

Rural Retail Management

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Abstract

The rural buyer represents a separate and distinct category. Separate, because of his isolation and remoteness, which call for special distribution strategy and channel management. Distinct because of his specific needs, habits, literacy level, which in most respect are different from those of urban consumers. The rural market calls for extra efforts to ensure timely supplies, user training and the entire gamut of pre-sale services. Rural distribution is considered a nightmare because of the six-lakh odd villages in the country plus low off-take per retailer, high distribution cost because of the geographical spread and low volume of purchase. Here distribution cost should be treated as an investment in the long-term gain and not as expenditure in the short run. Rural marketing is described often as challenging, fascinating, expanding and highly profitable. Retail-network enjoys a significant position in the entire rural marketing system. It serves as last link in distribution system. Wide range of activities performed by him such as determining out consumer need, finding supplier, buying, transporting, pricing and promotion exercise. Generating awareness pays dividends only when steps are taken to ensure constant availability of products. In rural India particularly, availability determines the volume and market share, because the consumers usually purchases what is available at the outlet, influenced largely by the retailers For most companies wanting to enter the rural markets, distribution poses a serious problem. Distribution costs and non-availability of retail outlets are major problems faced by the marketers. But if one takes a closer look at the characteristic features of the rural market, it will be clear that distribution in fact, is no problem at all. In the absence of market places, shopping complexes and malls, marketers will have to abandon the known and the familiar and instead understand where rural consumer buy their goods, services and products. This is an attempt on the challenges of rural distribution via an important link called rural retailing with the following objectives: To ensure that the product reaches the rural retail outlet , To motivate the retailer to stock a product or a brand , To ensure that sufficient stocks will available at retail shelf, so it generates higher reach among the rural consumers, To understand the rural purchase

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behavior, To understand profile of retailers , To understand the retail system in channel management.

It then analyses the characteristics of the rural retail system and the existing channels of distribution for different product categories. Apart from the above it also cover some

other critical elements such as, the evolution of retailing in India, different forms of retail outlets option in rural areas, its importance, challenges and emerging models and innovations in rural distribution and retailing.

Introduction

The recent interest in rural marketing is on account of its vast unexploited potential. One hundred and twenty million households, nothing less than 12.2 percent of the world's consumers. The rural market was tempting since it comprised 74 per cent of the country's population, 41 per cent of its middle class, 58 per cent of its disposable income and a large consuming class. That is rural India for you.

Gone are the days when a rural consumer went to a nearby city to buy "branded products and services". Time was when only a select household consumed branded goods, be it tea or jeans. There were days when big companies flocked to rural markets to establish their brands. Today, rural markets are critical for every marketer - be it for a branded shampoo or an automobile. Time was when marketers thought van campaigns; cinema commercials and a few wall paintings would suffice to entice rural folks

under their folds. Thanks to television, today a customer in a rural area is quite literate about myriad products that are on offer in the market place.

Here the rain gods still play havoc with one's dreams. The dusty village path winds past a cluster of slumbering cottages and leads one to a weekly rural bazaar or haat, brimming over with din, bustle and transaction. This is where the real India resides. Telephone is a luxury here. Electricity, if at all, comes here only in fits and starts. These problems are compounded by the logistics, which form a barrier to rural market. The 'not-for-us' philosophy and the attitude of 'we tried, but it is not worth the effort', therefore find favour in the face of these challenges. Pioneers in the rural market command consumer loyalty and retail shelf-space.

However, things are changing fast now. Thanks to the increasing literacy level and media explosion, people are becoming conscious about their lifestyles and about their rights to live a better life. Brand consciousness is on the rise. This, clubbed with increasing disposable income of rural households, has made the rural consumer more demanding and choosier in his purchase behaviour than ever before. And the dusky village damsel has now learned to pine for a satin rose. In spite of

recognizing the potential of this vast market of 700 million, marketers are often unable to cater to it because of lack of adequate infrastructure. The distances between villages, the terrain and the lack of pucca roads connecting the places act as impediments for them to reach their customers. But once if they overcome these hassles and reach those remote bazaars to be first on the shelf in the product category, they develop a privileged relationship with the retailer that offers them a tremendous competitive advantage. Rural retailers are far less specialized than their urban counterparts and carry a wider range of products. Since frequent delivery is not possible in their part of the world, they tend to carry only a single brand in each product category. And, usually, the brands that are first on the rural shelves become synonymous with product category and are difficult to dislodge. For instance, Maggi noodles, the brand that created the category of instant noodles, reached the rural shelves before anyone else and remained the market leader ever since. Thus, a drive down the rugged countryside, sans electricity and other modern facilities, is, surely, torturous. But the pain is worth bearing.

