

**Substitutability of haats and retail store in rural markets:
A study across the states in India**

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The study examines the extent to which the fixed location retail stores and periodic markets substitute each other. The rational consumer assumptions used in central place theory and also the law of retail gravitation suggest that the consumer would minimise travel costs. The implication of this is that fixed location shops and haats are substitutable and an increase in fixed location village shops is detrimental to the continuation of haats. The literature that examines the competition between retail store formats and also the spatial behaviour of consumers suggest the haats and fixed location shops can possibly coexist. Cross-sectional data of number of haats and fixed location retail stores in villages by states is examined for testing the association of these variables.

Reaching rural markets with products and services is an enormous task because of the geographical spread of the market and the widely dispersed population. The distribution of products and services to this market therefore involves high cost and effort. The marketers of consumer non-durables use the fixed location retail shop to reach the rural consumer. The high costs for marketers in servicing the rural retail shops and the non-availability of fixed location retail shops have necessitated many marketing organizations to explore alternative channels to reach rural consumers. The alternative channels that marketers use include the haats (periodic markets), Self-help groups (SHGs), IT-kiosks, mobile traders, network marketing/ agents etc (Velayudhan, 2007). The SHGs and IT-kiosks are of recent origin. Mobile traders have been in existence for long but conscious effort at using them is of recent origin. Some marketers have used the haat for promotion and sale of products but not as an important channel. The advantage in using the haats for reaching the products to the consumers is the cost advantage and also ability to reach the rural consumers of small and remote villages. There are a large number of small villages that do not have fixed location retail shops. A quarter of the less than 500 population villages do not have fixed location retail shop. Haats on an average caters to 25 to 50 villages and therefore haats is an option to reach consumers in the remote and small villages economically.

Haats are a feature of the Indian rural markets. These are weekly markets where villagers from not only that village but also the surrounding villages assemble to buy and sell goods. The products traded in these markets include crop produce, vegetables, milk and other perishables. In addition to these locally manufactured non-durable products and some durables like utensils and furniture, toys, etc are sold. Unbranded and branded consumer non-durables and durables of low value are also sold in these markets. These haats have developed over a long period of time as there were many small villages that did not have fixed location retail shops. The issue then arises whether an increase in the number of fixed retail shops would result in the decline of haats.

In the absence of clear understanding of the future of haats marketers have difficulty in investing in this channel. The retail outlets used by consumers and changes in these are of interest to marketers. The current use and also possible growth in use of certain type of outlets by consumers is a major consideration in deciding on the relative emphasis on different channel options. The growth of the retail institutions depends on the consumer preference for the place of purchase and this is based on benefits offered by these different retail institutions. In discussing the consumer preference it is noted that rural consumers make their purchase not only from shops within the village but also from shops in the nearby towns or feeder villages. Law of retail gravitation as applied to the loss of trade to nearby town relates the extent of loss to distance and population of

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the town (Converse, 1949). One of the inference from central place theory suggests that the consumers are allocated to the nearest market centre (South and Boots, 1999). Some of these studies therefore presume that consumers seek to reduce the travel costs in their purchase behaviour. The expectation that consumers seek to reduce travel costs would then suggest that with an increase in the number of fixed location stores in the village the number of haats would decrease. The consumers would prefer to visit the nearest retail outlet than the haat which can be expected to be located on an average at a farther distance. This is to be expected as each haat usually serves 25 to 50 villages. Some studies consider the assumption of central place theory too simplistic (South and Boots, 1999). Later studies extended beyond functional, structural and geometrical generalities to understand the spatial characteristics of retail establishments. Retail attraction, socio-economic status and cultural-racial factors also were examined to understand the spatial behaviour of consumers (Hubbard, 1978).

In addition to distance and the population, the consumer preference to buy in the village itself is influenced by the perception of retail facilities and consumers involvement in local community. The reciprocity within the community was also a factor examined in understanding the influence on preference to shop in the village itself. The “attitude to retail facilities” includes fairness in dealing and availability of selection of merchandise (Miller and Kean 1997). This would suggest that the channel options that provide fairness in dealing and availability of merchandise is favoured for shopping in the village itself than go outside the village for shopping. On the above considerations haats is a very effective channel option as a large segment of villagers prefers to buy products from a haat because of better price, quality and variety (Kashyap, 2006). Haats also increase the perceived involvement in the community in addition to the reciprocity involved between the members of the community. The villagers came to the haats to not only sell produce but buy goods and services and therefore the reciprocity is enhanced through this channel and encourage the shift to shopping in the village and therefore a clear preference for haats over not only shopping outside the village but also an place of purchase. Villagers came to the haats to not only sell produce and buy goods and services but also for recreation and as a place for gathering and socializing. There was a fun element attached to the chore. If this is true then an increase in the number of fixed location retail stores is unlikely to affect the consumer preference for haats. The different retail formats provide different value to consumer. Studies suggest consumer types based on economic motivation and based on recreation (Bellenger, Robertson, and Bareet, 1977). The recreation and the economic benefits of shopping are observed in a number of studies (Babin and Griffin, 1994; Jones, 1999; Backstrom 2006).

