



Consumer Perception affects Organizational Strategy- A Study of Indian Rural Retail Sectors

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Abstract

As we know 64% of the population live in rural area hence if we concentrate on this part of population we can get a huge size of future market for our business growth. With the help of this study we can increase their sales and profit and also create a customer satisfaction and loyalty. Through critical analysis we came to know why organizational strategy matters to form a consumer perception and which type of the challenges they have to face in rural areas. In these retail industries, in different localities, all are dealing with a strategic or discontinuous modulation point and requiring changing basically to stay competitive, among them all are facing new realities and tough choice. Are they dissimilar than most companies today? Subject Related to leadership qualities, competitiveness, talent shortage and strategy accomplishment affect most of the retail industries whether they are in rural areas or urban areas. We get a simple answer no.

As small retailers in rural areas, need to understand that how to promote their strategy at the ground level involving handling rural consumer, providing services, arranging distribution channel and displaying potential in their organization.

So, research paper depicts that how an organizational strategy get affected by the consumer perception towards retail outlets in rural areas and how it differs from the urban areas in Indian subcontinent.

Key words: Retail outlets, Retailers, Consumer, Perception, Organizational strategy.

Introduction:

In Indian market retailing is one of the strongest pillar of Indian economy and contributes for 14 to 15% of its GDP. India is a fastest growing retail market in the world with 1.2 million populations.

In November 2011, India's central Government announced both multi brand stores and single brand stores. On 14th September 2012, the Indian Government allowed the opening of FDI in multibrand retail and also approved as individual state. On 7th December 2012, the federal Government of India permitted 51% FDI in multi brand retail in India.

The network of Indian retail consisting of about 15 million retail stores which was so far dominated by 'mom and pop' stores i.e. small groceries and outlets those are handled by single store keeper or a group of store keeper(family). Now this has been replaced by organized retail stores in both areas rural as well as in urban. The growth rate of organized retail outlets in India recorded 40% per annum.

In continuation of the large number of the urban formats among them few retailers have entered in rural areas with store that furnish to the necessity of rural customer. So number of retailers move towards creating a customer based outlets by developing a right product service mix. in rural areas the biggest challenge for emerging retailers is to achieve a scale which requires drawing a large numbers of visitors for that awareness is the key. As rural consumers are not opened to these facilities of organized retail that include all elements of product and services offer through them. Though the rural consumer's purchasing power is increasing day by day but still they are not going towards organized retail buying outlets. They have been fulfilling their needs from small retailers like kiranas, streetvendors.

We have observed that rural retailers can increase their opportunities for format in rural areas but the challenges lies in customer attainment by right product service mix at economic and reasonable price and forming a proper communication channel and promotional as well as organizational strategies.

Objective of the Study

- To understand the consumer perception towards rural retailing.
- To modify the organizational strategies affecting through consumer perception

Literature review

Patronage studies in the past have attempted to identify determinants of store choice in relation to attributes such as price, quality, and variety of merchandise, credit availability, return policies and well-known brands.

According to bloomer and shroeder(2002) store image is the sum of all the store's attributes, in the way perceived by the consumer through his or her experience with the store.

Sinha (2003) studied “shopping orientation in the evaluating indian market” and analyze that the indian shopper show an orientation based more on the entertainment value than on the fluctuation value.

Chandrasekhar Priya (2004) selected 10 particularly ripe areas which should be hot markets for at least the next several years. These comprised of China, Hong Kong, Taiwan, India etc.

Charles Denis (2005) investigated “why do people shop; where they do? The attributes of shopping centres that determine where consumer choose to shop and found that people are attracted to different centers for different reasons as shopper have different expectation.

Subhashini Kaul (2005) concluded that consumers satisfied with the store’s service quality are most likely to remain loyal. Service quality is being increasingly perceived as a tool to increase value for the consumer, as a means of positioning in a competitive environment to ensure consumer satisfaction, retention and patronage.

Raj guru and Matanda (2006) examined “consumer perception of store and product attributes and its affect on consumer loyalty within indian retail sectors and observed that except product price other store and product attributes have positive effect on customer loyalty.

Sinha and Kar (2007) investigated modern retail developments and growth of modern formats in India. They also analysed the challenges and opportunities available to the retailers to succeed in India and concluded that retailers need to innovate in designing the value proposition, deciding the format to deliver to the consumer and also strive to serve the consumer better, faster and at less cost.

