

# A study of Rural Retail and Distribution Mix With Respect to Essential Commodities

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## Key Words:

- 1 Essential Commodities
- 2 Place Mix
- 3 Rural Market
- 4 Retail Management
- 5 Distribution Strategy

## Abstract:

In India ever since independence, marketing acquire a largely urban bias. Hence, there were very less attempt on the part of marketers to distribute products to satisfy rural needs. An apathetic attitude also due to the assumption that the rural consumer are poor and had no purchasing power to buy expensive branded products. Besides such, lacks of transportation and communication links were also responsible for neglect of the rural consumer by the business firms.

## Introduction :

Government initiatives have contributed towards overall economic growth of the rural sector. These rural developments led many firms to take interest in the rural markets and trying to reach villages. The fact remains that the rural market in India has great potential, which is just waiting to be tapped.

## Rationalization for Selection of The Topic :

According to census 2011, India's population is 1.21 billion. The spread of population is in 4200 cities and towns are to the extent of 28 percent and remaining 72 percent live in 5,76,000 villages speaking 33 languages, 1652 dialects and having sub cultural and diverse requirements.\*1 As rural consumers are very hefty in number it is necessary to consider different distribution strategy for them.

## Literature Review :

Woodward Tracy, (2000) brand awareness and brand image influence strategies of distribution channel management, particularly push and pull strategies within the channel. Puneet Manchanda and colleagues, found sales response models used as the basis for optimizing the marketing mix. Naidu and colleagues (2004), deals with the extent of awareness in the rural markets of India. Vaswani L.K, and colleagues, (2005), focus the role of rural marketing in bridging the widening disparity between rural and urban economies in India. Arul Kumar S., and colleague, (2006), explore the consumer behavior patterns of rural consumers with reference to FMCG product. Gary Warnaby and colleague, (2006), indicate that degree of reciprocity does occur in the marketing

activities between the different levels of urban place marketing. Cecilia Tacoli, (2007) argues that there is a complex web of relations and connections incorporating rural and urban dimensions that determine poor people's livelihoods. Begde Prasad; (2008), elaborates the case Coke and Pepsi made efforts to penetrate deep into the rural markets by increasing their retailer and distribution network. Ramanathan V. and colleague (2009), discussed the opportunities and strategies to be adopted for life insurance companies in the Indian rural markets. The present study is designed to abridge gaps in the existing literature.

## Hypothesis :

The study was done to test three hypotheses.

## Objectives of the Study :

Primary objective is "To study Rural Retail and Distribution Mix with respect to essential commodities" and Secondary objective is to study the place mix factors of buying decision making of rural consumers.

## Research Design :

Descriptive research design is used to portray the attributes of a rural consumer and style of buying their essential commodities. Exploratory research design is undertaken to dig out the information as a secondary data.

## Data Collection Method :

The data collection methodology of a study consisted of

**Primary Data Sources :** For this study observation method and questionnaire survey method were selected for primary data collection. Major sources of primary data include the respondents; Family household in rural villages and Retailers in rural villages in Ahmednagar District.

**Secondary Data Sources :** For this study following secondary

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data sources were explored- various publications of the central, state and local governments, Books, URL on internet of various corporate houses etc. are explored for secondary data.

**Sample Frame :**

Non-probability Quota Sampling of the population is used as bellow process. A quota of 10 household respondents and 04 retailer respondents in rural village and 05 rural villages in every tahasil in Ahmednagar district is selected. i.e. Total 700 rural household respondents and 280 rural retailer respondents are interviewed. Random sampling method is used to select the households as well as rural retail stores in rural villages.

**Hypothesis Testing :**

**Hypothesis One**

**H<sup>0</sup>:** There is significant difference between rural and urban place mix of essential commodities.

**H<sup>1</sup>:** There is no significant difference between rural and urban place mix of essential commodities.

Analysis in Exhibit 1 shows that 16 % to 22% rural retailers are claiming that there is significant difference between rural and urban Place mix of essential commodities marketing companies. Hence there is strong evidence to reject null hypothesis and alternative hypothesis accepted.

**Hypothesis Two :**

**H<sup>0</sup>:** There is dissociation between place attributes and satisfaction level of rural households.

**H<sup>1</sup>:** There is no significant dissociation between place attributes and satisfaction level of rural households.

**Test used :** In above hypothesis 2 both the variables Place / Distribution attributes and level of satisfaction of household are categorical. Non-Parametric Chi-square test of independence with level of significance used is 5% is used. The SPSS output is given below exhibit 2.

