UNDERSTATING CONSUMER PSYCHOLOGY FOR RURAL RETAIL

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Abstract *As the rural market in India is undergoing a change due to enhanced purchasing power of the rural consumer, the top retail companies are considering a market which has a potential and can be unleashed. This had drawn interest of various corporate houses as DSCL, ITC, Tata group, etc to increase their retail expanse to rural India but recent reports indicated that rural retail had a tough ride for companies, the problems includes the fluctuating rural income, infrastructure support, consumer attitude, and local kirana stores which operate at lower costs, offer credit, deliver good at home, sometimes allow barter exchange this led to loses for many companies. In early 2010 Triveni Engineering shut its rural retail arm, Khushali Bazaar, after incurring a loss of Rs 19 crore in five years (The Next Rural Economies: 2009). ITC has not expanded its Choupal Sagaar business for the past few years. Godrej sold its Aadhaar rural retail business to the Future Group and the latter revamped it into a wholesale format. Hariyali Kisan Bazaar had to shut at least 70 outlets over the past couple of years.*

Thus we need to understand that rural market is a lot different from the urban market as the customer attitude is different, the customer profile is different, the customer needs are different and we need to study the consumer behaviour in order to tap the rural market. The paper attempts to find out the rural retail acceptance among the rural consumer and to explore what values should be incorporated to tap the largest potential market in the world.

Keywords: *Rural Retail, Consumer Psychology, Increasing Purchasing Power, Marketing Techniques, Consumer Need and Demand.*

Introduction

India Inc. is witnessing an emerging paradigm shift in rural marketing. India has traditionally been an agrarian economy. Agriculture contributed to more than 50% of the GDP in 60s. Since the country being still dominated by the agriculture sector and is autonomous (meets maximum of its food requirement), the global downturn had not affected Indian rural segment and it is growing

Agriculture sector is at the very core of the rural development programs have been run by corporate. The potential of the rural market is being observed by many retail chains and they took steps to launch rural retail chains, as this early steps will help them to create a Brand Image. The companies included various supports like providing agriculture knowledge to the farmers as by HKB (Haryali Kissan Bazzar) had gain brand loyalty and Tata Shakti had built the image of purity and quality product (http://www.bms.co.in/rural-marketing-notes/). But the sustained efforts are required by these corporates in order to serve the maximum consumer base of the country which also generates almost more than half of the country's income.

The Rural market in Indian economy can be classified under two broad categories. These are:

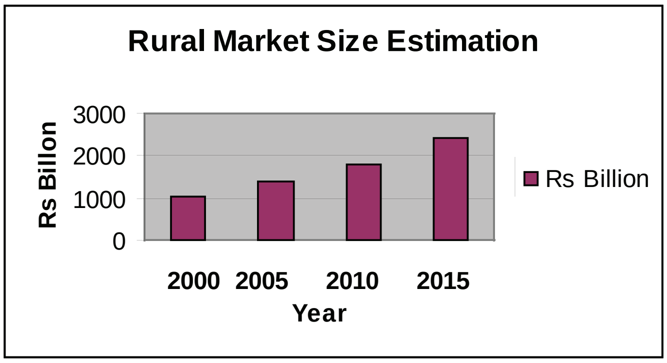
1. The market for consumer goods that comprise of both durable and non-durable goods.
2. The market for agricultural inputs that include fertilizers, pesticides, seeds, etc.

Rural marketing is assumed to be synonymous with agricultural market by many. But the latter just continues to be a part of the former. Rural marketing encompasses business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas. Hence, rural marketing in the Indian economy covers two broad sections, namely:

1. Trading of agricultural items in the urban areas.
2. By 2025, the Indian rural market is expected to grow more than ten fold to become a USD100 billion opportunity for retail spending (Hindustan Unilever- Harish Manwani, AGMSpeech2012, www.thehindubusinessline.com/features/article3220348.ece).

STATISTICS

With FDI in retail, now the global retail giant- Walmart and Tesco are planning to compete in the Indian retail industry and the retail is gearing up for massive changes on both the urban and the rural fronts. According to the Report of CII the Rural Market is estimated to grow over Rs 2,000 Billion by 2015 (Industry Estimates CII, Yes Bank Analysis, 2011). As the market is expanding and inviting more players the local companies should also gear up to face the tough competition.

