

Retail Revolution in Rural Markets: A Case Study of 'Shiram Groups', Retail Malls for Farmers

Madhulika Ajay Sonawane.

Associate Professor, School of Management Studies, North Maharashtra University, Jalgaon. (M.S.)India.

Abstract

The study in fact has highlighted the model as a catalyst of social change and traces its beginnings to DCM's deep-seated interests in agri-business and its involvement with the sugar business as early as the 1930s and later its entry into the fertilizer sector in 1966. The genesis of the retail venture goes back to 1997

When DSCL initiated an agricultural extension program, Shriram Krishi Vikas Guides, in northern India where the guides were trained agronomists, posted in rural areas to address the needs of farmers and solve agro-based problems such as seed quality, irrigation techniques, fertiliser usage and crop yields. It was at this point that the company found farmers asking for a host of quality agro-products at reasonable prices

The major challenge faced by Hariyali in meeting the expectations of the brand, and cited in the Harvard study, is the logistics of having employees in so many different locations and providing for the economic nuances, attitudes and practices of different regions of the country. This study approaches some core areas & problems faced by "Hariyali Kissan Bazaar", in Indian villages & towns. Also the organisations achievement in establishment of retail outlet in a small town in tribal area of Shirpur, in district Dhulia.

KEYWORDS: Agri-business, retail-outlet, villages & towns, agro-products

Preamble:

"The retail revolution started in the metros, but most retailers have now realized that there is a huge potential in the B & C class towns too that is waiting to be exploited". Hariyali Kisan Bazars are helping transform rural India by providing all manner of services to farmers. While the retail revolution in urban areas is going ahead at its own pace, the retailing in rural areas is also getting modernised in a unique manner to cater exclusively to the wide-ranging needs of customer-farmers. The trend setter in this case has been the "Hariyali Kisan Bazaar" chain launched by the DCM Shriram Consolidated Ltd (DSCL) in 2002-03 with a well-conceived model of value-added retailing.

Beginning with just five outlets, the Hariyali chain has already grown into 127 centres spread across seven states. Interestingly, the turnover of this chain has clocked a massive 75 per cent growth in last one year due to higher sales and rapid expansion of the network. The footfalls in each of these outlets averaged around 150 to 200 per day, rising to even 1,000 a day during key phases of the cropping cycles.

Objectives:

- 1.To find out the success strategies of 'Hariyali Kissan Bazar' as an organisation.
2. To study innovative marketing trends in retail for farmers' Hariyali Kissan Bazar'.

Research Methodology

This is the preliminary working paper of the explanatory research conducted for farmers efficiency in Marketing. The primary data is collected through interviews of the concerned Authorities of the company & the Distributers, as well as from the consumers . Also the Secondary data utilised for analysis, collected through various sources like books ,Journals, websites etc.

Findings:

Indian Rural Retail a Roadmap:-

As per the statistics available through various sources in the concern of the topic the following analysis is drawn categorically:

Market analysis-

- Market size (total) 2006: US\$ 300 bn/annum
- Market size (total) 2010: US\$ 427 bn/annum
- Market size (total) 2015: US\$ 637 bn/annum
- Market size (modern retail) 2006: US\$ 9-12 bn/annum
- Market size (modern retail) 2011: US\$ 60 bn/annum
- Annual rate of growth (modern retail): 35%
- Penetration (modern retail) 2006: 3 to 4%
- Penetration (modern retail) 2010: 10%
- Number of retail outlets (total): 12 million

Investment -New Investment by 2011: US\$ 30 bn

Employment- No. of persons employed (total): 21 mn ,

No. of new jobs in next two years: 2 mn.

Wealth - No. of dollar designated millionaires in India(2006) 100,015

Retail Space -

- Typical space per outlet: 100 to 500 sq.ft.
- Space occupied (modern retail): 35 mn sq.ft.
- Operating Malls 2007: 114 (35 mn sq.ft.)
- New Malls under construction: 361 (117 mn sq.ft.)
- New space distribution: 65% (top 7 cities), 35% (tier II & III cities)
- New space distribution (among top 7 cities): NCR 34%, Mumbai 23%, Rest 43%

Rural retail contributors

- ITC to open 54 Choupal Fresh horticulture stores: ITC Chairman YC Deveshwar announced that it will be expanding its wholesale business from just fruits and vegetables to open 54 outlets in select metros. At present, ITC's first Choupal Fresh store opened in Hyderabad in August 2006 and in total has 3-4 Choupal Fresh stores operating in Hyderabad and Pune. The company has set up a complete cold chain that ensures fruits and vegetables are fresh when they reach the consumer, and the emphasis of these stores will be on improving the quality and productivity of horticulture products from the domestic field rather than relying on importing products. ITC also has plans to increase is rural hypermarkets, Choupal Sagars by nine within the next six months. Choupal Sagars provide a place for farmers to bypass intermediaries and sell their produce directly to the company. At present, there are 11 Choupal Sagars in Maharashtra, Uttar Pradesh and Madhya Pradesh.