Exhibit 1 : Place Mix in Rural and Urban Market

| Place Mix Variable | Significance Difference |                     | No Significance Difference |                     |
|--------------------|-------------------------|---------------------|----------------------------|---------------------|
|                    | No. of respondent       | % of respondent (%) | No. of respondent          | % of respondent (%) |
| Channels           | 53                      | 18.93               | 227                        | 81.07               |
| Coverage           | 54                      | 19.28               | 226                        | 80.72               |
| Assortments        | 46                      | 16.43               | 234                        | 83.57               |
| Location           | 62                      | 22.14               | 218                        | 77.86               |
| Inventory          | 52                      | 18.57               | 228                        | 81.43               |
| Transport          | 54                      | 19.29               | 226                        | 80.72               |

\*Source Compiled from the Rural retailer questionnaire survey

Figure 1 : Place Mix Variables

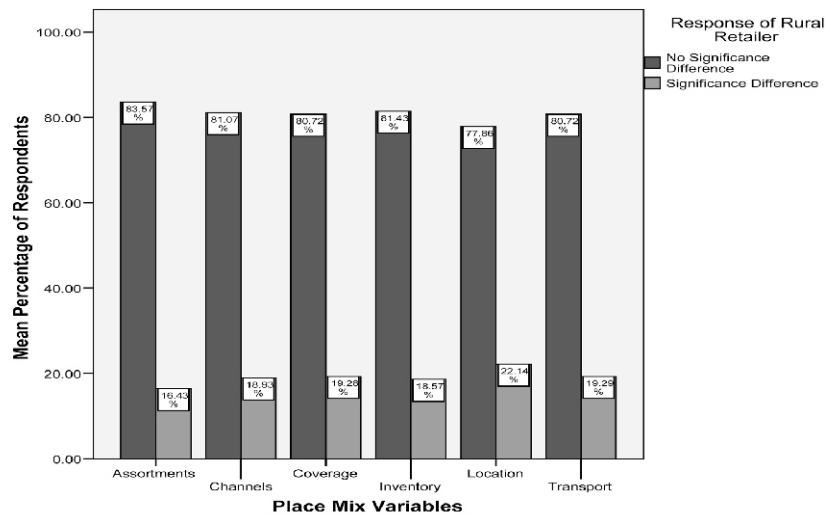


Exhibit 2 : Satisfaction level Place / Distributions Crosstabulation

|                                    |                             | Place/Distributions |                 |          |          | Total  |
|------------------------------------|-----------------------------|---------------------|-----------------|----------|----------|--------|
|                                    |                             | Availability        | Channel members | Coverage | Services |        |
| Satisfaction Level                 | Dissatisfied                | Count<br>113        | 118             | 93       | 38       | 362    |
|                                    | % within Place/Distribution | 16.1%               | 16.9%           | 13.3%    | 5.4%     | 12.9%  |
| Highly Dissatisfied                | Count                       | 111                 | 163             | 96       | 135      | 505    |
|                                    | % within Place/Distribution | 15.9%               | 23.3%           | 13.7%    | 19.3%    | 18.0%  |
| Highly Satisfied                   | Count                       | 146                 | 31              | 41       | 92       | 310    |
|                                    | % within Place/Distribution | 20.9%               | 4.4%            | 5.9%     | 13.1%    | 11.1%  |
| Neither Satisfied/Nor Dissatisfied | Count                       | 58                  | 338             | 321      | 243      | 960    |
|                                    | % within Place/Distribution | 8.3%                | 48.3%           | 45.9%    | 34.7%    | 34.3%  |
| Satisfied                          | Count                       | 272                 | 50              | 149      | 192      | 663    |
|                                    | % within Place/Distribution | 38.9%               | 7.1%            | 21.3%    | 27.4%    | 23.7%  |
| Total                              | Count                       | 700                 | 700             | 700      | 700      | 2800   |
|                                    | % within Place/Distribution | 100.0%              | 100.0%          | 100.0%   | 100.0%   | 100.0% |

Figure 2 : Clustered Bar Chart of Satisfaction Level of Customers With Respect to Place Attributes

