Dissertation Report

On

CRM for Rural Retail

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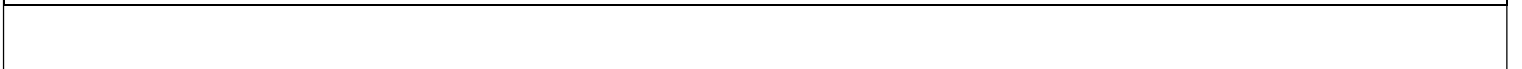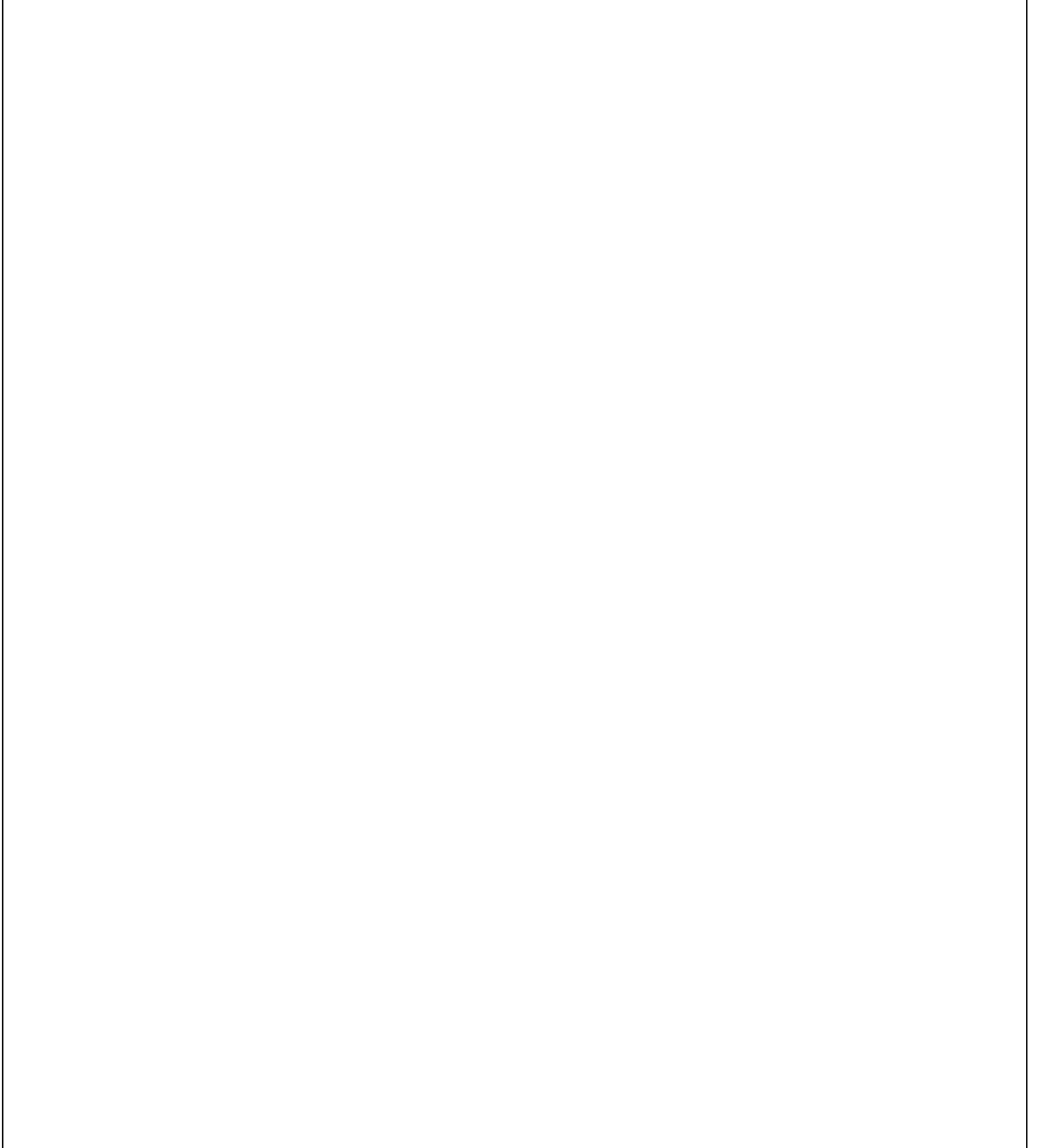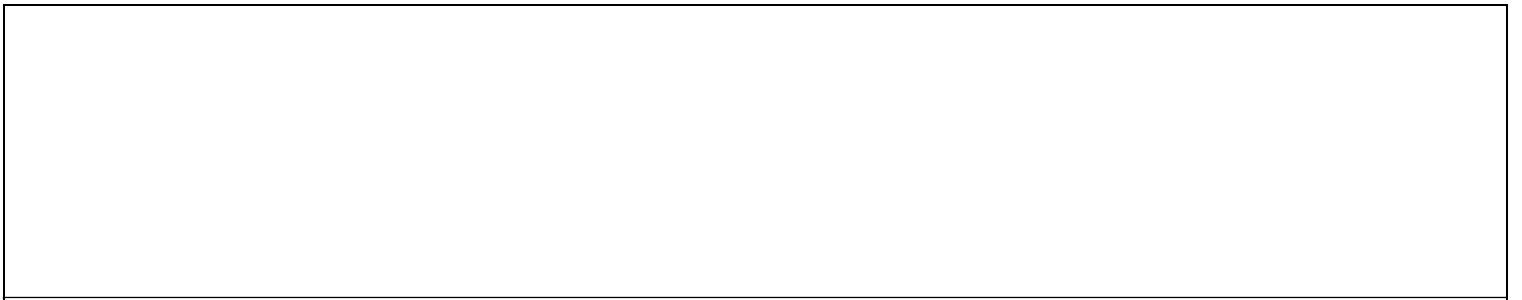

DELHI SCHOOL OF MANAGEMENT

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CERTIFICATE FROM INSTITUTION

This is to certify that the Project Report titled "CRM for Rural Retail", is a bonafide work carried out by Mr. Bharat Kapoor of MBA 2012-14 and submitted to Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 in partial fulfilment of the requirement for the award of the Degree of Masters of Business Administration.

Signature of Guide   Signature of Head (DSM)

Place: Delhi

Date: 06.05.2014   Seal of Head

DECLARATION

I, Bharat Kapoor, student of MBA 2012-14 of Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 declare that project dissertation report on "CRM for Rural Retail" submitted in partial fulfilment of Degree of Masters of Business Administration is the original work conducted by me.

The information and data given in the report are authentic to the best of my knowledge.

This report is not being submitted to any other University for award of any other Degree, Diploma and Fellowship.
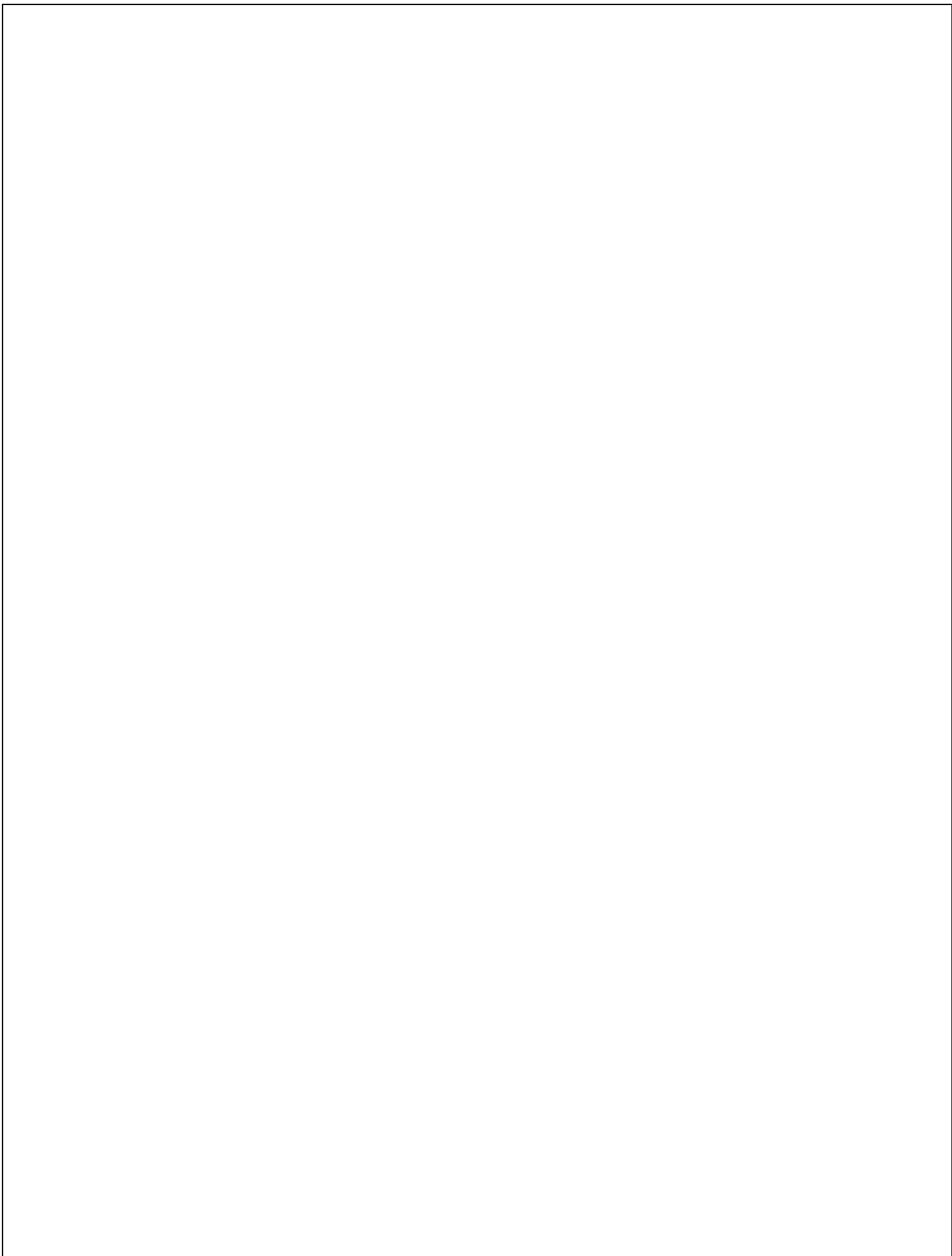
Bharat Kapoor

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Date: 06.05.2014

ACKNOWLEDGEMENT

EXECUTIVE SUMMARY

Customer Relationship Marketing and Relationship Marketing are marketing practices with the core theme to focus on building cooperative and collaborative relationship between the firm and its customers, and/or other marketing actors. There is no dearth of work available on CRM and RM. A lot of investment has been made in academia and industry to study the effects of CRM on businesses ranging from services, products to SMEs.

Unfortunately the understanding of rural retail is not of same standard even though the industry has recognised its potential. To tap into these markets one must understand how these retail outlets function. The broad scope to undertake this research was many folds.

- To make sure that there aren" t any sweeping underlying assumptions carried forward through secondary research or available literature.

- To ssupport the agenda of the research and help validate/critique/modify/add to the current available knowledge of CRM at rural retail;

- To help understand the rural retail operations in real time.

- Demonstrate whether CRM at rural retail fits any of the present models available for CRM.

Hence, the research finding of this study would help in defining and understanding CRM for rural retail. With these broad mandates, four propositions were made to research upon –

Proposition 1: Rural retail is a miniature version of urban retails stores.

Proposition 2: CRM at rural retail is traditional in nature, comprising monthly ledgers with minimum relevance due to limited competition.

Proposition 3: Loyalty is high in rural customers.

