks traveling low cost theatrical need to be undertaken for any serious promotional effort in rural areas.

### **Rural Retailing**

Retailing in India is slowly on the rise with changing consumer preferences and tastes and evolution of a global structure. Rural markets are relatively virgin markets, which have evolved on their own with very little direct contact with them by the corporate world, but their size is compelling and attractive. Retail sector offers opportunities for exploration and investment in rural areas, with Corporate and Entrepreneurs having made a foray in the past. India's largely rural population has caught the eye of retailers looking for new areas of growth. Market structure in India is dichotomous having rural and urban markets.

Retail outlets have sprung up practically in all the villages. In interior villages retailing is a part time chore unlike the case of the retailer in town. In a part of their house, the villagers make retail counter. The maintenance costs for retail outlets in interior villages are also low with most of the cost spent on traveling and transportation. One of the principal reasons behind the explosion of retail outlets and its fragmented nature is that retailing is probably the primary form of disguised unemployment/underemployment. The overcrowded agricultural sector, stagnating manufacturing sector, the hard nature of jobs and low wages in both virtually force many Indians to the service sector. So, it is almost a natural decision to open a small shop or store depending on the available means and capitals due to the lack of opportunities. This phenomenon explains the million of kirana shops and small stores. ITC launched the country's first rural mall 'Chaupal Sagar', offering a diverse product range from FMCG to electronics appliance to automobiles, attempting to provide farmers a one-stop destination for all of their needs. There has been yet another initiative by the DCM Sriram Group called the 'Hariyali Bazaar' that has initially started off by providing farm related inputs and services but plans to introduce the complete shopping basket in due course. Other corporate bodies

include Escorts and Tata Chemicals (with Tata Kisan Sansar) setting up agri-stores to provide products/services targeted at the farmer in order to tap the vast rural market.

### **Innovation and Creativity in Rural Retailing**

To tap the vast potential of rural India, the models of marketing which is for the urban markets will not fruitful. Innovative models are required to tap the potential of the rural India. Some proved innovative models which are being used by the corporates in the rural India are discussed below.

#### **Godrej's Aadhaar and manthan**

Manthan focuses on supplying animal feeds for dairy and poultry. On the other hand Aadhar is a supermarket, which retails agricultural inputs such as fertilizers, pesticides, animal feeds and small implements along with FMCGs, appliance and also services, like valuable technical guidance, soil & water testing services.

#### **HUL Project Shakti**

Hindustan Unilever Limited (HUL) and its constituent companies have been in India since 1931. HUL has been proactively engaged in rural development since 1976. The principal issue in rural development is to create income-generating opportunities for the rural population. Such initiatives are successful and sustainable when linked with the company's core business and is mutually beneficial to both the population for whom the programme is intended and for the company. Based on these insights, HUL launched Project Shakti in the year 2001, in keeping with the purpose of integrating business interests with national interests there are more than 40,000 Shakti Entrepreneurs across India.

#### **HUL: Shaktimaans-To-Power-Rural-Reach**

The company is utilising the skills of the likes of Sudharkar to distribute its products in remote villages which have a demand for such products, but don't have a distribution network.

Every day, Sudharkar sets out on a bicycle which has been provided by HUL for him to commute to villages to distribute products and sachets of popular brands like Wheel, Lifebuoy, Pond's, Brooke Bond, among others, to aspiring consumers. Earlier, these consumers had to satisfy their needs by purchasing products from nearby villages where the company has direct distribution. Now, their needs will be met in their own villages by the visiting shaktimaans.

A shaktimaan is a male member of a shakti entrepreneur family. In 2000, HUL collaborated with self-help groups to expand its rural reach under project shakti. It partnered women entrepreneurs called shakti ammas from rural areas of Andhra Pradesh and 14 other states by

offering them opportunities for business. HUL soon figured out that the men folk from shakti households, who would by now be familiar with the operations and product range of the company, could be used for the next leap — to reach villages with a population of less than 2,000. They have been christened shaktimaans.

### **DSCL HARYALI Stores**

DCM Shriram Consolidated Ltd. (DSCL), capitalizing its over 35 years of experience in the agri-input markets & first hand knowledge of Indian farmers, is setting up a chain of centers aimed at providing end-to-end ground level support to the Indian farmer & thereby improving his "profitability" & "productivity"

"Hariyali Kisan Bazaar" is a pioneering micro level effort, which is creating a far-reaching positive impact in bringing a qualitative change and revolutionizing the farming sector in India. It is also an example of how well meaning corporate can contribute to development of agriculture by building sustainable business models. It seeks to empower the farmer by setting up centers, which provide all encompassing solutions to the farmers under one roof. Each "Hariyali Kisan Bazaar" centre 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

### **ITC E-Choupal**

ITC's trail-blazing answer to these problems is the e-Choupal initiative; the single-largest information technology-based intervention by a corporate entity in rural India, enriching the farmer with knowledge; elevating him to a new order of empowerment. E-Choupal delivers real-time information and customized knowledge to improve the farmer's decision-making ability, thereby better aligning farm output to market demands; securing better quality, productivity and improved price discovery. The model helps aggregate demand in the nature of a virtual producers' co-operative, in the process facilitating access to higher quality farm inputs at lower costs for the farmer. The e-Choupal initiative also creates a direct marketing channel, eliminating wasteful intermediation and multiple handling, thus reducing transaction costs and making logistics efficient. The e-Choupal project is already benefiting over 3.5 million farmers. By 2012, the e-Choupal network will cover over 100,000 villages, representing 1/6th of rural India, and create more than 10 million e-farmers

### **M & M Shubh Labh Stores**

The venture will leverage on Mahindra's agribusiness division, which is involved in contract farming, contract services, exports and agri retailing. MSSL is involved in contract farming across 100,000 acres in eight states,

covering 30,000 farmers. The company had set up agri centers in various districts of the country either under the Mahindra Krishi Vihar franchisee model or directly as Mahindra Agribusiness. These centers are one-stop shop for agro service, retailing of agro inputs and procurement of produce.

### **Bharat Petroleum**

Bharat Petroleum is planning to target cluster of smaller villages with a population of about 200 to 250 households. It is planning to set up the pumps for these small villages will be smaller in size and therefore will be low priced units in terms of the cost of the infrastructure to establish these outlets. These retail outlets will serve a radius of seven to eight such villages.

### **Reliance Rural Hub**

It is piloting a rural-business-hub (RBH) model in a Gujarat village, which if successful and implemented could rival that of DSCL's Hariyali Kisan Bazaar and Future Group's Aadhar. RBH would offer farm input, food, grocery, consumer durables, and financial and health services. It will also provide farmers a platform to sell their produce, an equivalent of village haat.

### **Warna Bazaar**

Warna Bazaar is the name of two superstores in Kolhapur and Sangli in Maharashtra, which are set up in the area of 10,000 sq. ft. Along with that they have 30 stores of 500-1,000 sq. ft at the village level. These stores retail products like apparel, food, grocery, agri-inputs, vehicles, consumer durables and hardware.

### **Conclusion**

The world is changing like never before. This change is more attributed to the way business practices and strategies are changing across the globe. Business organizations are rapidly changing their domain and strategy to take benefit of this emerging global order. Rural marketing endeavors have to be seen and implemented as investment for better tomorrow. Thus successful company will be one which meets consumer's expectations through products offered at affordable cost and still is in position to earn a decent return on investment because of its strong, efficient and intelligent distribution channel.

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