India has an extensive sales and distribution network. It is estimated that there are over 1 million market intermediaries - wholesalers, stockists, transporters and retailers - that are involved in the

distribution of a variety of consumer goods. Marketers use this network to access nearly 3,800 cities and towns and over half a million villages. While urban areas have a range of distribution outlets from large supermarkets and superstores to the smaller neighborhood retail stores, almost every village in India is catered to by small shops that are part of the local supply network.

One more gray area that needs to be probed into is the importance of retailer in rural trade. Rural consumer's brand choices are greatly restricted and this is where the retailer comes into the picture. The rural customer generally goes to the same retailer to buy goods. Naturally there's a very strong bonding in terms of trust between the two. Also with the low education levels of rural sector the rural buying behavior is such that the consumer doesn't ask for the things explicitly by brand but like "laal wala sabun dena" or "paanch rupey waali chai dena". Now in such a scenario the brand becomes subservient to the retailer and he pushes whatever brand fetches him the greatest returns. Thus, as there is a need to understand the rural consumer, similarly need is there to study the retailer, as he is a chief influencer in the buying decision.

Defining Rural

Seventy percent of India's population, or approximately 700 million people, live

in rural areas (Moorthi, 2002). As of the 2000 census, this equates to just under 2.5 times the population of the U.S. A location is defined as rural if at least 75 percent of the population is agrarian. With such a large number of potential consumers, it is clear why multinational corporations would like to successfully penetrate the rural Indian market.

Size of Rural market:		
Sl. No	Estimated annual size:	
Rural Market		
1	FMCG	Rs. 65,000 crore
2	Durables	Rs. 5,000 crore
3	Agri-Inputs	Rs. 45,000 crore
4	2/4 Wheelers	Rs. 8,000 crore
5	Total	Rs.1,23,000 crore

Source: Francis Kanoi 2002

Retailing in India – An overview

The retail market in the country continues to be unorganised and fragmented with a pronounced rural bias despite a market size worth \$180 billion. According to the 'Retailing in India' report by Price waterhouse Coopers, 98 per cent of the 12 million retail outlets in the country are in the unorganised sector (the largest number in the world). The report said this sector provides jobs to 15 per cent employable adults and perhaps makes the largest contribution to the GDP. The organised retail sector—which constitutes just two per cent, is expected to grow six-fold by 2006 with food and grocery accounting for about 40 per cent of the total

market. Organised retail chains are expected to generate 50,000 to 60,000 direct jobs in the next five years. By the turn of the 20th century, the face of the Indian retailing industry had changed significantly. The retailing industry, which, until the early 1990s, was dominated by the unorganized sector, witnessed a rapid growth in the organized sector with the entry of corporate groups such as Tata, RPG, ITC and Bennett Coleman & Company into the retailing market.

With the liberalization and growth of the Indian economy since the early 1990s, the Indian customer witnessed an increasing exposure to new domestic and foreign products through different media, such as television and the Internet. Apart from this, social changes such as increase in the number of nuclear families and the growing number of working couples resulting in increased spending power also contributed to the increase in the Indian consumers' personal consumption.

These changes had a positive impact, leading to the rapid growth in the retailing industry. Increased availability of retail space, rapid urbanization, and qualified manpower also boosted the growth of the organized retailing sector

Rural Retailing-What is the rural market like?

It is a huge market, but dispersed, in terms of size. There are developed and non-developed rural markets. The income shift from lower to higher is taking place faster in rural areas. Cable TV has revolutionized minds, especially those of women and

children. They are the main demand - generators. They now aspire to lifestyle products, not just basic ones. Word-of-mouth is extremely important here. One-to-one efforts are imperative. It takes a totally different mindset to understand the intricacies of marketing for this segment. There are problems with distribution, with language, the products themselves may not be in the right sizes and at the right process, there is not much infrastructure, literacy levels are low, so is per capita income, the number of rural retail outlets is low, rural credit is lacking, banking facilities are inadequate, spurious brands flourish, demands are seasonal and villagers are highly suspicious of the big city types, they feel exploited - all these factors make the rural markets a tough nut to crack

