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RURAL RETAIL MARKET: OPPORTUNITIES AND INNOVATIONS

MAMATANJALI PARIDA

Research Scholar,

Berhampur University, Berhampur, Odisha

Email: silentjolly@gmail.com, Mobile +91 7205 803 972

CHANDRIKA PRASAD DAS

Research Scholar, (UGC NET)

P.G. Department of Commerce,

Utkal University, Bhubaneswar -4, Odisha

E-mail- chandrika.das9@gmail.com, Mobile – 9439 441 941

Abstract

Rural market in India is now an attraction for marketers having a great potential. Once there were days when rural folks identified products with their colour and value but not with their brands. In those days marketers are also facing great difficulties to make reach their brands to rural customers. Rural markets were confined to melas and haats. Now things are changing. There is a vast demand. Marketers are also trying hard to make aware by adopting many strategies and retail are now become a buzz word. Companies open their retail outlets and initiating many innovations in products, methods, prices and also in promotions. This paper is focusing on those innovations by marketers and the way those overcoming challenges. Through their initiatives they including rural people by providing employment opportunities, awarding people through many shows and interesting games, availing products at discounts etc. These initiatives are also giving satisfactory returns. Now rural people is much aware of the brands through promotional activities and retail marketing in rural areas stepping towards a great future.

Key Words: Rural market, Retailing, Innovations, Initiatives, Demand

Introduction

Rural market now is in interest on account of its vast unexploited potential. With a population of 790 million, 50% of India's income contribution comes from it. It positively consists of one hundred and twenty million households, not less than 12.2 percent of the world's consumers. The rural market was tempting since it comprised 74 per cent of the country's population, 41 per cent of its middle class, 58 per cent of its disposable income and a large consuming class. That is rural India for you.

The days are gone when a rural consumer went to a nearby city to buy "branded products and services". There were a time when only a selected household consumed branded goods, be it tea or jeans. There were days when big companies scared to establish their brands rural markets. However, things are changing fast now. Nearly 100 million people have evolved out of poverty in the last 10 years. , According to McKinsey report rural India will be a market worth USD 500-600 billion by 2020. It is also anticipated that rural consumption will be equal to current urban levels by 2017. The economy is vibrant, incomes are rising and the habits, preferences and attitudes are changing rapidly. In view of the large investments made by the government in rural infrastructure pushing income and demand level, the prospects are seen bright for rural India. With empowerment of rural people with education, employment, higher purchasing power, better media exposure, better connectivity with outside world, they provide a massive unexplored pool of consumers. Today, rural markets are critical for every marketer – may be it for a branded shirt or an automobile. Time was there when marketers thought a very less effort like a van campaign, ads in cinema and a few wall paintings would sufficient to entice rural folks. Thanks to the increasing literacy level and media explosion, people are becoming conscious about their lifestyles and about their rights to live a better life. Brand consciousness is on the rise. So, to be successful in the rural market, companies will have to be innovative and sensitive while devising marketing strategies. Traditional urban marketing strategies will have to be localized as per the demands of the rural market.

Objectives

To analyze the challenges and available opportunities in the rural market.

To identify various innovations in rural retailing.

Research Methodology

The research article is purely based on secondary data which has been collected from various research journals, articles, various company sites and research is descriptive in nature.

Rural Retail Market: A Conceptual Study

In the growing market, retail marketing has become one of the major emerging trends in the entire economical cycle. It is the retail market only which provides the consumer a basic platform to encounter with goods and a shop keeper for the first time. Retail market consists of a fixed location like boutique, store, departmental store etc, here in these location consumers meets the shop keeper and purchase goods in return of certain value. Maintaining a certain profit margin, these shop keepers sell goods to their consumers. The basic motive of these shopkeepers is to satisfy the consumers and fulfill their needs and demands.