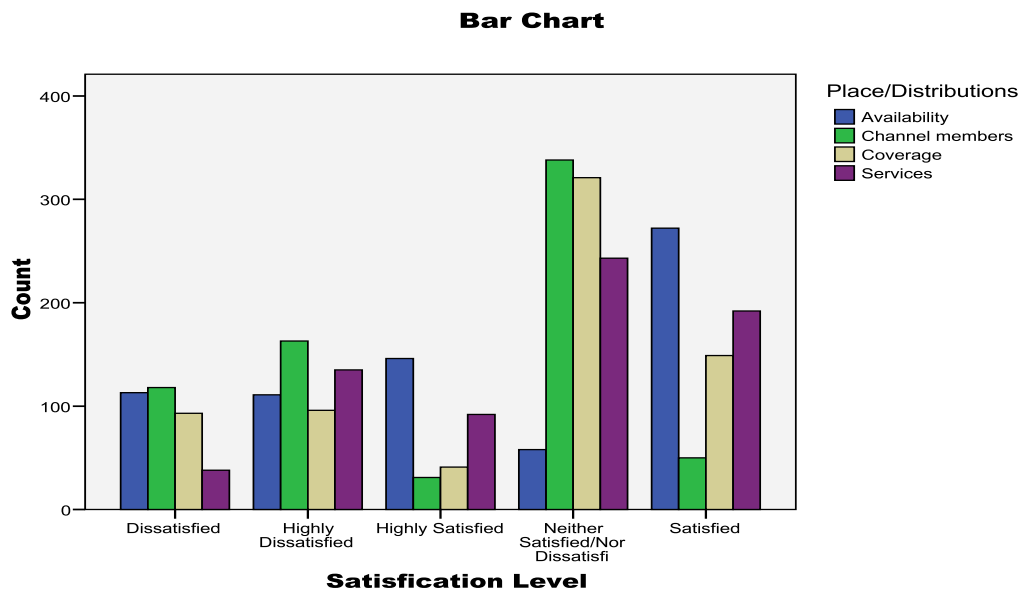


Exhibit 3 : Results of Chi-square test (Hypothesis2)

**Chi-Square Tests**

|                    | Value                | df | Asymp. Sig. (2-sided) |
|--------------------|----------------------|----|-----------------------|
| Pearson Chi-Square | 533.418 <sup>a</sup> | 12 | .000                  |
| Likelihood Ratio   | 613.371              | 12 | .000                  |
| N of Valid Cases   | 2800                 |    |                       |

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 77.50.

**Decision :**

From the Exhibit 3 of Chi-square test, the P-value of test (0.000) is less than the level of significance 0.05, hence there is strong evidence to reject null hypothesis.

Hence we conclude that there is no significant dissociation between place attributes and satisfaction level of rural households.

**Hypothesis Three :**

**H<sup>0</sup> :** There is dissociation between retail store decision and family members engaged in decision of purchase essential commodities.

**H<sup>1</sup> :** There is no dissociation between retail store decision and family members engaged in decision of purchase essential commodities.

**Test used** In above hypothesis for two categorical variables; Non-Parametric Chi-square test of independence is used. The level of significance of test is,  $\alpha = 0.05$ .

The SPSS output is given in Exhibit 4

Exhibit 4 : Cross Tabulation of Family Store Decision of Essential Commodity Group

**Retail store decision \* Essential commodity Group Crosstabulation**

|                       |   |   | Essential commodity Group |                |                   | Total        |
|-----------------------|---|---|---------------------------|----------------|-------------------|--------------|
|                       |   |   | Cosmetic Commodity items  | Hygienic items | Packed Food items |              |
| Retail store decision | All members together                        | Count<br>% within Essential commodity Group | 18<br>2.6%                | 47<br>6.7%     | 39<br>5.6%        | 104<br>5.0%  |
|                       | Both Husband and wife Equally               | Count<br>% within Essential commodity Group | 124<br>17.7%              | 128<br>18.3%   | 141<br>20.1%      | 393<br>18.7% |
|                       | Children                                    | Count<br>% within Essential commodity Group | 163<br>23.3%              | 143<br>20.4%   | 153<br>21.9%      | 459<br>21.9% |
|                       | Husband Predominantly                       | Count<br>% within Essential commodity Group | 141<br>20.1%              | 149<br>21.3%   | 128<br>18.3%      | 418<br>19.9% |
|                       | Wife Predominantly                          | Count<br>% within Essential commodity Group | 254<br>36.3%              | 233<br>33.3%   | 239<br>34.1%      | 726<br>34.6% |
| Total                 | Count<br>% within Essential commodity Group | 700<br>100.0%                               | 700<br>100.0%             | 700<br>100.0%  | 2100<br>100.0%    |              |

Figure 3 : Family Store Decision of Essential Commodity Group

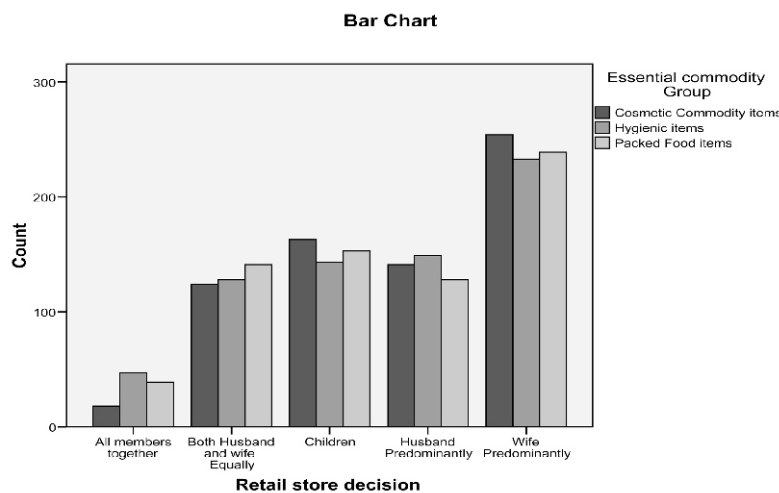


Exhibit 5 : Chi Square Test (Hypothesis 3)

