

Retailer Behaviour in Nuagaon Block with respect to Selected consumer non-durables

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Introduction

The paper tries to confine the study only to the retailer behavior for consumer non-durables in a specific market i.e. Nuagaon community development block (referred to as Nuagaon block in this paper), and we have covered a sample of all the retailers of the block. The study has been conducted using qualitative methods and is basically exploratory in nature.

The rural market has changed drastically in the past one decade, earlier the rural market was more unstructured and was not a prioritized target location for corporates. There were no innovative strategies and promotional campaigns. A distribution system did exist, but was feeble. Illiteracy, lack of technology and lower level of awareness amongst villagers were the other factors leading to the poor reach of products (Monga, 2004). Very few companies, mainly the agro-based ones, were concentrating in these markets. However during last decade or so owing to various reasons like - growing saturation of urban market for certain product categories, growing per capita and disposable income of rural population etc; Corporate India has woke up to the business potentials of rural India.

Initiatives like Mission Shakti (HUL), ITC's e-chopal, Project Jagruti (Colgate Palmolive India), and adoption of hub & spoke model of distribution, by Pepsi and Coke for higher rural reach etc are just a few examples of corporate India's new outlook regarding the rural market. Thus, "changes occurred over the years at both the ends — the consumer and the market. The corporates witnessed a growth in rural products; their distribution system got more aligned with innovations in packaging and pricing. Today we see the rural market share for various product categories as follows: 50 per cent of total FMCG, 38 per cent of two-wheelers, 55 per cent of LIC policies, 70 per cent of toilet soaps, 50 per cent of TV, fans, bicycles, tea and wrist watches" (Monga, 2004).

Consumer Non Durable

At a broader level our study pertains to retailing of consumer non-durables in rural India. Thus, before trying to understand the rural retail, there is a need to understand the consumer non-durables, and an overview of classification of the products and services. The classification of products and services is essential to business because it provides one of the factors for determining the strategies needed to move them through the marketing system. The two major classes are consumer products and business products. Consumer products are products purchased for personal, family, or household use. They are often grouped into four subcategories on the basis of consumer buying habits: convenience products, shopping products, specialty products and unsought products. Consumer products can also be differentiated on the basis of durability.

Durable products are products that have a long life, such as furniture and garden tools. Non-durable products are those that are quickly used up or worn out, or that become outdated, such as food, school supplies, and disposable cameras etc. (Thomas Baird, 2007).

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The consumer nondurable is also defined, as follows - “classifications of frequently purchased consumer goods, non-durables are items which are consumed in one use or a few uses, expendables, consumer non-durables & they are further sub-divided into packaged and non-packaged goods”(salesopedia). There are few studies, which have discussed specifically with respect to consumption pattern and demand of various consumer non-durables in rural India, by authors like Velayudhan. He has reported that as on 1999, the market share for – batteries, blues, iodized salts, safety razor blades and washing bars; in rural area was higher than urban. Moreover, this study is timely and relevant, as Assocham has predicted that - \$3.5bn worth FMCG products are going to be sold in rural India in '07 alone (reference).

Demographic details of Indian Rural Markets:

When we look at the definition of term “Rural” we find that different agencies have defined it in different terms. The census of India defines it in a way, IRDA defines it in some different manner, most of the FMCG companies have their own definition for what is rural and so on. Yet for our paper we shall stick to the definition given in the census of India (2001) - “the 'rural sector' shall mean any place ... which meets the following criteria, (i) a population of less than 5,000 (ii) density of population less than 400 per sq km and (iii) more than '25 per cent of the male working population' (Business line, 2002). According to this definition, “there are 6.38,000 villages in the country. Of these, only 0.5 cent has a population above 10,000 and 2 per cent have population between 5,000 and 10,000. Around 50 per cent has a population less than 200. Interestingly, for FMCG and consumer durable companies, any territory that has more than 20,000 and 50,000 population, respectively, is rural market. So, for them, it is not rural India, which is rural. According to them, it is the class-II (50,000-99,999 population) and III (20,000-50,000 population) towns that are rural” (Naik, Rajeshkumar & Saiganesh), they have listed the following details about rural India, having followed the census of India’s definition for rural.

