

Reinforcing Rural Retail Mix in festival seasons by Urban retailers

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Introduction

The rural market is growing much faster than the urban counterpart. The market share of FMCG products in rural markets is 53 % and a durable product is 59 %. **Due to improvement in transport network, rural people have better access to towns and cities.** The urban retailers in tier-2 cities are tapping the rural customers living in surrounding area. The conventional wisdom of urban glossy advertising and fantasy mix through television are not going to work in the rural markets. The rural advertising in India needs innovative and alternative media to woo the customers. The case of adopting a railway station by Titan during ‘Kumbhamela’ helped them to generate a high brand recall as for each arrival of the train- the announcement was made “Welcome to Sonata-Naini”. Fast moving consumer goods (FMCG) worth \$3.5 billion are expected to be sold in rural India by the end of 2007. The FMCG segment, in value terms, is expected to be over \$18 billion as on December 31, 2007, of which the rural sector would comprise of a little more than one-fifth.¹

Statement of problem

The magnitude of rural customer base in an urban retailing unit is in escalating trend. The urban retailers in the tier -2 cities are now targeting rural mass. But the rural places are scattered in different location. Local festivals of a rural village attract huge mass. During this period the urban retailers are establishing their own promotion strategies in the particular rural area. Disposable surplus is not low in rural markets because the people there don't usually pay rent or spend much on food as grain and vegetables are from their own fields/homes. The number of middle-class households (those having annual income of Rs 45,000-2.15 lakh) are almost equal at 15.6 million in rural areas and 16.4 million in urban area². The rural people are spending more for their traditional temple/church/mosque festivals. There is a paradigm shift in rural market penetration stratagem. In this state of affairs, a research was done to explore the market penetration strategies used by urban retailers to reinforce the rural retail mix during the festival season in the rural places.

Objectives

The primary objective of the study is to identify **reinforcing promotional measures** done by urban retailers during regional rural festivals to tap rural mass. The secondary objectives of the study are listed as follows.

- How urban retailing units’ (in tier 2 cities) **scrambled retailing strategy** is able to achieve the rural customization?
- Does this programme identifies the **conflicting needs of rural customers** and create impulse buying among them? &
- What are the **rural customers’ expectations** and how urban retailers are prepared to comply with the expectation?

¹ ASSOCHAM, (2007, December 26), *Hindustan Times*,

² Sravanthi Challapalli, (2005, August 04) The great rural goldrush , *Business Line*, Retrieved December 15, 2007 from <http://www.thehindubusinessline.com>

Review of literature

An article written by Jyothi Data (2003) points out that FMCG majors are increasingly moving away from pumping money into advertising and are looking instead at innovative promotional strategies that are more effective in terms of translating into sales. Industry analysis undertaken by information and credit rating agency ICRA points out that the initiatives taken by FMCG companies focused primarily on effective supply chain management and not on advertisement expenditure. It is possible that such initiatives resulted in increasing market awareness of their products, which in turn helped the companies push up sales. (Jyothi, 2003)³

According to Kumar (2002), 8000 annual melas are held in rural India every year. Besides these melas, rural markets have the practice of fixing specific days in a week as Market Days when exchange of goods and services are carried out. Every region consisting of several villages is generally served by one satellite town where people refer to go to buy their durable commodities. If marketing managers use these feeder towns they will easily be able to cover a large section of the rural population. Only 16% of the rural population has access to a vernacular newspaper. Although television is undoubtedly a powerful medium, the audiovisuals must be planned to convey a right message to the rural folk. A radical change in attitudes of marketers towards the vibrant and burgeoning rural markets is needed to impress the 230 million rural consumers spread over approximately six hundred thousand villages in rural India. Marketers have to adopt a strategy that appeals individually to the rural audience and formulate separate annual plans and sales targets for the rural segment. Changes must be made in the marketing mix elements such as price, place, product and promotion. Corporate marketers should refrain from designing goods for the urban markets and subsequently pushing them in the rural areas. The unique consumption patterns, tastes, and needs of the rural consumers should be analyzed at the product planning stage so that they match the needs of the rural people. (Kumar, 2002)⁴