India has the 5th largest place in the world's retail market. The country gets fourth rank among the survey of 30 countries in terms of global retail development. India has an extensive sales and distribution network. It is estimated that there are over 1 million market intermediaries - wholesalers, stockiest, transporters and retailers - that are involved in the distribution of a variety of consumer goods. Marketers use this network to access nearly 3,800 cities and towns and over half a million villages. The rural population dominates the Indian market with over 790 million consumers (70% of the total population) spread across villages in the country. Typically Indian rural retail stores are in the form of haats and melas. Rural retailers are far less specialized than their urban counterparts and carry a wider range of products. While urban areas have a range of distribution outlets from large supermarkets and departmental stores to the smaller neighborhood retail stores, almost every village in India is catered by small shops that are part of the local supply network.

One more thing is need to be discussed here which will put the importance of retailer in rural trade. Rural consumer's brand choices are greatly restricted and this is where the retailer comes into the picture. The rural customer generally goes to the same retailer every time to buy goods. Naturally there's a very strong bonding in terms of trust between the two. Also with the low education levels of rural sector the rural buying behavior is such that the consumer doesn't ask for the things explicitly by brand but like they know "all toothpastes by Colgate", "all washing powder by surf" and all almirahs as Godrej. They are also calling different products with their features i.e "laalwalasabundena" and also by value i.e "paanchrupeywali chai dena". Now in such a scenario the retailer pushes the brands on the customers whatever brand fetches him the greatest returns. Thus, as there is a need to understand the rural consumer, similarly need is there to study the retailer, as he is a chief influencer in the buying decision.

Challenges Faced By Rural Market

Rural markets, as part of any economy, have untouched potential. There are several difficulties confront by the marketers to fully explore rural markets. The concept of rural markets in India is still in evolving shape, and the sector poses a variety of challenges. Distribution costs and non availability of retail outlets are major problems faced by the marketers. Pattern of income levels in rural markets is yet another differentiating factor that affects the buying power and consumption behavior of rural consumers. The success of a brand in the Indian rural market is as unpredictable as rain. These peculiarities of rural markets and rural consumers pose challenges to marketers in reaching them effectively. There are a large number of small villages which are not easily accessible because of all weather roads. The main challenges of rural marketing are discussed below:

Transportation Problems

Transportation is essential for movement of products from urban production centers to remote villages. In rural India transportation facilities are quite poor. Nearly 80 percentages of villages in the country are not connected by well constructed roads. Many parts of India have kuccha roads. Due to poor transportation facilities it is not possible for a marketer to access the rural market.

Warehousing Problems

A storage function is necessary because there is a time gap between production and consumption of commodities. Agricultural commodities are produced seasonally but they are demanded over the year so there is need to store them. But in rural areas, there is lack of public as well as private warehousing. Marketers face problems of storage of their goods.

Underdeveloped People and Underdeveloped Markets

Rural society in India is underdeveloped. Modern technology has tried to develop the people and markets in rural areas. But the technology has made very less impact in rural areas.

Inadequate Media Coverage

Media have lots of problem in rural areas. Television is a good source to communicate the message to rural people. But due to non availability of power as well as television sets, majority of rural population cannot get the benefits of various media.

Many Languages

India is a country of many languages. Language becomes barrier in effective communication in the market efforts. The number of languages vary from state to state, region to region and district to district, etc.

Low Level of Literacy

The literacy rate is low in rural areas as compared to urban areas. Marketers face communication problem due to the lack of literacy rate. Print medium is not much effective and it is irrelevant since its reach is poor. So, low level of literacy becomes challenge for marketers in rural areas.

Seasonal Demand

Seasonal demand is main problem of rural market. Agriculture situation plays a significant role in the demand of commodities in the rural market because it is the main source of income. Again agriculture depends on monsoon so buying capacity of rural consumers varies. Despite this, many rural areas are not connected by rail transport. Kuccha roads become unserviceable during monsoon.

Opportunities Sustain In The Rural Market

With many problems there are also various opportunities to be tapped. The demand is anticipated like that the market size for the fast moving consumer goods (FMCG) in the rural markets in India is estimated to be Rs. 6,500 billion; Consumer durables at Rs. 500 billion, agricultural inputs (including tractors) at Rs. 4500 billion, and automobiles (two wheelers and four wheelers) at Rs. 800 billion, total to Rs 12,300 billion. With this demand other opportunities are as follows:

Income Level

The increment in household incomes made a drastic change in rural retail image. With the increased working population, the purchasing power of the rural population has gone up.. The various government employment schemes like MGNREGA & many more help to raise the income level of rural population.