Mittal and Mittal (2008) in their study ‘store choice in the emerging indian apparel retail market: an empirical analysis’ investigated that the evaluation of apparel store ,attribute by consumer in the context of apparel retail formats in india they suggested retailer to consider underlying perception and demographic correlate of local consumer.

Goswami P. and Mishra M.S. (2009), conducted a study that was carried across four Indian cities- two major metros (Kolkata and Mumbai), and two smaller cities (Jamshedpur and Nagpur) with around 100 respondents from each city. The results suggest Kiranas would do best to try and upgrade in order to survive.

Nisha explained in her paper “A study on consumer behavior towards organized and unorganized retailing” (2010) The growth in the Indian organized retail market is mainly due to the change in the consumer’s behavior.

S.P.Thenmozhi Raja, D. Dhanapal & P. Sathyapriya(2011) explained that the most critical challenge for a business is the improvement of service and product quality. They also explained that perception of retail service quality varies across different cities, the retailers can meet the customer expectations based on the factors drive them.

Piyush kumar Sinha ,Srikant, Sujo Thomos. (2012) explained that changes in riding on overall growth in income and consumption across the country including the rural areas while

customer are getting better prices and assortment. The modern retailer would like to make substantial saving through efficiency and pass this benefit to producers and end users.

Perception of rural retailing have a propensity to revolve around images of decline and marginalization, more recent research has revealed the multifaceted and dynamic characteristics of the rural retail sector and pointed to compelling example of success (Paddison and Calderwood 2007). One finding has been that the success of rural business is inextricably linked to how owner manager optimize the competitive advantages that exist.

According to Rural Marketing Association of India (RMAI) and MART, the rural economy has not been impacted by the global economic slowdown that took place during the last two years. In fact the rural economy grew at a phenomenal 25% in 2008 when the demand in urban areas across the globe slowed because of the global meltdown.

According to Shikhar Das (2011), a growing population, a young workforce and zooming consumer confidence will fuel the expansion of the retail sector as organized retail in rural India await the arrival of brand retailers like Reliance Retail. A shift from selling agri-inputs will help these stores target the non-farming segments. It offers an opportunity for a large player to build a Rs 40,000 crore retail business spanning multiple categories by 2015.

Arpita Khare (2013) found that the results indicate that small retail service quality for Indian consumers comprises ambience, layout and service relationships dimensions. Hedonic and utilitarian shopping values influence consumer service quality evaluation. Interestingly rural India accounts for 60% of the national demand. Rural markets are highly attached to growth prospects as they have a growing number of consumers as well as workforce.

Research methodology

The study is an analytical and descriptive one. The data is collected solely from secondary sources i.e. refereed print journals, online journals, books, reports etc. The sources are compiled and studied between 2013 till date. The findings are categorized and classified under different issues regarding rural and urban retailing in India. Mostly focused on strategies for surviving in rural market by understanding consumer perception towards pricing and service quality.

Retail outlets in India

India is a combination of organized and unorganized retail and logistic industries that engaged 40 million Indians which are the part of 3.3% of Indian population. According to available data the traditional retail outlets of India are very small over 14 million outlets operate in the country and just 5% of these outlets are large in size as 500 (sqft). In traditional outlets, unorganized retail outlets are in majority and mostly that are operated by the family members, not having the proper procurement procedure or transportation of products at volume wholesale level. For running their unorganized retail shop they employ a

middle man for the supply of the commodities and create a movement from manufacturer to consumers.

In 1990s, India represented by an extensive free market reforms in which few parts of market associated to retail industries. Between 2000 and 2010 it has been observed that customer of selected developed cities of India started to experience the quality of product as well as services and made differentiation between choice, convenience and benefits of organized retail industry.

According to the forecasting of Indian economist that Indian retail will be expended by about \$400 billion by 2020 which are the double value of present retail outlets.

In spite of having large number of opportunity in Indian market and rising the power of purchasing of consumer of Indian retail outlets are facing challenges in rural as well as urban areas that covers 90% of trading is operated by free local stores. That challenges includes geographically depressed population, small ticket size, and complexity in networking system of logistics and transportation, shortage of it technologies, limitation of media and counter feat goods.

Retailers in rural markets: Take a glance

A recent study by Boston Consulting Group (BCG) and Confederation of Indian Industry (CII) has revealed that the Indian consumer market is going to grow up almost 3.6 times between 2010 and 2020, and further that 24 per cent of this number will comprise small towns and villages. In fact, small towns and rural consumers will become the largest market segment at 36 per cent by 2020. The union budget for 2010 and 11 has hiked the allocation under the national rural employment guarantee act (NREGA) to us \$8.71billion in 2010-11, giving a boost of the rural economy.