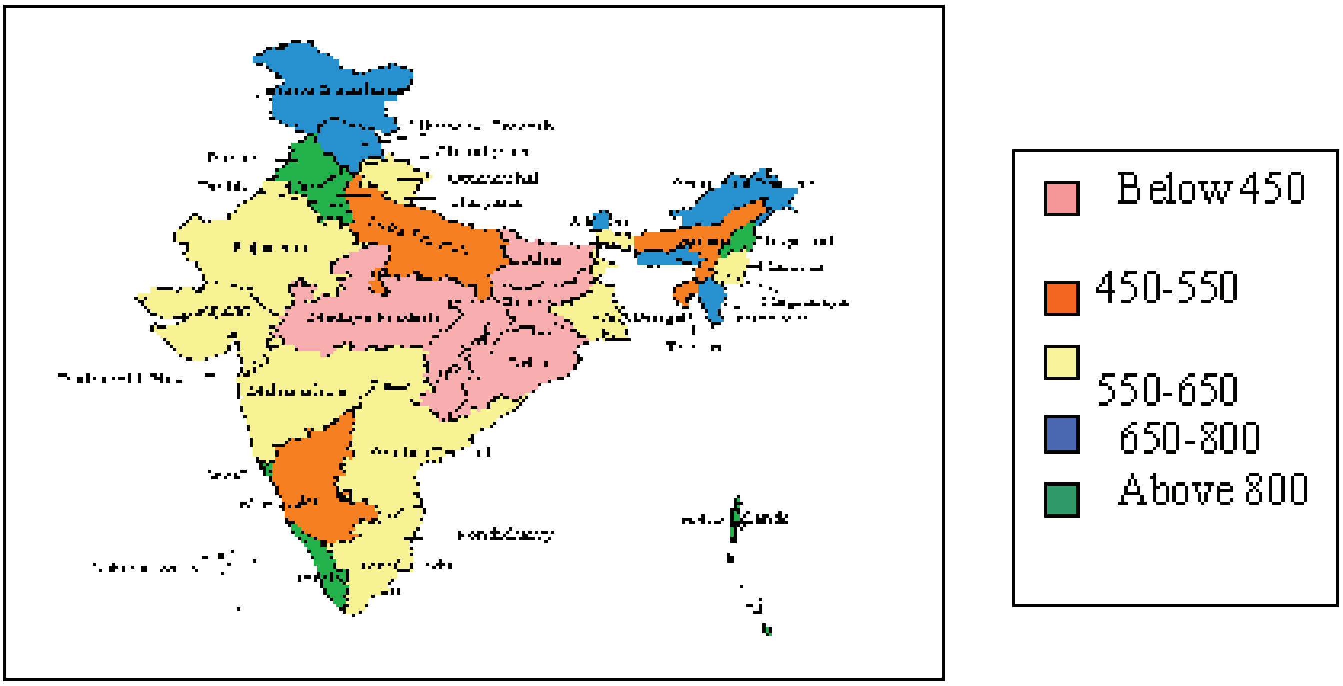


Source: Industry Estimates CII, Yes Bank Analysis, 2011
Figure 1. Rural Market Estimation. Includes FMCG, Durables, and Agriculture Inputs.

At present almost all the companies venturing into the rural market have a significant agribusiness interest. Considering the rural population, the companies are also focusing on sales of agriculture products like seeds and machinery but the research indicates that rural consumer is looking for wider range of options. The companies therefore need to offer FMCG goods, consumer goods, electronic goods and automobiles, which many rural retails are offering and making it a one point destination. The companies in addition to these are also required to focus on their marketing strategies in order to attract new customer and with hold the old one.

