

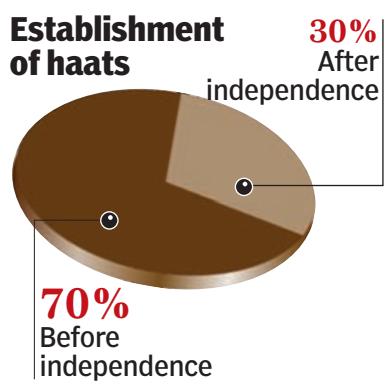
Rural markets is where the action is for marketers, and haats are the best bet for companies to reach out to this burgeoning consumer segment. As these hubs emerge as the nerve centre of distribution and points of communication, an RMAI study on haats, available exclusively to FE, sheds interesting light on how India Inc can cash in on the opportunity



The 'haat' of rural economy

THE BIG PICTURE

Total number of haats: Around 43,000



States with max no. of haats

- 10,380 Uttar Pradesh
- 4,993 Bihar
- 4,078 West Bengal
- 3,996 Jharkhand
- 3,758 Maharashtra

Catchment area of a haat

- 57 villages large haat
- 21 villages small haat

Location of haats

- 5% Temple
- 35% Bus stop
- 52% Market place
- 8% Others

Location and size matters

A haat is spread over 5-6 acres and located about 24 km from the nearest big town. The catchment area for a large haat is comparatively high in states of Madhya Pradesh (100 villages), Bihar (85 villages) and Orissa (79 villages), while it is lowest in Andhra Pradesh (14 villages). In case of small haats, the catchment area in MP is highest at an average of 32 villages, while it is lowest in AP (11 villages). In the past, haats in rural areas were organised by zamindars and the rulers of princely states and later by the panchayats. Today, in most regions, panchayats are the organisers and owners of haat land areas. However, in states such as Tamil Nadu (75%), Bihar (75%) and UP (55%), private parties are increasingly organising haats. The participation fee on the haat day averages Rs 13 per stall. It ranges as high as Rs 24 in Maharashtra and low at Rs 6-7 in Bihar and MP.

BUYERS & SELLERS



Money spin

Though people from all rural socio-economic classes visit haats every week, the proportion of SEC R3 and R4 is comparatively higher than that of R1 and R2. Companies use haats as an awareness generation medium. Nearly three-fifth of FMCG sellers at haats purchase products on cash, while the rest two-fifth of them buy on credit. Sellers prefer to buy from cos that offer them longer credit periods and higher margins. In case of credit purchases, the credit period averages around 11 days. Average margin offered to FMCG sellers at haats is 9%, though it varies from state to state.

Average number of visitors in a haat

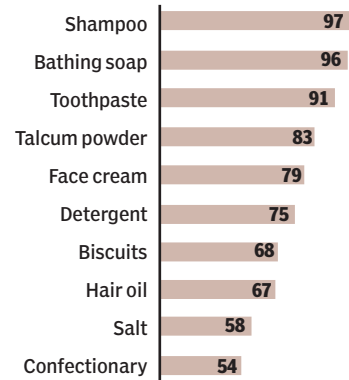
	Large haat	Small haat
Maharashtra	22,300	10,500
Bihar	8,100	3,500
Uttar Pradesh	17,000	4,100
Orissa	3,700	3,000
Andhra Pradesh	6,800	3,700
Madhya Pradesh	11,000	4,600
Tamil Nadu	15,000	10,200
Average	11,900	5,600

Source of purchase of branded FMCG for haat sellers

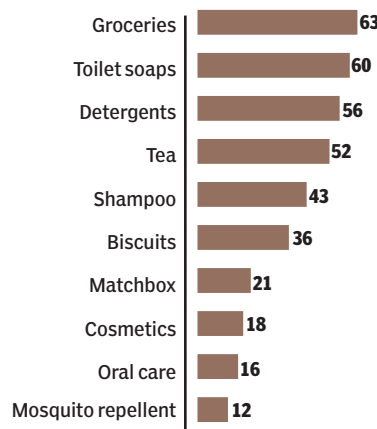
- 17% Retailer
- 11% Company stockist
- 72% Wholesaler