- Reliance Retail has initiated 'contract farming' to service its 'Fresh' and 'Rangers Farm' outlets
- Bharti has ventured into 'corporate farming' through 'Field Fresh'.
- Tatas are also getting into agro-retail through a joint venture with the Ireland-based 'Total'
- DCM Shriram Consolidated (DSCL), will leverage its network of "Hariyali Kisan Bazaar" outlets:

DCM Shriram Consolidated (DSCL), owned by Ajay and Vikram Shrirams, as reported earlier is planning to fill in the gap by stepping in as the 'interface' between farmers and retailers. DSCL, will leverage its network of "Hariyali Kisan Bazaar" outlets, to source 'fresh' (horticulture) produce as well as grains like wheat and rice from farmers and supply the same to various retail chains and mandis across the country.



Hariyali Kisan Bazaar Outlet

While, DSCL has placed contract farming orders for produce on farmers, it also invested heavily on creating back-end infrastructure as it will be required to set up an extensive network of cold chain, refrigeration, transportation and distribution centres. DSCL's pan-India presence in rural India will help it reach a large network of farmers. DSCL will also expand its existing network of 65 Hariyali outlets to 200 outlets by 2008. The "Hariyali Kisan Bazaar" chain outlets provide comprehensive solutions to the farmers under one roof. Each "Hariyali Kisan Bazaar" centre typically operates in a catchment of about 20 kms and caters to agricultural land of about 50000-70000 acres and impacts the life of approx. 15000 farmers. Each Hariyali outlet among others tries to bridge the last mile gap for providing agriculture inputs and know-how to the farmers besides offering financial and farm output services.

Hariyali" to provide back-end support to retail chains for farm produce-

No argument in favour of modern retail can ever be completed without talking about the benefits that will accrue from direct procurement of farm produce and creation of back-end infrastructure. This, experts believe, will translate into 40-odd per cent benefit to farmers and consumers. This would also result in the savings accruing from rotting of fresh products. Most of this benefit will, however, require adoption of contract farming and elimination of multi layered middlemen system.

DCM Shriram to make Hariyali stores one-stop shops in rural retail-

DCM Shriram Consolidated Ltd is planning to extend the growing popularity of integrated shopping complexes in urban areas to the country's rural heartland through its existing Hariyali Kisan Bazar (HKB) network. HKB currently has 16 shops spread

across Uttar Pradesh, Punjab, Haryana and Rajasthan, which retail agri-products for farmers. Soon they will also sport a bank with ATM, a petrol pump, and FMCG counters. "The idea is to provide the farmer all he needs at a single location. In our HKBs close to our sugar plants in Uttar Pradesh, the bank will also help the farmer with his loans and hasten payments meant for him, The company recently tied up with ICICI Bank for opening branches at HKB locations. Earlier, Bharat Petroleum had been roped into the project and two HKBs with petrol pumps are already present.

DCM Shriram expanding its rural retail chain-

The DCM Shriram Consolidated Ltd (DSCL) announced that it will be expanding its Hariyali Kisan Bazaar (HKB) network and opening 150 new stores by March 2008. At present, there are 60 HKB stores in five states. The company will also be entering new markets such as Madhya Pradesh and Andhra Pradesh. The company hopes to expand its distribution and infrastructure network to be able to support the requirements of international chains that are entering the country. Rajiv Sinha, deputy MD of DSCL told The Economic Times that "We have recently, started procurement of fresh vegetables and fruits for Indian retailers such as Food Bazaar as we see a huge potential in the sourcing space."

DCM's Retail outlet at small town 'Shirpur'.(A case study of 'Hariyali Kissan bazaar', Shirpur, Dhulia.)

'A small town with big potential', this is the identity of an Rural area named, shirpur an taluka place in Dhulia District. situated on national highway. Nearer to M.P. state on one side and Gujarat on other. Ready with infrastructure for industries like power, water resources, road & air transportation, availability of resources, educational hub in Engineering, Pharmacy, management, education etc. Hariyali, which means "greenery", started out as a farmers market but now has converted itself into a full-fledged retail store with more than 12,000 products on display—ranging from

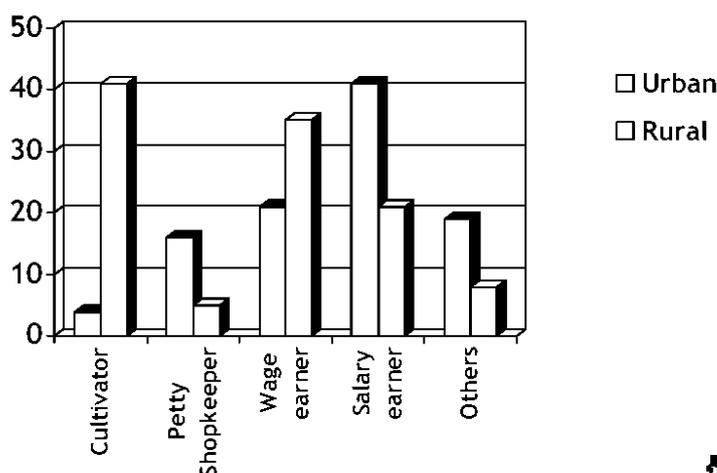


fertilizers to consumer durables.