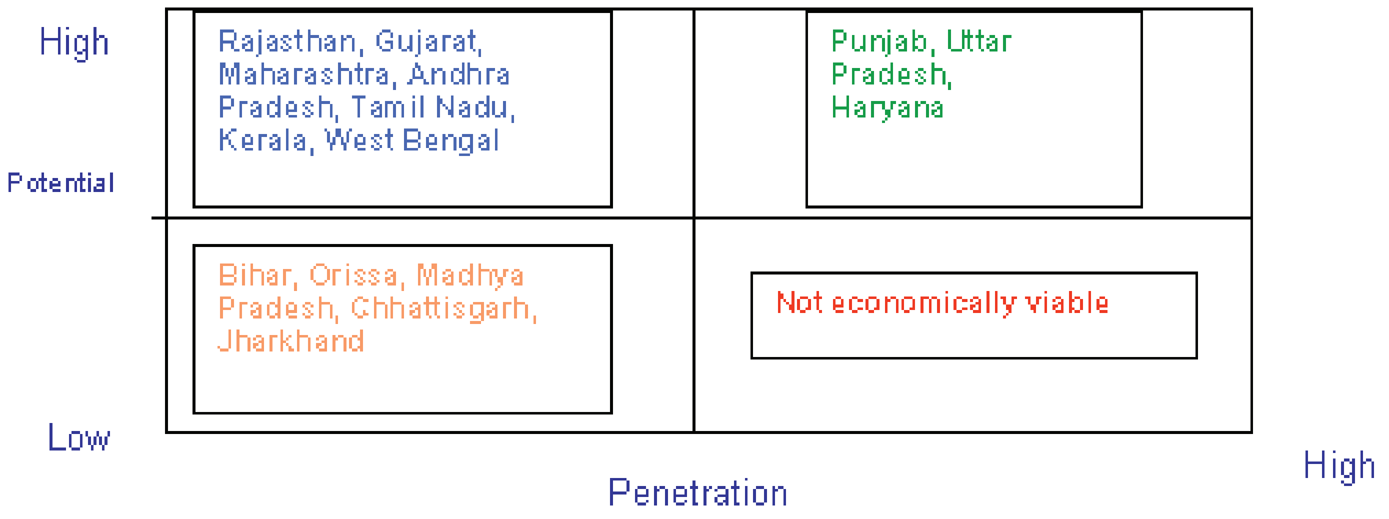
Most of the players started their rural foray in 2002-04. Initially the companies were successful in there positioning but the problem aroused when they moved on for ambitious expansions. The key success factors in organized rural retailing were:

- Customized offerings suiting the rural mindset.
- Attaining scale of operations coupled with a strong backend infrastructure.
- Developing and implementing streamlined technological solutions for effective store management.
- Uniformity in product quality, services and formats to instill trust and goodwill among the consumers.



(MPCE) (Rural) in Rs.
(Source: CII Report on Rural Retailing, 2012).

Figure 2: An analysis of Indian state: Monthly Per Capita Consumption Expenditure



(Source 12: NSSO Report, 2011)

Figure 3: Opportunity Matrix for Rural Retail in India

At present the rural retail industry is still in its formative stages and is expected to take a few years from now for the above objectives to be achieved. The corporate houses have to work on the opportunity based on the rural retail consumption expenditure (Figure 2).

Some of the prominent players in the rural retail sector in India are:

1. DCM Shriram Consolidated Ltd.
2. Tata Chemicals Ltd.
3. Godrej Agrovet Ltd.
4. ITC Ltd.
5. Triveni Engineers and Industries Ltd.
6. Indian Oil Corporation Ltd.

Objective of the Study

As in recent years it has been observed that rural retail has been a tough ride for companies. They faced problems related to infrastructure, distribution and fluctuating rural incomes, along with competition from local kirana stores, which operate at much lower costs. In early 2010, Triveni Engineering shut its rural retail arm, Khushali Bazaar, after incurring a loss of Rs 19 crore in five years. ITC has not expanded its Choupal Sagaar business for the past few years. Godrej sold its Aadhaar rural retail business to the Future Group and the latter revamped it into a wholesale format. Hariyali Kisan Bazaar had to shut at least 70 outlets over the past couple of years (Report CII, 2012) (forbesindia.com/printcontent/32020).
The paper attempt to find out the rural retail acceptance of the consumer and to explore what values should be incorporated to tap the largest potential market in the world. Thus the following research objectives were framed:

- To identify whether rural consumer intents to visit rural retail.
- To understand the buying indicators in rural retail.
- To measure there rural retail visiting frequency.
- To identify the impulse behaviour, shopping goods category and value added service impact on consumer purchase.

Research Methodology

Data Collection

The primary data has been collected by using survey method through structured questionnaire and the secondary data is collected through books, reports, newspapers, and references as indicated.

Sampling Method

The study was conducted in the rural areas of Lucknow which includes Itaunja, Ataria, Kmalapur, Prthivirajpur and Sidhauli. The sample size is 100 from the rural consumers from different walks of life. For the analysis we included 90 respondents as 10 respondents out of total 100 have never visited rural retail.

