CHAPTER 1

INTRODUCTION

1.1 Introduction

Retailing Industry in India has been present since ages. We can see the roots of retailing in India in the weekly markets. Traders used to assemble in big places for selling their products. People used to visit these places in order to purchase goods for the succeeding week. Village fairs and melas were very common because of their entertainment value. With the passage of time, however, these traditional formats gave way to established formats like kirana stores, pan/beedi shops and so on. This was in a sense, the beginning of a new era for retail in India (Kumar & Cleetus, 2008). The fast growing potential in rural markets is quite evident from the emerging retail formats in rural markets which are no more confined to only village shops, periodic centres and periodic markets but departmental stores, speciality stores, super markets, super centres, convenience stores, glossy malls, retail chains etc. are also emerging and becoming popular in rural areas.

The immense potential in rural areas has remained ignored and untapped for a long time. Fostered by liberalization, agriculture revolution, advancement in technology, education etc. national income has increased tremendously, extrapolating to the rural segments as well, resulting in increased per capita income and disposable income. The rural markets are densely populated and have a lot of potential for retailing. However, the retailing in rural areas has been in the unorganized form. Taking advantage of the seasonality of agricultural income, the retail shops in the rural markets asserted heavy pressure on the consumers by charging heavy margins. The major strength of the unorganized rural retail formats is their consumer proximity, both in terms of physical and psychographic understanding of their needs. Besides economic limitations, other constraints of the rural markets are their lack of education and market literacy. The skewed distribution of marketing dynamics put the consumers at the receiving end. The social dynamics have spread over to the rural segments as well, manifested in rapidly changing demographic characteristics. Majority of the rural population is now educated. The electronic and print media are spreading market awareness and they prefer to purchase goods/items from those outlets which are well managed. If they are a bit
economically sound, they will prefer to purchase goods/items from the cities/nearby kasba markets. With joint family system still prevailing in most of the villages, the rural people make purchases in bulk as and when they move to the market for shopping.

Retailing has been the most active and attractive sector of the last decade in India. It is being rightly considered as the largest industry of India. Over a period of last few years, Indian Retail Sector has undergone rapid changes and Indian Economy is ready to see the dawn of Retail on the new ‘Retailscape’. Retailing today is not considered as a distribution function alone. Rather, it has come into sight as an industry in itself. Retailing has come a long way from the time of ‘mom and pop’ stores located in the neighbourhoods involved in providing the basic groceries to the residents of a particular location.

By the turn of 20th century, Indian Retailing Industry had undergone a great change. There is no doubt that India had been a nation of dukandars. But now it is bound to become a retail power house. Different kinds of stores have come into existence. Innumerable sections of various product categories make it difficult for the retailers to decide as to how much attention can be given to each category. When these stores are at multiple locations, decision making becomes more complicated. So, shopping malls have become an important part of economic and social fabric of India. Most of the Indian families prefer to buy their goods at one stop shops where they can get everything under one roof. Moreover, malls are termed as huge amusement parks for the middle class. Malls have emerged as a wise blend of shopping-cum-entertainment centres. Retail organizations have increased significantly in size, particularly in the food sector like grocery. Food retailers have been raising the size of their stores. The market has been increasing in size. At present, India has 75 million households. The main players have increased the strength of their positions by making use of improved branding relationship marketing scheme, own-brands and improved retail environment, location of stores, spacious parking lots, abundant essential and luxurious commodities such as CD’s, books, apparels, ornaments, grocery etc. (Maran, 2002). India now had around 14 million retail outlets, the largest number after any country in the world an overwhelming number of them was that of small and standalone, mom-and-pop / kirana stores, which used only the members of the household as the workforce in the stores. The retail sector in India still remains fragmented for the most part (Ramaswamy & Namakumari, 2009). Growth in
GDP and per capita income, change in consumer behaviour and patterns of consumption, explosion in media beside several other factors have acted as drivers of growth of retailing in India.

With the changing demography, lifestyle and economic policies in the Indian market, retailers in the present era have glamorized the entire gamut of activities undertaken by them. Whether its format retailing, e-retailing, use of modern technology for improving the customer service or providing one stop shopping experience to the customers, retailing has been revolutionized (Aggarwal, 2007). Retailing is an important social institution because about 30 percent of what we spend goes on products and services that we buy from retailers. Today, it is the most potential and upcoming industry in India and worldwide. Increasing number of supermarkets, shopping malls and hypermarkets indicate the changing face of retailing (Bhoale & Gujrathi, 2008). The Indian retail business has witnessed revolution in recent past in almost all the sectors, since the emergence of various shopping malls and super markets, brand popularity, government support, allowing FDI in retail sector, etc. (Prakash, 2007). Due to liberalization and a steady economic growth, a great change has occurred in India. It is only a matter of a few years that the Indian consumer was content with only one channel of T.V.- doordarshan, some retail stores in every city, one big national footwear chain – Bata, and the showrooms of different mills that dealt in fabric retailing. Now the scene is quite different. Malls, lifestyle stores, department stores and speciality stores, are all trying their best to catch the customer’s attention (Anbalagan & Gunasekaran, 2007). India, like Britain, is also a nation of shopkeepers. With over 12 mn retail outlets, India has one of the highest densities of retail outlets in the world with one retail outlet for ~90 persons. Retailers inspired by the Walmart story of growth in small town of America are tempted to focus on smaller towns and villages in India. However, a careful analysis of the town strata-wise population, population growth, migration trends and consumer spend analysis reveals a very different picture for India (Verma, 2008).