Of late, India's largely rural population has also caught the eye of retailers looking for new areas of growth. ITC launched the country's first rural mall 'Chaupal Saga', 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

The challenges

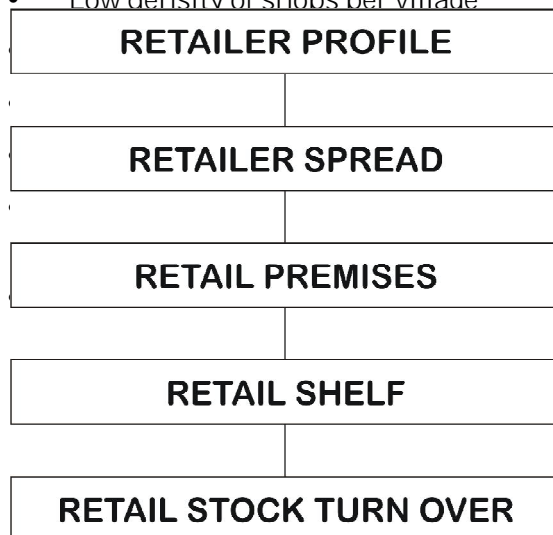
Though rural markets present a great opportunity to companies, they also impose major challenges. The main challenges in rural marketing are:

- High initial market development expenditure
- Problems related to market research
- Physical Distribution – It is a formidable challenge because it asks for physical distribution of goods over a network of over 35 lakh village shops. The average monthly sale per village shop is less than Rs. 5,000
- Channel Management
- Inability of the small rural retailer to carry stock without adequate credit facility
- Promotion and Marketing Communication

Even today the biggest challenge is distribution. The cost of reaching the goods and services to rural India is prohibitive. It is not commensurate with the returns that the marketers expect. Generating consumer awareness about goods and services pays dividends only when, simultaneously steps are taken to ensure constant availability of the advertised products in the market. In rural India in particular, availability determines volume and market share, because the consumer usually purchases whatever is available at

the out let, influenced largely by the retailers advices and recommendation. Very few corporates are really 'walking the talk' when it comes to rural marketing. Except the original rural marketing giants such as Hindustan Lever Ltd (HLL) and ITC, who continue to dominate the scene with their constant innovations in this area (Project Shakti of HLL and e-Choupal of ITC), most corporates pay only lip service to the subject. Of course, there are a few who have started establishing separate rural sales and marketing teams and allotting special rural budgets (though, proportionately very low). The emphasis for the present seems to be on distribution, which is to ensure availability of their brands even in smaller markets. The main challenges in rural distribution are:

- Large number of markets
- Dispersed population
- Poor connectivity
- Large number of intermediaries
- Low density of shops per village



1. Retailer Profile

There was a time when rural consumers purchased most of their requirements from nearby towns. Recently it has been observed that there has been a greater shift towards purchasing locally. This change has an important implication for the rural marketer. There is need to access retailer in small towns and larger villages and promote products there. Products that are purchased locally must be available in smaller retail outlet in villages.

2. Retailer Spread

The retail profile examined here with the above chart i.e. the rural market comprises small-dispersed village settlements, infrequent retail outlets and low off-take per retailer. The high distribution cost due to the geographical spread and the low volumes result in a barrier to entry of products in the rural market. The high distribution costs become a barrier when volumes are low. To build volumes there is need to invest in distribution frequent visits to rural villages, but high costs make this unviable. The "distribution cost – volume cycle"

require a substantial marketing effort to reach the retail shelf. The entry into rural markets requires a long-term perspective rather than a short-term gain, in other words the cost is to be treated as investment and not expenditure.

3. Retail premises:

A village retailer operate under a number of infrastructural constraints i.e., lack of sufficient space, inadequate or no power supply, lack of proper storage system, financial constraints etc. Retail shops in rural areas in India have the lowest retail space per capita in the world; nearly three out of four shops have less

than 100 sq. ft. area and its maintenance cost is negligible especially in remote areas; here expense is mainly on travel and transportation.

