



ORGANIZED RETAILING; INNOVATIVE STRATEGIES FOR RURAL MARKET

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ABSTRACT

All the activities involved in selling goods or a service to the end user for their personal non business use is called as retailing. Retailing can be classified as Store, Non store and Services retailing. When retailer/retailing organization owns more than one retail outlets then such kind of retailer is known as chain retailer and the activities involved are called as organized retailing. In current global retail index 2015 India is at fifteenth position. More than 60 % population of India is living in rural area to tap this huge population Aadhaar Retailing Ltd., ITC's-e choupal, Kisan hariyali, Unimart like organizations have adopted unconventional retailing practices in the rural area. Most of the rural people are depending on agriculture or agriculture related business for their lively hood. As Agriculture is the main business of rural people many retail organization are engaged in selling agricultural inputs with non agricultural products through their organized retail chain. This research paper will give insight about the current unconventional retailing practices and strategies adopted by various retail organizations for rural area specially agri input selling practices. This paper will discuss opportunities and challenges in front of organized retailers in rural market.



I. INTRODUCTION

All the activities involved in selling goods or a service to the end user for their personal non business use is called as retailing. When retailer/retailing organization owns more than one retail outlets then such kind of retailer is known as chain retailer and the activities involved are called as organized retailing. Organized retailing comprises near about 4.5 % to the total retail industry of India. Organized retail sector of is developing at the speed of 30 – 35 %. Rural Market of India is attracting the various businesses. Only 10,000 out of 6,00,000 villages in India have access to organized retail services. The huge market potential is undisputable. ITC, Godrej, Pantaloons, DCM Shriram Consolidated Ltd.(DSCL) is the main organizations which have entered in the rural retail sector. Strategies of these organizations are described in detail in later part of this research paper.

Setting up an organized retail business in rural towns proved to be challenging. Companies have faced problems with regard to infrastructure, distribution, fluctuating rural incomes and stiff competition from local kirana stores, which operate at much lower costs.

As per Mr. Ajay Shriram Chairman and senior managing director DCM Shriram Consolidated Ltd (DSCL) **‘Rural retail does not have any benchmarks to follow, so retailers have to keep innovating’**

II. OBJECTIVES

- 1) To gain insight on current strategies adopted by organized retailers to tap rural market : In this paper strategies of Pantaloon, ITC, DSCL are discussed to find out innovative strategies used to tap the rural market
- 2) To find out opportunities in rural market for the organized retailers : To elaborate the current opportunities and scope for organized retailers in the rural market.
- 3) To study challenges in front of organized retailers in rural market: More than 70% population of rural India is depending on agriculture and agriculture related businesses for livelihood.



Agriculture business is dependent on certain factors such as rainfall at proper time, availability of agro inputs, availability of finance etc. which affects economy of rural market and consequently retail business also.

- 4) To know the current status of the organized retailers in rural market.

III. ORGANIZATIONS ENGAGED IN RURAL RETAIL

3.1 Aadhaar Retailing Ltd.

Aadhaar Retailing Limited operates as a rural retail chain selling farm inputs as seeds, fertiliser, pesticides, agri equipments, financial products with FMCG products, staples, apparel, consumer durables etc. The company also provides farmers with solutions to problems regarding their agricultural output, which includes what kind of crop can they plant and when, along with techno-commercial suggestions to help them give a better output. It also offers insurance products to cover their risk and supermarkets for their daily needs. The company is based in India. Aadhaar Retailing Limited formerly operated as a subsidiary of Godrej Industries Ltd. As of March 31, 2008, Aadhaar Retailing Limited operates as a subsidiary of Pantaloon Retail (India) Ltd. Aadhaar Retailing Limited, the retail arm of country's leading business house - Future Group, is the largest and fastest growing retailing company of India. It has rural retail units across 66 cities/towns/villages. Aadhaar retailing formerly Godrej aadhaar has opened first retail outlet in Ranjani village of Pune district in 2002.