1.2 Retail: Meaning and Definition

The word ‘Retail’ comes from the French word retailer which refers to “Cutting off, clip and divide” in terms of tailoring. It first was recorded as a noun with the meaning of a sale in small quantities. Retail means the sale of goods to consumer not to sell again. Retailing is the set of business activities and it adds value to the goods and
services sold to consumers purely for their own use or for the use of their family. “The word ‘retail’ is said to have been derived from the French word ‘retaillier’ meaning ‘to cut a piece off’ or ‘to break bulk’. In very simple terms, retailing is the sum total of all activities involved in selling goods and services to end users and a retailer is a person, agent, agency, company or organization which is instrumental in getting the goods, merchandise or services in the hands of the ultimate consumers” (Kumar & Cleetus, 2008).

Philip Kotler observed “Retailing includes all the activities involved in selling goods or services to the final consumers for personal, non-business use. A retailer or retail store is any business enterprise whose sale volume comes primarily from retailing. Any organization selling to final consumers whether it is a manufacturer; wholesaler or retailer-is doing retailing. It does not matter how the goods or services are sold (by person, mail, telephone, vending machine or internet or where they are sold - in a store, on the street or in the consumer’s home)”. “Retailing includes all the activities in selling goods and services directly to final consumers for personal, non-business use. It consists of the final activity and steps needed to place merchandise made elsewhere into the hands of the consumer or to provide services to the consumer. Any firm that sells merchandise or provides services to the ultimate consumer for personal or household consumption is performing the retailing function” (Goyal et.al. 2008). “The individual retailer knows the given locale. He knows the customers and their needs he is also in a position to provide the required services. Naturally, he is in a position to influence the decision of the customers. He builds goodwill on the part of existing customers and also wins new customers for the firm. In fact, with his cooperation, a firm can get a continuous stream of new customers at a progressively lesser unit cost” (Ramaswamy & Namakumari, 2009). Retailing is one of the most important industries in any country employing major share of workforce. Selling in a store or at the doorstep requires many people.

A retailer plays an important role in market penetration, market development, merchandising and promotion. In this age of competition, it is the retailer who provides cutting edge. It is at the retailer level where the marketing success or failure of a firm is decided to a great extent. It is opposite of ‘whole-sale’. Unlike wholesaling, retailing aims at the actual or ultimate consumer, i.e. it involves selling for personal consumption. The focus in retailing is on the individual buyer and its goal is the satisfaction of the
buyer or the satisfaction of his / her family from the things purchased. On the contrary, the goal of the wholesaler is quite its opposite as the wholesaler sells his goods to individuals or organizations solely for business purpose. Retailing may thus be understood as the final step in the distribution of merchandise, for consumption by the end consumers.

1.3 Types of Retailing Formats

Diverse formats of retail outlets have evolved catering to multitude of customer needs. Pradhan (2008) suggests the clarification of retail store formats as store-based, non store-based and service retail outlets. The customer physically visits a store-based outlet, while the compulsion of physical contact does not exist in case of non store outlets. They provide alternative format for customer retailer interaction, e.g. on line forum, direct marketing, telephone/television based shopping, vending machines, etc. Services, with their characteristics of intangibility, perishability and inseparability have been classified separately as a format of retail outlet. The classification of retail formats in shown in Exhibit: 1.1.

Exhibit: 1.1
Types of Retail Formats

<table>
<thead>
<tr>
<th>RETAIL FORMATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stored Based Retailing</td>
</tr>
<tr>
<td>In case of store based retailing the customers are required to physically visit a retail outlet.</td>
</tr>
<tr>
<td>Non Stored Based Retailing</td>
</tr>
<tr>
<td>In case of non-store based retailing customers are not physically required to visit a retail outlet. Rather, they can use methods of online, direct marketing and vending machines for the purpose (Madaan, 2009).</td>
</tr>
<tr>
<td>Service Retailing</td>
</tr>
<tr>
<td>In this category the services are provided to customers such as Retail Banking, Car Rentals, Providers of various services like electricity, gas, Service contract etc.</td>
</tr>
</tbody>
</table>
The store based retailing can be further classified on the basis of ownership of formats and the merchandise offered. On the basis of ownership formats, retail outlets can exist as independent retailer, chain retailer, franchise based departments and consumer cooperative stores. On the basis of merchandise, the retail outlets can be classified as mall, specialised stores, discount stores, department stores, super/hyper markets, convenience stores and MBOs. (Exhibit: 1.2)
1.4 Format of Ownership

a) Independent Retailer

This type of retailing is operated and managed by an independent owner or by his/her family members. The owner himself will be responsible for all activities and for all gains and losses. Sole trader owns the majority of shops in India. Even in the United States of America more than 90% of retailers own and operate single stores. A family mostly owns this type of retail format with high dependence on the owner. The high number of independent retailers is due to their easy entry into the market place and low capital requirement. Kiryana shops, Drug stores, STD/PCO outlets etc. are very good examples of such retailers.