Methodology

The research explores the decontextualization of place in simulated experiences of rural festivals sponsored by urban retail stores. Primary data are collected from urban retailers and their rural customers based upon the snow ball sampling stages. In first stage, rural advertisements well thought-out during the festival seasons in the four districts of Western Tamilnadu were identified. Based upon that, in stage two, **30 urban retailers** were selected in four feeder towns. From the response given by the urban retailers, in stage three, **200 rural consumers** were identified. Multidimensional scaling technique was used to assess the rural advertising media. Derived approaches are used to collect the perception data about the promotional measures taken by the urban retailers in rural places. Semantic differential scaling technique was used to rate the stimuli. In fourth stage, fifty respondents were shown the spatial maps and asked to label the dimensions by inspecting the configuration.

Characteristics of Sample Data

Out of the thirty urban retailers judged as the sample, 18 retailers are being the owner of garment business, 5 owning jewelry units, 4 owning electronic/electrical stores and balance owning sundries. These retail brands are having good reputation in the rural area. The rural **advertisement budget ranges between 20% and 24%** of the total turnover. All of these retailers are sponsoring at least two events in a year for rural festivals. **The rural customer base**

³ Jyothi Datta, P.T (2003, July 09). FMCG majors adopt novel strategies to boost sales. *Business Line*, Retrieved December 21, 2007 from <http://www.thehindubusinessline.com>

⁴ Kumar (2002, October 25) Rural marketing in India, *Jan Samachar*. Retrieved December 14, 2007 from <http://www.jansamachar.net>

of these organization ranges from 60% to 80%. The customer base is in increasing trend for last four years. Table I shows the customer base of the urban and rural customers in the urban retail units (based upon the 30 samples)

Table I: Urban and Rural Customers Mix (in %)

Year	Urban Customers	Rural Customers
2004	56	44
2005	51	49
2006	44	56
2007	32	68

The media of advertising make use of by the urban retailers to tap rural customers consist of cable television network, FM radio, wall posters and regional newspapers. The persuading techniques used by the urban retailers comprise event sponsoring, providing festival discounts, providing free samples during the festival season, organizing rural games/contests and issuing to privilege cards. The reminding process of promotion executed by the urban retailers involves post purchase mail communication system, telephone communication system, continuous price discriminating system, trade discount system, after sales quality guarantee, credit services (cash discount) and post purchase gifts.

Two hundred rural customers are identified out of the 83,484 rural customers given by the thirty urban retailers based upon the value of consumption. **12,042 rural customers purchased goods worth more than Rs.25,000 in a year from a urban retail outlet.** The income level of the rural customers of the sample is depicted in the exhibit-1. There was a significant relationship at 10% significance level between income level of the rural customers and their repetitive buying habits. It is also linear by association. The rural customers' occupation includes agriculture farming, construction works and textile labour.

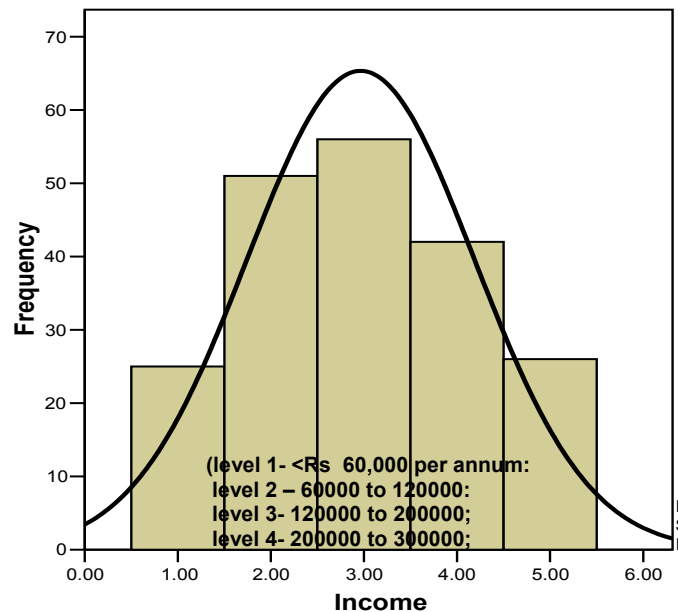


Exhibit -1: Income level of Rural Customers

Adoption Process

The analysis was made to revamp the rural promotion strategies based upon the primary promotion objectives ie, informing, persuading and reminding. These elements are often used in concert. All these are essentials in a rural retailing mix that designed to communicate with and influence rural customers. If all these three promotion objectives are achieved, the urban retailers reinforce rural customers' satisfaction.