Rural Occupations

The main occupation of residents in shirpur region is agriculture. Then wages & salary earners through government, semi- govt., co operative, private firms etc like gold refinery plant, priyadrshani sut girni, mahaveer oil industry, Rc Patel Trusts colleges, etc. Businessmen

Rural Occupations



Main features of shirpur market:-

The Rural Consumer

- Rural area too has its share of “The Rich” Class
- However, most of “Rural India” would still comprise “The Aspirers”.
- Growing at a fast pace, this is the “FUTURE MARKET”.
- Creating buyers of quality products and services
- The Rural Consumer Is a value seeker- Seeks comforts and amenities, Does not wish to be seen as the deprived cousin.
- Does not experiment easily but this does not mean that “he would not change”.
- Values local relationships because of unfavourable past experiences

Existing Market structure- Traditional Retail

- Village shops, haats (weekly markets)satisfy demand, Usually present in 500+ people villages
- Weekly Haats spread over 2-3 acres , more than 300 stalls selling everything from animal feed to local medicines
- A ‘relationship’ exists between the locals and local retailers

Shortcomings of Traditional Retail

- Lack of depth and variety within a category , Look-alike “Locals” dominate the market.
- Few trusted, national brands
- Malpractices – prices higher than MRP, faulty weights and measures, consumer schemes not passed on
- Would often misuse their position as the only source of information.
- A poor ‘shopping ambience’

Product range of Hariyali Kisaan Bazaar(Shirpur outlet)

- **This concept aims to simplify the more than 600 product range like**
 - Private label seeds
 - Contract farming – vegetables

- Procurement(fertilizers, etc)
- farm machinery (tractors ploughs,carts etc.)
- **Bazaar includes (what products farmers buy)**
 - Retail outlet where customer can touch and feel the product (vis-à-vis his earlier experience of OTC purchases)
 - Fueling station offers gas, diesel, and cooking gas ,FMCG products
 - Bank
 - Demonstration plots
 - Daily consumption products (eatables, grains, clothes, appliances and many more)
- **Hariyali Kisaan Bazaar**
 - Advisory Services provided by trained agronomists to aid farmer to determine the best crops to plant on their farms
 - To provide training on best production techniques
 - To monitor production fields for problems

Inference

- The magnitude of the hinterland's potential is beyond doubt.
- The "Aspirers" market is becoming increasingly attractive given its growth rate.
- Agriculture remains the primary source of rural livelihood
- The rural consumer seeks the means and avenues to meet his aspirations
- No doubt it is an outlet for farmers rather than retail for farmer's products

Innovation for Inclusive Growth

Making a difference –The shirpur Hariyali Experience

- The Trusted Rural Business Hub- Help the customer increase his income, educate the customer, before you sell to the customer
- Impact of Entrepreneurial Initiatives implemented by hariyali kisaan bazaar:
 - a. _ Farmers get agri-inputs at competitive rates and have range of products to choose from.
 - b. _ Increasing rural bank aid (loans) helps improve the purchasing capability of farmers.
 - c. _ Farmers avail of the services of agronomists to Improve their farming practices, thereby Impacting on their final produce
 - d. _Farmers get a better price for their products and avoid middlemen
 - e. _ everything under one roof at less efforts is again convenient to farmers,
 - f. _Better and guaranteed price to their vegetables and fruits is added advantage to small farm owners
 - g. _ The sales figure show the awareness created through innovative advertising and promotion techniques by 'Hariyali'.
 - h. - The supply chain management is the main feature of Hariyali's growth .
 - i. -Employment and training to local people tresses the belongingness and loyalty which in result provides employee retention as well as customer loyalty, at large.

Conclusion:

To meet rising demands and aspirations, the company will soon add new categories like construction items, automotive and telecom related goods. If you are ever find yourself in any of these rural stores, look around and you will see goods from China and more foreign goods could hit the shelves soon

The average revenue being earned by retailers in the rural centres is about Rs 5,000 per sq foot per annum. Only about 10,000 of the six lakh villages in India have access to such retail services. After FMCG, finance and fuel, industry players are now looking at restaurants and logistical supply - like warehouses and cold storage chains to cash in on the rural economy

HDFC Bank, DCM Shriram tie up to offer rural banking services-Hariyali Kissan Bazaar will offer normal banking services such as a savings account facility and loans to its customers, mostly farmers, through its 128 outlets. In Jun 2007 Hariyali Kissan Bazaar which has several firsts to its name got recognition in the form of. "ACE-Best Customer Award". Thus this growing enterprises are the generation next solutions to many problems of farmers and the economy of India at large in coming future.

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