

# Chapter 15

## Mapping the Rural Retail of India

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### ABSTRACT

*The case here tries to sensitise its readers towards what is one of the largest privatized and yet highly unorganised retail store formats in the world. The case in question talks about how the backward integration and adoption of set standards by the small time retailers can in turn benefit the end consumer tangibly as well as intangibly. Our research, first entailed, outlining the methodology and the singling out the markets of Greater Ghaziabad catchment areas in Uttar Pradesh for our research. The study is diversified according to various parameters like the age of business, & the customers these businesses are targeting. All in all the chapter tries to communicate to its readers, the importance of understanding the dynamics of doing business in rural retail sector of India, whether relatively organised or unorganised.*

### INTRODUCTION

The centre of attraction of the world economy is continuously shifting from the developed economies of Europe & US to the developing economies of Asia Pacific. Among these developing economies, India is one of the fastest growing economies. Over the last 15 years, India has grown much more rapidly than that predicted. Structural changes and competition in the market has raised the bar in terms of consumer expectation. Retail happens to be the largest private sector industry in India. Retailing includes all the activities involved in selling goods and services directly to the final Consumers for personal, non-business use (Kotler, Keller, Brady & Goodman, 2009).

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One of the major changes affecting retail is the changing consumer behaviour. The outlook of consumer is rapidly shifting from traditional to modernize traditional. Earlier the focus of consumer was to meet their functional requirements but for the past few decades there has been a shift of consumer behaviour towards lifestyle oriented approach. Due to the increased income and higher employment in the India, the buying capacity and demand for diverse and innovative products has increased manifold. This has further shifted the limelight towards retail.

## **Need for Rural Retail**

Rural market of India offers ample opportunity for the retail sector as rural India accounts for 55% of the private retail consumption. Rural retail market presents a tremendous growth opportunity which needs to be tapped with care. The IMD report 1998 of National Council of Applied Economic Research suggest that there are 742 million consumers across 638,000 villages. These villages account for more than half of the total wealth (Bansal, Maan & Rajora, 2013). Thus by reaching out to these villages total opportunity can be tapped in the rural retail sector. As urban markets are on the verge of saturation rural retail market is the next target of big retail companies. Now B.O.P. markets are looking very lucrative to companies who want to explore new turf.

Since rural retail forms the pillars of Indian economy so it becomes very important to understand them better. This segment is still unexplored and is considered to be a virgin market. Retailing is a part time job in rural India and has low maintenance cost. Penetration in rural India is low as there are high transportation and travelling costs involved. Penetration of big retail companies has happened only through intermediaries and most of the rural retail is handled by local mom and pop stores only.

## **CREATING EFFICIENT ECOSYSTEMS**

The idea of creating sustainable ecosystems stems from the facts of big businesses creating deep impact whether it is Hindustan Unilever's Shakti Amma programme or the ITC-e-Choupal Sanchalak programme, both identify with the idea of developing business and taking social development in the catchment areas as a necessary step. These programs are part of integration strategy of large corporations to develop markets following an inclusive approach. To make these ideas work, there is a need to identify the opportunity within the constraints of the B.O.P. The key questions which can be raised are: How does innovation play at the B.O.P. level and how the services and products need to be reinvented keeping the four A's at B.O.P. level: Awareness, Access, Affordability and Availability? How much can our solutions be scaled to include small scale mom and pop stores to be a part of changing culture to buy groceries in a much better, organized and informed manner? What is price performance code which our catchment area stores can sustain in long run? How can modern technology be of help in undertaking dramatic cost and business reduction exercises?

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