b) Chain Retailer

When two or more than two retail outlets are owned / managed by one and the same ownership, it is called chain retailer. There is centralized purchasing and decision making in these types of formats. Some examples of chain retails are Haldiram’s, Mc donald’s, Videocon Plazas, Titan Watches, Food Bazaar, Westside etc.

c) Franchise

A franchise is a contractual agreement between the franchiser and the franchisee. It allows the franchisee to conduct business under an established name as a particular business format, in return for a fee or compensation. Franchise can be further divided in two parts - Product/Trade Marks franchise and Business format franchise. Under Product/Trade Marks franchise, the franchisee acquires the identity of a franchiser by agreeing to sell the latter’s products and or operate under the latter’s name. Its examples are auto dealers and many petrol/gasoline service stations. Under these business formats, the franchisee receives assistance on site location, quality control, start-up practices, management training and responding to problems besides the right to sell goods and services. Business format franchising arrangements are common for restaurants, food outlets, real estate and service retailing like Mc Donalds, Kentucky Fried Chicken and APTECH Computer Centres.
d) Leased Departments

These are also termed as shop-in-shops. When a section of a department in a retail store is leased/rented to an outside party, it is termed as a leased department. The proprietor of a leased department is usually responsible for all aspects of its business (including fixtures) and normally pays the store a percentage of sales as rent. Their examples are Sony World, Spencer’s, Big Bazaar etc.

e) Consumer Co-operatives

Consumer co-operatives are owned and managed by the customers who are also the members of this institution. Co-operatives are only a small part of retailing because they involve consumers’ initiative and drive. Consumers are usually not expert in retailing functions. The principles of the Co-operatives retailing are voluntary and open membership, democratic control and payment of limited interest on capital. Its most popular format in the Indian context is the Kendriya Bhandar.

1.4.1 Merchandised Offered

a) Malls

Today, these are the largest forms of retailing located mainly in metro cities. The main purpose of malls is to provide products, services and entertainment under one roof. A large retail complex contains a variety of stores and often restaurants and other business establishments housed in a series of connected or adjacent building or in a single large building. Its examples are the Ambience Mall and Cross River Mall in New Delhi, Waves in Greater Noida, etc.

b) Speciality Stores

These stores are specialized in a particular type of merchandise or single product. These stores aim at grabbing specific market segments. Speciality Store has a narrow product line with deep assortment and provides a high degree of customer services. This offers customers a better selection along with assistance in selection by stores sales people. Its examples are Planet M, Music world, Zodiac, Park Avenue (Raymonds), Bata etc.
c) Discount Stores

These stores offer a wide range of merchandise at a discount on the MRP selling. The products offered by these stores range a variety of perishable/non-perishable goods. These stores offer lower price due to limited service and low cost locations. Its examples are Wal-Mart, K-Mart, Best Buy and Dollar Stores in India.

d) Departmental Stores

These are large scale retail outlets and are catering to a variety of consumer needs. They offer products like clothing, toys, groceries, cosmetics and so on. Usually these stores are located within planned shopping centres. Its examples are Ebony, Lifestyle, Pantaloons and P.P. Jewellers.

e) Super Markets/Hyper Markets

These are large self service outlets. Their strong focus is on food & grocery and personal sale. Super market can further be classified into mini super markets and large super markets. However, hyper markets are comparatively larger than super markets in terms of area and product varieties. These stores also ensure maximum stock availability besides enforcing strict quality control. They have generally own spacious parking facility exclusively for their customers and employees. Popular hyper markets in the Indian market include Pantaloons’s Big Bazaar, Food World, Vishal Mega Mart, etc.

f) Convenience Stores

These are comparatively small stores providing limited range of convenience products. The customers feel convenient in making purchases from these stores as these are located near residential areas, remain opened for long hours on all the seven days in a week. These stores are the modern version of the neighbourhood mom-and-pop grocery/general store which enables consumers to make purchases quickly, without having to search through and wait in a long check out line. Its examples are Safal Pure Veg. and Radha Krishnan Food Land Fresh.
MBOs

Here several brands across a single product category are offered to customers. These are also known as category killers.

In addition to the retail formats discussed in the fore-going paras, there are also some other retail formats like Value Retailers, Off-Price Retailers and Ware-house Clubs. Value retailers offer advantage of brand with pricing. Off-Price retailer offers an inconsistent variety and assortment of merchandises. Ware-house club is a retail store that generally sells a wide range of merchandise to the customers. Its customers are those who pay annual membership fee in order to shop.