4. Rural retail shelves:

Mostly retail outlets stock a few product categories and retailers also carried very few items with in a category. No of units per product category is again very low because of these the following two reasons:

1. Want of capital and credit facilities from the marketers or distributors

2. Less Shelf space			
Therefore one who comes fast can occupy the shelf space and no room for the new products. Three out of four shops in rural areas are small beedi shops or provisions stores selling almost all important consumer products. Only in feeder towns one could see specialised shops such as chemists, repair shops etc. The following re the products available on rural retail shelves			
Types of rural outlets		Rural retail penetration	
Type of shop	Shops (%)	Product category	Penetration (%)
Provisions stores	66	Toilet soap	86
Pan/Bidi Shops	60	Washing Powder	80
Fair Price Shop	32	Shampoo	77
Cycle Repair	28	Biscuits	75
Textiles	14	Razor Blades	70
Vegetables	14	Battery	69
Hotel	13	Tea	61

Liquor shop	12
Tooth Paste	59
Chemist	8
Salt	51
Others	8
Soap	46

Source: RMP 1990 (column total exceeds
Source: A. C. Nielsen Retail Store Audit,
100 because of multiple shop type)
MAT July 2004

5. Stock Turnover:

The cash outlay of rural retail outlets is extremely low and most of it is invested in Fast moving brands and high margin commodities. The low off take, low stocks and low stock turnover ratio together pose a challenge to the marketer of a new product. To achieve this goal one should offer consumers a combination of attractive margins, credit facilities

RETAILER BEHAVIOUR

Understanding retailer behaviour has a critical influence on channel management. The ability to influence the retailer to stock and promote products requires identifying the manner in which the retailer performs his retailing.

REASON FOR STOCKING A PRODUCT OR BRAND

Rural retailer stock a particular item usually because consumers request it and

to a lesser extent because of distributor push or because a competitor stocks the items, most of the time margin in particular product is the major reason of stocking of a particular product. This implies that the marketer has to direct his effort to promoting the brand both to the consumer and to the retailer. This supports the inference based on the observation of loyalty of the rural consumer to both the brand and the retailer

PRICING

Some retailers in interior villages charge more than the MRP. They justify overcharging by pointing out they spend time and money to fetch the products from distributors / wholesalers. This is turn suggests that the higher margins are sought by retailers in rural markets. This inference is supported as it is observed that festival discounts given by the manufacturers to retailer normally contribute to increase stock levels in the shops. These concessions are almost never passed on to consumers. A rural retailer may deliberately under cut the price of a fast moving brand in order to increase the turnover in his shop.

RETAIL CREDIT

Small retailers and retailers in interior villages make their purchase in cash while big retailers in feeder markets buy on credit. The marketer has to ensure that the channel not only services the product requirements but also extends credit to retailers in villages.

PURCHASE SOURCE

The marketers or distributors, because of remoteness or cost of distribution do not visit most of the retail outlets in rural areas. Therefore rural retailers have to visit either feeder towns or nearby cities for their purchase requirements.

CHANNEL PROMOTION:

Retailers in interior villages do not avail of discount schemes and they prefer not to stock more, while this may not be so far a retailer in the feeder markets. Marketers have to direct the schemes for retailers in interior villages. Discount schemes should be targeted to retailers in feeder market and are usually ineffective in interior markets. Discounts for retailers in feeder markets are relevant as the additional stocks carried by outlets in the feeder markets meet the needs of not only the consumer but also the retailer in the interior villages.

Other forms

The Retail Outlet on Wheels

Mobile vans have an important place in distribution and promotion of products in villages. In this system the salesman, the sales man loads the van with stocks from the nearest stockist or company stock points and works the surrounding markets.

These vans can be your mobile retail outlets - for spot sales against cash in bazaars, melas, festivals and mandirs

The company could simultaneously ply vans that stock its products to create not only sales volumes, but to build up

stockists' confidence and improve cash flows. Furthermore, the company's mobile distribution network and the executives who operate it could build up considerable clout with the rural sub-stockists and retailers by providing them with useful tips for healthy homes and imparting information on improvements in farming.

Rural Mobile Traders

This is an age old, direct to home, unorganised distribution system in rural India. They sell a variety of daily need products, mostly spurious and local brands ranging from detergents cosmetics, bangles garments etc. they carry their products on bicycles, handcarts, on mopeds, jeeps or on foot. They visit one to two villages and 40-50 households per day. It could possibly emerge as one of the cost effective ways of selling directly to rural retailers or consumers. The lack of motorable roads and high distribution costs the bugbear of any rural marketer are not a hindrance any more.

