

Understanding Rural Retailer at the Base of the Fortune Pyramid

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Abstract

The literature in the field of rural marketing has paid little attention to intra-rural transaction. However, approaches towards inclusive marketing and rural market development are incomplete without clarity on rural to rural transaction. In this article an attempt has been made to understand the rural to rural transaction in the context of rural retail units. Identification of the supportive features, appreciation of organisational limitations of the business, and design of alternative revenue options were found as three strategies adopted by rural retailers to build a profitable enterprise. Compatibility and desirability of the revenue alternatives have been discussed to be the indicators determining the importance of each of these strategies. Implications are discussed both for commercial ventures involved in rural marketing as well as for agencies concerned with the design and implementation of income generating programmes in rural areas.

Keywords: Intra-Rural Transaction, Rural Retailing, Income Generating Activities, Rural Marketing

Introduction

In search of fortune at the bottom of the pyramid business world overlooked the contribution of the not so suave, rustic entrepreneurs at the base of the pyramid. These are the group of rural retailers who helped the business strengthen its hold in rural areas by establishing connections between rural and urban transactions. Professionals talked about efficient ways of reaching rural consumers and divided the strategies into rural to rural approach, rural to urban approach and urban to rural approach (Jha, 1988). While major focus was given on urban to rural approach and rural to urban approach, little attention had been paid to rural to rural transactions. Responding to this gap developmental approach to rural marketing had claimed considerations for facilitating

conditions to increase not only affordability, acceptability, availability or awareness of the rural consumer but also to ameliorate the purchasing power of the rural consumer (Modi, 2009). An extension to this debate is the current description of survival strategies being adopted by rural retail units. A common thought connecting all these arguments advocate for development of good markets at the bottom of the pyramid and especially in rural areas. However, any investigation directed at the development of market is incomplete without taking into account the process of organisation of market by people in these places. Responding to this challenge an attempt has been made to understand the nuances of rural transaction through the analysis of practices and strategies being adopted by rural retailers. In this approach the article also explores the social, economic, and institutional contribution of these organisations to the village community.

Transactions and practices of eight retailers in two tribal villages of Madhya Pradesh had been discussed to draw insights regarding the functions of rural retailers at the base of the pyramid. Challenges faced by these retailers and strategies adopted to overcome these challenges had been compared to understand the practice of business by these enterprises.

The Backdrop

The first rural destination was a small tribal village in one of the districts in the central India (state of Madhya Pradesh) consisting 475 (approximately) households distributed into small hamlets. The village was five km away from the nearest town. It can be classified as an accessible rural area. However, the second village was a congregation of 75 households all scattered into isolated dwellings. The village was almost 40-45 minutes drive from the nearest town. In the first village there were five village shops and in the second there were three village

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shops catering to the demand of the local inhabitants. All of these shops had some similarity with respect to the basic structural and functional arrangements: they had independent ownership, sold mainly grocery items, but the products involved both food as well as non food items, operated in shops which were just an extension of the owner's house, and items were collected from the local wholesalers.

Challenges before the Retailers

All of these village shops were skeptic about the scaling up of their business because of a set of similar challenges like; poor trading environment because of inappropriate socio-economic change, locational difficulties, and financial and operational difficulties like higher operating costs, inadequate availability of investment capital and supply side problems.

The major reasons, though, could be attributed to the remoteness of these locations and the small customer population limiting the number of transactions and increasing expenses per delivery. Expanding into new segment base was not a profitable option owing to the small customer base. The customer base was not only geographically constrained but also more inclined towards the retail services in nearby town because of availability of more alternatives, better choices and the opportunity to have the joy of shopping in a better ambience along with friends and relatives. Thus these village shops were never the primary destination for larger section of the villagers to cater to their principal consumption needs.

The Opportunity

However, these shops were one of the major sources of income for their owners and primary lifelines for many of the disadvantaged consumers who can't afford to visit the nearest towns for their day-to-day needs. In many of the households, in both the villages, male members had migrated to distant locations in search of job. Under such circumstances the only means to accommodate household consumption needs were the village retail shops. For rest of the households, many were often going to the nearest town to collect day-to-day grocery requirements which was never a profitable option owing to the time and cost involved in travelling. Hence, village shops were the best options for these consumers who wanted to get their grocery refilled in the mid of the week or

at the end of the week just before the "haat day" (town market day). In these villages, where the houses are located at considerable distances from each other and where there were no place to accommodate community gathering, the village shops played an instrumental role in social exchange. These were like community centres in the village where people would gather during morning or during evening and sometimes during the noon while returning from their agricultural farms, they would share information and plan for different events. Thus these village shops formed a life line; although very thin, for the social and economic exchange among the inhabitants in these remote locations.

The Strategy

A greater understanding of these factors (challenges and opportunities) has led these petite rustic retailers to organize the scale up of their business in a more systematic manner. And this has helped these self-styled entrepreneurs to survive the waves of adversity and grow despite inadequate opportunities. The present commentary involves a discussion on three primary strategies viz; identification of the supportive features prevalent in the community, addressing the organisational limitations of the business and design of revenue alternatives in response to above limiting factors.