Literacy Level

Still major population in rural is reluctant towards education. Primary level education in the rural sector is below 60%. Thus the demand for products like books, magazines, notebooks, pens/pencils, drawing instruments, calculators, computers etc. is low. But changes are taking place due to efforts of Govt. and corporate people both. The govt. and corporate sector (in form of CSR) is coming together for promotion of literacy in the rural sector and effect has been shown in the form of risen percentage up to 23%. This is resulted significantly to an improvement in the socio-economic status of the rural people. With this growth the demand for educational products has increased positively.

Family Size

Families in rural market are joint-ones. In which a group of people lived under one roof, ate food from common chullah, held income and property in common and were related to each other by bonds of kinship. Till now they live in joint families. They check with the family and discuss everything before buying any product. It is important to consider the size of the family, depending upon this they can go for the product. The family member's discussion influences the purchasing decision. Here money plays the secondary role their composite decision matters a lot. But with rise in population and resulting pressure on land and several other socio-economic factors, joint families are breaking apart. A new concept of individualized joint families is emerging, in which families stay in the same house but spend separately. Thus with the increasing numbers of individualized joint and nuclear families, the range and number of branded products coming into the family can increase.

Occupational Pattern

The shift can easily be seen from cultivator to wage earner from last few decades in rural areas. Rural people are also moving towards jobs and retailing professions. But there is a difference in wage and salary earner consumption/investment pattern. A daily wage earner has to account for variations in income, whereas a salary earner brings home an assured fixed amount and therefore can plan in a better way. The cultivator's income is highly seasonal with more disposable income available immediately after the harvesting season. Many villagers are shifting from simple cultivator to wage earner. They earn their daily livelihood by doing extra work in off season which leads to higher demand.

Social Custom Norms

Social norms and customs play a significant role in determining individual and collective behaviour in rural India. Village elders and individuals such as the titular head of the village, caste leaders, priests and such socially important people have a major influence on the rural people. They frequently influence the purchase decisions of

others in the village, acting as credible sources of information or playing the role of opinion leader. Similarly there are some social norms and festivals on which certain kind of products demand shoots-up instantly. Thus Companies must have to see the rural market as potential market and must develop significant market strategies for its growth and development.

The urban market offers great opportunities to organized retailers but they are anticipated to saturate in the near future. Hence, most big retail companies are envisaging entering the untapped rural market where there are much more opportunities to avail. In addition to the consumption trends, the market potential of the rural market is considered to be the driver of the future growth by a number of companies. For instance, ITC has taken a rural initiative through ChoupalSagar and so have DCM HariyaliKisan Bazaars and Pantaloons in a JV with Godrej (Aadhars). Besides, several other Indian companies are mulling over launching rural retail brands to face the current economic slowdown, as rural areas have been less affected by the slowdown.

Innovations In Rural Retailing

To tap the vast potential of rural India, the models of marketing which is for the urban markets will not fruitful. Innovative models are required to tap the potential of the rural India. Some proved innovative models which are being used by the corporate in the rural India are discussed below

GodrejaGrovet Ltd.(Aadhaar and Manthan)

These outlets offer rural households the basic food, grocery, apparel, footwear to furniture, kitchenware and home appliances. Manthan focuses on supplying animal feeds for dairy and poultry. On the other hand Aadhar is a supermarket which also providing agricultural inputs like fertilizers, pesticides and services like valuable technical guidance, soil & water testing services.