About 285 million live in urban India whereas 742 million reside in rural areas, constituting 72% of India's population resides in its 6, 27,000 villages. The number of middle income and high-income households in rural India is expected to grow from 46 million to 59 million. Size of rural market is estimated to be 42 million households and rural market has been growing at five times the pace of the urban market. Low literacy rate Increasing agricultural productivity leading to growth of rural disposable income. Lowering of difference between taste of urban and rural customers. The above highlights the complexities involved with rural marketing in this country. Rural marketing is thus a time consuming affair and requires considerable investments in terms of evolving appropriate strategies with a view to tackle the problems (Chaudhary Navya). He lists out the following as the major problems faced by corporates in their rural marketing initiatives: - Underdeveloped People and Underdeveloped Markets: The number of people below poverty line has not decreased in any appreciable manner. Thus underdeveloped people and consequently underdeveloped market by and large characterize the rural markets.

Lack of Proper Physical Communication Facilities: Nearly fifty percent of the villages in the country do not have all weather roads. Physical communication of these villages is highly expensive. Even today most villages in the eastern parts of the country are inaccessible during the monsoon.

Media for Rural Communication: Among the mass media at some point of time in the late 50's and 60's radio was considered to be a potential medium for communication to the rural people. Another mass media is television and cinemas. Statistics indicate that the rural areas account

for hardly 2000 to 3500 mobile theatres, which is far less compared to the number of villages.

Languages and Dialects: The number of languages and dialects vary widely from state to state, region to region and probably from district to district. The messages have to be delivered in the local languages and dialects. Even though the numbers of recognized languages are only 16, the dialects are estimated to be around 850.

Dispersed Market: Rural areas are scattered and it is next to impossible to ensure the availability of a brand all over the country. Seven Indian states account for 76% of the country's rural retail outlets, the total number of which is placed at around 3.7 million. Advertising in such a highly heterogeneous market, which is widely spread, is very expensive.

Low Per Capita Income: Even though about 33-35% of gross domestic product is generated in the rural areas it is shared by 74% of the population. Hence the per capita incomes are low compared to the urban areas.

Low Levels of Literacy: The literacy rate is low in rural areas as compared to urban areas. This again leads to problem of communication for promotion purposes. Print medium becomes ineffective and to an extent irrelevant in rural areas since its reach is poor and so is the level of literacy.

Prevalence of spurious brands and seasonal demand: For any branded product there are a multitude of 'local variants', which are cheaper, and, therefore, more desirable to villagers.

Different way of thinking: There is a vast difference in the lifestyles of the people. The kind of choices of brands that an urban customer enjoys is different from the choices available to the rural customer. The rural customer usually has 2 or 3 brands to choose from whereas the urban one has multiple choices. The difference is also in the way of thinking. The rural customer has a fairly simple thinking as compared to the urban counterpart.

Thus in short, penetrating in to the rural markets is a problem of developing a right “marketing mix” – a mere extension of urban area’s “marketing mix” won’t be effective in reaching out to the rural consumers. So, marketers must develop suitable marketing mix or meet the challenges of availability, affordability, acceptability and awareness (the so-called 4 As), if they want to effectively target the rural market. The challenge of place or availability is a critical one because of non-uniform dispersion of 70 crore potential consumers, in 627,000 villages that are spread over 3.2 million sq km. The issue becomes even more complex, because studies on buying behaviour of rural consumers indicate, that the rural retailers influence 35% of purchase occasions. Thus, in addition to product availability, it also becomes important to study the retailer behavior and to manage the same, if one wants to be successful in Indian rural market.

Rural Retailer Behavior and Retail system

In rural marketing, distribution may influence the success or failure of a brand. This is noted due to the fact that rural markets by and large have no huge super markets where consumers would pickup the brands on their own. Further, majority of the rural consumer being illiterates take information and advice from a retailer may be wotedly or otherwise. The rural consumer are likely to exhibit specific buying behavior with respect to the place of purchase, terms of purchase, frequency and buying from the same shop (Rao, Srinivas, 2002). The importance of

place or availability in marketing or distribution process does not require any elaboration. However, it is worth noting the places where a rural customer generally makes the purchase.