Data Representation

Out of 100 respondents, 90 have visited rural retail. We started our study with the positive note. The questions related to consumer behaviour in cognizance to our objective are explained below:

Table 1: Profile of the respondent

Description	Frequency (N)	Percentage
Gender		
Male	45	50
Female	45	50
Age		
15- 20	0	0
20- 30	24	26.66667
30- 40	34	37.77778
40- 50	32	35.55556
Above 50	0	0
Family Income		
Less than 5,000	16	17.77778
5,000- 10,000	66	73.33333
10,000- 15,000	8	8.888889
15,000- 20,000	0	0
Above 20,000	0	0
Family Size		
2 to 4	0	0
4 to 5	12	13.33333
5 to 6	32	35.55556
> 6	46	51.11111
Education		
Literate	40	44.44444
Illiterate	50	55.55556

The following charts represent the response given by the rural retail visitors

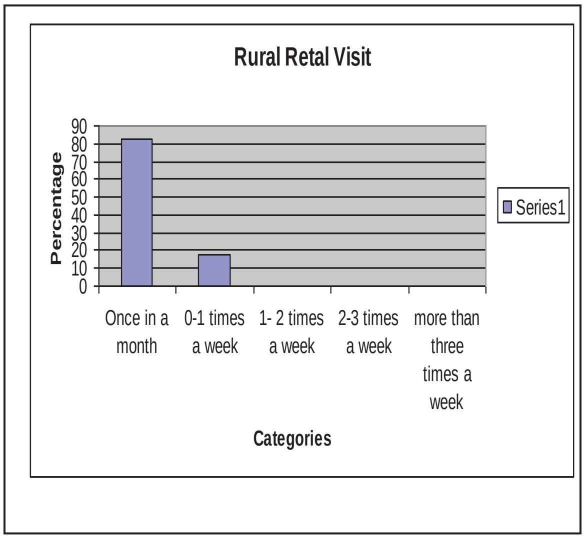


Chart 1

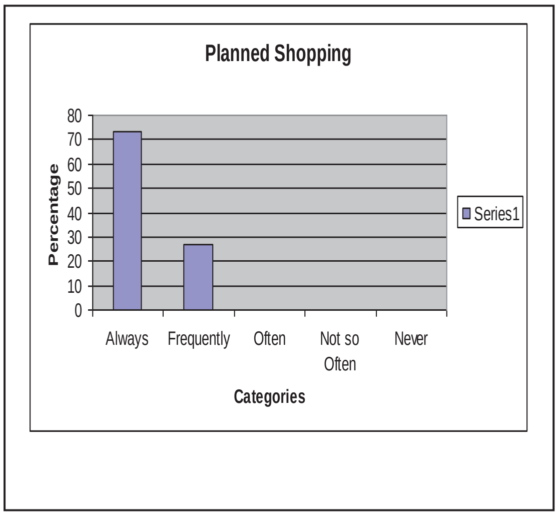


Chart 2

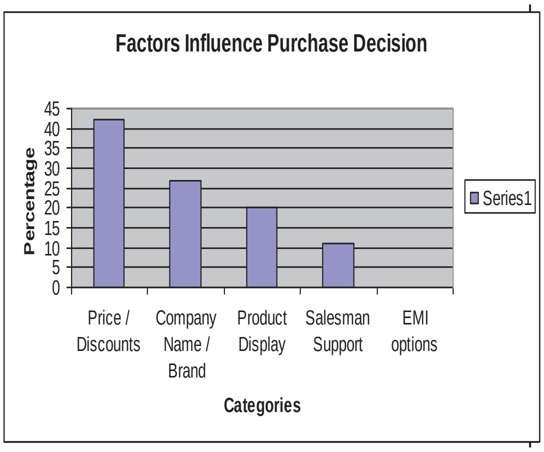


Chart 3

Data Interpretation

Chart 1: Rural Visit: As indicated in the chart 1, more than 80% of the sample of rural consumer visits rural retail once a month and remaining 18% visit once in a week.