ITC's eChoupal

E-Choupal is termed as one of the most innovative concepts of independent INDIA. e-Choupal is an initiative of ITC Limited, , which offers the farmers all the information about products and services. It is a large multi business conglomerate in India, to link directly with rural farmers via the Internet for procurement of agricultural and aquaculture products. Following the success of the e-Choupal, the Company launched ChoupalSaagar, a physical infrastructure hub that comprises collection and storage facilities and a unique rural hypermarket that offers multiple services under one roof. Farmers can access latest local and global information on weather, scientific farming practices as well as market prices at the village itself through this web portal all in Hindi. It also facilitates supply of high quality farm inputs as well as purchase of commodities at their doorstep.

HUL's Shakti

Shakti was initiated to reach the massive un-served and under-served markets that cannot be economically and effectively serviced through traditional methods It seeks to empower underprivileged women of villages with populations of 2000 or less by providing income generating opportunities, health and hygiene education through the ShaktiVani program, and creating access to relevant information through the iShakti community portal. HUL invests resources in training these village women to become entrepreneurs by helping them become confident and independent. They are also a source of inspiration for the other women in the community. Started in 2001, Shakti has already been extended to about 50,000 villages in 12 states – Andhra Pradesh, Karnataka, Gujarat, Madhya Pradesh, Tamil Nadu, Chhattisgarh, Uttar Pradesh, Orissa, Punjab, Rajasthan, Maharashtra and West Bengal (respective state governments and several NGOs are also actively involved in the initiative). For HUL, it is "enlightened self-interest"— creating opportunities to increase the rural family income.

Maruti

It has been organizing road shows with film screenings. This is much like a travelling cinema that rural India is already quite familiar and fascinated with. The only difference being that the film is not set up in a tent, but inside a TATA truck fitted a Samsung LCD TV, an air conditioner and reclining seats. The film strikes a chord with the villagers because it tells a simple story of an average villager who buys a Wagon R after being persuaded by a friend who also bought a Wagon R.

" GaonChalo" by Tata Tea

"GaonChalo" is a distinctive rural marketing initiative started in the year 2006 in Uttar Pradesh by Tata Tea. For penetrating the rural market, the company partnered with NGOs with wide reach among Uttar Pradesh rural masses. The "GaonChalo project has creating employment opportunities to the youth of villages and small towns. It has brought steady income to those who are distributors of Tata Tea. Tata Tea's consolidated market shares from rural areas rose from 18% to 26.6%.

Nokia's Low Cost Handsets

According to marketers, rural India has a huge progressive customer base for mobiles. As most rural consumers are price sensitive, Nokia has launched seven handsets in the price range of Rs. 1500 to Rs. 5500 targeting rural customers. Further, Nokia is promoting a subscription based service called "Life Tools" which provides information about agriculture and education that is helpful to rural people. It also provides entertainment services. The "life Tools" service is priced between Rs.30 to Rs. 60 per month, based on the package an individual opt for.

Dabur Indian Oil Partnership

In order to tap India's rural market, Dabur India Ltd. Has tied up with Indian Oil Corporation (IOC). According to the agreement between the two companies, IOC's retail outlets all over the country will stock and sell Dabur's products consisting of healthcare, oral care, personal wash, skin care and home care products. The KisanSeva Kendra is a one stop rural retail outlet of IOC, which offers fuel and nonfuel products like fertilizers, grocery, tools used for cultivation, seeds, personal care products, auto spares, etc. There are 1600 such IOC outlets across India.

Airtel's Telecom Revolution in Rural India

Airtel's rural start up package offers its customers a Motorola handset for just Rs. 1599. Its recharge cards come in a minimum denomination of Rs.10, so that even daily wage earners can afford to use the service, Airtel is spreading awareness in villages by its roadside advertisements highlighting its red and white logo. It is also increasing its business network through commission based retailers, who can be anyone who is selling cigarette, paan, textiles, etc. The company already has 55000 retailers in Bihar and Jharkhand, and is planning to expand the network by approaching 5000 more cigarette and paan sellers.