We may again quote Rao's description in this context, "that Rural consumers can buy at three places namely-(i) in a shop in the village (ii) Weekly bazaar (which is conducted once in a week – the haat) and (iii) in the shop of near by town. Yet studies show, "for a majority of consumer products, private shops are the main channel in the rural markets. They are also the cheapest and most convenient channels to align with. According to a 'census of retail outlets' carried out by the Operation Research Group (ORG), there are 2.02 million sales outlets in rural India, with a major chunk constituted by private shops. In fact, private village shops of India are seen to be one of the cheapest distribution channels in the world (Ramkishan, 2002).

"There was a time when rural consumers purchased most of their requirements from the near by towns. Recently there has been a greater shift towards purchasing locally. ... Consumer loyalty can be to the brand or to the retailer more so for durables. ... The influence of the retailer is perceived to be high in rural market. ... Literature suggests that promotion by retailer supplements the efforts at creating the brand knowledge in rural market." Later he goes on to say "consumer loyalty to the retailer and influence of retailer on consumer choice suggests the need to examine the rural retail system" (Velayudhan 2002). Broadly he has divided the rural retail system in to – Retail characteristic and Retailer behavior. Subsequently, quoting Study Of Retailer Behavior In Rural Market (Kilaru, 1994), Velayudhan has defined retailer behavior (as a function of the following –

- Credit facility to consumer
- Pricing and under cutting by the channel
- Reasons for stocking a Product / Brand
- Information source for the retailer
- Channel credit
- Purchase source
- Channel Promotion
- Promotion by the Retailer

Yet before we proceed further to test the validity of the above mentioned parameters or for that matter before any attempt is made to generalize regarding the retailing, it is worth reminding ourselves that, "In a market place of typical consumer product category there are several types of players making decisions with different objectives. Manufactures care about their own profits and make decisions regarding the products they sell, taking in to account the demand conditions, the other manufacturers strategic behavior, and the retailer strategies. Similarly, retailers are concerned about the retail profits, and make decisions on the final prices of products they carry given the manufactures' selling conditions, and the demand situations. Finally, individual consumers care about their utilities, and given the conditions set by the retailers and manufacturers, choose whether to buy a product, and if so which product to buy (Ying Zhao, 1994)" *we may add here depending on all these the customer decides where and when to buy a specific product.*

Area being studied – Nuagaon Block

This study is being conducted in the Nuagaon block, one of the 17 community development blocks of Sundargarh district of Orissa, India. Refer diagram 1, 2 3 and 4. The diagram - 1 is a Map of India – and the diagram – 2, is a map that shows the state of Orissa, where in the district of Sundargarh has been darkened. (These maps have been down loaded from

the web site of – maps of India.) The next diagram shows the location of Nuagaon block (encircled in black) in the map of district of Sundargarh (this map has been down loaded from the web site of Disha a local NGO). The diagram – 4 has been downloaded from net.