Informing Media

The factors responsible for increased market penetration in rural FMCG sector includes higher consumption patterns of rural population for products such as consumer durables, which include refrigerators, TV sets, electrical appliances as rural India is getting connected with power facilities, personal care products, toiletries, soaps and soft drinks. Getting attention is necessary to make consumers aware of the retailer's offering. **Multidimensional scaling** was used to assess the advertising media effectiveness based upon the response given by the rural customers. Respondents were required to rate all possible pairs of medium in terms of similarity on a Likert scale. The number of pair evaluated was 12. Respondents rank orders the medium in terms of their similarity to another medium. Minimum stress value of 5% was used. The perceived relationship among the medium are represented in the spatial map shown in exhibit-II. The horizontal axis was labeled as impact of festival advertisement medium. Poster and Cable TV have created good impact that leads to persuasiveness. The vertical axis was labeled as the reachability of the medium. FM radio network and Cable TV advertisements have more reach in the rural area. But **Cable TV medium has good impact and reachability among the rural people**. This may be due to the scheme of government of Tamilnadu, which provided colour television sets to the household at free of cost.

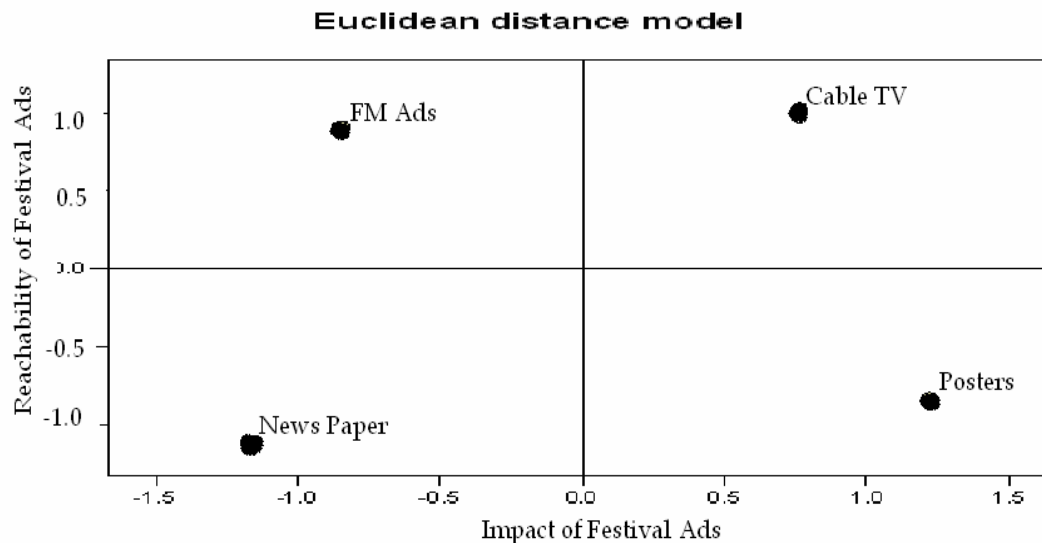


Exhibit –II: Derived Stimulus Model of Informing Media

From the urban retailers' side, they are spending more for advertisement in regional cable television network followed by FM radio network.

