CHAPTER 5

CONCLUSIONS AND SUGGESTIONS

5.1 Conclusions

India’s retail industry is among the largest in the world—with revenue around US $220 billion and is increasing at the rate of more than 5% every year. The younger population, with greater discretionary incomes and the consequent changing life styles is driving the retail growth. As organized retail chains are moving towards the rural areas, this sector is on the threshold of a major change. The participation of the rural customers into the marketplaces is increasing and they are garnering access to diversity of value offerings. By virtue of sheer numbers, they represent a notable opportunity for the marketers, which they cannot ignore. Traditionally, retailing in rural markets has been a localized activity, with local level entrepreneurs and customers purchasing and selling the products and services. The corporate connect with the customers was through the local level mom and pop stores and retailing has been a family business. The economic and emotional connect between the customers and the shop-keepers and the effect of social interactions on purchase has been a unique characteristic of these marketplaces. With localized nature of economic activity, rural retailing has been a good source of self-employment as most of the family members have been engaged in this activity. However, with increased purchasing power, the rural customers are moving beyond the traditional market formats and experimenting with the retail chains that have come up mostly in the urban areas. The organized retail markets find intense competition in the urban areas and consider the virgin rural markets as a major marketing opportunity.

Construing the rural marketplaces as just another extrapolation of their urban counterparts would be a big mistake as these marketplaces exhibit unique characteristics. Similarly, the organized retail outlets have their own characteristics and implications on the stakeholders, including the customers, employees, and the government. So, their access into the rural marketplaces should be analysed beyond the realms of their business feasibility. True potential of the rural markets can be realised only by understanding their purchase behaviour and the problems faced by them. With seasonality of income, the rural people need long term credit and non-availability of the proper financial services to this effect make it difficult for them to make more purchases. Besides financial constraints, there are logistic problems and the gaps in marketing communication between
the marketers and customers. Marketers need to entail group conformity into their marketing strategy as well.

The present day environmental changes favour the growth of retailing in India, particularly in the economically better-off states like Haryana. The demographics, the rising per capita income, increasing literacy and changing policy initiatives of the government support the development of organized retailing in Haryana. While the traditional retail formats were a source of self-employment, the organized retail formats have the potential of employment generation, an urgent need of the hour. While there would be direct employment generation by way of employment into the retail outlets, the backward linkages in form of logistics networks, corporate agriculture formats and improved storage and processing facilities can contribute to a significant gainful employment of the youth. Retailing has the potential to employ people of all skill levels, which is important in light of significant diversity in the education and skill level of the population of Haryana.

Growth of retailing cannot depend on the environmental triggers alone, but need active customer acceptability. Results show that the customer preference for retail outlets depends upon the nature of the product. The customers purchase the clothing and mobile phones from the organized retail outlets, while preferred to purchase grocery, agricultural inputs and durables from the traditional retail formats because of closer social connectivity with the retailer. Another significant observation was that radio has been replaced by television as being a major source of market information. With reach and affordability, television has reached every household and customers depend on it for information. Another major finding was that the rural customers preferred to purchase the products on cash payment basis, as against purchasing in instalments, or on credit. However, seasonality of income did influence their purchase timings. The customers with higher incomes, bigger land holdings and higher education displayed greater marketplace activity and understanding and hence were more open to purchasing from organized retail outlets. People in the younger age groups, and having qualification upto graduation were more frequent visitors to the organized retail formats. However, customer opinion on the intention to switch over to the organized retail formats was reserved as a majority of them was in favour of partial or no switching.

Most of the retail firms are attracted towards selling grocery and food items as they consider them as highly profitable products. However, the rural customers would
not switch over to them for purchase of grocery and eatables. The products like garments, branded products, mobiles, etc. have the highest possibility of being purchased from organized rural retail outlets. Therefore, the marketers should offer them as against offering the edible items. Their capacity to negotiate with the manufacturers directly can help them in price competitiveness and increase the probability of the rural customers coming to them.

