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## Diffusion of Rural Malls in Rural Markets: A Study of Consumer Perception

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### Abstract:

*The entry of rural malls into townships and rural villages is due to the rising buying power of the villagers. The purpose of this study is to investigate the reason for impenetrability of these rural malls. Furthermore, the study evaluates the responses of both rural customers as well as retailers to reveal the causes of low footfalls of rural customers into these malls.*

*The study depicts that remoteness of rural malls is having an impact on consumer footfalls. FMCG products are also difficult to sell through these malls. Further, the general dealers employed a number of strategies, such as credit facilities, longer operating hours, and focusing on products generally not sold in the mall, in order to counter the impact of competition from the malls.*

**Key words:** Organised Retail Industry, Unorganised Retail Industry, Rural Retailing.

### 1. Introduction

Retail industry is one of the pillars of Indian economy and accounts for 14–15% of its GDP. Retailing can be understood by two terms- Organized and unorganized retail.

Organized retailing, in India, refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the publicly traded supermarkets, corporate backed hypermarkets and retail chains, and also the privately owned large retail businesses.

Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local corner shops, owner manned general stores, paan / beedi shops, convenience stores, hand cart and pavement vendors, etc.

India's retailing industry essentially consists of the local mom and pop store, owner manned general stores, convenience stores, hand cart and pavement vendors, etc.

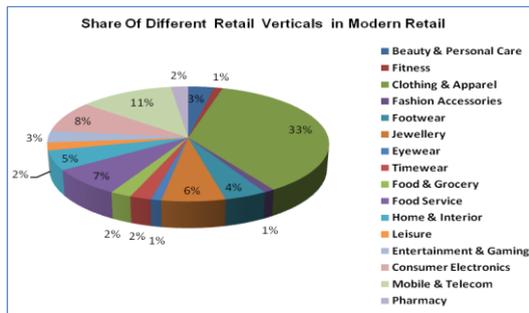
Until 2011, the Indian Central Government denied Foreign Direct Investment (FDI) in multi-brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or other retail outlets. Even single-brand retail was limited to 51% ownership and a bureaucratic process. In late 2012, the Government of India passed a Foreign Direct Investment policy which allows foreign retailers to own up to 51 per cent in multi-brand retail and 100% in single brand retail.

The Indian retail market is estimated to exceed US\$ 750 billion by 2015, according to the India Retail Report 2013 (IRIS Research). According to A T Kearney's Global Retail Development Index (GRDI) 2012, India is the 5th most favourable destination for international retailers. Of the total Indian retail market, 8% constitutes the organised retail segment which is estimated to grow at a rate of almost 30% by 2015, and hence at a much faster pace than the overall retail market which is forecast to grow by 16% in the same period. Clothing & Apparel make up almost a third of the organized retail segment, followed by Food & Grocery and Consumer Electronics. India currently has a small penetration within the organized retail segment as compared to other emerging

markets such as China, which has a penetration of more than 20% within organised retail according to the Global Retail Index report by the World Retail Conference.

Country	2012 Rank	2011 Rank	Change
Brazil	1	1	0
Chile	2	2	0
China	3	6	+3
Uruguay	4	3	-1
India	5	4	-1
Georgia	6	Unranked	N/A
United Arab Emirates	7	8	+1
Oman	8	Unranked	N/A
Mongolia	9	Unranked	N/A
Peru	10	7	-3

**Sources:** Euromoney, Population Data Bureau, International Monetary Fund, World Bank, World Economic Forum, Economist Intelligence Unit, Planet Retail: A.T. Kearney analyst.



The pie-graph shows how each category of modern retail fares against total modern retail.

### Rural Retail

According to the census, India's total population as on March 1, 2011 is 1.21 billion. Altogether, 833.5 million persons live in rural areas as per Census 2011 while 377.1 million persons live in urban areas, that is around 69% of our population lives in rural India. Realising this, most of the big retail companies have started targeting the rural towns to spur their growth-the bottom of the pyramid (BOP).

Average wages under the National Rural Employment Guarantee Programme have risen to Rs 128 in 2012/13 from Rs 65 in 2006/07. The average monthly per capita spending in rural areas has jumped 36 per cent to Rs 1,430 in 2011/12 from Rs 1,053 in 2009/10, according to the latest data from the National Sample Survey Organisation.