Proposition 4: The rural retailer identifies, differentiates, interacts and customizes with each of its customer in very different fashion, based on their purchasing power.

A sample size of six retail stores spread across three villages in a radius of 10 kms was deemed fit for this purpose and was recruited for in-depth interviews and observational study. The sample was chosen in and around Ghaziabad in the state of Uttar Pradesh, India. Since this study is exploratory in nature, two methods were employed – In-depth interviews and observational studies. The observational study was covert in nature. The consumer was observed from a distance. In-depth interviews were taken of the rural retailers. The owner or proprietor was interviewed.

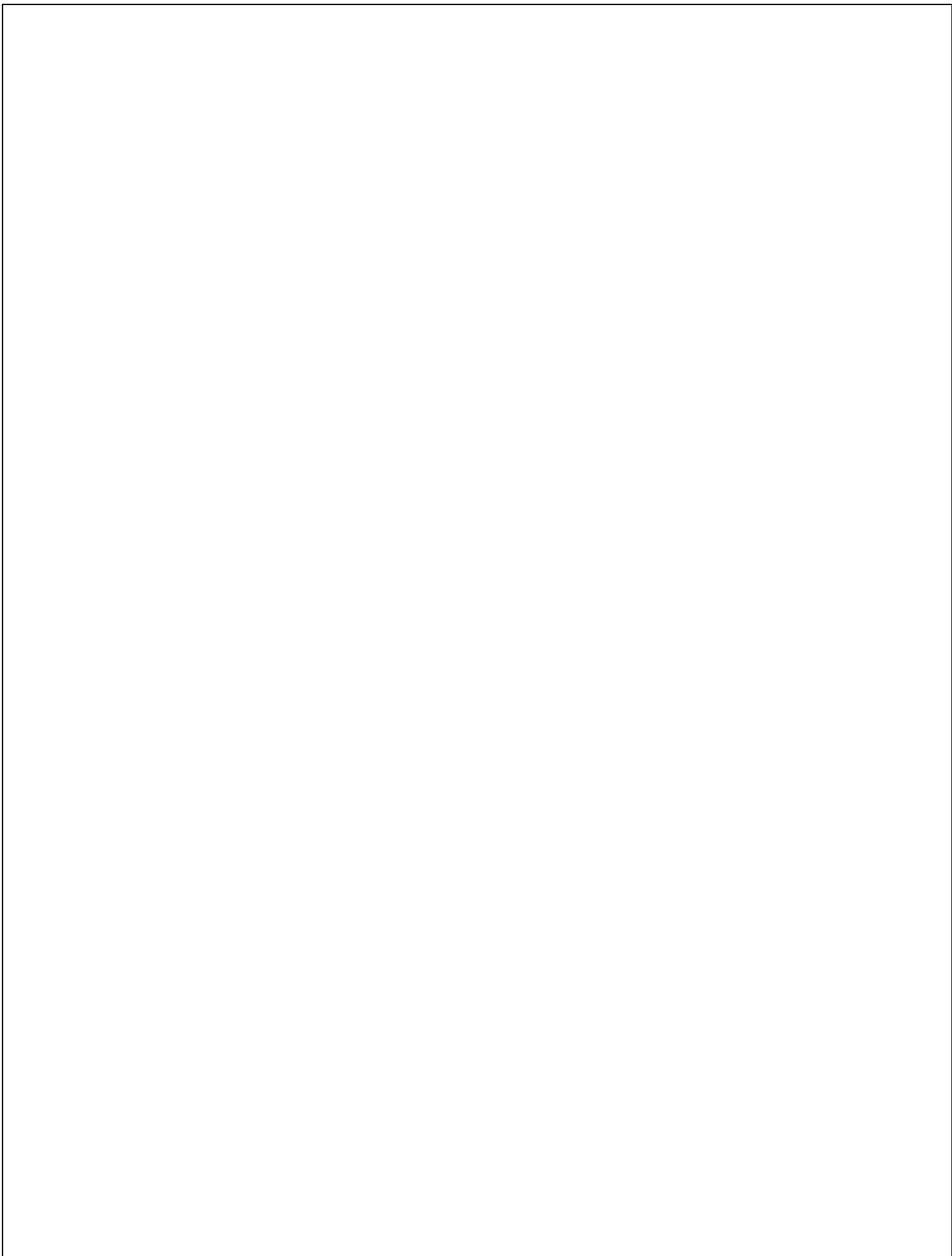The research finally concluded the following –

- The rural retail is very different in its operational and strategic functioning from the urban retail.

- The rural CRM was not only very traditional but also in decline.

- The liquidity required to run the business is now very high and the credit is not possible anymore.

- The rural customer was found to be less loyal than assumed to be.

- Though loyalty is distributed geographically, it is very price sensitive.

Finally, when the rural CRM was subjected to the IDIC model of CRM, it was observed that the rural retailer identifies and differentiates the customer based on their value contribution to the business. Interaction is same for all. Customization is highly dependent on the purchasing power as it primarily constitutes credit.

Relevance of the findings to the Industry

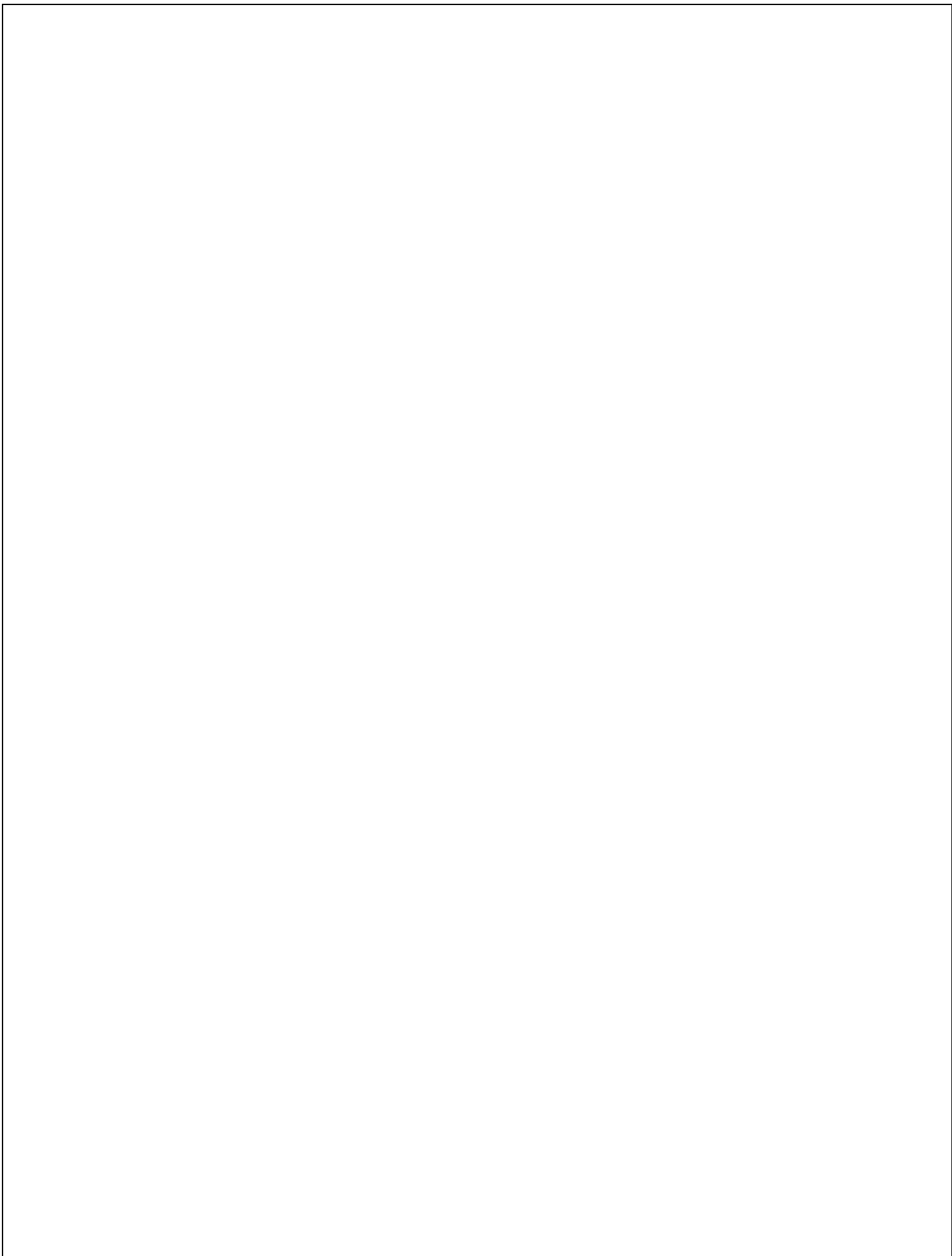The research also built heavily on its findings to categorize rural retail, profile rural customers and retailers. These findings not only helped understand the functioning better, it shall further help in brands planning to enter rural market. The dissertation would also; give the micro perspective to rural retail and give the first ever dedicated research work on CRM at rural retail level.

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CHAPTER 1 - INTRODUCTION

Customer Relationship Marketing and Relationship Marketing are marketing practices with the core theme to focus on building cooperative and collaborative relationship between the firm and its customers, and/or other marketing actors. (Dweyer, Schurr, & Oh, 1987) have characterised such cooperative relationships as being independent and long term oriented rather than being concerned with short term discrete transactions (Dweyer, Schurr, & Oh, 1987). There are various definitions of Customer Relationship Management available in literature. In marketing terms customer relationship management and relationship marketing are used interchangeably. A narrow perspective of customer relationship management is database marketing emphasising the promotional aspects of marketing linked to database efforts (Bickert, 1992).

There is no dearth of work available on CRM and RM. A lot of investment has been made in academia and industry to study the effects of CRM on businesses ranging from services, products to SMEs. With the coming of rural boom and acceptance of the fact that there exists ripe potential in the rural markets especially in Asia pacific, many corporations have launched programmes to tap this market. Unfortunately, even with heavy sales in volumes, revenue share of the total turnover is fairly low. One of the identified factors is the negligible understanding of rural retail. These retail stores often called as *kirana stores*, *mom n pop shops* etc. have unique features. Though the nomenclature followed generally by the consumers is same in the urban and rural markets, there exist stark differences between the rural and urban retail outlets. To tap into these markets one must understand how these retail outlets function. Further, the study must focus on various social, financial and customisation inputs that would be required to help the rural retail grow their business, up sell and retain new customers.

This project dwells into these issues at the rural retail and proposes to entail a strategic CRM model that would help theses retail outlets to maximize return. For this purpose the study further branches into the following - Understanding the rural market, Defining where the potential lies in the market, the feasibility of CRM in rural retail and what factors decide in qualifying a retail outlet for CRM operations. Does rural retail require database management? If not, then what would constitute CRM at this level?

The project would do an in depth analysis to figure the existing type of CRM in rural retail from four perspectives of existing in CRM literature (Bettle, 2010), namely –

1. Strategic CRM – Strategic CRM is focused upon the development of a customer-centric business culture.

2. Analytical CRM – Concerned with capturing, storing, extracting, integrating, processing, interpreting, distributing, using and reporting customer-related data to enhance both customer and company value.

3. Operational CRM – Automates and improves customer-facing and customer supporting business processes.

4. Collaborative CRM – It is the term used to describe the strategic and tactical alignment of normally separate enterprises in the supply chain for the more profitable identification, attraction, retention and development of customers. (Kracklauer, Mills, & Seifert, 2004)

Once the broad strategy has been identified the activities and practices of rural retailers would be categorised under the three retention and bonding techniques (Buttle). The three techniques listed are social, financial and structural (Hellas, 2005).