1.5 Organized v/s Unorganized Retail In India

The retail industry in India is divided into two sectors- organized and unorganized.

Exhibit: 1.3
Retail in India

Unorganized
Organized

A vast majority (about 98%) of the retail industry is made up of counter stores, street markets, hole-in-the-wall shops and road side peddlers (Financial Times, 23rd Nov. 2006). Primarily the retail outlets in the unorganized sector are small, independent and owner-managed shops. Factors behind consumers’ attachment to unorganized retailers are proximity, goodwill, credit sales, bargaining, loose items, convenient timings, home delivery and so on. Upadhyay & Singh (2008) look upon the unorganized retailing as the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. The characteristics of unorganized retail in India can be stated as under:

➢ Family-run stores
➢ Lack of best practices when it comes to inventory control and supply chain management
Lack of standardization

Less capital requirement

Upadhyay & Singh (2008) define organized retailing as the trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax etc. These include the corporate-backed hyper markets and retail chains, and also the privately owned large retail businesses. Organized retail in India refers to the modern retail formats like supermarkets and hypermarkets that one is familiar with in developed countries. Kearney (2006) estimated that this form of retail accounted for a painfully low 2% of the retail industry, but predicted to grow at the rate of 35% annually. Main factors that attract organized retailers to consumers may include availability of better quality products, lower prices, one-stop shopping, choice of additional brands and products, family shopping, fresh stocks etc. Organized retail remained a dormant sector mainly because of absence of infrastructure needed for large scale retail, non-availability of product variety and a conservative Indian consumer. India is currently under the domination of players that have been making their presence felt in the market for about two decades. Pantaloon India Retail Limited is the market leader. It is recognized as an organized multi-format retailer across value and lifestyle segments. Its business strategy aims at capturing a lion’s share of the consumer wallet by covering all customer segments in all age-groups, in all product categories through multiple retail formats nationwide. Besides, many individual brand retailers also represent organized retail in India. Haldiram, Raymonds and Titan can be cited as their examples. Several major business houses in the country are launching massive organized retail ventures, e.g. Reliance, Bharti (in a joint venture with Wal-Mart) and The Aditya Birla group, etc. Although organized retailing in India is still in its nascent stage, it is gaining more and more acceptance amongst the Indian consumers. Departmental stores and cooperatives are making way for new formats like hypermarkets, convenience stores, etc.

1.6 Comparison of Organized and Unorganized Retailing

The comparison of organized and unorganized retailing in India is tabulated as under:
In the past few years, India had seen a shift from individual retail outlets owned separately and managed distinctively to professionally managed retailing. The main reason of the change was the rising expectations of Indian consumers (Gupta & Kaur, 2007). Somayajulu & Venkataramana (2002) have identified the obstacles in the growth of organized retail in India. These include high intermediation, high supply chain costs, insufficient supply chain infrastructure, inflexible labour laws, multiple licensing requirements, inadequate investment in education and training for building retail talent, ancient real estate laws, high real estate prices and adverse policy and regulatory environment. In spite of these obstacles, the Indian structure is heading towards a more

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Feature</th>
<th>Organized Retailing</th>
<th>Unorganized Retailing</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Character</td>
<td>It is also referred to as modern retailing.</td>
<td>It is also referred to as traditional retailing.</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Nature of Activities Undertaken</td>
<td>It refers to trading activities undertaken by licensed retailers backed by Corporate sector like hyper markets and Retail chains, also the privately owned large retail business.</td>
<td>It refers to traditional formats of low cost retailing like local kirana shops, owner manned general stores, convenient stores etc.</td>
<td>(Upadhyay &amp; Singh, 2008)</td>
</tr>
<tr>
<td>3.</td>
<td>Contribution to Trade</td>
<td>It has contributed only 2% of total trade.</td>
<td>It has contributed 98% of the total trade.</td>
<td>(Upadhyay &amp; Singh, 2008)</td>
</tr>
<tr>
<td>4.</td>
<td>Reasons for Preferences</td>
<td>Product quality, lower price, one stop shopping, choice of more brands and products, family shopping, fresh stocks etc.</td>
<td>Proximity, good will, credit sales, bargaining, loose items, convenient timings, home delivery etc.</td>
<td>(Mathew et.al.2008)</td>
</tr>
<tr>
<td>5.</td>
<td>Advantages</td>
<td>Product width and depth, a better shopping experience.</td>
<td>Low cost structure, convenient location and customer intimacy.</td>
<td>(Mathew et.al.2008)</td>
</tr>
</tbody>
</table>
concentrated system and players of all shades are getting encouraged and drawn to the retail management at a frantic speed not seen in the country before. From the kind of enthusiastic customer response seen up till now, it is not easy to judge whether the consumers are driving the retail or the retail is driving the consumers. The retailers are bound to define their retail mix, technology and service levels keeping the Indian consumer in mind.