The major organized rural retail stores are:

- **Project Shakti**

HUL launched Project Shakti, in year 2000. They worked closely with rural self-help groups, microcredit lenders, nongovernmental organizations (NGOs), and the Indian government. In general, a member from a SHG was selected as a Shakti entrepreneur, commonly referred as 'Shakti Amma'. She received stocks from HUL rural distributor. Shakti entrepreneur incomes average Rs 500 per month, doubles household income through supplemental activity, 30% of entrepreneurs earn more than rural per capita income.

- **Choupal Saagar**

The country's biggest cigarette maker, ITC, opened its first Choupal Saagar rural hypermarket in 2004. The stores provide a range of products and services. By 2007 it had 24 such outlets. 21 of these outlets are profitable. It hasn't expanded since then, though it had plans to set up 100 outlets. ITC, however, first developed linkages through its eChoupal initiative to buy agricultural products from farmers and improve productivity, helping raise their incomes. It then launched Choupal Saagar stores to sell a variety of products and services including farm inputs, consumer goods and consumer durables, apparel and fuel.

- **Aadhaar**

Initially, when Godrej Agrovet launched the chain, the stores were owned and operated by the company. After retail tycoon Kishore Biyani's Future Group bought a majority stake in the venture in 2008, it closed some company-owned outlets and expanded through franchisees. In early 2012, it entered the cash-and-carry business to sell to wholesalers and Aadhaar outlets. The business now accounts for half the rural retail sales. The store manager says every product is sold at a discount ranging from two to 10 per cent. On average, 300 people visit the store every day and buy products worth Rs.400-500each.

- **Hariyali Bazaar**

DCM Shriram Consolidated Ltd (DSCL) launched Hariyali stores in 2002. The stores sold farm products, groceries and household goods. By 2008 it had become the biggest rural retail chain in India with about 300 stores. Revenue from the business grew at a rapid clip and crossed Rs 850 crore in 2011/12. But it never made a profit. With each passing year it sank deeper into the red - the net loss touched Rs 106 crore in 2011/2012.

Widening losses prompted DSCL to rethink its rural strategy. Initially, it decided to go slow on expansion. When that didn't work, it shut down some stores. Eventually, it made a total exit in 2012. Now, it sells only fuel products sourced from Bharat Petroleum at 37 locations in the countryside.

- **Khushali Bazaar**

Triveni Engineering had 42 Khushali Bazaar outlets in Uttar Pradesh and Uttarakhand when it shut shop in 2010 after running the unprofitable business for five years. The reasons are- higher overhead costs, fluctuating demand that depends on the monsoon, diverse buying habits, and difficulty in competing with mom-and-pop stores.

- **Kisan Sansars**

The Tata Kisan Sansar evolved from Tata Kisan Kendra (TKK) which was setup in 1988 as a one-stop shop for fulfilling the Indian farmer's requirements, from seed sowing to post-harvest activities. More than one lakh farmers in 25,000 villages receive benefits through TKS. In Tata Kisan Sansar there is a provision of having membership of farmers. These member farmers have created an association called Tata Kisan Parivar.

## **2. Objectives of the Study**

The study has been conducted to achieve the following objectives:

- To study consumer awareness of organized rural retail.
- To analyze the attitude of customers towards rural malls.

## **3. Research Methodology**

The investigation has been designed to study customer attitude towards organized rural retailers. In order to fulfill the research objectives, research methodology consists of the following sections:

### **3.1 Sample Size**

The present study has been conducted with a sample of 100 consumers. The respondents have been selected from Eastern Uttar Pradesh. The sample consists of male and female respondents of different age groups and varied educational qualification and belonging to different occupation.

### 3.2 Sample Profile

S. No.	PROFILE FACTOR		PERCENTAGE OF RESPONDENTS
1.	Gender	Male	67
		Female	33
2.	Age (in Years)	Below 30	44
		31-40	39
		41-50	13
		Above 50	4
3.	Education Level	Non- Graduate	37
		Graduate	54
		Post- Graduate	9
4.	Occupation	Student	23
		Service	16
		Business	25
		Farmer	36
5.	Income p.a. (in Rs.)	Less than 1 lac	47
		1 lac- 3 lacs	36
		Above 3 lacs	17

### 3.3 Collection of Data

The sample has been selected using convenience sampling method. The questionnaire method has been adopted for collection of primary data for the current study. A questionnaire consists of a number of questions in a definite order. Secondary data has been collected from various sources such as journals, books and websites.