It is however observed that as the competition increases from larger stores the number of smaller stores is not adversely affected (Miller, Reardoi, and McCorkle 1999). There is also evidence to suggest that competition is more intense within a store format compared to between store format (Gonzalez-Benito, Mun Oz-Gallego, and Kopalle, 2005). Also the consumers reduce both travel and storage costs through multipurpose shopping and therefore suggesting agglomerated retail centres (Ghosh 1986). The existing studies are limited to type of retailers and the extent of competition but not of competition between periodic markets and the fixed location retailers. Also the existing study examines competition between retailer types on functional or utilitarian aspects but not on hedonistic or recreational reasons as the basis for competition. This study therefore seeks to meet this gap in literature.

The expectation of minimization of travel distance by consumers in choice of retail purchase suggests that the increase in fixed location village shops adversely affect the system of haats. Studies that examine the competition between retail establishments suggest the coexistence of different type of store formats. The recreational benefits sought by consumers’ in addition to the economic benefits of shopping suggest that the fixed location retail shops are unlikely to

substitute the haats. In addition to the recreational benefits the haats are also economically advantageous for the rural consumers as the multipurpose shopping allows reduction in the travel and storage costs of consumers shopping from agglomerated retail centres (Ghosh 1986).

These different frameworks therefore suggest that the number of haats per thousand of rural population is unlikely to decrease as the number of retail store per thousand population increases. *The research therefore seeks to understand the relationship of an increase (or decrease) in the number of retail shops on the number of haats. In effect are fixed location village retail shops competing with haats and therefore substitute them or are they complementing the haats.*

Research Methodology

The influence of number of retail shops on the number of haats is examined across the different states. The population data is used and not sampling. All the retailer stores and all the haats are enumerated across all the states. The states are the data points. The data used is from secondary source, Census of India and Economic census by the ministry of statistics.

The scales are ratio scales as these are numbers of objects.

As the number of retail stores and haats are influenced also by the population size the effect of population on these is controlled. The number of retail stores per thousand population and the number of haats per thousand population is used as the variable

Analysis and discussion

The number of “haats per million population” and “Retailers per million population” is presented by state (Table-1). The association of these variables of number of retailers per million and the number of haats per million is examined using correlation. The correlation coefficient is -.009.

The results indicate that there is not much of an association between these two variables. This suggests that the consumers continue to visit the haats even though the number of fixed location retail shops increase. The visit to a haat is therefore not just for buying required products but also for social reasons. The consumers also get better choice in these weekly markets. The assumptions in Central place theory including the rational behaviour of consumers are too restrictive (Beguin 1992)

Research has shown that despite the same products being available in the village shop, a large segment of villagers prefer to buy these from a haat because of better price, quality and variety (Kashyap, 2006). The retail price and selection are two of the four retailer factors that influenced the entertainment value of shopping (Jones 1999). The haats also are also a place for social, political and cultural contact (Kashyap, 2006). Social and experiential aspects of retailing were observed in periodic markets (Sherry, 1990). For all these reasons the increase in the number of fixed store may not result in a decrease in the number of haats. The advantage of the fixed cost reduction because of a local fixed retail shop is offset by certain other factors that include firstly cost reduction because of loyalty and habitual use of a outlet, second the number of purchases are large to cause visiting a farther location outlet worthwhile and third the price format in the outlets (Bell, Ho and Tang, 1998). As the visitors find better choice and price at haats and as the basket of purchase is large as these are weekly purchases the fixed costs of travelling to the haats is possibly covered.

Implications

This would suggest that marketers need to recognize the potential of haats in reaching the rural consumers. They need to develop strategies to tap this channel and also should not neglect the haats and overemphasize retail channel arrangements.

There is need to examine the influence of accessibility of villages and the village population. Small villages may not support fixed location shops and this variables may mask the influence of economic benefit of fixed location shop in the analysis. The data is examined as cross sectional data because of difficulty in availability of data for comparison over time. If the data can be obtained across time period the conclusion is strengthened.

Table 1: State wise number of fixed location retail store and number of Haats per million population

State	Haats/MlnPop	Rtstr/MlnPop
AP	8.158688	8417.022
Arunachal	0	6523.486
Assam	139.3418	7314.821
Bihar	79.14449	3931.004
Goa	11.81525	16096.8
Gujarat	3.623101	5842.171
Harayana	0	5481.707
HP	1.824046	9441.26
J&K	0	5764.474
Karnataka	35.56992	8318.918
Kerala	28.4206	15105.97
MP	71.37598	5525.576
Maharashtra	67.37466	7159.122
Manipur	4.400246	7604.883
Meghalaya	171.0721	6155.914
Mizoram	109.4808	5885.152
Nagaland	27.92535	2788.892
Orissa	110.1081	12137.85
Punjab	0.994006	6411.709
Rajasthan	6.028714	4685.374
Sikkim	39.5026	6050.135
Tamil Nadu	33.47491	10831.92
Tripura	221.598	10993.22
UP	75.90132	4254.794
WB	70.61601	12512.89
Andaman	0	11760.59
Chandigarh	0	10214.94
Dadra &NH	35.28851	4934.51
Daman	0	7545.411
Delhi	29.63819	13077.85
Lakshadweep	0	6412.73
Ponicherry	0	11604.85

Source:1.Kashyap, Pradeep 2006)

2.Economic census 1998.

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