1.7 Retailing in Rural Market

With over six lakh villages, a majority of Indians live in villages and account for 26.4% of the GDP. The per capita income of the farmers in India is on the increase. The manner in which they spend their disposable income has under gone a significant change. Indian rural market has a vast size and demand base. The marketing focus is also, therefore, shifting towards villages. ‘Go rural’ has become the slogan of marketing gurus. But there is a lack of universal definition of rural society in India.

Broadly, any market existing in an area having population below 10,000 and having low density of population and infrastructure may be called a rural market. Agriculture and activities related to agriculture contribute about 75% of the income in rural markets. It has been observed that rural markets are highly scattered and spread over wide geographical area (Krishnamoorthy, 2000). Urban India can be defined as “All the places that fall within the administrative limits of a municipal corporation, municipality, cantonment board etc. or have a population of at least 5,000 and have at least 75 per cent male working population in outside the primary sector and have a population density of at least 400 per square kilometre. Rural India, on the other hand, comprises all places that are not urban!” (Population Census, 2001). Rural markets can also be described as towns, villages and small hamlets having poor infrastructure and where economy is driven by agriculture (Manjunatha, 2004). Rural marketing has also been defined as the process of developing, pricing, promoting, distributing rural specific goods and services, leading to exchanges between urban and rural markets, which satisfies consumer demand and also achieves organization objectives. There has been a substantial increase in the purchasing power of the rural communities as a result of the overall growth of economy. The Indian rural market with its vast size and demand base offers great opportunities to marketers. But, rural markets have not been fully exploited. Only one lakh villages in India have been tapped so far (Singh, 2007).
1.8 Traits of Indian Rural Market

Pathak (2006) has identified the distinctive features of rural retailing as stated below:

a) **Traditional Outlook**
   
   Villages have a traditional outlook. The rural customers value old customs and traditions which go a long way in influencing their buying decisions.

b) **Levels of Literacy**
   
   The literacy level is low in rural areas as compared to urban areas. As a result, the techniques for marketing communication that succeed in attracting customers’ attention in the urban areas may not equally work in rural areas.

c) **Lack of Proper Communication and Infrastructure Facilities**
   
   There are inadequate infrastructure facilities like cemented roads, warehouses, and communication system in the rural areas.

d) **Language and Dialects**
   
   The number of languages and dialects spoken are numerous in our country. They vary from state to state, region to region and many times from district to district. Semantic differentials can hamper exchange of ideas and reduce the efficacy of marketing communication.

e) **Low Per Capita Income**
   
   As compared to urban areas, per capita incomes are low in rural areas. It is known that majority of the rural people lives below poverty line. Consequently, the rural customers seek greater value in their offerings.

f) **Inadequate Financial Services**
   
   Inadequacy of financial services, such as banks, credit cards, insurance, etc. also limits the financial capabilities of rural customers. They have to rely on cash or open credit as the payment options.

g) **Life Style**
The life style of rural consumers is characterised by greater drive to group application and conference over individual pleasure. Despite having the economic capacity, rural customers may have such issues that influence their purchase behaviour. (Madaan, 2009)

Madaan (2009) summarises the following distinctive characteristics of retailing in rural markets:

- Indian rural market is large, diverse and scattered. It is highly fragmented and is spread over more than six lakh villages.

- Major source of income of rural consumers is agriculture which generates seasonal income. As a result, the rural consumers do not have uniform purchasing power throughout the year.

With the effect of changing product availability option, economic well being, consumer awareness, rural markets represent a big opportunity for the organized retail outlets.

1.9 Segments of Indian Rural Market

Rural markets are not monolithic entities, but are composed of heterogeneous entities, which are homogeneous within themselves. While there can be several basis for segmenting the rural markets, we prefer to classify them on the basis of two parameters-their economic capacity and their proximity to the urban areas. (Exhibits 1.4)

**Exhibits: 1.4**
**Segments of Rural Markets**

<table>
<thead>
<tr>
<th>Economic Status</th>
<th>Urban Proximity</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Urban Mirrors</td>
<td>Opinion Makers</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>Imitators</td>
<td>Typical</td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>Strugglers</td>
<td>Subsistence</td>
<td></td>
</tr>
</tbody>
</table>
The characteristics of various segments emerging from this classification can be stated as under:

a) Urban Mirrors

With high incomes and their residences close to urban areas, these people enjoy twin benefits, with low cost of living, they have high disposable incomes and depending upon their life style, they can be spend thrifts in nature. It is this segment which represents the biggest opportunity of organized rural retailer outlets. They spend heavily on durables and high value products, often with the objective of group conference.

b) Imitators

With medium incomes and their residences close to urban areas, these people mostly include those who belong to service class. They try to imitate the standard of living of the rich people. They also some time visit organized retail outlets situated in the nearby urban areas for making purchases.

c) Strugglers

With low incomes and their residences close to the urban areas, these people belong to working class and earn their livelihood either during service not of significant nature or by running small occupations. Actually they sell their labour to earn livelihood for them and for the members of their families. They have low incomes and spend life throughout struggling but with utmost patience and tolerance.

d) Opinion Makers

With high incomes and their residences far from the urban areas, these people live with dignity and exert a lot of influence on others. Other people obey their command in making their opinion on any issue.

e) Typical

With medium incomes and their residences far from the urban areas, these people come under the category of typical rural people. They are neither very rich nor very poor and earn their livelihood either by doing agriculture or other activities related to agriculture. These people are small landlords in their village.
f) Subsistence

With low incomes and their residences far from the urban areas, these people earn their livelihood working in the fields. They belong to labour class and depend solely on their labour for maintaining their family. They buy commodities of their daily need from village shops.