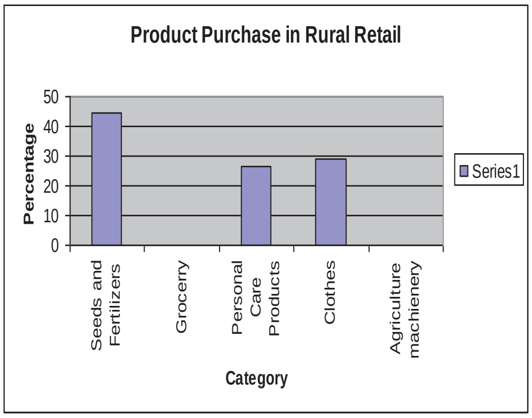


Chart 4

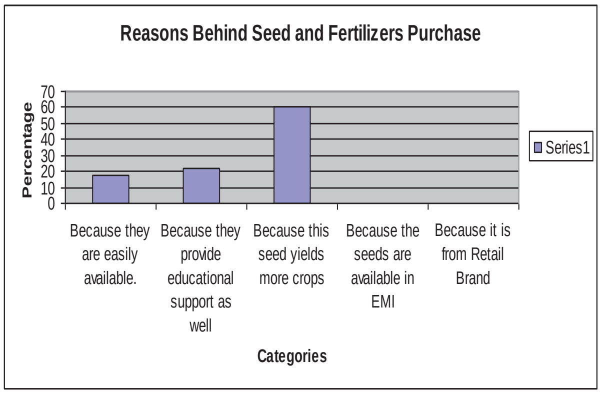


Chart 5

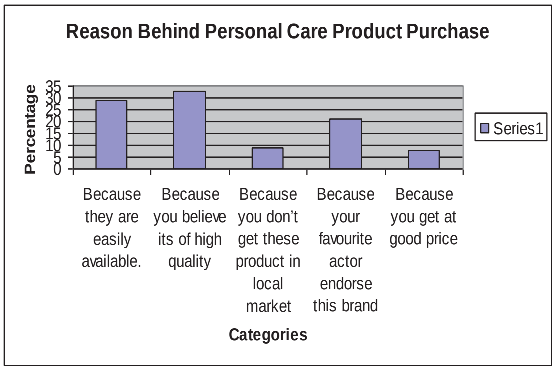


Chart 6

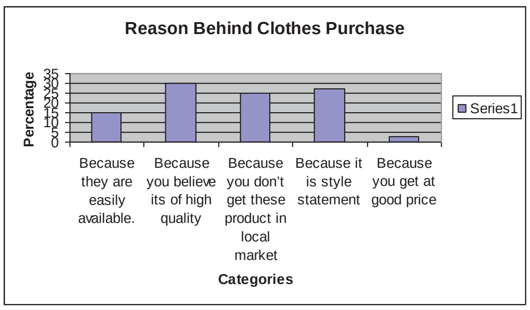


Chart 7

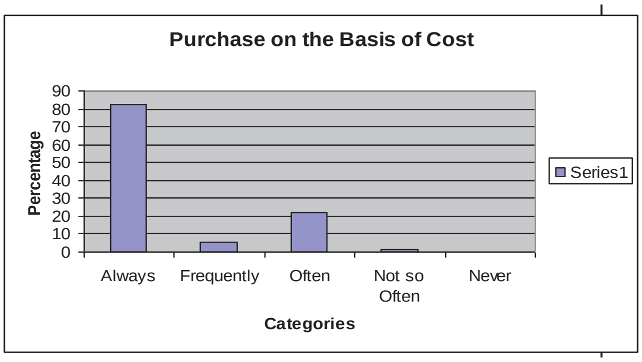


Chart 8

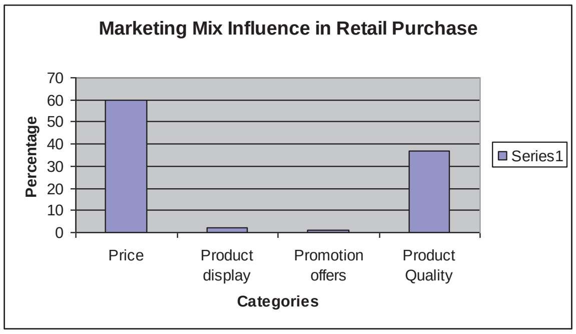


Chart 9

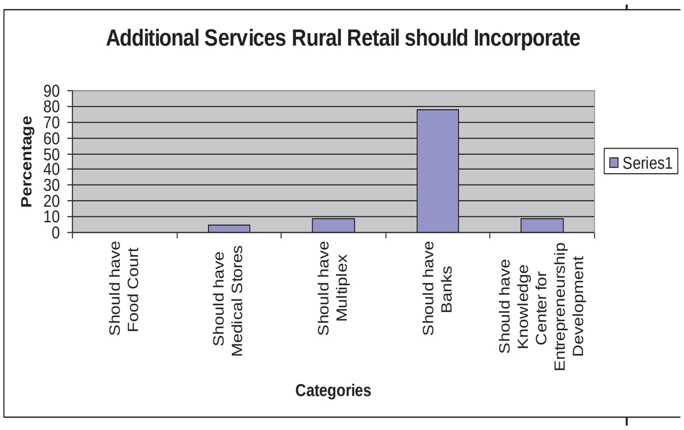


Chart 10

Chart 2: Planned Shopping: The sample indicates in that shopping is generally planned in rural more than 70% population states they go for planned shopping less than 30% indicates that they rarely shop unplanned. Chart 3: Influencing Factors: On inquiring the shopping factors in it is inferred that price/ discounts are major factors of purchase with 40% population followed by brand which they connect with quality with 26% of total sample. Around 20% people from the sample state its product display and around 10 % give weightage to the salesman support and no one gave response to EMI option. Chart 4: In rural retail the product purchased are 44% seeds and fertilizers, 27% personal care products and 30% clothes although grocery and agriculture machineries are not selected by any respondent. Chart 5: On investigating the reasons behind seed and fertilizers purchase 60% states that they purchase seeds from rural retail as it yield more crops followed by 20% because they get educational support with it and remaining 20% because its easily available no sorting required.

Chart 6: The sample chart 6 indicates that personal care product is purchased by 33% because they consider it is of high quality. 30% consider that it is easily available, 22% purchase is influenced by celebrity endorsement, and 10% state it is not available in village local market and 7% state it is cheaper to get from rural retail.

Chart 7: 30% population purchase clothes as they get quality in rural retail followed by 27% state that they buy considering latest fashion statement, 20% state that the clothes are unavailable in local market and 15% consider it for convenience and 3% consider it at good price.

Chart 8: It was evident from the sample chart 8 that rural population purchase on the basis of cost as above 80% population always purchase on the basis of cost remaining 5 % frequently, 22% often and only 1% not so often consider cost on purchase.

Chart 9: The influence of marketing mix Chart 9 identifies that 60% population is influenced by price, 37% considered product quality 2% considered product display and 0.5% considered promotion offers.

Chart 10: We also investigate what additional services in rural retail is required or liked by the sample. It is indicated that 79% of the sample indicate they will prefer banking service in association with the rural retail, 10- 10% respectively preferred multiplex and educational support and 5% indicated requirement for medical facility.

Recommendations

On the basis of the analysis made from secondary and primary data the major findings are:

- Rural market has tremendous potential with increasing purchasing power.