- Social Bonds are more personal than organisational. It is dynamic and is not structured in its approach.
- Financial bonds are formed through sales and discounts i.e. selling larger volumes at same price or same volumes at lower prices.
- The structural bonds are in the form of customization. When the organisation alters a process or product to suit a customer requirement.

The objectives listed earlier n this section covering the scope of this study, would be approached from three perspectives of social, financial and customization of offerings.

CHAPTER 2 – LITERATURE REVIEW

2.1 Decoding CRM

Attracting new customers was important but it was an intermediate step in the process of growth for any firm. What was more important was the retention of the current customer and turning them into loyal ones. This could only be achieved through building a stronger relationship with them (Berry, 1995). This gave way to Relationship marketing (RM). The two terms CRM and RM are used interchangeably across literature. Though these notions about CRM came into existence with early studies on services sector such as Gronoos (1990), Gummesson (1987) etc. and further upheld by Berry (1995), they made way into other sectors as collated by Jagdish N. Sheth and Atul Parvatiyar (2000).

Customer Relationship Management, however managerial it may sound, has always been present in the markets. Pre industrial era too observed the local shopkeeper maintaining a relationship with each of his/her customers. Rather in the barter era this was stronger since the goods were sold on basis of exchange making the customer an equal partner in the process. Post industrialisation saw customer relationship management play an important role but only in certain sectors such as services etc. It is only after globalisation when it became evident to the multinational and large transnational corporations that it was impossible to maintain personal relation with the customer, more so it was becoming more important than ever to maintain that relationship, that CRM came into being (Parvatiyar & Sheth, 2000).

Ronald S. Swift in his book: Accelerating Customer Relationships – Using CRM and Relational Technologies, has defined CRM as "an enterprise approach to understanding and influencing customer behavior through meaningful communication in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability". He also points out that "CRM is an iterative process that turns customer information into positive customer relations".

Current literature segments CRM Life Cycle in three stages Acquire, enhance and retain. Kalakota et al suggest strategies for each of these focus areas. For Acquiring the focus needs to be on differentiation, through innovation and convenience. At the second stage of enhancement, focus should shift to bundling of products through cost reduction and customer service. Finally

to retain the customer the focal point lies at adaptability through listening and providing newer products and solutions (Kalakota, 2000).

It is known that it takes up to five times more money to acquire a new customer than to get an existing customer to make a new purchase (Payne, 2002). Therefore, customer retention is in particular important to rural retailers because of their limited resources. Another aspect of CRM is that knowing the customer and his/her problems allow acquiring new customers more easily and facilitate targeted cross-selling. Currently available CRM software is either targeted to large enterprises and provide big, inflexible, and difficult to implement all-in-one solutions (Baumeister, 2002).

2.2 Demystifying CRM

It must be noted that there exist two kind of CRM. The first is the traditional CRM which is not scalable and is present in most small and medium scale organizations. Then there exists the modern CRM which relies on technology and is hence scalable. As Khuanlux Mitsophonsiri points out there exist many misunderstandings about CRM. The following points must be noted.

- CRM is not database marketing. It is about capturing the customer and having a consumer centric approach to all organizational/corporate strategies. It is about using the database to understand the consumer and not simply target it.
- CRM is not a marketing process. It is also an operational, strategic and visionary process. It is as important in innovation as in marketing.
- CRM is not an IT issue. There exist many successful CRM projects which were not IT based or were eCRM.
- CRM is not only about loyalty schemes. It is about streamlining all operational, supply chain and product delivery/service to meet the customer the right way. It is not about incentivizing better but understanding and providing better.
- CRM cannot be implemented by any company. CRM can be relevant to rural retail at the same time be irrelevant to a blue chip company.

2.3 Decoding Rural Retail

Retailing is the final phase of the distribution channel. Distribution and availability are the key drivers of its growth. Retailing would be significant in rural India and would undergo greater organisation and maturity in the coming years in a very innovative manner (Sathveena, 2009).

With the rapid infrastructural development, growing penetration of media the demand for new products is growing at an ever imaginable rate. NSS projects sixty seven percent of the population to be settled in rural India. The market for various FMCG products is only growing in there. The current spurt in out shopping also points towards the trend. Out shopping involves travelling beyond one"s own local markets to purchase goods (Dawson & Garland, 1983). American Marketing Association defines out shopping as "A practice whereby residents of smaller communities travel to larger communities to shop when costs become too high or assortments are not available in the smaller communities. As situation in which consumers are shopping in other areas because their needs are not being met locally (Bajaj & Bajaj, 2009).

The store keeper in rural retail stores tends to know the customer and their choices by name and understands the demand, choice and preference in depth. This knowledge and traditional form of CRM (if that term may be used for lack of any other terminology for it) was passed down generation to generation through practice and observation. Socially, observations such as coming of mobile handsets and individualistic natures, it can be inferred that the consumer and storekeeper relationship equation has altered drastically. The consumer is no longer courteous enough to buy from the same nearby store and sometimes prefer buying through Out-Shopping; thereby purchasing in bulk and saving money. At the same time, the store keepers have altered their techniques of product offerings and have trouble keeping a tab on demand.

Traditionally the Indian retail is familiar to all as the family store near the house. Each locality (rural or urban) has had a *kirana store* or better known in academia as the *mom & pop store*. Though the nomenclature followed generally by the consumers is same in the urban and rural markets, there exist stark differences between the rural and urban retail outlets. Such differences have been recognised by industry and academia as well. This realisation in industry manifested in HUL launching rural projects such as SHAKTI and ITC launching E-Choupal. HUL"s Shakti as described in the website "helps women in rural India set up small businesses as direct-   5

to-consumer retailers. The scheme equips women with business skills and a way out of poverty as well as creating a crucial new distribution channel for Unilever products in the large and fast-growing global market of low-spending consumers. By 2010 the Shakti network aims to have reached 600 million consumers" is planning to reach 600 million consumers by year end (Unilever). Project Shakti though considered to be a success, is facing attrition rate of 40 percent (as quoted by Mr. Benjamin Mattew from MART Research). It caters only to HUL products thereby limiting choice/variety in quality and price range and above all benefits only those rural women who have the capability of making an initial investment. Similarly the E- Choupal project which ITC describes as "e-Choupal leverages the Internet to empower small and marginal farmers – who constitute a majority of the 75% of the population below the poverty line. By providing them with farming know-how and services, timely and relevant weather information, transparent price discovery and access to wider markets, e-Choupal enabled economic capacity to proliferate at the base of the rural economy" (ITC), is facing similar hurdles. Marginal farmers are still out of ITC‟ s reach and business chain. Secondly, farmers with high yield and better transport facility are able to harness the benefits. Both projects Shakti and e-choupal have left the consumer with smaller outlay in the lurch. The rural retailer similarly has not been able to benefit from either of these projects. These cases further strengthen the argument of the current study, that focus needs to laid on understanding the rural retailer better and tailored solutions be brought to table.

There exist various other such issues which the current literature has not explored in rural retail. The current literature gives a very macroscopic view of the rural retail industry and to an extent shows decline in the revenue stream of the local rural *kirana store* with the coming of organized retail chains and practices such as out shopping. The only consumer segment that still accesses the village retailer loyally belongs to the bottom of the pyramid. In economics, the bottom of the pyramid is the largest, but poorest socio-economic group. In global terms, this is the 2.5 billion people who live on less than $2.50 per day. The phrase "bottom of the pyramid" is used in particular by people developing new models of doing business that deliberately target that demographic, often using new technology. This field is also often referred to as the "Base of the Pyramid" or just the *"BoP"* (Prahalad, 2005). This consumer does have the resources to purchase in bulk or does not travel frequently enough to urban or peri-urban centers.

This inference produces two corollaries. First, there exists a system of credit, with multiple transactions of small outlays and second that it becomes more important to retain and up sell if the rural retailer intends to survive the fierce competition coming from urban and peri-urban centers. Hence, the rural retail functions in strictly three realms of social, financial and structural (customization).

The literature available on understanding the rural retail is very macroeconomic, with studies on consumer trends and consumption patterns on a macro level (Sundaram & Kulkarni, 2009/10). There is a need for specific work to understand the rural retailer and its functioning from micro perspective. What constitutes the operations of a rural retailer? In the unavailability of literature on the aspects rural retail, a parallel can be drawn from the available study of SMEs, which is nearest to rural retail in terms of severity of resource crunch. A study on the following aspects can be made for rural retail (the list is not exhaustive) (Carson, 1995).

In addition to size, there are a number of qualitative characteristics which serve to underline the difference. Such as following:

- Scope of operations
- Ownership.
- Independence. In the sense that they are not part of a complex enterprise system such as a small division of a large enterprise. Independence also means that the firm‟s owner/managers have ultimate authority and effective control over the business, even though their freedom may be constrained by obligations to financial institutions.
- Management Style
- External Environment: Little control of or influence on the environment in which they operate, so they find difficult to position themselves against a strong competitor. (Carson 1995, pg 81).

Paddison points out three salient features of rural retail. First, market towns have used growth and differentiation opportunities as strategic foci. Second, innovative village shops have applied strategies that seek to counter their structural weaknesses, harness the community and yield new revenue streams. Third, the manner in which stand-alone retailing forms, such as farm shops
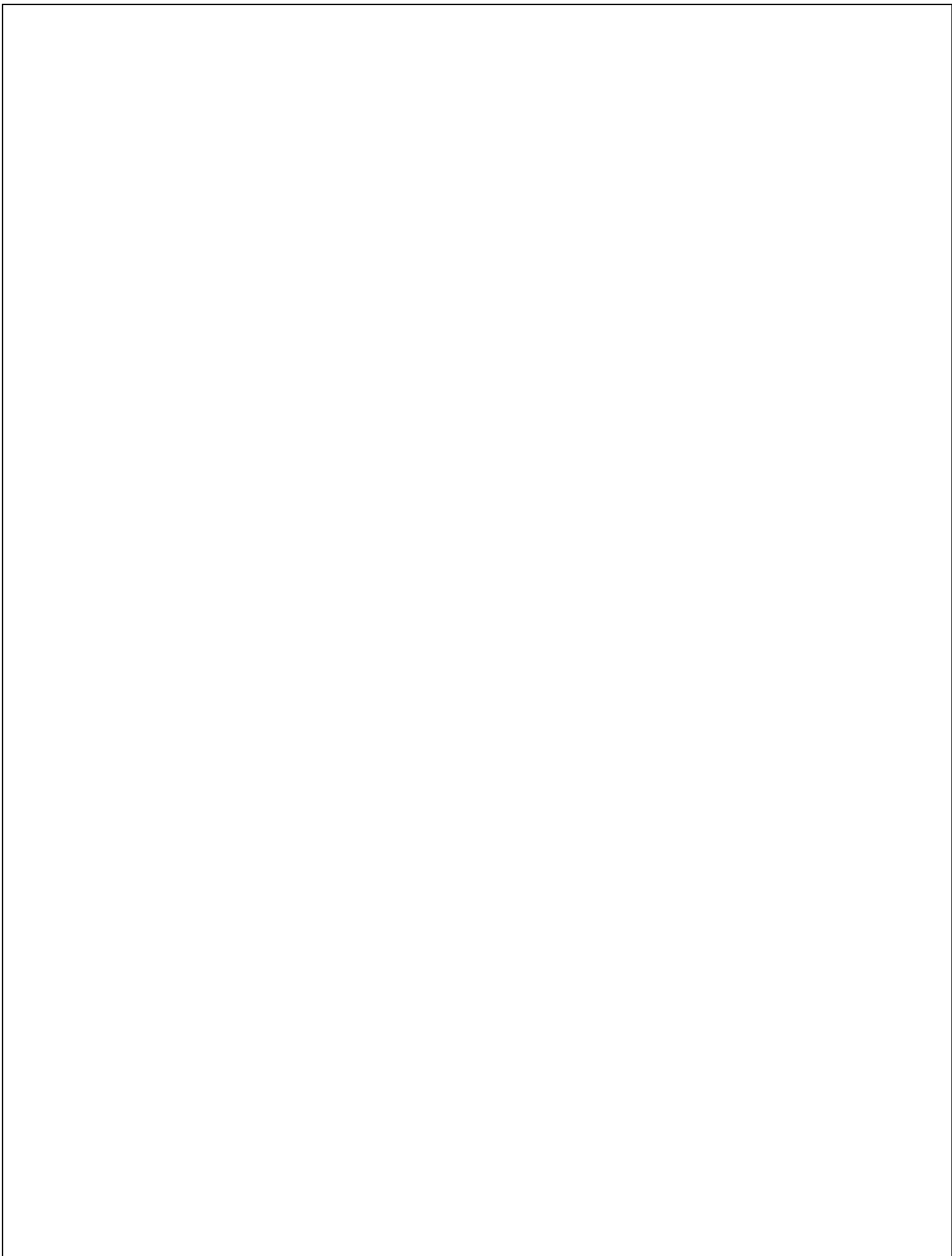
together with specialty rural retail outlets, have grown and developed. According to Paddison reviewing dynamic forms of rural retailing allows for a greater understanding of the operational needs for success. Paddison too points out the lack of relevant research with examples. Contrary to perceptions of rural decline, the sector is multi-faceted with prospering sub-sectors (Paddison, 2007).