1.10 Indian Rural Market

The description of Indian rural market will remain incomplete if no reference is made to Mandis, Haats, and Melas. (Exhibits: 1.5)

Exhibits: 1.5
Indian Rural Market

a) Mandis

Mandis are a Hindi version of the word market. State governments set up agricultural markets for making direct purchase of agricultural produce from farmers. These are known as regulated markets or secondary markets. These are regular wholesale markets and offer a permanent place for day to day transactions. These markets are located in major production centres and these markets can be categorised into grain mandis, cotton mandis and so on. Mandis displays the latest commodity prices collected from market sources. The purpose is to help buyers with the latest market information. Mandis can serve as a good location or platform for marketers for promotion of their products/brands as the agriculturists can be directly contacted at the mandis and can be contacted at a time when they are cash-rich and are willing to spend it on different products. Companies can set up their brand stalls right at the mandis and
carry out promotional and consumer research activities. There are 7,161 regulated markets or mandis, in India which are most primary wholesale markets and are usually governed by agricultural produce marketing committee (Pradhan, 2008).

b) Haats

Haats are known as periodic rural supermarkets. These are unregulated markets and are generally held once or twice a week. The days of the functioning of haats are fixed in order to enable the trader to visit the area. Buyers and sellers gather at an appointed/customary place at regular intervals for buying and selling the commodities they need for their daily requirements. The rural people prefer haats because of the availability of variety in terms of products and bargains, all at one place. In most villages, haats are the nerve centre of the economic, social and cultural life. Unlike mandis, small farmers have access to haats and local bodies control auctions of space and issue licenses and permits to vendors to use these haats. It is estimated that a haat on an average, covers between 20-50 villages, the numbers of sales outlets per haat are in excess of 300 and average sale per day at a haat is around Rs. 2.25 lakh (Pradhan, 2008).

c) Melas

The people assemble in melas or fairs at a particular time with a view to getting entertainment besides making sale and purchase of goods and services. The place of their gathering is away from their residences (Ramaswamy & Namakumari, 2009). Melas can be classified according to their nature, into commodity fairs and religious fairs, and on the basis of periodicity, into one day fairs, less than a week and weekly fairs. Typically, mela has on an average 800-850 outlets and average sales per mela Rs. 143 lakh (Pradhan, 2008) and number of melas held annually are 25,000 (Ramaswamy & Namakumari, 2009).

However, if area of coverage is taken as the basis of classification, the rural markets can be classified as Local market, Tehsil level markets, Regional level markets and National level markets. Different kinds of retail outlets in rural markets are shops within the village, shops located on the main roads but not exactly within the village and Kasba market or Tehsil market. Clientele also varies from market to market.

Village shops are supposed to be low on shopping activity cost in comparison to periodic centres, while periodic markets are perceived to have high probability of
availability of bargains because of product variety and price bargaining. Consumers of the rural areas give priority to meeting their immediate and day-to-day requirements from village shops and save themselves from a comparatively higher transportation cost. Bulk purchases will force them to buy from the periodic markets with an object of getting the benefit of the "bargain", and promotional incentives which will negate the impact of cost incurred in shopping. Rural consumers support village shops for meeting their credit-based impulsive necessities. On the contrary, rich consumers with no immediate requirement prefer to make purchases from periodic markets with a view to deriving the benefits of low prices, discounts, variety and so on. Village shops serve the buyers' impulsive or unplanned needs, but periodic markets are looked upon as the best places for making shopping of planned consumption at a competitive price (Tuli & Mookerjee, 2004).

Departmental stores, speciality stores, super markets, super centres, convenience stores etc. are doing well and getting popular in rural areas too. The Indian rural market has vast size and demand based. It provides great opportunities to marketers. India’s two third consumers live in rural areas. Almost half of the national income is generated here (Goyal et.al. 2008). Glossy malls and retail chains have started dotting Punjab’s country side also. They provide rural folks with all kinds of goods. Besides, certified seeds of various crops, fertilizers, pesticides, cattle feed, spray pumps and other agricultural equipment such as refrigerators, fans, coolers, kitchen wear are available (Dhailiwal, 2008). Rural marketing has become the latest mantra for most of the Corporate Companies which have made inroads into the country side. With a view to gaining competitive advantage, new approaches, new strategic alternatives and new operational techniques are being evolved.