In India there are several retailers who have got permission for purchasing commodities directly from farmers. Many of corporate retailers already has been established in rural areas like Godrej, ITC, Reliance for attaining a great expanded opportunity.

According to MGI it has been forecasted that rural retailing will be triplet by 2025 nurturing a vast potential of \$577 billion they have also targeted on increment in income of the rural population that will be spent on other commodities except food also.

Hariyali Kisaan bazaar outlets:

DSCL (Dcm Sriram Consolidated Ltd) came with a years of experience in the agri business has executed a one of a kind rural retailing. It has passes a successful time with the better employment and profit of Indian farmer .these retail store has been designed like they all are expanded in 3-4 acre and handled by 7-8 people and these people are continuously tained by this company.

Aadhar outlet model:

This model is totally concerned with the quality of services with the quality of the commodities for this it provide a complete solution to the rural retailer for the improving the quality of the product. At earlier time it was based on ago product but with time decade it also operating retail outlets in rural areas.

Project Shakti model:

Project Shakti, a unique initiative by the Company to build and support a network of women entrepreneurs in small villages was strengthened in 2010–11 with the Shaktimaan initiative, under which men from Shakti households were given a bicycle to cover a cluster of villages in their vicinity. There are now 30,000 Shaktimaans across India.

The company's Kwality Wall's mobile vending operations provide entrepreneurship opportunities to over 6,500 migrant laborers across India.

HUL business model:

Hindustan univer ltd by the sources of data HUL is dealing about all consumer goods having a large number of distributions of channel this network system consisting 5000 redistributions stockiest and 40 clearing and forwarding agents(c &f).

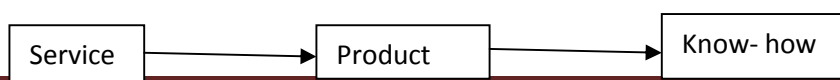
HPCL retailing model:

Hindustan petroleum corporation ltd (HPCL) it is a leading petroleum product retailing India. It has invested around rs 1,140 cr. At present time HPCL extended its 8000 retail outlets in country.

What type of retailers should be supported?

- For promoting our Indian economy, we should take a step towards increasing the number of multifunctional outlets/store in our region. Multifunctional stores are that type of store which provide a wide range of services and that shop must have capability to stay alive also in that areas where the population is diminishing. Due to the multi task of these stores owner can handle easily a variety of duties for satisfying the customers. There are four factors that are essentially important for successful retail outlets;
- Role and competence level of retailer.
- Commitment from the communities.
- Institutional agenda.
- Distribution.

Three interlinked functions can make these tasks easier i.e.



With these techniques they must deal with social issues and entrepreneurship functions.

As we know the union cabinet allowed 51% FDI for multi brand retail outlets and 100% for the single brand stores. According to that data the rural retail turned out to be the most integral and unexploited ground or environment for India and as well as foreign retailers.

Now-a-day's Government have been entered in global super market in spite of having strong opposition in hope that there will be an improvement in supply chain management.

From the ground: For reforming the local market, foreign retailers must source 30% of the goods from local markets. At the front improvement of rural retailing position demands more farmer with well shaped and high quality seeds and product credit facility. However a number of farmer don't meet wall mart standard that's why experts advice wall mart must buy a small batches from small plot holder in the country where more than 80% of farmer are under 2 hectare it shows that contracting with 1000 of farmer will still yield only few thousand tones. It means it required to face a huge challenge for improving the position of rural retailing on the ground.

Capturing the market: After watching out the scale of the rural market growth that make any marketer's skip a beat. And it can be done only by understanding the need and behavior of consumer separately through the perfect segmentation system.

Lots of retailing sectors like FMCG, at its earlier stage the U.S. based company Colgate was challenged by the problem of getting people to migrate from neem brushwood to dental care products like tooth powder but with time decade it has been observed that the toothpaste product is more demanded. Hence the chance to create loyalty is widespread and the company's strategy for making it cash by selling small quantity of product.

The hurdles over's: In present scenario, Indian retailers have mixed experience of gaining and loosing the business. Hariyali Kisan bazaar one of the largest rural retailing chain by sale it manage 230 retail outlets across 8 states in India. According to Mr. Ajay Sri Ram managing director of DSCL the rural market is not as upbeat as it was two or three months before because of income of farm is coming down for the crops like potato, onion, tomato etc. However some Indian retailers are still working considering the low demand. From the last two to three months, the electronic goods such as television and refrigerators coherent this problem.