Persuading Methods

In addition to informing, promotion attempts to persuade the audience to move toward some action or attitude. The urban retailers try to develop a favourable set of attributes so rural customers will buy and keep buying their product. To identify the best promotion attempts that

persuade the rural customers to move towards the action of remembering and repetitive purchasing, **multidimensional scaling** was used. Rural customers were required to rate all possible pairs of promotional attempts in terms of similarity on a Likert scale. The number of pair evaluated was 45. Respondents rank orders the promotional attempts in terms of their similarity to another attempt. Minimum stress value of 5% was used. The perceived relationships among the promotional attempts are represented in the spatial map (exhibit-III). The horizontal axis was labeled as impact of remembrance. Privilege card distribution and free samples created good remembrance about the offerings. The vertical axis was labeled as repetitive purchasing values created. Privilege card and discount coupons persuaded towards repetitive purchasing. Based upon this, it may be concluded that **the privilege card issued by the urban retailers during festival season to rural customers creates positive persuasion about the urban retailing units.**

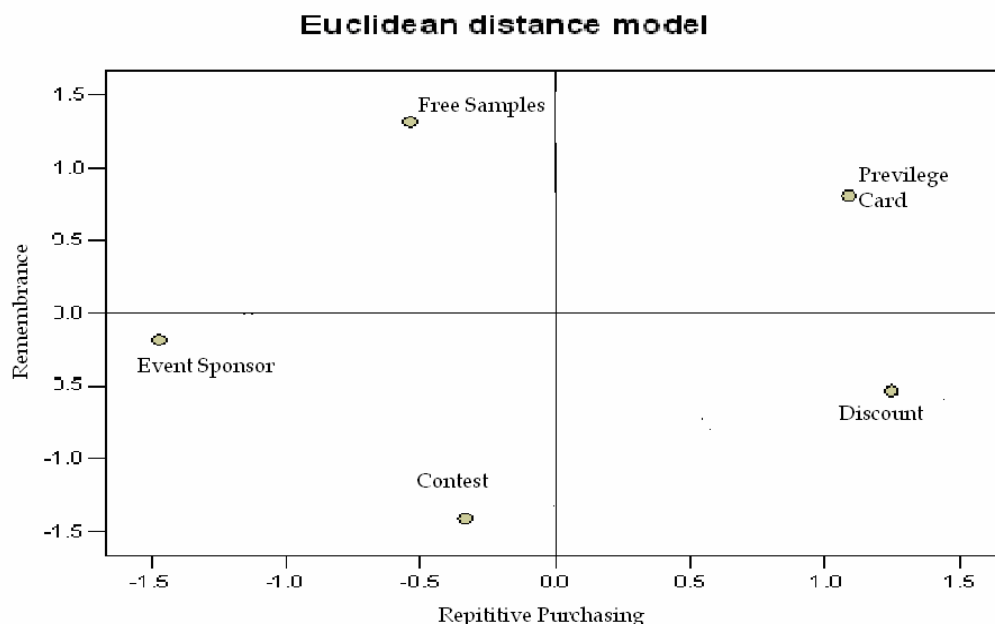


Exhibit III: Derived Stimulus Response for Rural Customer Persuading Methods

To identify the urban retailers' promotion proposition, rank order scaling was constructed. The urban retailers are presented with same five options and asked to rank them according to rural advertisement expenditure along with rural customer base. **Multidimensional scaling** was used to measure the relative importance given by the urban retailers. The perceived relationships among the promotional attempts are represented in the spatial map(Exhibit IV). The vertical axis was labeled as customer base (High to low). Privilege card holders and customers who allowed frequent discount form majority in the vertical axis. The horizontal axis represents the rural advertisement expenditure (High to low) incurred by the urban retailers. **Urban retailers are spending more for privilege card and price discount.**