The results of the perceptions of the rural customers towards organized retailing show that they are highly conscious towards the price and would not switch over their purchase outlets until there is a tangible gain in the price. The second major perceived benefit influencing their perception towards the organized retail would be the spatial convenience. It takes an effort to travel from the village to the nearby store and the customers would prefer an outlet that minimizes this effort. The lack of personal connections in organized retail instils a sense of scepticism in the minds of the customers. It is quite interesting to observe that pre-purchase inducements and techniques of value enhancement do not excite the rural customers, who understand the constituents of value offering and would evaluate it in terms of the price value. The lack of differentiation of core value, and price incentives are well understood and the customers evaluate it in totality, comparing its ‘get’ and ‘give’ components.

An analysis of the variability of the perceptions towards organized retail across the demographic indicators shows that marketplace understanding and marketplace activity shape the perceptions towards the participants of the marketplaces. All the demographic factors that increase the marketplace activity form the basis for differentiating the rural respondents on their perceptions towards the organized retail. Across the variables, the segments with higher marketplace activity showed fair positive attitude towards various factors related to the organized retail. These segments are most likely to switch over to the organized retail and all the marketing stimuli must be directed towards them. The young aged, moderately educated and high earning rural customers would form the ideal target customers for the organized retail. Their earning potential could be harnessed into profitable marketing opportunities by delivering value to all the stakeholders.

Core value delivery being the most significant predictor of purchase intention indicates that the customers are vigilant and always look quality, variety and after sales services, which constitute the core value delivery components. Customers are not carried
away by marketing communication or other such allurements, and would evaluate each offering in terms of its capacity to deliver core value. The pre purchase inducement and value enhancement also emerge as most significant predictors of purchase intention and it emerges that all the factors that deliver and enhance the value to the customers would emerge as the most important inducement to the rural customers to visit the organized retail outlet. The customers prefer to visit the retail outlets for purchasing the products that confer them distinctiveness, visibility and convenience.

Although rural customers perceive price related factors and spatial convenience as important, they do not influence the switch intentions. The customers take a broader view of the value offerings and evaluate them in totality and narrow considerations do not have much influence. Rural customers are highly value conscious and evaluate the ‘get’ and ‘give’ components of value very carefully. In their evaluations, they give due consideration towards the intangible gains and sacrifices as well. The marketing strategy of the firms has to be retooled accordingly and there is a need for a serious evaluation of the price-led strategies. Most firms believe that customers would opt for low price products, or would be attracted to purchase by their sales promotional activities. They need to develop proper bundling of the offering, which gives the customers some real value. Rural customers are brand loyal and a rightfully crafted marketing strategy would give long-term profitability to the firms aspiring to enter into the rural retail industry.

5.2 Suggestions

Emanating from the research work, a few suggestions to various stakeholders of the rural retailing are submitted as under:

5.2.1 Suggestions for the Industry

For success into the rural retail markets, some major strategic decisions have to be taken by the firms, redesigning their marketing strategy and the marketing mix. Specifically, some of the following measures could increase the probability of their success:

(a) Firms should offer the right set of products to the customers. The probability of success into rural retail markets is more if they offer branded products, mobile phones, etc. If they wish to offer consumer durable products, they should have flexible payment options and liberal service support, beyond the stringent corporate regulations.
(b) The over emphasis on selling grocery should be reduced. If the firms wish to offer grocery items, they should develop proper back-up systems, entailing corporate farming, storage facility and proper quality control measures.

(c) Rural customers are highly price conscious and perceive the organized retail outlets as costly. Right marketing communication can change their opinion towards this and motivate them to switch over to the organized retail outlets.

(d) Traditionally, the media used for reaching out to the rural customers have been the radio and the wall paintings. However, television has become very popular and this should be used for marketing communication. Firms can consider providing television sets at the village chaupals and panchayat ghars for updating the rural consumers with the latest market information.

(e) Word of mouth can be an important form of communication and this can be achieved by employing local people. In addition to communication, it increases the trust in the minds of the rural customers. However, proper training on salesmanship and mannerism is essential before placing the rural people on retail sales counters. They should be polite and well behaved in their dealings with the customers particularly rural women. They should be fully conversant with rural customs and culture. They should also be in a position to converse with rural customers in the language and dialect which they know.