Displaying potential of rural retailing

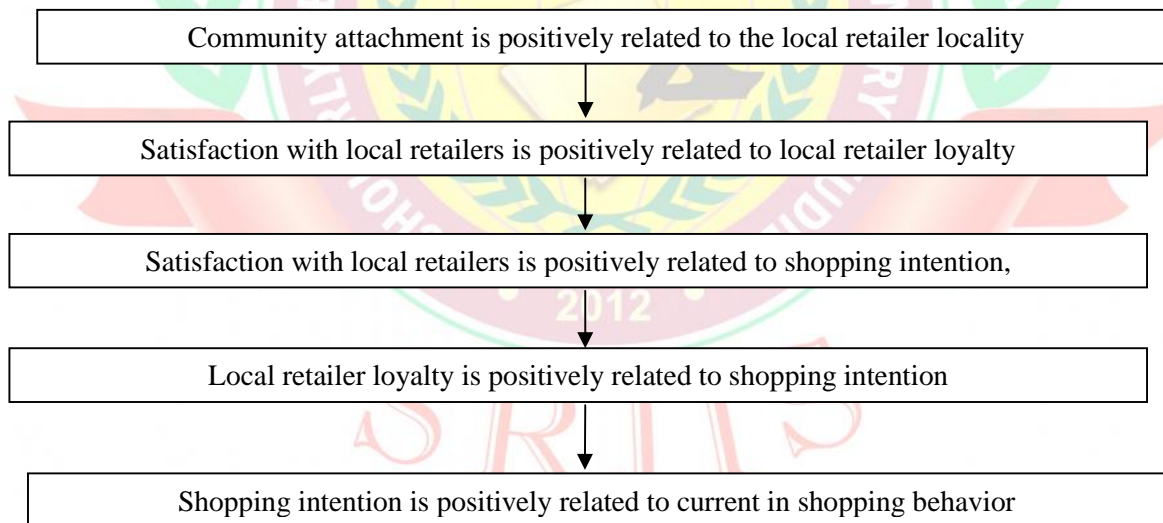
The CII studies says that, in most of the country India's networking channel involving C&F agents, stockiest, warehouse, regional distribution wholesaler. In India mostly rural retailer cover their distribution channel through the van or vehicle to all villages in their territory and locality.

To wind up it can be easily understood that the Government easily claim that FDI in multi brand retail will bring modern technology in the country and also helpful in improving the infrastructure and reducing the wastages of agro products and also meet the needs of small stores vender and provide them higher profit and employment.

Consumer perception towards retail outlets: A Benchmark to Organizational Strategy

Consumer behavior is the study of the behavior analysis of consumer, the way consumer seeks, purchase, observe, evaluate and organize the product and services. With the help of this analysis we can determine why a consumer seeks one product alternative from the other. But something differ from this linked to a ideology like why a consumer seek and purchase product. Which is related to the need and wants of the existing consumer whether they are satisfied or not if not how will be attained maximum satisfaction level of the customer?

The changing scenario of the retail industries as they are moving towards rural areas they need to face the additional challenges means rural communities which required a special attention by the retailers. That is called communities attachment by the rural consumers. For understanding the consumer behavior perception these retailers construct a path analysis that showed.



Through this above path we can relate the local retailer locality with the inshopping intensity in rural retailing.

Bridging the organizational strategy and consumer buying perception: Need to Rethink

Effective organizational strategy takes a holistic and integrative view of organizational needs over closest time horizons and maps out a portfolio of initiatives to transform the organization from its current state to a desired state.

There are vital questions to debate and ultimately answer in order to develop an organization capable of delivering strategy. these six key questions that organizational strategists ask are following:

- How should we best structure and organize to be able to deliver strategy?
- What capabilities do we need to improve upon or to add in order to deliver strategy?
- How do we build a high performance/high commitment workforce good enough to deliver strategy?
- How do we sharpen our competitive edge and best leverage our capabilities to deliver differentiated value?
- How do we assure synergy of operation and action?

There are no straightforward answers. But can develop some organizational strategies model.

How a consumer perception influences an organizational strategy:

In retail sectors whatever are the places, rural or urban the main thing is to sell out your product or services for this organization must know how consumer behave with regard to what they purchase. For developing a strategy of an organization we focus on consumer behavior analysis part that must involve types of consumer and what they buy, and how they differentiate their own choices and products.