To sum up, there are two purposes of highlighting characteristics of rural retailers. One is to help understand how they can benefit from doing CRM in terms of addressing major barriers to growth. The other is to determine options of strategy that can be employed.

Hence there is a need to identify CRM models that do not essentially involve investment in building software but provide simple model that would benefit the rural retailer. The model would also identify what strategies are relevant to the retailer at what stage of growth and when does the retailer qualify for what type of CRM models.

2.4 CRM Model for rural retail

There exist various schools of thought regarding CRM, such as the Nordic school of thought by Christian Gronroos, UK perspective by Adrian Payne. But it was important that the model best fitted for rural retail had to be simple and holistic. It had to be less dependent on technology and should not be about database but more inclined towards strategic and operational CRM that would help get the rural retailer more returns and stops the flow of customers to peri urban and city retail shops.

A list of models were studied such as the QCi model, proposed by Buttle in 2009, (Abbott, Stone, & Buttle, 2001) which holistic but very complex and highly dependent on IT. Even though it would have explained the business transactions better and understand the external environment better, it would have failed as the rural retail being studied was completely out of numeric metrics. With the current operational strategy of the rural retail as explained further in the research it was discarded. It would be difficult to fit a simple rural retailer-customer relationship management into such a model. Above all it‟s a hybrid model and not fir for evolving and amateur markets and businesses.

The two contested models were the Gartner model and the IDIC model. Gartner model was simplistic but was more from the perspective of critiquing and measuring the competency of the CRM strategies. It was a model by the industry, which laid more emphasis on evaluation than describing and explaining/understanding the CRM for rural retail. Since, CRM is already unexplained and not present in any known or concrete format (the research was going in without any literature available on the same), it was important to use a model that was simple to apply and would deliver the best results. IDIC Peppers and Rogers 2004, fits the bill perfectly. The IDIC model states the four stages in any customer relationship management. First is to Identify, second is to differentiate, third is to interact and forth is to customize. The chart below explains the model.
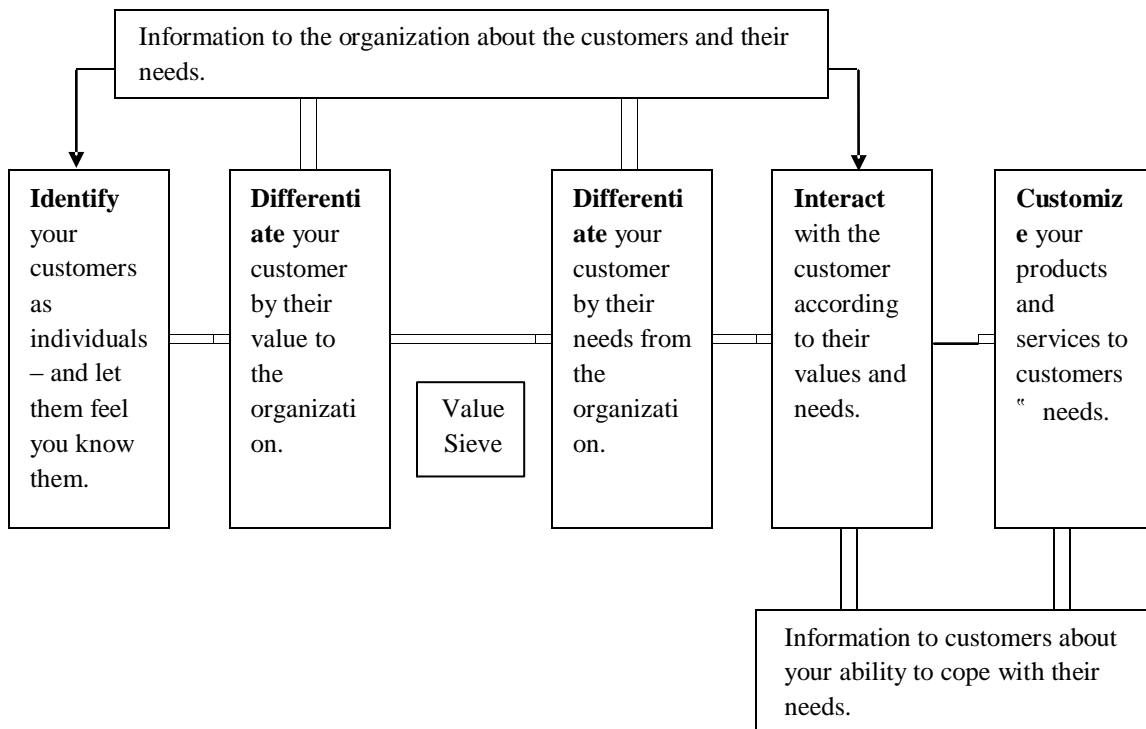
Figure 1: The IDIC Model by Peppers and Rogers 2004

- *Identifying* – at this stage the retailer has to identify who the target customer is and understand it completely.

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- *Differentiating* – to segment the customers on the basis of their needs and the value they bring to the business. The factors that decide these segmenting decisions or criteria need to be understood.

- *Interacting*- to communicate with the customer so that the intended message is conveyed.

- *Customizing* the offer and communications to ensure that the expectations of customers are met.

Key words: CRM, RM, rural retail, retention, up selling, CRM Life Cycle

CHAPTER 3 – RESEARCH PROBLEM

3.1 Problem Statement

There have been various research conducted to gauge the size of the rural market and the potential existing there. Rarely has any research or academic activity been initiated to understand rural retail, its features and functioning and operational capabilities. It is important that these be understood and measured. Without a clear understanding of these markets and their structure it is impossible for any corporate to enter these markers successfully.

To add on to this inept understanding, the rural population with more easy access to transport and higher spending power is shifting to the towns for purchase etc and the rural point of contacts that is the rural retailer is not being tapped. If it is possible to help the rural retailer expand his/her business and retain/grow within the rural setup, it would not only help the industry to distribute its risk over a large market but also build strong presence in rural markets, but also help the rural retailer maximize returns (by employing bonding techniques and evolving intellectually from the traditional/non existing marketing activities in rural market.)

For this to happen it is self evident that the rural retailer must evolve with the market and the consumer. Hence, broadly the aim of this research can be stated as an attempt –

To develop a holistic Customer Relationship Management Model for Rural Retail in Terms of Social, Financial and Structural (Customization) Inputs for Maximizing Returns.

3.2 Scope of the Research

This dissertation intends to fill the current gap present in the industry knowledge and academic literature on the customer relation management at rural retail. The current collective knowledge is based on assumptions of certain individual experiences. The findings through this dissertation, would try to study the rural retail from a completely objective view. And present scientific findings for substantial and relevant referencing for the industry and academia.

3.3 The Expected Outcome

1. A better holistic definition of what rural retail means for the industry.
2. Understanding CRM Life Cycle issues and viable models to achieve it.
3. Achieve am efficacious model fit for CRM (IDIC model). Also enlist the salient features that can determine the success of any CRM/Loyalty programs in rural retail.

3.4 Proposed utility to industry

How to tap it and make sure that repeat purchases occur (keeping in mind the fakes, look a likes and *kirana store* holder influencing decisions). The CRM model for rural retail will help rural retail become sustainable and competitive. Larger industries and marketers can target the bottom of the pyramid through these channels more effectively to unleash the potential at the bottom of the pyramid.

3.5 Contribution to literature

As pointed in the literature review, the dissertation would give the micro perspective to rural retail and give the first ever dedicated research work on CRM at rural retail level.

CHAPTER 4 – RESEARCH DESIGN

4.1 Research objectives

There are four key objectives of this dissertation, as follows –

1. To understand the operations of the rural retail.

2. To understand the attitude, perception and behavior of the rural retailer towards the business, the customers and the future of the business.

3. To understand how the rural retailer identifies, differentiates, interacts and customizes with each of its customer.

4. Identify the social, financial and structural (customization) inputs that define success at rural retail level in light of CRM.

4.2 Research Methodology
The research is primarily exploratory in nature. The design is threefold.

Step 1: Secondary Research
- Identify a model that can be applied for the research
- Identify factors that drive sales and customer loyalty (specifically in rural retail) from existing literature to facilitate the primary qualitative research

Step 2: Observation Research
- Consumers were observed to understand how rural consumers purchase and identify the factors that influence their decisions (as to what to buy and from where)

Step 3: In-depth Interviews
- Rural retail store owners were interviewed.
- To understand their understanding of CRM and what would be an acceptable model to them.

Step 4: CRM for rural retail and its validation
- Define CRM for rural retail
- To find whether thetheory defining rural retail is valid, and stregthen the CRM for rural retail with the research conducted.
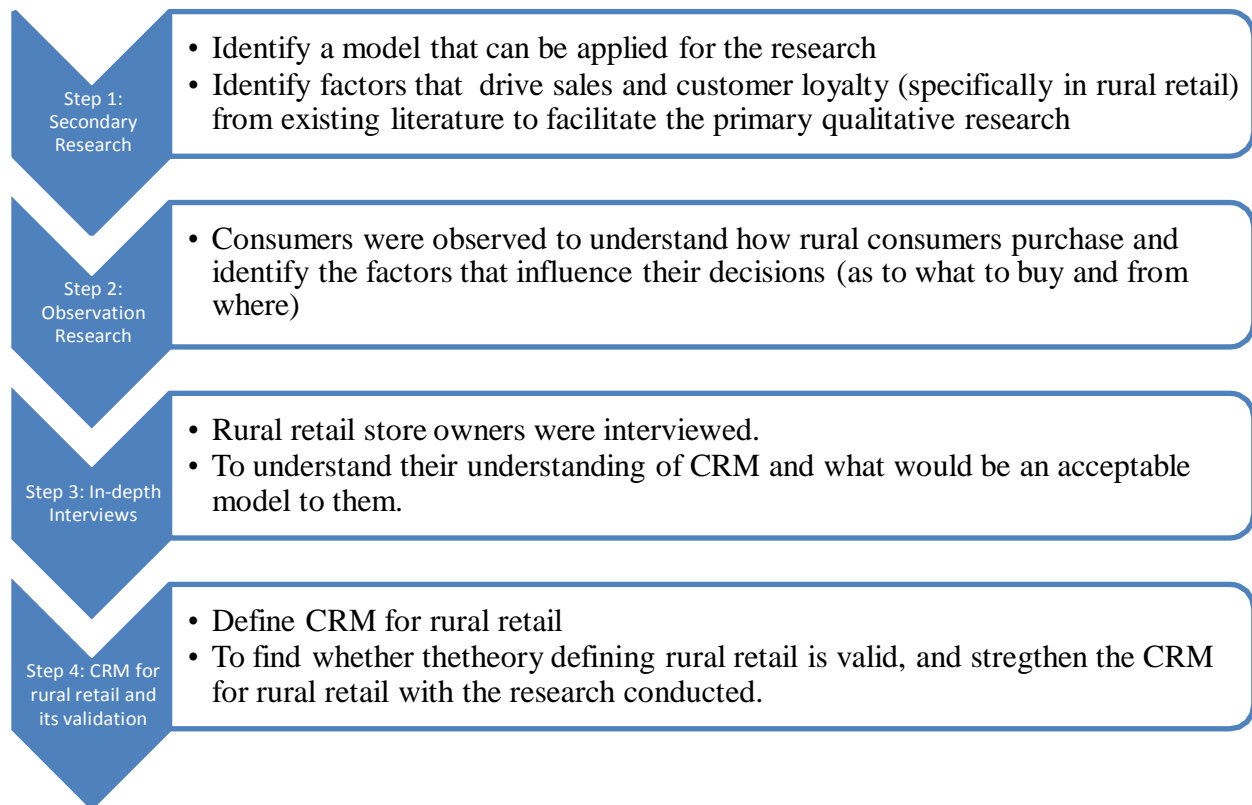
Figure 2: Research Methodology