Very few marketers are serious about their strategies for rural markets. As the rural view of conventional is in fact non-traditional, there is massive expending on van operations, village haats, wall paintings that are waterproof, stencilled renditions now-and so on. Contracts with villages for vantage wall space are being signed directly by MNCs now-a-days. New vehicles are also appearing in visibly static media. To-day, everything from passenger trains to booth and entire stations are being offered for branding by the railways. Similarly, the Indian postal service is also offering inland letters, post offices and boxes to companies for pin code based targeting (Suri & Sudam, 2003). The rural
market is no more passive. It is vibrant and growing very rapidly. A socio-economic revolution is taking place in the villages of India since last three decades. Efforts have been made by a large number of marketers in India to reach rural markets, although till recently their focus had been the urban consumer. Besides food and consumable items, the rural consumer is interested in buying small radios, T.V. sets, two wheelers, mostly bicycles and motor cycles, wrist watches, cooking gas, furniture and so on. The rural areas are consuming a large quantity of industrial and urban manufactured products.

1.11 Problems of Rural Retailing in India

The problems which are being faced by rural market in India are the problems like those of dealing with physical distribution, logistics, proper and effective deployment of sales force and effective communication. There is no doubt that rural market does offer vast untapped potential. But, it is an uphill task to operate in the market due to a number of attendant problems. These problems are being faced both by manufacturers and marketers in rural areas. In the presence of these problems it is very difficult to progress in rural market. Following are the major problems: (Badi & Badi, 2008)

a) Under Developed People

Rural markets, by and large, are characterized by under developed people. A vast majority of the rural people is tradition bound. The people value their traditions, old customs, habits and practices. The villager believes that whatever has happened or is happening is due to God. This results in making his thinking small. This type of thinking among the villagers makes them believe that there is no use of machinery or modern farming techniques.

b) Under Developed Market

The underdeveloped people are responsible for this kind of market. Only two or three brands and spurious cheaper copies for branded products are available in the market. The rural consumer becomes suspicious in buying branded products.

c) Low Level of Per Capita Incomes
As compared to urban areas, per capita incomes are low in rural areas. The marketer has to face the problem of deciding off take quantities, stocking patterns, frequency of distribution, package size and so on.

d) Seasonal Demand

Rural economy becomes seasonal. 75% of the village income comes from agricultural operation which is seasonal. As a result, the demands are also seasonal. This is absolutely evident from the fact that there is a lot of marketing activities during marriage and festival seasons.

e) Vastness and Uneven Spread

India is a vast country. The main land has seven regions each having different crops, living patterns and so on. The percentages of rural urban population vary from state to state. Again, the villages are not uniform in size. The problem of deciding the extent of coverage of rural market arises due to this type of distribution of population.

f) Logistics, Storage, Handling and Transport

Wide spread nature and varying size of villages give rise to certain other problems. Planning of package, storage and movement of agricultural goods for exports, live stock etc. lead to particular problems. Indian farmers are forced to store in the open field for months due to lack of storage facilities. Un-seasonal rains can destroy the grains stored in the open. Almost all handling is manual and packed in gunny bags. The marketer has to face the problem of handling of perishable agricultural produce. The marketer will get lesser profits due to any rough or wrong packing and handling. Bad roads or no roads connecting the village to the nearest market lead to another problem of transport. The movement of materials on bullock carts is a slow and costly process.

g) Low Level of Literacy

The literacy rate is low in rural areas and this gives rise to the problem of communication for promotion purposes. On account of low literacy rates, print medium becomes ineffective in rural areas. So there is more and more dependence on electronic media.
h) Many Languages and Dialects

There are 18 official recognized languages in India and 850 dialects are spoken. Moreover, the languages and dialects vary from state to state, region to region and probably from district to district. Many languages become responsible for the problem of effective communication in marketing efforts.

i) Market Organization and Staff

Keeping in view the size of the rural market and potential, larger marketing organization and staff are needed. Huge investments are required to be made for staffing. But all manufacturers and marketers cannot afford such huge investments.

j) Hierarchy of Markets

Rural markets for different commodities have different periodicities and different markets. Hence, there cannot be a uniform distribution policy for all products. Besides these problems, there are also some other problems such as inherent resistance on the part of company executives to take up rural marketing vigorously on account of travelling to inhospitable interiors, lack of bank and credit facilities, multiple tiers and higher cost are also the problems of rural market in India. Thus, rural markets, by and large, are characterized by underdeveloped people and consequently underdeveloped market. A vast majority of the rural people is tradition bound, fatalistic, are mired in age-old customs, traditions, habits, taboos and practices, and are nor financially stable (Gopalaswamy, 2006).

1.12 Prospects of Rural Retailing in India

In the changing time an overhaul of marketing strategies for marketers who wish to take advantage of the rising rural consumerism has become absolutely essential. Battle field has now shifted from the cities to the villages. Till recently, the focus of marketers in India was the urban consumer. Specific efforts were made by a large number of marketers to reach the rural markets. But now their focus has shifted to rural markets. It is felt that different factors have exposed rural India to the outside world and, therefore, their outlook to life has also undergone a change. On account of all these factors, rural
India is now attracting more and more marketers. These factors can be enumerated as under:

a) Tempo of development accelerating in rural India;
b) Increase in purchasing power of villagers as a result of scientific agriculture;
c) The changing life style and consumption pattern of villagers with increase in education;
d) Social mobility;
e) Improved means of transport and communications; and penetrations of mass media such as television and its various satellite channels.