Haats and Melas

There are 47,000 haats or markets (more than the total number of retail chain stores in the US) and 7,000 commissioned mandis servicing lakhs of visitors each week. In spite of well-developed markets, these temporary markets play a vital role in the rural economy. These could be a regular platform to reach out to rural consumers. These markets provide people an opportunity not only to purchase consumer goods, but also to sell surplus agricultural and allied products. They provide a first contact point for villagers with

the market, a mean for distribution of the local products and exchanging rural surplus, an opportunity for buying daily necessities as well as farm supplies. Each haat caters to the needs of a minimum of 10 to a maximum of 50 villages, drawing around 4,000 persons who come to buy and sell a range of daily necessities and services. The average number of outlets in a haat is 314 and sales exceed Rs. 2 lakh on the haat day. Also, there are more than 25,000 melas held in India each year, but 90% or so of these melas are religious gatherings and have limited scope for commerce.

Public Distribution System (PDS)

PDS is a system of distribution of essential commodities to a large number of people through a network of FPS (Fair Price Shops). The commodities are wheat, sugar, edible oil and kerosene. It has emerged as a major instrument of the Government's economic policy aimed at ensuring availability of food grains to the public at affordable prices as well as for enhancing food security for the poor. PDS with a network of about 4.76 lakh FPS is perhaps the largest distribution network of its type in the world. Out of the total number, 3.8 lakh i.e., 80% are in rural areas.

Cooperative societies:

They occupy an important place in India's rural economy in terms of their coverage of population and their share in the total supply of agricultural inputs, including credit. India has the largest

network of cooperatives in the world, constituting more than 4 lakh cooperatives spread across the country, even in the remotest villages.

Rural Distribution Strategies

1. EFFECTIVE UTILISATION OF WHOLESALERS

There is a great need for revitalization of wholesalers for effective reach. It is necessary to adopt a conservative, go-slow approach. A separate sales representative must be appointed to take care of nearby rural outlets or a mobile van should be provided to him for rural distribution. Avoid direct service plans to rural areas in order to protect the interest of the wholesalers.

2. EFFECTIVE UTILISATION OF RURAL RETAILERS

The retail establishment where most rural consumers purchase their day-to-day goods is at a kirana or street shop. These small open stalls line the streets and are approximately the size of a living room. Consumers purchase everything from bananas to razors at a kirana. With over 2.5 million kiranas throughout India's rural towns and villages, keeping store shelves stocked is one of the main challenges to consumer goods manufacturers (Bullis, 1997). In order to reach these local shops and establish a brand presence in them, companies need substantial amounts of working capital and a large committed sales force (Dawar and Chattopadhyay, 2002). The rural customer generally goes to the same retailer to buy goods. Naturally

there's a very strong bonding in terms of trust between the two. Also with the low education levels of rural sector the rural buying behavior is such that the consumer doesn't ask for the things explicitly by brand but like "laal wala sabun dena" or "paanch rupey waali chai dena". Now in such a scenario the brand becomes subservient to the retailer and he pushes whatever brand fetches him the greatest returns. Thus, as there is a need to understand the rural consumer, similarly need is there to study the retailer, as he is a chief influencer in the buying decision. As a result the retailer pays a significant role:

- Creditability
- Influence leader
- Brand promoter
- Relationship marketer

Extending availability

Rural marketing in India has traditionally revolved around two strategies. One focuses on ensuring that the product reaches deep into the countryside, while the other stresses communication of the brand's values to rural consumers. It could be achieved by making use of interactive communication formats such as road shows to build its brand equity among rural consumers.

The company could simultaneously ply vans that stock its products to create not only sales volumes, but to build up stockists' confidence and improve cash flows.

Furthermore, the company's mobile distribution network and the executives who operate it could build up considerable clout with the rural sub-stockists and retailers by providing them with useful tips for healthy homes and imparting information on improvements in farming.

Wall Paintings for effective communication on retail outlets

Wall Paintings are an effective and economical medium for advertising in rural areas. They are silent unlike traditional theatre. Retailer normally welcomes paintings of their shops, walls, and name boards. Since it makes the shop look cleaner and better. Their shops look alluring and stand out among other outlets. Besides rural households shopkeepers and panchayats do not expect any payment, for their wall to be painted with product messages. The greatest advantage of the medium is the power of the picture completed with its local touch. A good wall painting must meet some criteria to generate awareness and remind consumer about the brand

- o **Extending credit to rural retailers**
- o **Training and Development of rural retailers**
- o **Effective strategy to counter the pass-off, counterfeits and spurious products on retailer shelves**

Another very important factor that needs to be looked at is the proliferation of spurious products. Rural masses are illiterate people and they identify a product by its packaging (color, visuals, size etc.).