The model in action

- 1) Store Manager takes care of administration and operations of all departments of store and Technical In charge takes care of promotion of store and sales of agro inputs.
- 2) Field Service Associates (FSA) has to visit the farmers. FSA's major function is to generate orders for Agri input under the guidance of technical in charge.



- 3) FSA's have to give technical knowhow to farmers about new farming techniques, new advanced agri equipments, new varieties of seeds, pesticides etc. to create relationship with farmers.
- 4) FSA's are performing the function of promotion of non agri merchandise available in retail outlet.
- 5) Aadhaar is engaged in selling of Other Products as FMCG, Consumer Goods and Durables, Apparels etc

Value added Services for Farmers by Aadhaar are

- 1) Aadhaar outlet provides free soil testing facility to the farmers which help farmers to take decisions regarding type of crop to be sown, fertiliser dose, timing of sowing etc.
- 2) Thomson Reuters today announced that its ground-breaking mobile information service for India's agricultural community Reuters Market Light has teamed up with Future Group's Aadhaar Retailing Limited (ARL), a leading end to end solution provider for rural communities across key states in India. With this tie-up Reuters Market Light (RML) looks at expanding its pioneering personalized mobile information service to the huge farming community across the country.
- 3) Provision for home delivery of fertilisers is also at aadhaar.
- 4) Agronomist lectures to guide the farmers.

These value added services are provided to farmers to maintain relationship with the farmers. Aadhaar is promoted as complete solution provider to farmers. Aadhaar means support. So as per the name these services are there to support for the development of the farmers which will create good image of the retailer in the farmers mind and farmers comprise major part of the rural population.

3.2 Indian Tobacco Ltd.



ITC's Agri Business Division, one of India's largest exporters of agricultural commodities, has conceived e-Choupal as a more efficient supply chain aimed at delivering value to its customers around the world on a sustainable basis.

The e-Choupal model has been specifically designed to tackle the challenges posed by the unique features of Indian agriculture, characterised by fragmented farms, weak infrastructure and the involvement of numerous intermediaries, among others.

'e-Choupal' also unshackles the potential of Indian farmer who has been trapped in a vicious cycle of low risk taking ability - low investment - low productivity - weak market orientation - low value addition - low margin - low risk taking ability. This made him and Indian agribusiness sector globally uncompetitive, despite rich & abundant natural resources.

Such a market-led business model can enhance the competitiveness of Indian agriculture and trigger a virtuous cycle of higher productivity, higher incomes, and enlarged capacity for farmer risk management, larger investments and higher quality and productivity.

Further, a growth in rural incomes will also unleash the latent demand for industrial goods so necessary for the continued growth of the Indian economy. This will create another virtuous cycle propelling the economy into a higher growth trajectory.

The Model in Action:

Appreciating the imperative of intermediaries in the Indian context, 'e-Choupal' leverages Information Technology to virtually cluster all the value chain participants, delivering the same benefits as vertical integration does in mature agricultural economies like the USA.

'e-Choupal' makes use of the physical transmission capabilities of current intermediaries – aggregation, logistics, counter-party risk and bridge financing –while disinter mediating them



from the chain of information flow and market signals.

With a judicious blend of click & mortar capabilities, village internet kiosks managed by farmers – called Sanchalaks – themselves, enable the agricultural community access ready information in their local language on the weather & market prices, disseminate knowledge on scientific farm practices & risk management, facilitate the sale of farm inputs (now with embedded knowledge) and purchase farm produce from the farmers' doorsteps (decision making is now information-based).

Real-time information and customised knowledge provided by 'e-Choupal' enhance the ability of farmers to take decisions and align their farm output with market demand and secure quality & productivity. The aggregation of the demand for farm inputs from individual farmers gives them access to high quality inputs from established and reputed manufacturers at fair prices. As a direct marketing channel, virtually linked to the 'Mandi' system for price discovery, 'e-Choupal' eliminates wasteful intermediation and multiple handling. Thereby it significantly reduces transaction costs.

'e-Choupal' ensures world-class quality in delivering all these goods & services through several product / service specific partnerships with the leaders in the respective fields, in addition to ITC's own expertise.