In the initial stage, the research is heavily exploratory and secondary. In the second phase, primary research would be conducted. The task of the first phase is to identify the social, financial and strategic inputs that define success at rural retail level. The second phase intends to gauge the relevance of different forms of CRM in rural retail, covering the research objectives one to three as mentioned in the previous section.

The second phase is subdivided into two stages. The first one is observational study, where the interaction of the retailer with the customer is observed. In the second the retailer is interviewed in depth regarding the retail operations, current CRM practices, measuring metrics if any, future of the business and possible CRM strategies.

4.3 Research Propositions

The following are the research propositions to be debated and contended in this dissertation.

Proposition 1: Rural retail is a miniature version of urban retails stores.

Proposition 2: CRM at rural retail is traditional in nature, comprising monthly ledgers with minimum relevance due to limited competition.

Proposition 3: Loyalty is high in rural customers.

Proposition 4: The rural retailer identifies, differentiates, interacts and customizes with each of its customer in very different fashion, based on their purchasing power.
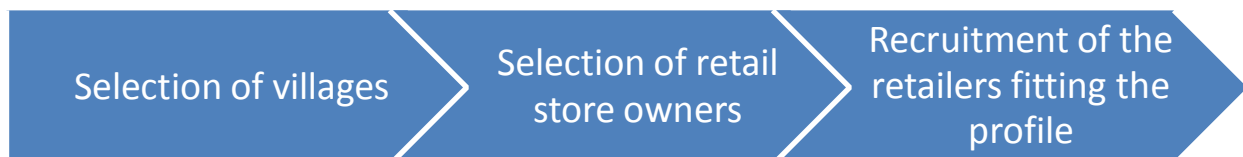
4.4 Sampling Plan

Figure 3: Conceptual map of the sampling plan

4.4.1 Sample Unit Characteristics

The respondents were divided into three categories – small, medium and large. The smaller retail stores were not included since they were usually an additional source of income for the families.

They were run by the elderly of the household and did not stock any Kirana items. Also, they usually store items/products with purchase value in a few rupees (within a range of one rupee to ten rupees)

The profile of the three categories is given below:

		Small	Medium	Large
Product Range	Grocery	No	Yes (<50 kgs)	Yes (>50kgs)
	Soaps and Detergents	Maybe	Yes	Yes
	Cooking Oil	No	Yes	Yes
	Toiletries	No	Yes	Yes
	Sweets/Ice-cream/Snacks	Yes	Yes	Yes
	Tobacco	Yes	Yes	Yes
	Personal care	No	Yes	Yes
	Medical.	No	No	No

Table 1: Characteristics of the rural retail stores, concluded through primary phase of recruitment

4.4.2 Sample Recruitment

The initial survey was conducted in the nearby villages to gauge the population, prosperity and market size available. This exercise was required to understand which villages were suitable to conduct research. Following parameters were observed and noted to decide on the sample villages.

Demographic factors	Proximity to city
	Connectivity by state transport
	Percentage of non agrarian families
	Average population
	Immigration/emigration rate of the village
Factors affecting Market Size	Infrastructural development
	Growth in the number of the kirana shops in the last few

	years.
	Size of the Government school
	Number and size of Kirana shops
	Size of houses constructed in the village
	Construction activity in the village

Table 2: Factors for Primary profiling of the villages for sampling respondents

A total of three villages were surveyed, namely, Mehrauli, Badalpur and Rahispur. This data was available from local sources such as kirana store owners, auto rickshaw drivers, villagers sitting in the village chowpal or at the entrance of the village.

In the second phase, the selected villages were surveyed for shops that met the criteria under the following information.

Operational factors	Peak hours of business
	Stocking of goods
	Timing/duration of conducting business
Social factors	Relationship with visiting dealers
	Ownership of the shop
Characteristics of the shop	Number of households the shop catered
	Size of the shop
	Availability of branded goods

Table 3: Factors for recruiting the respondent retailers

Amongst the selected shops, amiable respondents who were willing to respond to the questions and also were open to allow observational study were recruited for final study.

4.4.3 Sampling Criteria

It was difficult to achieve a large sample size for this exploratory study. Hence a funnel approach was taken. First the villages were chosen which exhibit more characteristics of rural markets than urban. With dense reach of transportation and the propping up of peri urban communities in the outskirts of Ghaziabad it was important that the sample be as close as possible to the rural profile. For this the shortlisted villages were surveyed. Also, feedback from the local people in and around the area was taken about the village. E.g. it was notified not to visit certain villages which were known for illegal activities and researcher was asked to avoid it in all circumstances. In the first phase of survey, the chosen villages exhibited the following profiles.

		Criteria
Demographic factors	Proximity to city	Should be far
	Connectivity by state transport	Must be connected
	Percentage of non agrarian families	Should be large
	Average population	Above 200 households
	Immigration/emigration rate of the village	Should have a growing population
Factors affecting Market Size	Infrastructural development	Should be low
	Growth in the number of the kirana shops in the last few years.	Should be increasing
	Size of the Government school	Above eight grade
	Number and size of Kirana shops	Medium and Large
	Size of houses constructed in the village	Pukka houses with a few double storied houses
	Construction activity in the village	No occupied housing colonies

Table 4: Criterion for choosing a village for recruiting respondents

Once the target villages were chosen, the retailers had to be recruited. Before the information could be gauged, the retailer was briefed about the requirement of the research which included

- A minimum of three hours of observational study.
- Followed by an in depth interview ranging from twenty five minutes to fifty minutes
- Another one hour was dedicated to fact checking and noting down the stock of the retail store. This included the amount of purchase done per stocking cycle, the duration of one stocking cycle, minimum and maximum SKU size (in terms of volume and price). Items given on credit and those which are not given on credit etc.

Post this an appointment was sought. It was difficult to recruit as the demand of the study made the retailer apprehensive. But on the other hand those who agreed were more than willing to contribute and participate.

In the second stage, the respondent retailers had to posses the following characteristics.

		Criteria
Operational factors	Peak hours of business	Should be within visiting hours of the interviewer
	Stocking of goods	At least once a month
	Timing/duration of conducting business	Should be full time business
Social factors	Relationship with visiting dealers	Shop should be present in dealers' sales beat
	Ownership of the shop	The owner must sit in the shop (no worker)
Characteristics	Number of households the shop catered	Minimum 100
	Size of the shop	Pukka with a stcok room
	Availability of branded goods (packaged goods)	Yes (multiple brands)
Products	Must store at least two brands of any five categories (apart from grocery	Soaps and Detergents
		Cooking Oil

		Toiletries
		Sweets/Ice-cream/Snacks
items)		Tobacco
		Personal care
		Medical.

Table 5: Criteria for recruiting retail stores

4.4.4 Sample Size

The research was conducted in the state of UP in India. Three villages were identified in the vicinity of Ghaziabad. The research was designed to continue until the respondent gave saturated answers. To get more varied responses multiple villages were considered to carry out the research.

Village Name	No. of Households in the village	Category of Shop	Sample Size (recruited)
Badalpur	400	Medium	1
		Large	1
Rahispur	250	Medium	0
		Large	1
Mehrauli	450	Medium	2
		Large	1

Table 6: Sample size and details

A minimum of six depth interviews are required to verify similarities and dissimilarities. The sampling was conducted in two phases.

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4.5 Data Collection

4.5.1 Key Information Areas

- Retailer (generic)

  o Overall lifestyle, standard of living and description of a typical day in their life

  o The story of the business, it future growth and prospects

  o Current values, attitude and perception of the business by different generation involved in the business

  o Reason of foraying into retail business, key source of learning etc.

- Characteristics of the business

  o Source of finance, weekly, monthly and yearly revenue,

  o Purchase cycles, credit cycles, dealer relationships, profit margins, key customer accounts

  o Source of supply and priorities between wholesaler and dealer, factors affecting the decision

  o Key product accounts and their relative proportion, Key influencers for the purchase of particular brands and products, SKUs stocked, quantity of stock, replenishment cycle.

  o Competition and strategy to tackle it, marketing strategies employed if any

  o Credit system, its functioning, credit limits, system of maintaining accounts etc.

  o Duration of a transaction, rush hours and critical seasons of business

  o Evolution in the pattern/method of doing business (if any)

- Retailer-Customer relationship

  o Retailers understanding of the customer, whether any change has been noticed,

  o Categories of consumers on purchase outlay and if other factors are present for categorization

  o Loyalty issues in rural market

  o Meaning of CRM for rural retailer, current strategies and practices

  o How will these practices will be inculcated in the next generation, how does it get altered?

  o Current form analytics, Khaata/ledger system, metrics noted in it

  o Information derived from transcribed data (ledger) and intuition/mental records

  o Intuition, experiential information and knowledge, how is it applied in the day to day business

- Opportunity for industry and new businesses

  o Scope of behavior modification

  o Comparison of the retailers and categories

  o Learning ability and expansion capability/ open to new sources of business

4.5.2 Data Collection Method

The data collection method was strictly qualitative. Since this study is exploratory in nature, two methods were employed as explained below.

Observational Study

The observational study was covert in nature. The consumer was observed from a distance. The retailer was comfortable in this scenario, since, in rural setting, there was always one or other friends of the retailer was always seated in the shop or in front of it. So, another person in the shop would not bother either the retailer or the customer. The objective of observational study was primary to conclude results for proposition numbers one and four. It was study the way the retailer identified with the customer, whether he/she differentiated between different customers, how the interaction took place pre, post and during the transaction. Finally did the retailer at any point customize his/her offering in any sense for the customer?

Also, on the other hand, the stocking pattern of the retail store was observed. The goods stored their value and volumes. The number of SKUs handles, to observe any pattern in them. The bargaining by the customer was observed, if any customer had any credit, how was it recovered or the way the retailer would bring that into the discussion.

A guideline and information sheet was prepared for this purpose. See appendix 1 for the same. It was filled and necessary data either noted down or recorded in the voice recorder.

In depth interviews

In-depth interviews were taken of the rural retailers. The owner or proprietor was interviewed (it was endured that it was the person who would stock the goods). The objective of the interview was to conclude result for the propositions number two and three. The retailer continued his/her business while giving the interview. It was not possible for asking for time separately, the retailers would work from morning six to eight or nine o" clock in the night.