So it becomes very easy for counterfeit products to eat into the market share of established reputed brands. The retailer also gets a larger profit on selling the counterfeits rather than the genuine products and hence is biased towards the fakes. Brands such as "Jifeboy", "Bonds Talcum", "Funny & Lovely" etc., which are doing the rounds of the rural markets, pose considerable challenge to rural marketers

3. Focus on Haats, Bazaars and Shandies

These markets have different names in different regions. But they are strikingly similar in what they are sell. They offer good scope for distribution for the corporate because of its convenience, attractiveness and availability. Melas are also another low cost distribution channel for marketers. By participating in haats and melas, the marketer can not only promote the products but also understand the shared values, belief and perceptions of the rural consumers that influence their buying behaviour

4. Effective utilisation of unofficial channels for distribution:

For Ex: Hero – Honda

In last 18 months, its 365 dealers all over the country have reported the emergence of an unofficial channel of distribution- Village mechanics, Local real estate agents, shop keepers who sell non durables and non durables and so on. The people are taking motorcycles from the official dealers usually in two's or three's and - displaying them outside their

premises and closing a sale. These instances are forcing companies to review their distribution set-ups to ensure that they are present even in the smallest city.

5. Effective use of PDS:

The Fair Price Shops run by government can be utilised to sell consumables and low value durables

6. Petrol Bunks:

In India, there are over 15,000 petrol pumps spread across the country, 60% of which are located on highways close to villages. Petrol bunks have become multi purpose distribution centers at some places. Such a concept can be effectively utilised. Theses pumps apart from selling petroleum products have also started selling consumables like food products and toiletries. Some retailers have also started selling agri inputs and other rural based items. For Ex: Reliance and Shell

7. Agricultural Input Dealers:

Fertilizer companies have retail outlets with in a range of 5 Kms to any villages. They offer a better scope for marketers

8. NGOs:

Another alternative is working with Non Government Organisations, which reach interiors of villages. Ideologies and methods may vary but most NGOs have programmes focusing on sustainable development and empowerment of rural women and eradication poverty etc. Companies may join hands with them to

mutual benefit. With NGOs undertaking distribution, companies realizing benefits accruing from infrastructure and gross root level networking. Such association with companies in turn could yield employment opportunities for local residents.

9. Delivery Vans

One of the ways could be using company delivery vans, which can serve two purposes- it can take the products to the customers in every nook and corner of the market and it also enables the firm to establish direct contact with them and thereby facilitate sales promotion. However, only the bigwigs can adopt this channel. The companies with relatively fewer resources can go in for syndicated distribution where a tie-up between non-competitive marketers can be established to facilitate distribution.

10. BARE FOOT SALESMEN:

Companies may train the local village unemployed youths to operate as barefoot salesmen. Fluency in the local dialect and familiarity with persons and terrain in the area of operation would be among the factors enhancing the efficiency of this approach. Generally he will be appointed as a commission agent plus mobile retailer and also he can be delegated the work of booking orders from the rural retailers especially in the remote locations

11. Other Important strategies

- ◆ The in-house sales force tries and creates an urge among the rural shops to push the brand to consumers from

the mofussil areas.

- ◆ The business model for rural retail can be successful only when integration between the profit and social motive is apparent. The social angle needs to be pronounced for it to be acceptable.
- ◆ Empowerment in terms of economic power, purchasing power, knowledge and information dissemination is crucial for rural retail ventures to succeed. The model should empower the rural consumer and at the same time take advantage of this empowerment through creation of demand for its own products and that of its partners.
- ◆ Syndicate Distribution: There are cases wherein companies or distributors do not have resources for running exclusive vans for delivery of goods to the rural market. In this case, the firm or distributors selling non-competitive consumer goods come together and operate delivery van to service the rural retailer
- ◆ Satellite Distribution: The Company should appoint stockists in important towns. These stockists are responsible for placing orders with the company, receiving stocks, sorting of stocks and supply the goods in small lots to the rural retailers and merchants.
- ◆ Coverage strategies: A market aiming

to extend distribution to rural areas might be confronted by the following issues

Which villages merit direct coverage at all?

What would mode of coverage be?