While the farmers benefit through enhanced farm productivity and higher farm gate prices, ITC benefits from the lower net cost of procurement (despite offering better prices to the farmer) having eliminated costs in the supply chain that do not add value.

3.3 DCM Shriram Consolidated Ltd. (DSCL)

"Hariyali Kisaan Bazaar" - a rural business centre, 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.

DCM Shriram Consolidated Ltd. (DSCL), capitalising its over 35 years of experience in the agri-input markets & firsthand knowledge of Indian farmers, is setting up a chain of centres aimed at providing end-to-end ground level support to the Indian farmer & thereby improving his "profitability" & "productivity".

3.4 Hariyali Kisaan Bazaar

The "Hariyali Kisaan Bazaar" chain, seeks to empower the farmer by setting up centers, which provide all encompassing solutions to the farmers under one roof.

Each "Hariyali Kisaan 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.

The Model in Action: each center is engaged in

- Bridging the last mile: Provides handholding to improve the quality of agriculture in the area. Provides 24X7 support through a team of qualified agronomists based at the centre.
- Quality Agri-Inputs: Provides a complete range of good quality, multi-brand agri inputs like fertilizers, seeds, pesticides, farm implements & tools, veterinary products, animal feed, irrigation items and other key inputs like diesel, petrol at fair prices.
- Financial Services: Provides access to modern retail banking & farm credit through simplified and transparent processes as also other financial services like insurance etc.
- Farm Output Services: Farm produce buyback opportunities, access to new markets & output related services.
- Other Products and Services: Fuels, FMCG, Consumer Goods and Durables, Apparels etc.



These centers provide the much needed respect/dignity and freedom to the Indian farmer. In the near future, Hariyali Kisaan Bazaars plan to move beyond agri to meet the other needs of farmers as customers.

Technology as an important enabler

IT has been a critical backbone to the chain of centres. It is being used to provide online support on latest technical advancements, weather forecasts, mandi (market) prices, fair & transparent billing to farmers as well as in maintaining extensive farmer databases with micro information about the farmers' field to provide customized service to the farmers.

Farmer Response

So far over 275 Hariyali outlets have been set up across eight states- Haryana, Punjab, Uttar Pradesh, Rajasthan, Chhattisgarh, Madhya Pradesh, Maharashtra and Andhra Pradesh

The ground-level agri-support is already yielding results in the farmer's fields. Whether it is adoption rate of high yielding seeds, right doses of fertilization, productivity of cattle-feed, moisture conservation measures, adoption of new crops/allied occupations or adoption of new technologies like zero tillage, the farmers in catchment of Hariyali centres ..

Opportunities in front of Retailers in rural area:

Approximately 50,000 out of 6, 00,000 villages in India have access to organized retail services. The huge market potential is undisputable.

Major gaps in Indian Farming Sector are the opportunities for the retail players as

- Lack of last mile delivery mechanism of modern agriculture know-how & practices.
- Lack of availability of critical good quality agri-inputs.
- "Middlemen" driven farmer interface.



- High cost credit.
- Lack of direct access to buyers of varied & high value crops.

IV. CHALLENGES

According to a CII-Technopak study on rural retail, the biggest bottleneck towards development in the rural markets is excessive dependence on agriculture and, consequently, on rainfall. There is overall slowdown of GDP growth every time there is poor rainfall.

The rural consumer is unique and it requires long painstaking efforts to understand, relate to and be accepted by him. Rural marketing involves more intensive personal selling efforts compared to urban marketing.

Fluctuating rural incomes and stiff competition from local kirana stores, which operate at much lower costs.

The problems encountered while setting up and managing these retailers are primarily of Infrastructural inadequacies, irregular power supply.

V. CONCLUSION

After analysing the strategies of three major organised retail players it is observed that all three player's have common link that is value added service to farmers for farming besides regular selling and promotion of merchandise. This is an innovative strategy to maintain relationship with the farmers who comprises most of the part of rural population as well as creating brand image as solution provider for any problem with wide range of goods and services.

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