**Chi-Square Tests**

|                    | Value               | df | Asymp. Sig. (2-sided) |
|--------------------|---------------------|----|-----------------------|
| Pearson Chi-Square | 18.035 <sup>a</sup> | 8  | .021                  |
| Likelihood Ratio   | 19.291              | 8  | .013                  |
| N of Valid Cases   | 2100                |    |                       |

<sup>a</sup>. 0 cells (.0%) have expected count less than 5. The minimum expected count is 34.67.

**Decision :** Exhibit 5 Chi-square test indicates that there is a significant dissociation between decision about store and attributes of family members engaged in decision of purchase essential commodities ,  $\chi^2(8) = 18.035, p < 0.05$ .

Hence we accept alternative hypothesis.

### Findings and Observations :

The findings and observations are summarized below:

1. There is no significant difference between rural and urban place mix of essential commodities.
  2. There is association between place attributes and satisfaction level of rural households.
  3. There is association retail store decision and family members engaged in decision of purchase essential commodities.
  4. Rural distribution has a rigid hierarchy of markets that make channel decisions relatively structured as rural wealth and demand is concentrated typically at towns, district headquarters, assembly markets and such central locations.
  5. Rural customers are habituated to traveling once a week for their weekly purchases to a town; where the outlay is typically large, the purchase would be made in town for reasons of choice and availability of adequate cash flow.
  6. Haats are a readymade distribution network embedded in the fabric of rural market and in haat market out of total sales; 80.14 % cash sale, 04.43 % is conducted on barter system and the rest 15.43 % is on credit.
  7. In rural market physical distribution and channel management adversely affect the service as well as the cost aspect.
  8. Retailers in villages do not avail of discount schemes and they prefer not to hold heavy stocks. Retailers have to travel frequently to feeder town to collect products which increases cost.
  9. Wholesalers are reluctant in pushing new products due to risk factors associated with them.
5. Rural distribution chains have to set up systems for inventory management and quick servicing, thereby offering the opportunity for a company/supplier to reduce distribution cost by reducing intermediaries.
  6. Rural market entry requires a long term perspective rather than a short-term gain; the distribution cost in the initial year may be high because of low volumes, but this cost is to be treated as investment and not expenditure.
  7. The rural distribution stratagem:
    - a. Delivery Vans: The rural marketer may deploy a mobile van for distribution. Sometime can go in for syndicated distribution where a tie-up between non-competitive marketers can be established to facilitate distribution.
    - b. Joint Distribution by Non-Competing Companies: Companies having lesser distribution reach in rural areas can collaborate with companies already having wide network in rural market.
    - c. Distribution up to Feeder Towns: The rural consumers visit these towns at regular intervals not only for selling their agricultural produce but also to purchase all essential commodity products.
    - d. Haats /Jatras: Weekly haats, Annual Jatras organized are quite popular and provide a very good platform for distribution as rural people visit them to make several purchases.
    - e. Co-operative societies: The village level co-operatives and other agencies can play an effective role in the distribution of commodities.
    - f. Post and Telegraph Department Infrastructure: Marketers can use this postal network to make their products available to rural consumers.
    - g. Women's Self-Help Groups: Women's Self Help Group (SHG) in rural villagers can be effectively used by marketers for making their products available to villagers.
    - h. Alternate Distribution Channels: Alternate distribution channels like milk men, vegetable vendors, Paan shops, cooking gas distributors, Telephone booths can be used by rural marketer to make their products available to rural consumers.

### Conclusion & Suggestion:

The study enables to come to the following conclusions and suggestions.

1. Rural marketers have to plan transactional marketing to relationship marketing is most evident in the village market.
2. Efforts should be made to use the distribution channels more effectively to reach in the deeper pockets of the rural market. Thus availability of the product is very important as rural consumers are not loyal to one brand.
3. In terms of total reach the companies can gain significant competitive advantages as the rural market is highly fragmented and a brand needs to be on the shop shelf before it can be sold.
4. Rural marketer should educate retailers in the techniques of salesmanship and gathering market data relating to consumer needs and tastes and reactions at the retailers' level.

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