### 3.4 Limitations of the study

- The numbers of respondents were relatively small.
- The study was carried out at the micro level, concentrating on the customers and retailers of Eastern Uttar Pradesh.
- Convenience sampling technique was applied in the selection of respondents.

## 4. Results and Discussion

As per the objectives of the study, the responses obtained through questionnaire have been analyzed. The findings of the study are represented as follows:

### Study of Consumers

- The study depicted that majority of respondents i.e.67% prefer shopping from nearby unorganized retail outlets.

Response	Percentage
Organized retail outlets	33
Unorganized retail outlets	67

- 47% respondents going to organized retail shops majorly buy agricultural products followed by white goods (28%).

Response	Percentage
Daily necessity products	7
Fruits and vegetables	2
Agricultural products	47
Clothing	23
White goods	28

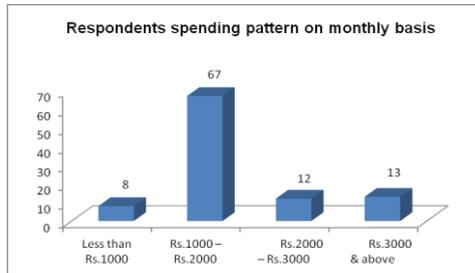
- The study shows that 86% customers state that rural malls have a good selection of products.

Response	Percentage
Strongly Agree	34
Agree	52
Neutral	9
Disagree	4
Strongly Disagree	1
Total	100

- 67% respondents spend Rs1000- Rs2000 on a monthly basis at rural malls.

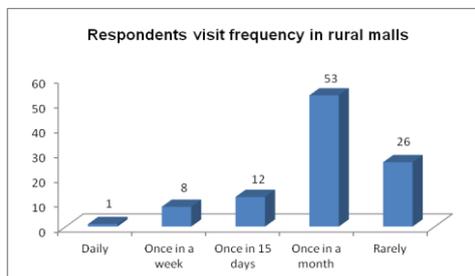
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Spending Pattern	Percentage
Less than Rs.1000	8
Rs.1000 – Rs.2000	67
Rs.2000 – Rs.3000	12
Rs.3000 & above	13
Total	100



- 53% respondents visit the rural malls once in a month.

Response	Percentage
Daily	1
Once in a week	8
Once in 15 days	12
Once in a month	53
Rarely	26
Total	100



- 63% consumer state remoteness of rural malls from villages is major factor for low footfall.

Response	Percentage
Strongly Agree	24
Agree	39
Neutral	3

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Disagree	26
Strongly Disagree	8
Total	100

## 5. Findings and Suggestions

- As the study reveals that only 33% consumers are aware of rural malls, thus retailers should focus on promotion strategies like free gift coupons to increase footfalls in rural malls.
- The study shows that sale of FMCG products are only 7% which can be enhanced by sending mobile vans to nearby villages selling FMCG products.
- The study reveals that a consumer spends around Rs.2000 on a monthly basis at rural malls. Some promotional schemes can be designed like consumer shopping for Rs.2000 a month would get cash back of Rs.200 or additional purchases worth that amount.
- The study shows that 53% consumers visit rural malls just once in a month though they are satisfied with the collection of products available at store. They also reveal that consumer footfall is less due to remoteness of rural malls. Thus, footfalls can be enhanced by innovative ideas like providing weekly free to and fro bus services by retail stores to consumers.

## 6. Conclusion and Managerial Implications

The result of this study is crucial for the organized rural retailers to improve the adoption of rural malls by consumers in villages. Since the intention to visit rural malls is significantly associated with proximity of stores, footfalls can be enhanced by innovative ideas like providing weekly free to and fro bus services by retail stores to consumers. Display vans selling FMCG and other smaller products could be sent to villages to

build awareness of rural malls as well increase sale of everyday use products.

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