There are few key points which help to formulate the consumer perception.

- Organizational marketing strategy effect the consumer perception towards the brand.
- Attitude and behavior of employee working in organization influence consumer perception.
- Organizational climate and structure influence consumer perception.

Organizational strategic planning for rural retailing

This is the way in which a retailer or employee or manager allowed to identify the need and wants of rural community and also come out the result of business growth .while developing an organizational strategy the following organizational element should keep in mind of retailers . For example: **Low Prices'** coming in India with Bharati as equal partner, Indian farmers and rural craftsmen and rural customers gain profits. It was also profitable for bharti wall mart.

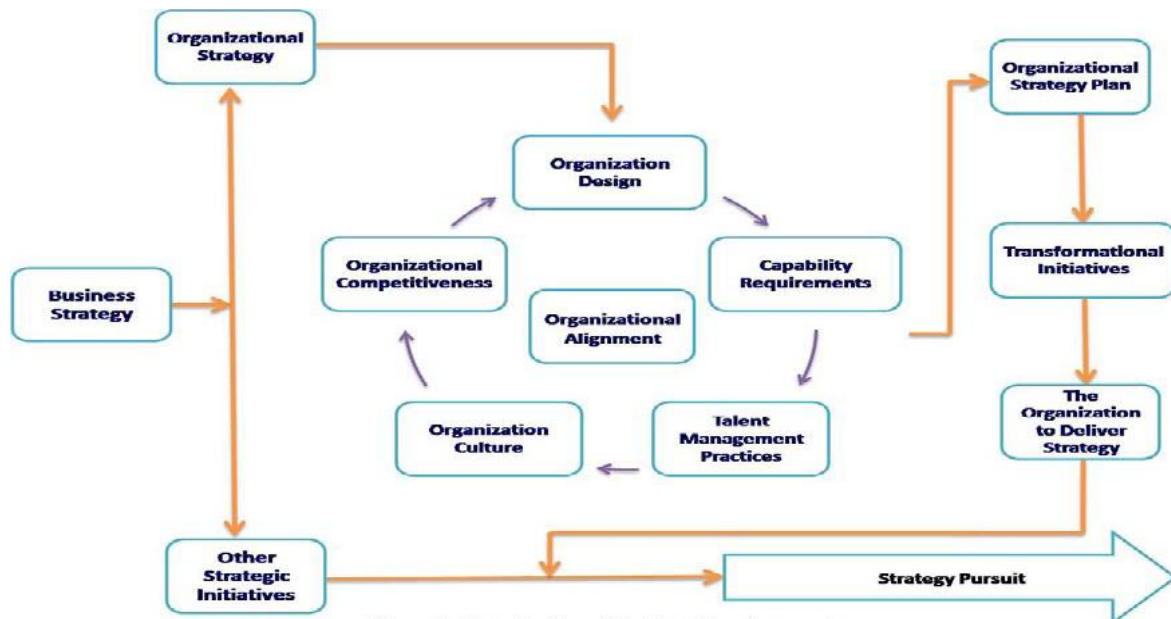


Figure 1: Organizational Strategy Development

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The above diagram in which all organizational elements flows have been depicted focuses on winning the positive consumer perception. This strategy involves

- Marketing and pricing strategy
- Promotional and advertisement strategy
- CRM strategy
- Product development strategy
- Location and trading strategy

Benefit of retail organization in rural market:

- Increase retail competition by providing a convenient place where farmers can meet with consumers;
- Improve hygiene, if existing marketing activities are carried out in an insanitary manner;
- Reduce post-harvest losses by providing protection for produce from direct sunlight, rain, etc.;
- Provide a focal point for rural activities.

Conclusion:

The preceding discussion has highlighted some of the potential contributions of the consumer behavior to form a organizational strategy. By understanding the consumer behavior perception we can create a win-win situation means high growth situation. A young workforce and zooming consumer confidence will fuel the expansion of the retail sector in rural areas. As organized retail in rural India awaits the arrival of Reliance Retail, current majors like ITC, Godrej and DSCL are expanding their retail operations by setting up more stores, entering new states and offering newer product categories. A shift from selling agro-inputs will help these stores target the non-farming segments. It is a little known fact that, while 25% of the rural population is not engaged in agriculture, it earns 50% of the rural

income.. However, to capitalize on the opportunity, a player needs to be aggressive in its outlook and build scale quickly and perform with an innovative strategy for capturing a huge market size.

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