Direct distribution to village settlements less than specific population or number of outlets would not be viable. Yet for future payoffs, systematized distribution efforts are imperative to consolidate brand shares and monitor product movement in a high growth market segment. Marketer has to evaluate the plans to cover the villages by vans and participation in the market

Latest trends in Rural Retailing and Emerging Distribution Models

With entry of new players in rural markets, marketers are innovating new cost effective approaches to reach these markets. Looking at the bottle necks of rural distribution, the solution is likely to centre on maximizing the existing infrastructure and ensuring the participation and economic sustainability of all the stakeholders. In rural markets, as new approaches to marketing have emerged, distribution has also changed with the items. The market trends that have engineered these changes are:

- a) Value seeking behaviour
- b) Brand to category management
- c) High media exposure

d) IT Revolution

1. Rural Malls: Chaupal Sagar

Chaupal Sagar is one of the first organised retail forays into the hinterland. It was soft-launched on 15 August. It is actually a warehouse for storing the farm produce that ITC buys through its e-choupals. The mall has come up in one part of this warehouse. It has been set up by the international business division of tobacco major ITC. It has been initiated as rural shopping-cum-information centers in Madhya Pradesh. The first rural mall has come up 40-odd kilometers journey from Bhopal towards Sehore. ITC Spent 3 years and Rs.80 crore on research and development of this concept including investments in E-choupal.

Facilities: Spread over 5 acres of land at Sehore in Madhya Pradesh: -

- Rural shopping malls will be open from 6 am to 9 pm.
- Features and facilities at these ITC malls can overshadow those in the metros. The ITC store sells everything that a rural consumer may ask for - sarees to kurta-pyjamas to shirts (in the range of Rs 99-500), footwear, groceries, electronic durable from TVs to microwaves, cosmetics and other accessories, farm consumption products like seeds, fertilisers, pumps, generators and even tractors, motorcycles and scooters.
- Banking and automated teller machines will be standard at the malls.

- Insurance products for farmers.
- Entertainment facilities, restaurants, public facilities and parking space will also be available.
- There is even a fuel pump in tie-up with BPCL and a cafeteria.
- Parking lot for 160 tractors.
- There will be a primary healthcare facility to be serviced by a private healthcare service provider.
- Information centres: The company will create the facility for providing online information on commodity rates and weather.
- Shopping malls will have a training facility on modern farm techniques.
- Farmers can come and log on to the Internet and check the pricing and sell their commodities.
- There will also be godowns for storing the wheat and soybean and also for stocking products retailed at the mall.

2. Haryali Bazaars Bring Organised Retailing to Farmers

- Having successfully pioneered a new concept of Haryali Kissan Bazaars in 2002 in Hardoi, agri-inputs focused DCM Sriram Consolidated Ltd. (DSCL) opened eight more (Ladwa in Haryana, Ferozepur in Punjab, Kota in Rajasthan and four locations in UP).
- The store complex is spread over 2-3

acres and caters to all the farmers requirements (both DCM Sriram products & other sources): farm inputs ((fertilizers, seeds, pesticides, animal feed), farm implements, spare parts, irrigation equipment, spraying equipment. Further, the uniformed salesman, an agricultural graduate, gives free agricultural related advice in personal interactions or through mobile phones (averaging 20 calls a day). Twenty such stores, each catering to 100 villages, are planned by 2005.

3. Innovative Rural Retail Models

Indian FMCG firms with rural experience have typically used three rural retail methods—direct distribution structures, van operations and super-stockist structures. Each of these methods need to be evaluated taking into consideration the current network, cost impact of the proposed structure and quality control issue associated with each of these structures.

Direct Retail/Distribution Structures

ProjectShakti

Project Shakti - Hindustan Lever Ltd.'s (HLL) rural self-help group initiative to push the penetration of its products to reach areas of low access and low market potential. The effort is to create a WIN-WIN situation.

Through a combination of micro-credit and training in enterprise management, women from self-help groups have turned direct-to-home distributors of a range of HLL products and helping the company plumb hitherto unexplored rural hinterlands.

Strategy for Success

1. Social Angle

- Create “income-generating capabilities for underprivileged rural women by providing a sustainable micro-enterprise opportunity”.
- To improve rural living standards through “health and hygiene awareness”.

2. Commercial Angle

- For HLL, it is “enlightened self-interest”.
- Creating opportunities to increase rural family incomes puts more money in their hands to purchase the range of daily consumption products - from soaps to toothpastes - that HLL makes.
- It also enables HLL access hitherto unexplored rural hinterlands.

How Does It Work?