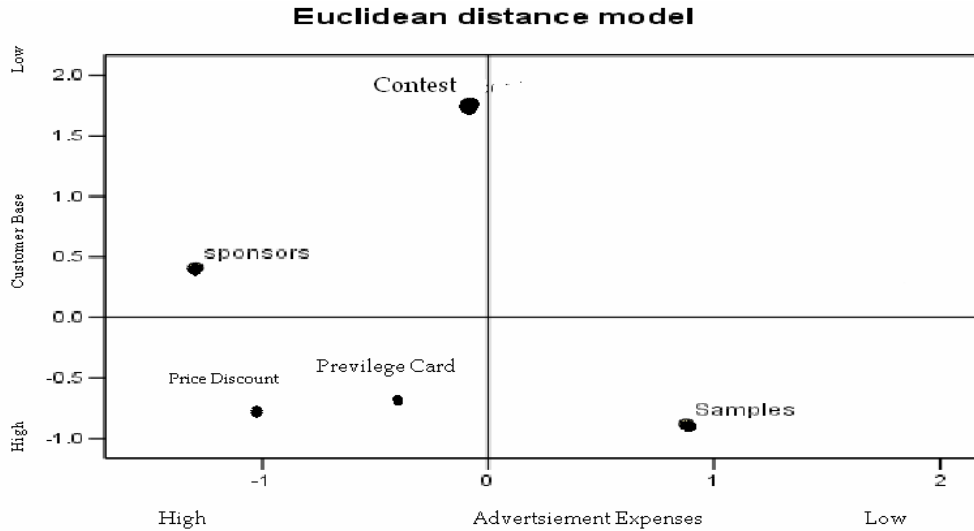


Exhibit – IV: Derived Stimulus Model for Persuading Methods given by Urban Retailers

While comparing the urban retailers spending and rural customer’s attitude, there is significant difference in the strategy. **Urban retailers are spending more on event sponsors. But event sponsoring is having less impact on repetitive purchasing and remembrance.** Hence in future, the urban retailers have to give more importance for providing privilege card to the rural customers.

Reminding (follow-up) Methods

The third aim of promotion is to remind the rural customers about the urban retailing unit after the post purchase. Reminding the rural customers about their past satisfaction may keep them from shifting to a competitor. Seven reinforcing post purchase factors were identified during the pilot study ie, post purchase mail communication system, telephone communication system, continuous price discriminating system, trade discount system, after sales quality guarantee, credit services(cash discount) and post purchase gifts. The non-significant variables with the repetitive purchasing are filtered for the further analysis. The variables considered for the discriminant analysis are post purchase mails, continuous price discounts, after sales quality guarantee and credit services.

Two group discriminant analysis was used to identify the discriminating functions that leads to repetitive purchasing .Since canonical correlation associated with function is 0.92 and eigen value is 5.519, the discriminant analysis is appropriate. The Wilks’ Lambda(0.153) is statistically significant. Therefore it is meaningful to interpret the analysis. The square of canonical correlation (0.85), indicates that 85% of the variance the dependent variable(repetitive purchasing) is explained for by this model. The structure matrix is depicted in table II.

Table II: Structure Matrix for Discriminant function

Rank Order	Function	Canonical Correlation
1	Post purchase Mails	0.767
2	Continuous Price Discounts	0.303
3	After Sales Quality Guarantee	0.257
4	Credit Services	0.192

It appears that the repetitive buying is widely separated by post purchase mails send by the urban retailers. Conjoint analysis was used to determine the relative importance of follow-up factors attach to the repetitive buying. The reliability of the conjoint analysis was tested with F test (ANOVA). Since the ‘F’ value is significant, path-worth functions for the attributes are created and depicted in table –III.

Table –III: Path-worth significance for Repetitive Purchasing

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.831	.065		-12.771	.000
	Mail	.197	.012	.630	16.987	.000
	Quality Guarantee	.088	.016	.179	5.613	.000
	Price Discounts	.102	.014	.228	7.207	.000
	Credit Services	.095	.017	.173	5.687	.000

The model estimated may be represented as follows:

$$\text{Probability of repetitive purchasing} = (-0.831) + \text{Mail}(0.197) + \text{Quality}(0.088) + \text{Price Discount}(0.102) + \text{Credit Services}(0.095)$$

(Note: The variables are ranked from 1 to 5 - as low to high respectively)

Exhibit V depicts the rural retail reinforcing strategy that is designed to inform through cable media, to persuade through discount cards and to remind the customers through mails.



Exhibit V:

8. Reliability of Rural Advertisements

Our society grants consumers the right to be informed and prohibits deceptive practices and promotions that intentionally mislead consumers. Hence reliability of the rural advertisements by

the customers is analyzed. **Cluster analysis** was used to classify the respondents who depend upon the rural festival advertisements. Five point rating scale was established to measure whether the advertisements are innovative, creates education value, price worthiness and quality consciousness. Agglomerative method is used. Clusters are formed by grouping objects. Based upon the cluster centroids the respondents are grouped in table-IV.