A detailed guideline was prepared. The guideline is attached as appendix 2.

4.6 Overview of the research Design

Research Objectives
To understand the operations of the rural retail.
To understand the attitude, perception and behavior of the rural retailer towards the business, the customers and the future of the business. To understand how the rural retailer identifies, differentiates, interacts and customizes with each
Identify the social, financial and strategic inputs that define success at rural retail level in light of CRM.

Research Propositions	Research Questions
Proposition 1: Rural retail is a miniature version of urban retails stores.	What are the Peak hours of business?
	What is the frequency of Stocking goods?
	What is the timing/duration of conducting?
	What is the relationship with visiting dealers?
	Who has the ownership of the shop?
	What is the number of households the shop caters to?
	What is the size of the shop?
	What is the scale of availability of branded goods?
Proposition 2: CRM at rural retail is traditional in nature, comprising monthly ledgers with minimum relevance due to limited competition.	How long does it take to complete one transaction?
	Which days are the busiest?
	What is the busiest/rush hours?
	What is the payment system?
	Do they allow credit or not?
	What is the credit limit?

	What is the highest purchase amount in one time?
	What is the highest credit bill for a cycle? If somebody does not pay, what do you do?
	Who is the main competitor?
	How many competitive shops?
	How does their business going?
Proposition 3: Loyalty is high in rural customers.	Who are their main customers and what do they buy?
	Do their customers go outside to buy?
	What are your views on loyalty? Have you done anything for that?
	Do you publish calendars, diaries etc.?
	Do you give money for any charity or religious function in the village?
Proposition 4: The rural retailer identifies, differentiates, interacts and customizes with each of its customer in very different fashion, based on their purchasing power.	Who are their main customers and what do they buy?
	How do they interact with them?
	Is there any difference between the types of customers who come?
	Probe
Data Collection Method	
Recruitment	3 villages - Badalpur, rahispur and meharauli with 12, 32 and 12 shops respectively
Observational study	6 retail stores (3 medium and 3 large sized)
In depth Interviews	6 retailers (3 medium and 3 large sized)
Data Analysis	
Content Analysis of the data collected through observation and in depth interviews	
Validation and Critique of the research propositions	

Table 7: Summary of Research Design

CHAPTER 5 – DATA ANALYSIS

5.1 Data Analysis Tool

The analysis phase is an ideation process involving secondary research and analysis of the findings of the primary research. For the analysis of the primary research findings „content analysis‟ would be performed. For this purpose, both the data of observational study and in depth interviews would be utilized.

Half of the objectives were met by the observational research. It was post research that another benefit of the observational study came into picture. Firstly, it helped help understand the variety in demand of the rural customer. Secondly it showed what was important to the retailer. One could list in priority what was important to the retailer and what was not. This was analysed to find a relevant CRM strategy for rural retailers and cross checked for making the strategy more relevant and true to execute in future.

The guideline was primarily based on four key information areas as mentioned before – generic information about the retailer, the characteristics of the business, retailer-customer relationship and the opportunity for industry and new businesses. These questions could further be classified into the four stages of the IDIC model, thereby ensuring that critical information is captured. The classification of this question in the IDIC model can be seen in the results section.

5.2 Analysis of Secondary Data

This involved reviewing existing academic literature in the area of purchase behavior and consumption of rural consumers. This helped to identify the interpersonal factors like purchase outlay, market size, potential growth, capacity of rural retailers, forms of retails and reach of wholesale in rural markets. Also, it helped list personal factors culture, education, income and situational factors like social, cultural, political scenario that affect decision making.

The primary objective of this stage was to identify a model which would best help explain the CRM for rural retail. With the prior experience of rural immersion it was assumed that the CRM model to be applied had to be –

1. Simple

2. Holistic

3. Should have the least assumptions possible

4. Applicable to small and medium enterprises as they stand closest to rural retails in terms of financial capacity

5. Should be non-computing based

5.3 Conceptual framework

The data was analysed from the perspective of understanding CRM for rural retail. Firstly the – profile of retailer and consumer was understood as to get the intellectual capability of the parties participating in the transaction. For this purpose, all traits of the customer and retailer are listed in the backdrop of CRM. The traits listed are the ones which were found common across the study.

Using the observational data and the relevant touch points for the retailer in his/her interaction with the customer. This included analysing the social, structural and financial inputs possible for the rural retailer within its given capacity. Post which each of the proposition was tested, analysed to either validate or negate it.

In the third stage the data was analyzed separately for large and medium retailers to identify the differences in their behavior and also their financial and socio-cultural capabilities to undertake the CRM practices. This is listed under the heading of comprehensive findings in the results section.

Once the foundation understandings of the retailers were complete the CRM at rural retailer, it was analysed how it fits into the IDIC model and are any modifications required to the model to explain CRM at rural retail.

The next and final step was to analyze the current metric measured by the rural retailer exploring where it lags and where can it calculate more efficiently.

CHAPTER 6 - FINDINGS

The rural retail which faces extreme competition from nearby urban and peri urban centers has to come up with new innovative and more focused CRM strategies that would help retain and acquire new customers. Further, how does this CRM knowledge translate into returns through operational and customizations in running the business?

6.1 Understanding the rural retail store

As explained in earlier sections, the rural retail can be clubbed in three categories based on its scale of operations and size. The following table lists the traits of these stores under various parameters.

		Small	Medium	Large
Operational factors	Peak hours of business	Post lunch	Morning	All day
	Stocking of goods	Need based	Monthly/ fortnightly	Weekly
	Timing/duration of conducting business	5-6 hrs	12+ hrs	12+hrs
Social factors	Relationship with visiting dealers	None	3-4 dealers	6+ dealers
	Ownership of the shop	Self	Self	Self
Characteristics	Number of households the shop catered	NA	50+	70+
	Size of the shop	Wooden box	Single room	Shop +Stock room
	Availability of branded goods (packaged goods)	Maybe	Yes	Yes
Product Range	Grocery	No	Yes (<50 kgs)	Yes (>50kgs)
	Soaps and Detergents	Maybe	Yes	Yes
	Cooking Oil	No	Yes	Yes
	Toiletries	No	Yes	Yes
	Sweets/Ice-cream/Snacks	Yes	Yes	Yes
	Tobacco	Yes	Yes	Yes
	Personal care	No	Yes	Yes
	Medical.	No	No	No

Table 8: Categorization of Rural Retail

It is interesting to note that though the classification is done based on the size, these stores exhibit similar ownership characteristics as well (explained in the following section).

6.2 Profile of the Rural Retailer and Customer

It is important to understand who the rural retailer is. Why does he/she enter the business and what are his/her short and long term objectives? This would help us gauge the relevance he/she attaches to the CRM activities.

Profile of the Rural Retailer		
	Owner of the Medium Category	**Owner of the Large Category**
Education	Low or Nil	College degree
Objective of the business	Sustenance (no other alternative)	Expansion of business and more revenue
Financial capability	Low/medium	High
Attitude towards the future of the business	Positive, expect growth in sales volume	Observe decline or saturation
Training/know-how of the business	Nil, Self taught	Family Guidance/experience of over a decade
Involvement of other family members	High (no capacity to hire a help)	Low (if required, they hire a help)
Attitude towards competition	negligible	Negligible
Willingness to incentivize customers	Very low	Medium but declining
Socio-cultural standing	Low or mid (low hierarchical standing)	Are well known amongst the villagers
caste and class	Upper castes but low income strata	Upper caste and wealthy family
Family background	Low income, landless etc.	Wealthy family, retail business, or money lending
Other professional experiences	varied	None
Duration of existence	few months to 2 years	from 10 years to 30 years
Primary motivation to adopt retail	Observed other stores opening nearby	It is a family business

Table 9: Profile of the rural retailer (owner/proprietor)

Similarly the rural customer can be profiled. We can understand what kind of customer profile is preferred by the retailer to give credit to.

Profile of a Rural Customer		
	Khaata Account holder	**Non-Account Holder**
Regularity to the store	NA	NA
Purchase amount (outlay)	low (max billing of 500-100 Rs)	low (max billing of 500-100 Rs)
Financial capability	High and regular source of income	low
Profession	mostly white collar jobs	Agrarian or wage earners (construction workers)
Nativity	from the village	new settler/ temporary residents
Attitude towards competition	Indifferent	Highly informed of prices and choices
Socio-cultural standing	High	low (may be rich but not socially recognized)
Caste and Class	NA	NA
Family background	Old families in the village	New to the community (may even be rich)

Table 10: Profile of the rural customer basis credit acceptability

6.3 Comprehensive Findings

Combining the findings of the observational study and the in-depth interviews, the following grid of comprehensive findings was listed. The key information areas and research question sare categorized under the IDIC model. These findings will help defining CRM for rural retail in the framework of IDIC model.

IDIC Stages	Questions Asked	INSIGHTS GARNERED		
		Medium		
Identification	Who are their main customers and what do they buy?	Children form the main chunk of our customers. Candies, biscuits, namkeen form the larger chunk of goods sold	People from the surrounding colonies, USP being location.	It is easy to identify regular and loyal customers as the purchase is daily. It does not take complex metrics or thought.

	Do their customers go outside to buy?	The goods brought from these stores are easy to carry and small in quantity and hence purchased easily from other sources.	Since products sold are like milk and soft drinks etc. the chances of purchasing from outside is very low.	As people with jobs in the city/town grow. They buy from outside.
Differentiate	Is there any difference between the types of customers who come?	More or less everybody comes daily for the same items again and again.	The retailers sell, same quantity and value to each customer	There was usually a couple of shops in the village, now there is a chain (up to 35 to 40 store). Therefore business changes rapidly.
	Vis-a-vis Competition	Competition is strong in this category, as the barriers to entry are low, its easier for shops to pop up. Also, the existing larger stores pose the greatest competition. So differentiation is very low.	Severe competition exists. As the demand of milk and related products increases beyond 300 crates per day, Amul etc. may foray into the market by themselves or put a franchise.	Competition is usually avoided through price stability. More than competition there is positive hope for growth.
	If somebody does not pay, what do you do?	Hardly any credit given. Waiting is the only tactic such stores apply.	Credit exists only for a day or so, customers do not demand credit from this category of stores	No further credit even for a day, in case it happens.

	Do you give money for any charity or religious function in the village? Does it impact the business?	No. Such amount of liquidity is not available in this category.	No, not enough money. The retailers were not at all interested in such a proposition.	
	Do you do any calculations on your ledger (khaata)? What all do you calculate?	No, khataa is run. It restricts further sales. Recovery rate is very low.	No, mental calculations are sufficient	As mentioned earlier, regular visits with small outlays does not require ledger entries.
Interact	How involved is the next generation?	These shops are pretty new in the localities. The oldest of such shops visited was two years old.	It is usually the uneducated, old and those who cannot get a job in the city that have taken up this business. (They also have a well located house in the village to open the shop)	
	Are they happy/content in the business?	Yes, and they wish to grow. These retailers are in the learning phase of the business.	No, the demand fluctuations are very high. Sales are dependent on number of households so growth is also slow. Some even report drop in sales in categories like gutaka, cigarettes etc.	It is basically a struggle to keep the business afloat and recover the costs. So there are mixed feelings.

What is the payment system?	Cash is the mode of payment.		
How does credit system work? What is the credit limit?	Credit amount of maximum five hundred was observed. Beyond which such stores would not entertain, unlike larger stores they do not have the capacity to give credit.	Maximum billing amount is 500 on an average	The retailer would like a mechanism to keep the customer coming and yet not be asking for credit.
Customer loyalty and ensuring loyalty	Loyalty is completely absent in this category. Since goods purchased from these stores do not figure in the necessities, it is difficult to differentiate and engage the	Credit leads to less loyalty. Since, customers take credit here and then do not return for other purchases assuming the previous amounts will be demanded.	No gifts are given. In rare cases a diary or calendar was given to select customers. Most retailers planned to give in the coming years (stipulated time frame of two to three years).
Any difference in the way they interact with different customers?	No, each customer is treated the same. But there is more interest shown in the customer than the larger stores.	No relationship or interaction is observed.	Similar. Irrespective of the purchase amount, credit is denied to all. Credit is no way to ensure loyalty.