Thus, gone are the days when the focus of marketers in India used to be the urban consumers. Now efforts are being made by a good number of marketers in India to reach the rural markets. Moreover, television and its various satellite channels have played a dominant role in exposing rural India to the outside world. Rural India is now attracting more and more marketers due to the factors mentioned in the foregoing lines. The companies felt bound to think about new potential markets due to increase in competition, saturated urban markets, more and more new products etc. In this way, Indian rural markets have invited the attention of a number of companies, advertisers and Multi National Companies. As per survey conducted by the National Council for Applied Economic Research the purchasing power of the rural people has increased as a result of increase in productivity and better price commanded by the agricultural products. More and more MNCs are trying hard for entering rural markets. Efforts made by Hindustan Lever, Coca-Cola, LG Electronics, Britannia, Standard Life, Philips, Colgate Palmolive etc. are noteworthy for there heading in this direction. However, on the contrary, in case the product does not pick up volumes in the rural areas, it is withdrawn and forgotten (Aneja, 1993). Rural market is innocent and virgin. It is full of expectations. A serious innovative approach is needed to come upto these expectations.

❖ The younger customers are highly impressed by urban consumption values. They possess sufficient knowledge of consumer goods.

❖ Customers in the age group of 40-80 years are not affected by the urban consumption pattern. But, they will surely generate demand for consumer durables for marriages and social functions.
It is interesting to observe that the females are given equal importance in decision making for buying (Sharma & Gupta, 2002).

Today products are following from rural to urban areas and from urban to rural areas. Its credit goes to improvement in media, transportation and so on. However, the rural market is not confined to products of mass consumption. Even premium brands are getting vast acceptance in the rural bastions. More and more awareness has led to major changes in buying behaviour and consumption habits. The urban market is becoming more and more competitive and saturated. There exists a little scope for growth in the urban markets, particularly for the categories which are already established. At present, the rural market is blooming with increase in the disposable incomes of the households (Ganesamurthy et.al. 2003). Audio visual advertisements are very effective in giving knowledge of the commodities to the rural customers. It is worthy to be remembered that the majority of rural women consumers use cheaper and low quality goods. But on the contrary, men consumers use comparatively high quality goods. Consumption pattern of rural consumers depends upon their income levels, occupations, education and social status. T.V. Movies leave a great impression on the minds of rural consumers especially children and young consumers (Lokhande, 2004). Rural market in India is a vast market having a lot of potential in it. It is increasing at least 5 times the rate of the urban market. It is said “Early birds get the worms” and that also applies to rural marketing. About 70% of the people in India are living in rural areas. There exists a significant difference in rural and urban markets. In the same way, urban and rural consumer behaviours differ significantly with regard to price guarantee, durability, brand image, credit availability, after sale service and so on. First three factors influence rural marketing namely price, credit availability and durability. However in the urban market the related factors are price, latest technology and durability. Hence, importance is attached to rural markets in the modern marketing scene, on account of saturation level attained in the urban market. Thus, it is often said that “markets are made, not found”. This is particularly accurate about the rural market. It is a market meant for the truly creative marketer (Manjunatha, 2004).

1.13 Discussion

There is no doubt that rural markets in India suffer from many shortcomings. But, still they offer tremendous opportunities to the marketers. There is a well known saying
that “markets are created and not born”. Tapping effectively the market so created is very much needed. An ideal example of the Life Insurance Corporation of India can be cited here. Rural market in India is quite fascinating and challenging despite all the existing difficulties. 21st century is going to see the full blossoming of the rural market of India. Retailing in rural marketing is now a key area of focus for the corporate sector. Multi national companies and several Indian companies are aggressively targeting the rural markets.

Several factors have been responsible for the rural market boom. There has been increase in demand as a result of increase in population. Income of farmers has increased. More and more investment is being made by government and other agencies for rural development. Development of the means of transport and communications has resulted in increasing contact of rural people with their urban counter parts. There has been increase in literacy and educational level of rural folks. Availability of foreign remittances and foreign made goods in rural areas has also helped in bringing the rural market boom. Besides all this, changes in rural buying behaviour as a result of change in the land tenure, too many competitions in urban markets along with saturation point for urban markets have also gone a long way in making a dominant shift in the rural consuming system in India. India offers a tremendous market potential and nearly two-third of all the middle income households in the country were in the villages which represent half of Indian buying potential. Rural markets are expected to grow at a rate faster than that of urban markets in a number of product areas such as toiletries, cosmetics, household convenience products and so on. If the product sells well in the rural areas it continues to be distributed by the company.

CHAPTER 2

REVIEW OF LITERATURE

2.1 Review of Literature