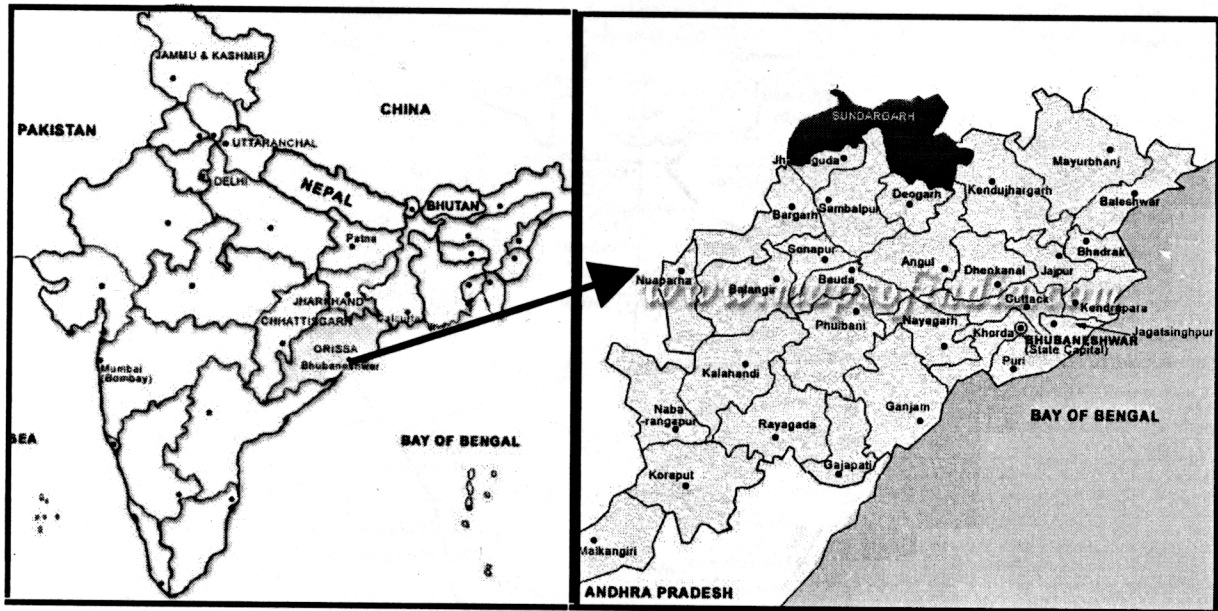


Diagram -1

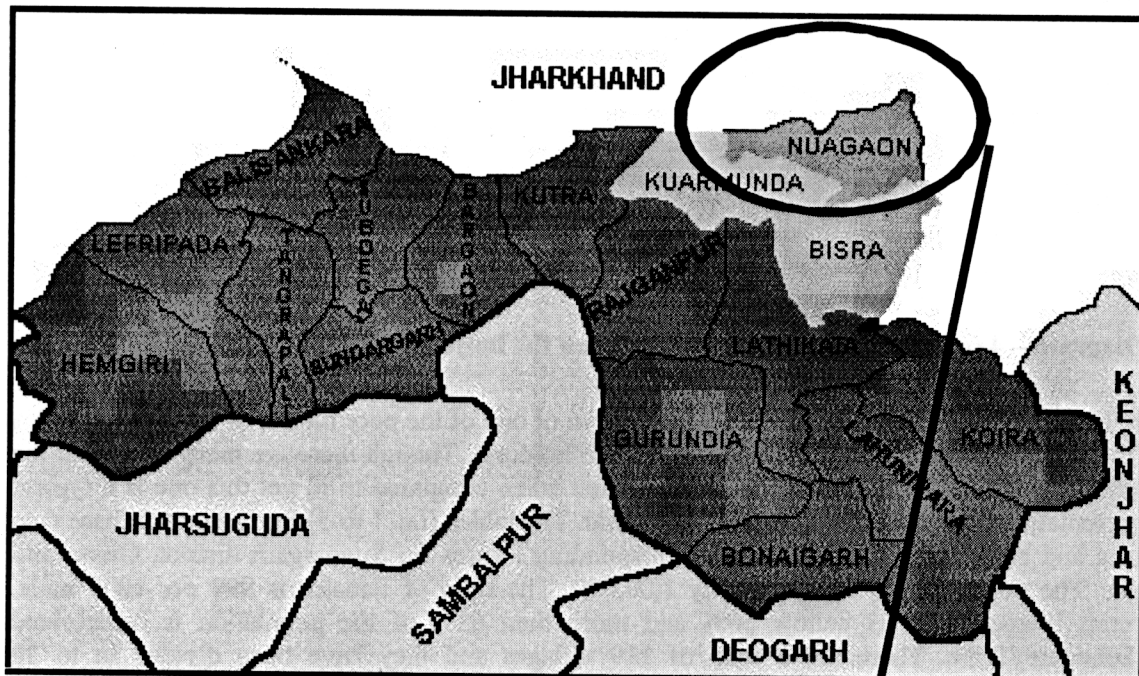


Diagram 3

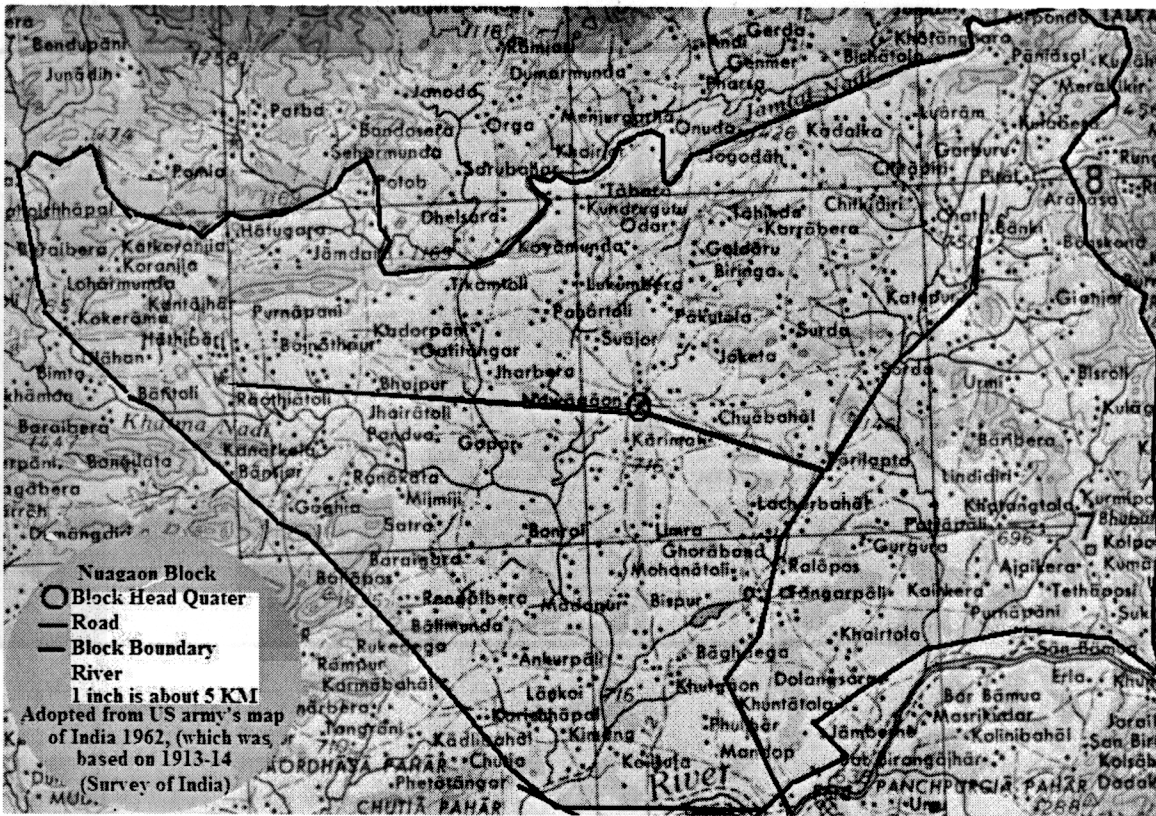


Diagram – 4 (in base diagram lines and text on the bottom left has been inserted by me

The Nuagaon block happens to be a representative of one of the poor blocks of the country (80% of the population are “Bellow Poverty Line” cardholders). Though there are many blocks in the country, which might be poorer, or more isolated when compared to it, yet this one is a typical representation of so called bottom of the pyramid. The tables (i.e. 1 to 5) furnish certain base data (disha and NIC) about this block and corresponding figures for Sundargarh district, Orissa and India. The population is approximately 1,00,000. The ratio of females is 999 per 1000 male. Overall literacy level is bellow 50% and more then 65% of the population is categorized as Schedule Tribe. There are a total of 119 villages and they have been divided in to 20 Gram panchayats and 100% of the population falls in the category of Rural as per the census of India 2001 definition. Thus believe Nuagaon block is ideal for the study.