- To get started the Shakti woman borrows from her SHG and the company itself chooses only one person. With training and

handholding by the company for the first three months, she begins her door-to-door journey selling her wares.

- A Shakti entrepreneur receives stocks at her doorstep from the HLL rural distributor and sells direct to consumers as well as to other retailers in the village.

HLL-SHG Business Model

Hindustan Lever Ltd (HLL) India’s largest consumer goods company has a large distribution network comprising 5,000 re-distribution stockists and 40 C&FAs (Clearing and Forwarding Agent). Yet this network covers only 75,000 villages directly out of the total 6,00,000 villages in India. A tie up with SHGs can take HLL products to many more villages directly. Trading opportunities with stable companies with established rural brands (Lifebuoy, Lux, Wheel, Clinic and 3 Roses tea etc) could be a boon to women members of SHGs.

How Does It Work?

A pilot project (christened Project Shakti) was launched in Nalgonda in December 2000 in a small cluster of 50 villages with 50 SHGs and 3 MACTS (Mutually Aided Co-operative Thrift Society, a federation of around 20 SHGs).

There are 3 partners and their roles are: -

MACTS/SHGs: sell/retail HLL products

HLL: supplies products, provides marketing

and promotion support

MART: facilitates the process, provides business training inputs

Project Streamline

The Company had earlier also launched Operation Streamline to further increase its rural reach with the help of rural sub-stockists. It had appointed 6,000 such stockists, the distribution network directly covering about 50,000 villages reaching about 250 million consumers. HLL conceptualised Project Streamline to enhance its control on the rural supply chain through a network of rural sub-stockists based in these villages. This gave the company the required competitive edge, and extended its direct reach to 37 per cent of the country's rural population.

Key Points

- To increase the reach in rural areas.
- Rural Distributor will have around 20 stockists attached to him who performs the role of driving distribution in villages using unconventional means of transport such as tractor, bullock, etc.
- This gave the company the required competitive edge, and extended its direct reach to 37 per cent of the country's rural population.
- This strategy has supposed to increase

the market share of HLL in rural areas by about 3%.

Control on the rural supply chain through a network of rural sub-stockists, who are based in the villages only

4.Others

Marico launched a major initiative into rural markets by appointing 2,400 sub-stockists in the last two years. Recently, Dabur also finished a pilot project for its super-stockists in Patna and has now rolled it out in Bihar, Madhya Pradesh and Rajasthan. Reckitt has also adopted the super-stockist system in Tamil Nadu and plans to set up such a system all over the country in the next year, with the target of covering one million outlets in the next three years.

5. Van Operations

Project Bharat

In 1998 HLL's personal products unit initiated Project Bharat, the first and largest rural home-to-home operation to have ever been prepared by any company. The project covered 13 million rural households by the end of 1999.

During the course of operation, HLL had vans visiting villages across the country distributing sample packs comprising a low-unit-price pack each of shampoo, talcum powder, toothpaste and skin cream priced at Rs 15. This was to

create awareness of the company's product categories and of the affordability of the products.

Conclusions

The rural marketing process needs to be evolutionary and not revolutionary. It has to be considered as an investment today for a better future tomorrow. Company should focus on nurturing the markets and have a long-term perspective rather than concentrating on the achieving the short-term objectives. Definitely there is lot of money in rural India. But there are hindrances at the same time. The greatest hindrance is that the rural market is still evolving and there is no set format to understand consumer behaviour. Lot of study is still to be conducted in order to understand the rural consumer. Only FMCGs with deeper pockets, unwavering rural commitment and staying power will be able to stay longer on this rural race and hence. Since the big problem in rural markets is getting distribution, one solution often mooted is for (non-competing) companies to do it together, pooling resources to reduce overheads. Some companies with existing distribution networks have attempted to distribute others' products on a contract basis. In practice this doesn't work. Rural retailers have limited liquidity, so companies are unlikely to sacrifice their share of this for other companies. Getting rural distribution is difficult, but not impossible if you have the patience, so you're much better off doing it on your own. Understanding the available distribution networks in rural India is

crucial to making a successful entry into the rural Indian market. Packages need to be designed to withstand more distribution abuse due to poor roads and more primitive modes of transportation. Finally, when creating a package for rural India, small sizes allow consumers to try new products. It also caters to the fact that most rural Indians have low disposable incomes and little storage space at home. By applying these lessons that have been learned from multinational corporations in the past, the task of entering the rural Indian market should be promising.

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