	Are there women customers? Do women sit at any shop?	Yes, but women are not as interactive with the retailer as they are with the larger/older stores		
	How long does it take to complete one transaction?	Transactions are quick but since it involves less goods and products.	Compared to larger stores, these stores are learning in cross selling, up selling and finalizing transactions in profitable manners.	
	Rush hours/duration? Rotation of shifts?	Sundays and festive seasons.	Sundays or festive seasons	
Customise	Have they observed any changes in the way they do business?	They are new, so mostly the business has been more or less the same.	Only the demand has been growing in villages for packaged goods, like shampoo, namkeen, thereby increase in sales revenue	Stocking of more goods and volumes is necessary. It is important to capture the customer in the first run.
	Are there any future plans for growth?	Yes, each medium category store has one 'product' which they are known for; the kirana business is an extension to	Growth will come by expanding into products which are currently unavailable in the village.	

	products, artificial jewelry, 'pooja' goods for rituals etc.	mobile repair and other services available.	
Do you wish to sell customers new goods/items?	They try for cross selling. But since the price offered is same as the larger and older stores, the customers prefer to go there rather than buy from them	New categories are sought. The retailers who have the financial capacity to expand, now stock more goods in volumes to attract customers.	Stocking more variety. The customer must believe it is all goods shop.
Response/attitude towards dealers (new dealers)	Dealers tend to avoid this segment. Even though the shops are large. Most dealers tend not to sell the, as they like them to first stay afloat in the	These retailers also avoid dealers as they are not given any credit since they are new to the business and the dealing volumes are low	After sometime, when the shop becomes permanent, the dealers extend credit of one cycle (i.e. payment next time the retailer visits.)
Credit cycles	No credit is provided (apart for a day or week in rare cases)	Since,, they do not have credit from the supplier, it is virtually impossible to give credit. The	Even if the supplier gives credit, these medium category vendors are charged some extra amount.

			They end up declining the offer.
		suppliers are also not very receptive of these and do not provide competing prices.	
	Are there data points which you would like to know, which you do not have access to?	No.	If there is way to predict future sales and regulate the number of visits to supplier.

Table 11: Key research findings and insights about Medium category of rural retail stores

IDIC Stages	Questions Asked	INSIGHTS GARNERED		
		Large		
Identification	Who are their main customers and what do they buy?	There are no main customers. Since the customers are from the village, they are acquainted with the retailer. There is no direct categorization.	All are the same. Anything that they can sell, they buy that and stock in the shop. Don‟ t know which good sells more or less.	The regular old timers, with monthly grocery item purchasers. These customers are key, but majority sales happen through other single time purchasers.
	Do their customers go outside to buy?	Yes, they do. But not purposefully. It is due to some errand to run in the town that they bring the goods along.	They usually buy goods in bulk like jaggery, oil and flour above 15 kgs.	The retailers let it be, assume no control can be exerted over it.

Differentiate	Is there any difference between the types of customers who come?	No. The only difference is in the quantity they purchase per transaction. Some have a larger outlay than others.	They are much more aware of what they want. TV has influenced them into buying exactly the same products. Our influence has decreased.	New settlers have come in, but have not become permanent as they have other options. These new customers have not built any form of relation with the store.
	Vis-a-vis Competition	Competition is solely on price. Some of the smaller shops do take away business. A little loss of business to each of the wooden cabins (of toffees etc.) sums up to large amount	Competition is growing a rapid pace. Though the shops do not compete or worry about it. Or as it seems. Price war is out of the question as margins are low.	Fare better compared to competitors from other categories of stores. But differentiate only on the basis on geography.
	If somebody does not pay, what do you do?	If the amount is large, and not even a part of the credit is paid, sometimes quarrels are required. This usually happens with the temporary residents.	They stop giving credit to unknown customers. Only in personal relationship with the customer do they give credit.	
	Do you give money for any charity or religious function in the village? Does it impact the business?	No. Never tried. Not very responsive for the same. This activity would require time invested. Time is the biggest constraint.	No, it would not matter for the retailer. Rural customer is anyways aware of your	

		price points.	
Do you do any calculations on your ledger (khaata)? What all do you calculate?	Yes. Just the date of purchase, product/brand purchased, amount, price and total amount due. No comparative measures.	Yes, two books are maintained, one at the customer, one with me. It is on trust bias that each will make an honest entry.	Yes, for long cycles and high purchase amounts, detailed records have to be maintained. PS: Most of the accounts have been closed.
Interact			
How involved is the next generation?	Interested, but education is emphasized.	Little, but wants to venture into more lucrative businesses or jobs involving lesser working hours and labour.	There is feeling of not allowing next gen to come into the business. Also, as it cannot support the growing size of the family.
Are they happy/content in the business?	Yes, with growing business. The business is lucrative for small families owning and running the business	No, the business seems to be saturated in the Kirana segment, and extending into further categories requires energy and money. But if available the retailers are MORE than willing to expand.	Content, but always looking for another source of income as they also have the capital to invest.

What is the payment system?	Cash is the primary and dominant system of payment.	Cash is appreciated. Credit only for grocery items.	Cash only system is being communicated.
How does credit system work? What is the credit limit?	Credit is on a dally basis or max one week. Only especial cases get credit for monthly duration. There is no limit.	Credit cycles are not fixed. Most pay up in a month. Number of accounts in the ledger may vary from month to month on need base.	No limit is set, but a single transaction does not exceed a thousand rupees. Which is paid within a week? Post which goods are not sold. (this
Customer loyalty and ensuring loyalty	Customers are loyal as long as price is competitive. Customers often and routinely check competition's price.	The loyalty is based primary by location of the shop. The village is divided into localities; each locality has its store to cater to its needs. If the prices are same across the stores in the village, then the customer is loyal to the store in their locality.	All retailers iterated that loyalty is not there. The rural customer is shrewd in buying behavior.

	Any difference in the way they interact with different customers?	Transactions are straightforward. In certain high value customers, the retailer shakes hands etc.	No home delivery is done. Kids are not given credit even for toffees, but exceptions made with some.	Cross selling and up selling is tried with customers with medium outlay to spend. Those with low are not up sold or cross sold, sahave in mind what to purchase.
	Are there women customers? Do women sit at any shop?	Women customers are free in interacting with the shopkeeper.	Though sometimes the wife handles the shop.	
	How long does it take to complete one transaction?	The counters are small and goods are handed over by the shopkeeper (except veggies), the transactions are swift and quick, not exceeding a few minutes.	No shop had a sitting space outside the shop. Transactions are quick and hasty.	Greetings are exchanged only if the shop owner and customer are in friendly terms.
	Rush hours/duration? Rotation of shifts?	Morning hours (pre-school) and evening (post office) hrs are the busiest.	Sundays are the busiest too.	Holidays and festive seasons are the busiest.
Customize	Have they observed any changes in the way they do business?	They are now asked to store more goods, brands, SKUs. The purchasing owner of the customer has increased drastically.	The revenues have gone down. Also with the family size increasing, the business also	Labour and help was easily available earlier, now its is much difficult to do so. It is much more difficult to handle

		gets divided.	this size of business with limited help available at high cost.
Are there any future plans for growth?	Yes, but not decided as of yet. Storing anything that the customer demands like bulbs, switches etc. are an opportunity for growth.	There exist, but only terms of diversifying into more categories of goods.	Growth in business occurs in terms of volumes, if the village population increases, which is growing at a slow pace, as villagers have started to migrate to cities.
Do you wish to sell customers new goods/items?	There exist apprehensions about stocking these items, as margins are low for rural retailers	Yes, but demand must be high. As there is always cash crunch for the rural retailer.	Only if credit will be provided will these goods will be sold. This is done by the retailer to clear the long kept stock (avoid loss)
Response/attitude towards dealers (new dealers)	Dealers are preferred as they save the transport cost. Since the dealing volume is low, rural retailers cannot avail discount benefits.	Dealers with credit policy are preferred. Dealers who are not regular are avoided. This is the biggest concern for the retailer. Regularity is important.	Dealers with promotional gifts, discounts are viewed with skepticism. Since, these prices are only to lure for the first purchase.

	Credit cycles	Usually monthly cycles (specially by the ones having government jobs or in white collar jobs)	Credit cycles also depend, how much credit is available from the suppliers end.	
	Are there data points which you would like to know, which you do not have access to?	The rural retailer is still does not have the capacity for such calculations. Most of the strategic decisions are based on experience and intuition.	No, most of the knowledge is known through generational experience, over time the retailers have acquired sources of intelligence within the village.	

Table 12: Key research findings and insights about large category of rural retail stores

6.4 Metrics for CRM at Rural Retail

The only source of metrics calculated by the rural retailer is the ledger or khaata. Hence the metrics available are for only the ones having and account. This data reveals only two metrics

- The duration of payment (cash cycle)
- The amount purchased (total billing amount per month)

Apart from this there exists knowledge through experience and interaction with the customer about their ability to pay and purchasing power. This knowledge is not noted down anywhere but processed by the retailer while every transaction, deciding on credit, up-selling or cross selling.

6.5 IDIC Model and CRM for Rural Retail

IDIC model was proposed by Peppers and Rogers in 2004. It has four stages, as explained in the literature review. The research findings detailed the activities/actions by the rural retailers which can be grouped under these four stages.

<u>Identifying the customer</u>

Since the village setup is small and closely knit, the retailer‟s knowledge is far more in depth than the urban counterpart. Also, the whole village could be identified as the customer base. But this isn‟t the case in the village; each retailer has a set of key customers. The rural retailer would identify this key customer through three parameters:

- Key product/category in terms of sales volume. This could be children (toffees and food items) for medium category retail stores. Whereas for larger stores, the regular households in the vicinity of the shop were identified as the key set of customer.
- The second parameter was the regularity of visits. Within these key customers a select group would be regular to the store, these people would not have any town/city visits and would purchase only from rural retail.
- The duration for which the relationship (customer-retailer) has been existing.

Apart from these, the irregular and seldom customers would come to the store but weren‟t identified as the key customer. It is interesting to note that the retailer would not make any direct demarcation, his/her understanding of the customer is solely sub-conscious. As pointed out by a respondent –

"I have daily customers. They are from the nearby places. All from the villages come here. So I can't have a specific customer. All are same to me. They come daily to purchase items."

The retailers understanding is purely based on experience and duration for which the customer has been coming. Hence, the larger and older stores are possessing far better understanding of the customer than the medium sized new stores. The medium category stores primarily identified on the basis of first two parameters.

<u>Differentiating</u>

Differentiation can be on two levels, value and needs. Since needs are primarily similar in the village, the scope of differentiating the customer based on needs would be very difficult. As one respondent number one said:

"All customers are important, all of them buy everything. They buy in small quantities, since my shop is open 24x7, they need not worry. Each buys according to their requirement"

The above statement clearly shows that the customers are more or less buying the same goods and products, but the requirement differs. On another occasion the respondent number two mentioned:

"This area is mine, the ones who live here come to my store. Nobody wants to walk far away to buy goods. So, this whole area is mine, I have about 75 houses in this area that all come here. The other customers come only if they have to get a better price or match prices amongst stores."

So, the retailer is able to identify and differentiate the customer on the basis of geography. The underlying principle in categorization of the customer for both respondent one and two was the „value" different customers were bringing to the business. Hence, instead of needs, value is the factor that helps differentiating customers for the rural retailer. This is observed across both medium and large categories.