- Rural consumer is cost and quality conscious.
- Rural retail lacks to maintain infrastructure requirement and suffer losses in order to cater the rural population.

The primary data helped us to draw the recommendations to the corporate which shall be beneficial for both the parties as follows:

- The analysis indicated that rural consumer has acceptability for rural retail as majority of population visit in rural retail, thus firms need not have extensive activities to increase the footfall.
- The display of LCD and POP which aims on impulse is also not required as large number of rural consumer answered that they go with planned shopping.
- The major influencing factor for purchase being price and quality thus a company can reduce the size of packets as suggested by Prof. C.K Prahlad (www.ima.kth.se/utb/MJ1501/pdf/prahalad.pdf, thus not compromising on quality and can cut prices.
- On identifying the type of product purchase from rural retail it is observed that seed, fertilizer, personal care and clothes are considered as the seeds and fertilizers yield more crop, personal care product and clothes because of its quality and style statement. Thus a rural retail should cater to these products only and products like grocery and machinery should be avoided.
- It was very evident that cost being major factor for any purchase, rural retail should not only cater to price cut but also make efforts in increasing there employability like they can train few villagers and hire them in the retail shops, agriculture harvesting inputs, can buy and sell from farmers.
- As banks are also expanding to Micro Financing, rural retail can provide them a space in there outlet and also get revenue in terms of rent. Survey indicates banks are required by the consumer.
- Rural population is also required to get knowledge about the product authentication the firms need to put forward steps in the same regards.

Conclusion

Since the rural Indian population is 12% of the world population and if they are provided with the trainings and skills, rural India will match rural China in 10 years which would increase our GDP to USD 1.8 trillion, the current size of Indian economy. (Harish Manwani- Agm Report Hul, 2012**).** The impact will be transformational not only for India but for the global economy. And yet despite these seemingly insurmountable challenges there is an incredible opportunity if we create a work force by rural middle class (http://www.abesit.in/pdfs/Success_Through_Excellence.pdf).

The paper was an honest attempt to understand the rural potential and understand the rural consumer need. The rural retail should thus focus on their wants for sustainable developments. We also encourage further research which can help the rural retailers to cater bottom of the pyramid- Rural Market of India (C. K Prahlad, 1972, businesseconomist.blogspot.com/.../bottom-of-pyramid-opportunities).

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