The first among these strategies was the identification of the supportive features prevalent in their community. The retailers could realise the congenial nature of the fellow villagers and wanted to provide them an opportunity to gather and share each other's stories. This led them to explore the need for a platform to accommodate these community gatherings. They had witnessed the lively discussions at the town retail shops and comprehended the importance of the talks among the ladies at the village pond or at the village well. Two of these village shop owners wanted to create the same ambience at their shop. They built small sheds, arranged some handmade wooden or earthen chairs in front of their shops. It attracted a couple of kids in the noon, some men in the afternoon and a group of ladies in the late afternoon/evening. During summer they made provisions for clean drinking water. It attracted a few passersby and occasionally some travelers to drink water and take some rest under the shed which in turn helped build a gathering of villagers. And every gathering transformed into a considerable amount of business. These village shops thus became community

resources, helped the owner to strengthen his/her ties, became the epicenters for local community events and in the process capitalised on the positive sentiments to garner business opportunities (Miller, Besser, Gaskill, & Sapp, 2003). Thus developing a personal resource into a social facility helped the entrepreneurs gain business.

A few of these shop owners tried to analyse the nature of their business and found the demand in this business is discrete in nature and consists of regular demand for specific things in small amounts. That is when they decided to expand the scope of their business by creating additional facilities for their customers. One among them started a flour mill. Every day she would get 2-5 ladies coming to the shop to get maize or wheat flour. This initiative also helped to generate business for the retail shop. During summer the lady owner of a shop bought a refrigerator and started preparing ice candy and cold drinks. These homemade cold drinks and ice creams were an instant hit among the kids as well as elderly people. She even started a tailoring shop which operated from the same counter. She would sew ladies clothes (old and new) and could generate some income supplementary to the main retail income, thus making provisions to cater to the varied needs of the villagers and ensuring their continuous presence in the lives of fellow villagers. This had helped them to maximise the utilisation of the shop and provide greater consumer utility.

A major consideration before these village retailers was the willingness and ability of the rural consumer to purchase products from the village shop. Price was a major concern for these villagers, however, none of them wanted to compromise with variety either. That is why the retailers in these villages kept a wide range of product categories but with limited price options (two or maximum three price ranges). Competing products in same price range are kept alternatively to ensure variety to the consumer and influence continuous demand. Thus consideration for local preferences, restriction on product depth, and rotation among competing products helped them overcome the issue of reduced demand while generating desired profit from the business.

Discussion and Implication

From the above description it can be concluded that retailers in rural areas took into consideration the supportive features available to them, understood

the organisational limitations and designed revenue alternatives to increase the compatibility of the business. Initially they started with an alternative which had natural supportive conditions available in the community. However, if the limitations in the organisation, in the form of capabilities and resources, restricted the performance of the business then it was compensated by devising a different alternative.

Understanding of these facts has implications for commercial ventures as well as government and voluntary organisations involved in design of income generating programmes for rural areas. Commercial ventures targeting rural market under their market expansion plan can take these insights from rural retailers to devise their distribution and promotion plan. Understanding of supportive features of the specific rural community can help design distribution channel as well as promotion channel. Similarly a clear understanding of limitations of partner rural retail organisation can give idea about the resources a commercial organisation needs to share with the rural partner in order to increase the efficiency of the business.

Likewise these factors are also important for government and non-government organisations involved in development of rural entrepreneurship and income generating programmes. These agencies need to take into consideration the supportive as well as limiting factors with respect to rural entrepreneurial behaviour before devising an income generating programme. The supportive conditions increase the desirability of a particular business and limiting conditions decrease the desirability. Similarly the business is adopted only when entrepreneur finds his/her resources are compatible with the demand of the business. When the desirability as well as compatibility is there then the rural entrepreneur continues with the business. And when the income generating activity lacks both desirability as well as compatibility it is not sustained for a longer duration. On the other hand when the business is desirable but not compatible, the entrepreneur attempts to acquire necessary resources in order to sustain the business. Under these circumstances the supporting agency should help them access necessary resources. But if the business is compatible with the entrepreneur but lacks the desirability then the entrepreneur attempts to diversify and is in search of new better alternatives. Under these circumstances the responsibility of the supporting agency is to create the supportive condition to increase

the desirability of the existing business of the rural entrepreneur. In addition the agency needs to support the diversification by designing income generating activity which is desirable and compatible as well.

Conclusion

Although these units were miniscule in operation but these were the epicenters of rural community life in many places. So, understanding of the process of exchange by these institutions is essential to influence policies to make or shape these organisations. Furthermore, knowledge on the functioning of these units and its contribution towards rural consumer behaviour can also help garner greater fortune at the bottom of the pyramid. These units can yield only nominal returns and achieve insignificant annual rate of growth but these are potential means for transactions among the rural consumers, producers and urban agencies.

Thus a greater understanding of the exchange process can help design better income generating interventions in these places. And a greater understanding of the frugal innovations by these institutions can help managers and entrepreneurs serve better the base of the fortune pyramid.

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