Differentiating would also take place in terms of who have a decent record in terms of paying up the amount, i.e. the duration of the cash cycle (credit period) should be as short as possible. As stated in the in depth interview –

"It's all based on relationship with them. Also they are personal acquaintances. They are usually government employees with monthly incomes. So they clear their accounts every month. It is not delayed. You are sure which ones will always pay up."

Interact

Though the retailers do not exhibit or convey that they interact with different customers differently. It was well evident in the observational study, that the interaction was different with each customer.

The interaction of the rural retailer may not fit the IDIC model in purest sense; The IDIC model suggests that the interaction with the customer must begin from where it was last left. This may not be possible in rural scenario, as the last interaction is usually about credit balance. As respondent three put it –

"If I give them credit, they will stop coming. Once I have given credit, they fear that if they come back I will start demanding it. So they avoid you. So instead of ensuring more sales I let go off. Hence, it is better not to give credit or even talk about it."

This is one level where the rural retailer has still not achieved a relevant mode or touch point to communicate about their offerings more clearly. There exists immense potential here to work upon.

Customize

The rural retailer would customize occasionally. But with customers demanding more branded goods and products, it becomes difficult to customize for the customer. The retailers try to customize for the select group of customer based on their value (as explained above under „differentiation"). The retailers also face limitation from the fact that the customer is no more loyal and may ask for customization and still not deliver the expected return; hence the customization is for a limited set of customers only. These customization practices have also been because the customer has been more demanding. A respondent pointed out –

"We keep the things they ask for. If I don't have it at the moment I ask them to wait for a day and get it the next day for them. It has changed. Earlier I could give them some other brand; I know

what they want basically. But now they sometimes insist on things, then I have to get it for them the next day."

A few practices of customization in service are as follows:

- Availability of credit (the conditions are explained in the section of profiling customers)
- Products and brands on demand, a customer may ask for an unavailable product which is received later.
- Home delivery in certain cases when bulk is produced. The retailers are awaiting such trend to come up. This would involve more sales and less travel to suppliers.
- In case of less educated customers, for ensuring trust, every time a high amount transaction takes place, a receipt is made.

The receipt is for ensuring fair deals have taken place. As pointed out by a large store retailer –

"If they are so skeptical, then they ask for bill. I give them a bill. If they find any discrepancy on my side or their side, they come the next day or after some time, we rectify it."

Customization has its own limits. Since the village is a small community, even though a certain regular and high value customer is incentivized through some sort of customization like free gifts, more credit limit etc. The others in the village get to know this and demand the same. This was iterated by various respondents. An excerpt from the interview –

"No. I can't do that. The whole village will get to know about it. Then they will talk about it and it will reflect badly on me. So if I give something special to them it will act against me. I will be put to shame."

CHAPTER 7 - CONCLUSION

Taking cue from the research findings listed in the previous section, the following can be concluded about the four propositions.

Proposition 1: Rural retail is a miniature version of urban retail stores.

Conclusion: This proposition was held false. Rural retail is very different in its operational and strategic functioning from the urban retail. As Carson, 1995 mentioned the parameters of defining businesses in rural retail; these parameters are very different from urban retail. The following table lists the differences:

	Rural	Urban
Scope of operations	Large	Limited
Ownership	Organized/sole proprietor	Sole proprietor
Independence	High	Low
Management Style	Semi-professional, hierarchical	Experiential/traditional
External Environment	High control	Low control
Duration of operations	9-10 hours a day	12-14 hours a day
Financial capability	High	Low
Ability to bargain with dealers/suppliers	High	Low

Table 13: Rural retail Vs. Urban retail

The source for all urban retail characteristics are according to study conducted by KPMG. (KPMG, 2009). And the data of defining rural retail is achieved through this study. The section on research findings details the profile of rural retailer and retail stores in depth.

Proposition 2: CRM at rural retail is traditional in nature, comprising monthly ledgers with minimum relevance due to limited competition.

Conclusion: This proposition was found to hold true in the rural retail setup. It was not only very traditional but also in decline. The liquidity required to run the business is now very high and the credit is not possible anymore. It is counterproductive for the retailer. As pointed out in the research from respondent one –

"Yes, we could conduct business in fewer amounts in earlier days. Now, more capital is required to do the business. No credit available and also the outlay amount are high. We also need more stocks. You can't predict how much will they ask for. I also now stock more quality and more SKUs. I also need to focus on variety in brands."

As contended this is due to limited competition. This does not imply that the number of competitors is less, but implies that the competition posed by each of these is limited. The largest retail store sets the price in the village which is followed by other stores. No competitive strategies are implied by any of the competitors.

Proposition 3: Loyalty is high in rural customers.

Conclusion: This proposition is true only to an extent. The rural customer is very price sensitive and would not pay extra at any cost. Though loyalty is distributed geographically, it is price sensitive. For all major purchases, prices are compared and only then purchases made.

This was pretty evident from the research as well, with the following excerpts it becomes more evident –

"They are mostly loyal, but they do go to check prices. But we maintain our prices same as competition. So they go there and come back to us. They will purchase form other place only if they find it cheaper there."

"The only thing they look for is the price. If your price is good, they will not go anywhere. As for other customers going to their shops, you may do anything but they will be loyal to the place they have been going to. It is because; they must have credit system there. Each customer has some kirana shop."

"No fixed pattern (of loyalty or purchase). Even if they are of your family, they might go to some other place if they find low prices."

Proposition 4: The rural retailer identifies, differentiates, interacts and customizes with each of its customer in very different fashion, based on their purchasing power.

Conclusion: This proposition has been analysed in detail in the previous section. It can be concluded that the rural retailer identifies and differentiates the customer based on their value contribution to the business. Interaction is same for all. Customization is highly dependent on the purchasing power as it primarily constitutes credit.

CHAPTER 8 - RECOMMENDATIONS

Based on the research findings and discussion up till now, the following is recommended.

- The stores are categorized as small, medium and large. It is observed in the comprehensive findings that the medium sized retailers exhibit the following traits
    - Positioned as suppliers of one key product or good in the village e.g. milk, curd etc.
    - The dealers are not willing to extend credit or give discounts to these retailers
    - They are willing to learn but do not have any support (they lack a facilitator or associate to help them sustain, learn and grow)
    - Are more risk taking and are in look out for a new opportunity for growth in revenue
    - Have the time and motivation to introduce new products and are inclined to push products as they have time at hand and low inventory to match sales.

    Hence, these medium category stores are ideal for new brands to launch into the rural market. Instead of the saturated large category stores (which do not entertain dealers of new brands or products), these stores are ideal to target by the industry.

- The current strategies employed by the rural retail can be classified as operational CRM. They are more of logistical undertaking to ensure that the demands of the customer are met and ultimately ensure earnings. These stores now must move towards a more strategic CRM. Some of the following tactics can be utilized.
    - Since, customers bring stuff when they go to the city. They must be made aware of the comfort of NOT buying in the town.

        This is evident from the following excerpt –

        "Yes, they do. But they do so only if they are going out for some work other than shopping. They do not specifically go there to buy kirana items. They get stuff which I stock. They find cheaper goods there. This is because I charge for my transportation till here. To get it cheaper, they bring things in bulk, like oil cans of 15 liters, or jaggery sacks etc. These things I stock."

o The retailers need to shift to becoming a large seller in the village. Instead of purchasing from large retailers in the city, contact wholesalers directly and transfer the benefit to the customer, thereby competing with the retailers in the city on price points.

o Sell using the products of the nearby shop. A lot of the city retailers never let the consumer go to the next shop; they may provide a consumer a product at zero profit but never point to the next shop. The rural retailers seem to do that a lot.

CHAPTER 9 – SCOPE OF FUTURE RESEARCH

1. The suggested model and recommendations can be applied to a group of rural retailers and a better understanding and usage of metrics can emerge.

2. The industry can utilize the findings and recommendations as mentioned to prepare a strategy to enter the markets through medium category of retailers.

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APPENDIX

Appendix 1 – Observational Study Guideline

1. Note how customer approaches the retailer, how does the retailer respond and serve the customer?

2. Note the transaction amounts, note it down. If credit is given, observe whether it is noted down, how and where?

Repeat the above two observations at least for five to six customers. Post which continue.

3. Note down any striking differences between the various customer interactions, from shaking hands to identifying by names etc.

4. In case of asking of credit note the reaction.

5. In case the retailer reminds of previous credit, observe how the customer reacts and proceeds.

Keep observing till one request of credit is made and at least one demand of credit to be reimbursed is made by the retailer. Do not close observation study prior to that.

Now note down the following details of the store (on a broad level):

S. No.	Item	Volume	Amount	Remarks If any

Ask if the khaata can be seen? Observe carefully all the metrics the retailer calculates.

Appendix 2 - Discussion Guideline for Depth Interview at Rural Retail

PHASE 1

Shop Name: _____

Date of starting Business: _____

How many generations: _____

Number of people employed in the business: _____

What is their lifestyle? What is their daily routine like? How many family members?

What do they feel about the village, its progress, education, purchase style?

Who are their main customers and what do they buy?

How do they interact with them?

Is there any difference between the types of customers who come? Probe till he/she categorizes?

Any difference in the way they interact with tem?

Are there women customers? Do women sit at any shop?

How long does it take to complete one transaction?

Which days are the busiest?

What is the busiest/rush hours?

Do they rotate shifts?

Have they observed any changes in the way they do business?

How involved is the next generation? Probe to see if the young generation is as involved as the older generation.

Note down the complete progress of the shop since its inception?

Are they happy/content in the business?

Are there any future plans for growth? What are these plans, how will these be executed?

What is the payment system?

Do they allow credit or not?

What is the credit limit?

What is the highest purchase amount in one time? What is the highest credit bill for a cycle?

If somebody does not pay, what do you do?

Do their customers go outside to buy?

What do they buy? Note verbatim of the items mentioned.

Do they buy items which you stock? Why or why not?

Do you wish to sell them these items?

Have you ever offered them any of these items?

What was their response?

If you have not offered, what is the reason behind this decision?

What is your main source of finance?

Note what all of these are present and fill the necessary data:

Size of the shop: _____

Area in front had stools/chair to sit down: _____

They had a ledger to keep tab: _____

Number of customers in the ledger: _____

Average payment time: _____

Average credit at any given time: _____

Do dealers come to promote their items here? Who all have come? What did they tell/do/show when they visited?

How successful was it? Did you accept the offer? How have you felt about it? How did the other stores in the village respond?

Who is the main competitor? How many competitive shops? How does their business going?

Do consumers shift?

What are your views on loyalty? Have you done anything for that?

Do you publish calendars, diaries etc.?

Do you give money for any charity or religious function in the village? Does it impact the business?

Any personal or family activity/function in past that has impacted the business in a positive or negative way? Probe positive and negative separately.

PHASE 2

SAY: Now, can I ask you some questions about the operations side of your business?

What is your average – weekly, monthly and yearly revenue?

Are there cycles you have observed in them? Probe on these cycles?

How frequently do you stock items?

Where do you get them from?

S. No.	Source Name	Purpose	Amount	Freq.	Remarks
1.					

Ask about each source:

- Who are they, distributor, supplier, bigger shop, wholesaler etc.?

- Do they give on credit?

- How long has this relationship been?

- Why did the change happen if any?

- How do you choose which brands and product to buy?

- How involved is the dealer/supplier etc.?

Do you ever ask the customer before, like they place orders etc.?

Do you do any calculations on your ledger (khaata)? What all do you calculate? Can we go through one such demo process? Observe carefully all the metrics the retailer calculates.

Counter argue with some metrics we can think of? How does he/she respond?

Are there data points which you would like to know, which you do not have access to?