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Rural Market: Distribution Innovations by Corporates

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Abstract:

Rural marketer has to appreciate the fact that urban marketing strategies do not work in rural areas. In view of the peculiarities of rural markets, rural marketing requires innovations to be successful in gaining acceptance and promoting sales. In order to reach maximum number of remote villages it is important for the marketer to have a good distribution system and innovations are inevitable. This paper mainly focuses on the distribution innovations initiated by different corporates.

1. Introduction

For a product to reach six lakh villages spread over 3.2 million sq. metres of area it is important for the marketer to have a good distribution system. Limited transport facilities act as a constraint to marketing action. Innovations are required in three areas:

- Physical transportation modes include existing ones like animals (bullocks, horses, donkeys, Yaks, and Zebras and carts driven by them), boats, cycles, and motor vehicles (2-wheelers, tractors, light commercial vehicles, mini-lorries, and vans).
- People involved – Sales persons, social workers, rural people (Village heads, part-time business people, and consumers (HUL's *Shakti ammas*). Consumers as sellers is the new trend.

In rural markets, a new breed of consumers is emerging. A consumer is the insurance agent, the intermediary for a financial product, and equally is the person who acts as an intermediary distributor of a detergent or a cake of soap alike. This channel, uniquely, is not restricted to the efforts of the multi-level channel marketer like an Amway, but is equally involved in selling products and services as a distributor on a direct mode of distribution. Another channel is the Self Help Groups (SHGs) who are becoming micro-entrepreneurs assisted by corporates and micro finance agencies.

- Retail outlets - The traditional and innovative modes are given as under:
 - *Traditional selling points* Retailers, cooperatives, Mandis, haatsmelas, NGOs, Anganwadis, Van Marketing and road shows.
 - *Innovative initiatives* Fair price shops (becoming malls), NGOs, Post offices, and Rural malls.
 - *Innovative IT based initiatives* ITC-e Choupal, i-Shakti and others.

This paper focuses upon the rural distribution trends under the following sub-heads:

1. Traditional Channels
2. New channels
3. Fair price Shops become Malls
4. Entrepreneur-Founded Malls
5. Company Retail Outlets
6. P-P-P Models

2. Traditional Channels

2.1. Distribution up to Feeder Markets / Mandi Towns

The feeder markets and mandi towns offer excellent scope for distribution, especially for consumer durables. The rural consumers visit these towns at regular intervals, not only for selling their agricultural produce but also for purchase of cloth, jewellery, hardware, radios, torch cells and other durables and consumer products.

2.2. Joint Distribution by Non-Competing Companies

As the cost of distributing the products in the rural market through distribution vans can be unviable for a single company, different non competing companies are coming together to jointly operate distribution vans for the rural market. This enabled them to share the cost of operating the van and make the entire operation financially viable for all the players.

2.3. Direct Contact with Rural Retail

Some companies reach retailers direct. For instance, Wilkinson deputed salesman in villages whenever it launches a new blade, as a 'seeding operation'. This not only creates awareness of the new product but also confirms that the product will be available at the nearest retailers. "If you depend entirely on your wholesaler now, you are bound to lose your market to competitor", says Sameer Singh Wilkinson's Marketing Manager.

2.4. Shandies / Haats

These are the places where the rural consumers congregate periodically, as a rule. Shandies / haats are held on a particular day of every week. These are places where there is a captive audience for a fairly long period and it is certainly beneficial to sell products with the help of an outdoor mobile publicity van, with audio/video equipment. The distributors in the area can utilize mobile traders to sell the products in haats and shandies. The Kalam system of providing goods on credit to mobile traders, by the distributor, for selling them in haats and shandies is employed. These mobile traders sell the goods in these haats and earn a commission for themselves. These mobile traders are more like agents who sell the goods without taking title to them.

2.5. Agricultural Input Dealers

As per Essential Commodities Act, fertilizers should be made available to the farmers within a range of four to five kilometers from their residence. That is why there are about two lakh fertilizer dealers in the country, both in cooperative and private sectors. These outlets can be used to market other products.