Table IV: Reliability of Rural Advertisements – Cluster Distribution

Cluster Name	N	% of Combined
Un reliable	44	22.0%
Low reliability	28	14.0%
Medium	49	24.5%
Reliable	50	25.0%
High reliability	29	14.5%
	200	100.0%

The result indicates that 64% of the respondents are having favourable opinion towards the reliability of the promotion programmes organized by urban retailers in rural places.

9. Elements of Rural creative platform

Since marketing is dynamic, advertising, as one of its most visible components must be especially reflective of change. The rural creative platform is influenced by the perceived values created by the advertisements. Urban retailers creatively implement a basic appeal in a number of ways. Q-sort scale was developed to sort the perceived values of advertisement and classify them into five categories. The expecting values from customer's perspective are listed as humour, posture, credibility, glamour, celebrities, endorsement, fantasy, emotion, relevance, engagement and trust. The average score less than 2.5 are filtered out. Thus, emotional values, relevance, engagement, trust, celebrities and endorsement were carried to next stage. It was analyzed using factor analysis to form different groups. The value of Kaiser-Meyer-Olkin statistic is 0.594. Bartlett's test of sphericity was used to examine the hypothesis that the variables are uncorrelated. Since, KMO is greater than 0.5 and the variables are significantly correlated, **factor analysis** was considered as an appropriate technique. Principal component extraction method was used. Three factors are established and mentioned in table V.

Table V: Customer Expectation Factors

Factors Established	% Variance Explained	Variables	Loadings
Life Style Values	26.14	Relevance	0.668
		Engagement	0.627
		Trust	0.609
Testimonial Values	18.40	Celebrities	0.680
		Endorsement	0.648
Emotional Value	15.85	Emotion	0.557

Hence factor 1 seemed to capture the different life style patterns, it was named as 'life style values'. Factor 2 seemed to represent the customers' faith with celebrities and personalities. It was named as 'testimonial values'. Factor 3 portrays the emotional values. **Thus, the rural customers are expecting lifestyle values, testimonial values and emotional values from the advertisement.**

To identify the urban retailers view about the factor contribution good rural advertisement, Q-sort scale was developed and perceptions are classified into five categories. The factors needed for good rural advertisement are listed as humour, posture, credibility, glamour, celebrities, endorsement, fantasy, emotion, relevance, engagement and trust. The average score less than 2.5 are filtered out. Thus, humour, posture, trust, emotional values, credibility, celebrities and endorsement were carried to next stage. It was analysed using factor analysis to form different groups. The value of Kaiser-Meyer-Olkin statistic is 0.581. Bartlett's test of sphericity was used to examine the hypothesis that the variables are uncorrelated. Since, KMO is greater than 0.5 and the variables are significantly correlated, **factor analysis** was considered as an appropriate technique. Principal component extraction method was used. Two factors are established and mentioned in table –VI.

Table VI: Advertisement values created by Urban Retailers-Factor loadings

Factors Established	% Variance Explained	Variables	Loadings
Sentimental Value	38.38	Humor	0.814
		Posture	0.762
		Emotion	0.760
		Credibility	0.630
		Trust	0.609
Testimonial Values	18.40	Celebrities	0.676
		Endorsement	0.676

Hence factor 1 seemed to portray the different sentiment patterns; it was named as 'sentimental values'. Factor 2 seemed to represent the customers' faith with celebrities and personalities. It was named as 'testimonial values'. **Thus, the urban retailers are providing sentimental values and testimonial values.**

The above analysis clearly differentiates the promotional execution format expected by rural customers and value provided the urban retailers. Rural customers are expecting life style advertisements. But urban retailers are providing sentimental advertisements. Hence, in future, **the urban retailers should emphasis more on lifestyle advertisements rather than sentimental advertisements.**