(f) Rural customers are highly value conscious and the competitive strategy should not revolve around price, but should dwell upon overall value of the offering.

(g) The firms can locate their retail outlets within a cluster of villages, or satellite towns so that they customers get the spatial convenience when they visit them.

(h) On the spot demonstration of the products should also be arranged in rural retail formats from time to time by the companies or the marketers as this has been very effective in product promotion into the rural markets.

(i) Facility of credit is an important factor which attracts the rural consumers towards unorganized retail shops. If this facility is provided to them, though with a reasonable guarantee, by the organized retail formats the rural consumers can be motivated to visit organized retail formats. They can easily purchase goods right now and pay after some time. This is a very important facility for the lower and middle class rural consumers.
(j) Beyond marketing, firms should engage in the community life of the rural areas. Investment into CSR can bring trust and acceptability in the minds of the rural customers and this can translate into long-term gains for the firms.

5.2.2 Suggestions for the Customers

Some of the suggestions for the customers are made as under:

(a) The rural customers should change their mindsets and accept the organized retail formats as they can give them better value for money, create employment, and also serve as outlets for their agriculture produce. Organized retail outlets should not be seen as a replacement of the traditional retail formats, but a value-added format offering the products and services in newer styles and offerings.

(b) They should develop the capacity to understand value of an offering and look beyond the monetary price. This will help in choosing the right set of the offerings.

(c) The rural customers need to be assertive for their rights. An awakened customer cannot be cheated and in eventuality of facing any problem, they must protest and fight for their rights. This will keep the marketers on their guard in offering the right product and not adopt any unfair marketing practice.

(d) Success of organized retail will benefit the customers as competition always results in better products and services for the customers. It has happened in the urban retail outlets and the same can happen in the rural retail outlets as well. Customers will have the option to choose for the best offering available to them.

5.2.3 Suggestions for the Government

In the recent past, there have been protests against allowing FDI into the retailing sector and earlier there have been similar protests against even the domestic organized retail chains. The issue of allowing organized retailing into the Indian markets should be looked upon with a broader perspective. Organized sector in retailing has the potential of creating jobs, creating infrastructure for agriculture storage and processing, developing efficient supply chains and benefits for the customers. They can support corporatization of agriculture and hence support capital investment into
agriculture, bring new technologies and increase agricultural output. With falling land holdings, corporatization of agriculture is the only solution to make the agriculture more sustainable and the organized sector can be a useful player for this. The tax realization from the organized sector is more than that from the unorganized sector. They have better systems of reporting and exhibit more transparency in their business operations. Their entry into the marketplaces would be useful for all the stakeholders. The interests of the unorganized market players can be protected by rightful regulatory checks and also suggesting collaborative models of business, where the organized sector can join with the unorganized sector and develop sustainable business models.

Therefore, governments must create the favourable regulatory framework which encourages the working of the organized retail sector into the rural markets. The issue must be discussed across various sections and a consensus be developed to develop the environmental framework for the success of organized retail sector in general, and rural retailing in particular.

5.3 Further Research

The research on prospects for organized retail in rural markets is a continuous phenomenon and a lot can be done to add to this study. Those aspiring for further research on the area can make a comparative study of buying behaviour of rural and urban buyers. This can be further developed by making a comparative study of the buying behaviour of rural buyers in different regions of the country as diverse geographical locations could have their characteristic contexts and the buyer behaviour. A comparison of organized and unorganized retail formats and the products being sold there also open more avenues for further research. This may prove very beneficial for encouraging rural retailing in organized retail formats.

The studies on the feasibility of developing supply chains to integrate rural markets with the existing marketing channels could be made. On similar lines, there could be studies to suggest the marketing strategy for specifically rural contexts as most of the firms make the mistake of looking upon the rural markets as an expansion of their existing marketing strategies only. The studies on rural marketing have significant public policy implication as well and studies could be done from this perspective as well.