This community development block had no banks till 1980 (nic), though its block headquarter has got railway connection and is merely 40 KM from Rourkela (the industrial capital of the state, that boost of one of integrated steel plants of SAIL and various other ancillary units) is only 20 KM from Bisra (an old center of business of the region, which was a flourishing center of

trade even during the pre-independence era) and the block is very resourceful in terms of various agricultural crops and forest products. From these, set of information, we may conclude about the extent of isolation of this block from the modern ways of trade and business. Even today in this block of 120 villages (which is homes approximately 1,00,000 people), the total number of retail shops (irrespective of their size) is less than 60.

Table 1. Some socio – economic indicators about the block

	NUAGAON
Population	91,553
Rural Population	91,553
No. of villages ¹	119
Rural Pop. as % of Total Pop.	100%
% of families Below Poverty Line ²	80%
Sex Ratio	999
Avg. no. of people per health centre	22,888
Avg. no. of students per govt. school	109
Teacher-Pupil Ratio	1:40
Population	91,553

¹1991 Census Data

²1997 Sundargarh BPL Census

Source: District Statistical Handbook 2001

Table 2. Population

	India	Orissa	Sundargarh	Nuagaon
Overall	1028610328	36804660	1829412	91553
Rural	742490639	31287422	1200520	91553
Rural Pop. As % of Total Pop.	72%	85%	66%	100%
ST	843264240	8145081	918903	59469
ST Pop. As % of total Pop	8.2%	22.1%	51%	65%