10. Snap Shot of a Retailing unit – Vinod Silk Emporium, Coimbatore

Vinod Silk Emporium , retail clothing unit, established in 1976, is one among the reputed firms in western Tamilnadu. Vinod Silk Emporium is one of the shops that strive hard to promote and to keep up with the image of the rich textile culture of the Coimbatore.. Seemingly they offers to home deliver the purchases to the rural places also. The promotional strategy includes, availing seasonal discounts, sending mails to their regular customers and offers after sale services to maintain the silk sarees in good condition. It is having two retail outlets in Coimbatore. They are maintaining the database of their customers. The medium of their advertisements include posters, regional newspapers and cable television network. But the most dominating medium is rural posters. The persuading way them are through event sponsorship and seasonal discount. The follow up procedure is through mails and pamphlets. The most of the sales promotion methods are through only print media. Their rural advertisement budget is 40% higher than that of the urban advertisements and it is having 627 permanent poster advertisements in the rural places. The annual maintenance cost per wall poster comes around Rs.600 per year. Its' customers are spread over three districts of Tamilnadu, ie Coimbatore, Nilgiris & Erode and Palakad of Kerala state. Exhibit-VI shows the rural and urban customer base of the retail unit from 1980 to 2005.

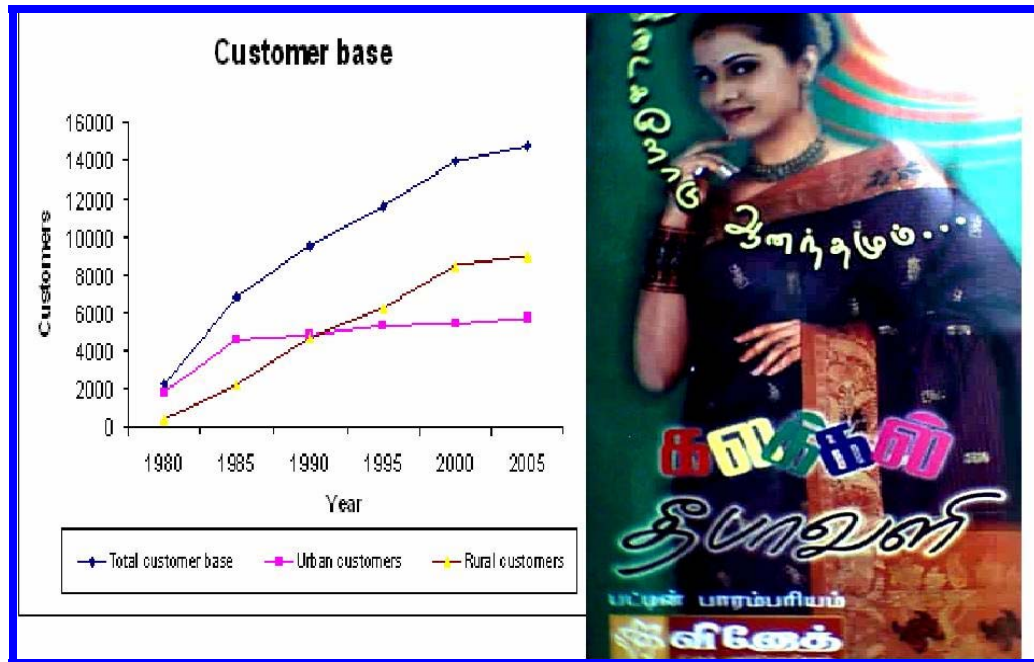


Exhibit-VI

In the beginning the customers were more from the urban sides but as days went by it has changed up-side-down. **Now they are aiming for 80:20 concept of rural and urban customer mix.** Its' brand slogan 'the tradition of silk' is also having wide acceptability in the rural places. In sales promotion, they are giving utmost importance to reinforcing the rural customers. Mr V.Vijay, the proprietor of the retail unit says *"We believe that a satisfied customer is the best advertiser"*.

Conclusion

Thus the pull strategy of the urban retailers attempts to reinforce the rural marketing mix to stimulate brand image for the retailing unit. **The rural promotion mix should be a unified whole**, employing regional television network for creating attention with interest, provides seasonal discounts to create desire, sending business mails to remind and imparting life styles values as an execution format. Urban retailers are getting sustainable competitive advantage over others because of '**pioneering advertising**' that created primary demand in the mind set of rural customers.