WHAT SELLS

Brand awareness for specific FMCG products sold at haats (%)



FMCG products preferred at haats (%)



Market matrix

Haats sell almost all kinds of products that are needed for a rural lifestyle, from agricultural products to hair pins. Though agricultural products (53%) still have a major share, manufactured goods (19%) and processed foods (6%) have gradually found entry. On any haat day, an average buyer spends around Rs 40 on FMCG products. The spending amount varies from state to state. It nears Rs 60 in states of UP and Maharashtra, while it is comparatively lower at Rs 22 in Orissa and Andhra Pradesh. The average amount of sale of branded products by an FMCG seller is around Rs 2,224, while his total sale (including unbranded FMCG products) adds up to around Rs 7,521. To increase their sales, a seller usually tries to visit several haats. On an average, a seller visits at least three haats per week. Though sellers in Maharashtra show a more aggressive trend of visiting six haats per week, those in Orissa and Bihar largely concentrate on two haats in a week.

Sale of FMCG products per outlet on a haat day (Rs)

	Sale of branded FMCG	Total sales of FMCG (including unbranded)	Sale of branded FMCG	Total sales of FMCG (including unbranded)	
Maharashtra	2,793	13,196	Andhra Pradesh	339	1,741
Bihar	3,450	12,490	Madhya Pradesh	421	4,231
Uttar Pradesh	2,864	7,229	Tamil Nadu	2,971	8,553
Orissa	2,730	5,205	Average	2,224	7,521



PRADEEP KASHYAP

HAATS ARE the nerve centre of the economic social and cultural life of villages. Producers and farmers depend on haats not only for the disposal of their produce, but also for purchase of their daily needs. Around 43,000 haats are held in India. Each haat is spread over acres of land and boasts 300 to 500 stalls selling any-

thing and everything that villagers need in their daily lives. These rural supermarkets exceed the number of WalMart stores worldwide and register a mind boggling sale in excess of Rs 50,000 crore annually! Phew! The first comprehensive study of haats in India was undertaken by me in 1995 for the Government of India. The report generated a lot of interest among corporates, as it was around the same time rural markets began to grow. The biggest challenge corporates faced in tapping the rural market was how to

reach products and brand messages to the six lakh-odd villages. At that time, 50% of villages were not connected by road and most households in these remote villages did not have electricity and, therefore, no TV sets. Haats provided a solution to this problem. Each haat caters to around 20-50 surrounding villages from where buyers and sellers come to buy and sell goods and services. By putting up a stall in the haat, a company could expose its products and communicate brand messages to the 5,000 or more people who visit

the haat every week. Haats allow a touch and feel experience of the product, satisfy the seeing-is-believing requirement and allow for live demonstrations—all important considerations for a villager to buy any product. MART has been a pioneer in encouraging companies to participate in haats for creating awareness and promoting brands in rural markets. Over the years, more and more companies have benefited by using haats for below-the-line promotions. Some companies have even used haats for redistribution of prod-

ucts to smaller villages, as shopkeepers from these villages attend three to four haats every week. Some companies have used haats for branding by painting boundary walls or toilets with their brand messages as a permanent reminder for the large number of visitors that frequent the haat week after week. Some companies have contributed to improving the infrastructure at haats, like raised platforms for sellers, providing drinking water and toilets for women, and, in exchange, have got branding rights from the panchayat

or haat contractor.

The haat system demonstrates the Indian ingenuity of keeping product prices low. No high shop rentals, salesmen salaries or investment in display shelves and shop interiors. The fee for putting up a stall is a ridiculous Rs 5, whether you are a poor woman selling vegetables or a multinational selling consumer goods. Haats have been around for 200 years and offer an indigenous system of low-cost selling. The high-cost organised retail business model from the Western world can learn a lesson or two when they decide to set up shop in the highly price-conscious rural markets of India.

The writer is president, RMAI & CEO, MART