Table 3 sex ratio (No. of females per 100 males)

	India	Orissa	Sundargarh	Nuagaon
Overall	933	972	957	999.6
Rural	946	987	994	999.6
ST	971	-	1003	1015

Table 4 Literacy Rate (No. of literate adults as % of population)

	INDIA											
	persons	M	F	persons	M	F	persons	M	F	persons	M	F
Overall	65%	76%	54%	64%	76%	61%	65%	76%	54%	40%	50%	30%
Rural	59%	71%	47%	60%	74%	47%	56%	68%	43%	40%	505	305
ST	30%	-	18%	22%	-	-	37%	-	25%	na	na	na

Table 5 poverty line (% below) [1999-2000 planning commission data]

	India	Orissa	Sundargarh	Nuagaon
Overall	26%	47%	65%	80%*
rural	27%	48%	-	80%*

The study

It has covered 30 of the retailers of Nuagaon block, using questionnaire interview method (appendix-1). Our intention was to understand the retailers operation, reasons and expectations; thus, the general discussions that we had with the respondents and our observations, have not been ignored. Because most of the shop owners in the area studied were illiterates.

The findings

The following are some of the common product categories, that have high visibility among almost all the retail shops of the area being studied – low end cosmetics, chewing tobacco, writing pen, bathing and washing soaps, candies, batteries, branded biscuits, unbranded bakery biscuits & breads, shampoo pouches, cooking and hair oils. Only 6 of them carried a greater range of grocery items. In short, they appeared to be miniature versions of 'what not stores', as some of them even kept loose petrol & diesel, where as some even doubled up as pay phone booths. Most of the days they kept the shops opened between 7 AM to 7 PM.

They mostly procured their stocks from the near by business centers on cash. At times, some of them also collected odd items of stocks from the distributors vans. They expect that, either the distributors' van should stick to certain schedule or come with some prior telephonic information. Most of the time, they don't like to purchase from the distributors van, and one of the reason they sited was, expectation of credit. The other reason shared was, "the distributors van tries to push higher quantities of product or products in bulk" rather than what is the quantity or volume required by the retail shop owners.

They keep the stock very low and prefer to go for frequent purchases for items that need replenishment. Thus at any time they like to purchase few loose items or very low quantity of any product. The reason they sited for it were – Lack of demand, unwillingness to take risk (with high stock), lack of access to capital etc. The investment in the retail shop (in terms of worth of goods being stocked) for the area being studied ranged between Rs. 2000/- to Rs. 15000/-.

Majority of the retail shops had investment below Rs. 5000/-, in this respect. While selling their goods majority of the times they made sells on cash (though at time for petty items they allowed credit). None of the retail shop owners interviewed so far has said that they participate in the local periodic markets - the haat. Yet they shared that they considered it to be one of their competitors along with shops of near by towns. The reason they sited for non-participation in the local periodic markets was lack of fund to invest in a vehicle that can make them mobile.

Majority of them had some side source of income apart from the retail shops such as, agriculture, even some of them went for taking of petty jobs in the near by towns. So far we have come across only two such cases where the side business was rather lucrative, (i.e. they had few numbers of, three wheelers goods carriers or tractors which they mostly rented out).

Conclusion

This study has focused on unorganized retail, despite the fact that current trends of research are

mostly about the organized retail initiatives. Because, we believe that it will be a long time before organized retail can think of reaching out to level 2 and level 3 towns (places where population is between 20,000 to 1,00,000). Moreover, the nature of the spread of the population in the rural areas (as defined by the census of India, 2001) is such that (population of more than 50% of villages being less than 200), the organized retail will not be viable, in its current format. Or it must devise a drastically different format that can emulate the traditional Indian kirana shops.

However as the literature cited in the paper suggests, the current rural retail shops are one of the cheapest in the world. It may be a better idea to have hard look at their current state and try to use them as a partner in the process of reaching out to the rural customers. Thus, at this stage of our study we would like to state that with suitably designed strategies (that takes in to account the behavior of rural retailers) distributors or any of the agents of the manufactures (commissioned or other wise) can push their sell in rural market much beyond the current levels.

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