Mahindra Leading Brand in Rural India

After launching its Super Turbo 595 DI Tractor, Mahindra wanted to create awareness about its new technology and high efficiency to farmers and thereby sell the tractor. It, therefore, identified opinion leaders and progressive farmers and organized interactive discussions between the company (Mahindra) and its target audience (farmers and opinion leaders). It gave free test rides and thereby sold the tractor initially to opinion leaders. This marketing activity was carried out in Maharashtra, Haryana and Punjab. After using the tractor for a reasonable time period, the initial buyers were glad to have the product and expressed their positive word-of-mouth about the tractor to their friends, relatives and neighbors. This initiative has helped the company to a great extent.

DSCL HARYALI Stores

HariyaliKisaan Bazaar" is a pioneering micro level effort, which is creating a far-reaching positive impact in bringing a qualitative change and revolutionizing the farming sector in India. It is also an example of how well meaning corporate can contribute to development of agriculture by building sustainable business models. It seeks to empower the farmer by setting up centers, which provide all encompassing solutions to the farmers under one roof. Each "HariyaliKisaan Bazaar" centre operates in a catchment of about 20 kms. A typical centre caters to agricultural land of about 50000-70000 acres and impacts the life of approx. 15000 farmers.

Bharat Petroleum

Bharat Petroleum is planning to target cluster of smaller villages with a population of about 200 to 250 households. It is planning to set up the pumps for these small villages will be smaller in size and therefore will be low priced units in terms of the cost of the infrastructure to establish these outlets. These retail outlets will serve a radius of seven to eight such villages.

Reliance Rural Hub

It is piloting a rural-business-hub (RBH) model in a Gujarat village, which if successful and implemented could rival that of DSCL's HariyaliKisan Bazaar and Future Group's Aadhar. RBH would offer farm input, food, grocery, consumer durables, and financial and health services. It will also provide farmers a platform to sell their produce, an equivalent of village haat.

Warna Bazaar

Warna Bazaar is the name of two superstores in Kolhapur and Sangli in Maharashtra, which are set up in the area of 10,000 sq. ft. Along with that they have 30 stores of 500-1,000 sq. ft at the village level. These stores retail products like apparel, food, grocery, agri-inputs, vehicles, consumer durables and hardware.

KisanSeva Kendra

Kisansevakendra is a low cost business model by Indian oil corporation of a retail outlet offering fuel & other non value added services with penetration in rural markets generating high returns. It is a one stop center of service for the farmers at his doorstep making available Diesel & petrol with Q & Q seeds, pesticides, fertilizers and other agri needs Nutan stoves, Hurricane lamps, Daily needs such as grocery, Personal care stationary for children ,tools, auto spaces, Location specific value additions.

Other innovations are as follows:

Godrej & Boyce Chotu Kool Refrigerator :

It is a perfect refrigerator for rural population. It does not require regular power supply. It provides the rural/ semi urban areas with a high end product.

Vortex Low- Cost ATM :

Allow cost ATM which provides banking solutions to people in rural areas. The machine consumes vary less power and hasan elegant rugged & reliable cash dispense model.

Tata Chemicals Water Purifier :

Swachh range of water purifiers promise pure water to the people at a very low cost of INR999 only/-. It does not require running water of electricity to provide harmless, bacteria free drinking water.

Nestle :

It provides smaller packs of Maggie noodles & tomato ketch-ups. The initiative aimed at Indian sing Nestle's global portfolio to propel its growth in the rural markets with an aim to penetrate into rural markets, specifically the consumers at the bottom of the pyramid.

Conclusion

Rural markets consisting of 70% of the total Indian population with thin density and inadequate infrastructure with low per household income poses unique challenges to marketers and calls for innovative marketing solutions. "Top line or bottom-line, growths should not be the objective of getting into rural markets. For as of now, all these markets offer is a future opportunity. One can't really make fortunes out of these markets as yet. Marketers are also very aggressive with innovative strategies. Now they are able to grab the opportunities of vast rural markets. Basically the small packs of different products are very effective in rural markets. So the fact remains that the rural market in India has great potential, which is just waiting to be tapped. Progress has been made in this area by some, but there seems to be a long way for marketers to go in order to derive and reap maximum benefits. Moreover, rural India is not so poor as it used to be a decade or so back. Things are sure changing.

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