2.6. Cooperative Societies

There is at least one cooperative society of one form or the other, for every two to three villages. These societies are linked with higher-level societies at the taluk, district or state level. An agreement can be reached by the corporate sector with these cooperatives, for centralized procurement and distribution through their respective state level federations.

3. New Channels

In order to be successful in the rural distribution endeavour, organisation can try some of the unconventional distribution channels suggested below. Different channels can be selected for different regions. An unconventional channel, which is successful in one region might not prove to be so in another region. Some of the alternate channels being suggested are as follows:

- i. The milkman who delivers milk daily to urban households in the area. Some of them can be employed to distribute goods and services while they are returning to the village, without any load.
- ii. The vegetable vendor/shop.
- iii. The pan-beedi outlet in the neighbourhood.
- iv. The river bank outlets can be seeded and developed.

3.1. Public Distribution System

The Public Distribution System (PDS) in India is fairly well organized. The revamped PDS places more emphasis on reaching remote rural areas like those in hills and tribal areas. The companies can use the PDS to make their products available in remote villages, which are difficult or unviable to reach otherwise.

3.2. Multi-purpose Distribution Centers by Petroleum Companies

To cater to the rural areas, the petroleum / oil companies have evolved a concept of multi-purpose distribution centers in rural areas. The petroleum retail outlets now will be seen stocking some non-petroleum products also. These points can be tapped by the organization to take their products to rural areas.

3.3. Post and Telegraph Department Infrastructure

A vast network of 1.38 lakh rural post offices can be tapped imaginatively for distribution, education and information, in order to target consumers in remote villages. Emami Limited has tied up with the Post and Telegraph Department to place its products across 5000 post offices. The pilot project has been initiated in Maharashtra and eventually, it wants to reach all the 1.05 lakh post offices across India.

3.4. Personal Selling Network

It is another very successful distribution channel being developed by companies like HUL. It adds a personal touch to the marketing, as the salesman are residents of the village or community itself, making it easier for distribution.

4. Urban Haats – The Rural Malls

Haats are, essentially, gather-and-disperse rural supermarkets held mostly once a week. The spread of haats is very much encouraging. There are around over 47,000 haats annually across India. Each haat caters to customers from between five and 50 villages. Goods displayed are accessible and affordable to consumers. The average number of stalls is about 200. On an average there will be 1000-3,000 visitors and of them 15-20 per cent are women. Over half the visitors at haats have shopping lists and the average daily sales will be around Rs 50,000-200,000.

Residents of at least four villages visit Saunda Haat every Thursday, as do merchants from the same village, and even from the nearest big town, Muradnagar. There are around 60 stalls in the Haat selling everything from groceries to apparel to kitchenware to fresh produce. Some of the familiar brands are Parle G, Tiger, Dabur Lal Dant Manjan, Parachute and Lifebuoy.

4.1. Need for one-stop Rural Malls

Rural India needs huge malls that are a one-stop shop for farmer's needs. They must have the following facilities.

- Technical cell that advises farmers on crop related issues;
- Bank that provides credit;
- Insurance company that insures produce;
- Mandi that buys produce at market-related prices;
- Food-processing unit;
- Hospital that provides basic medical facilities for human beings and cattle;
- Consumer store;
- Entertainment complex that organises melas, bullock cart races and rewards outstanding performance by farmers.

5. Fair Price Shops Become Malls

Model fair price (F.P.) shops, described as micro rural malls, are springing up all over Gujarat where village people can shop for all their needs 24x7. The 'malls' are in effect model fair price shops under a programme launched to de-regulate the scope of services of fair price shops by allowing them to deal with all kinds of goods and services.

5.1. Gujarat Experiments

There are about 15,000 fair price shops all over Gujarat. The Gujarat government is planning to have 1,000 multi-purpose malls every year according to official sources. Already 512 such 'malls' have sprouted and another 508 are on the anvil. Encouraged by the success of the programme, the State has suggested to the Central government to include the programme in the list of plan schemes.

5.2. Andhra Pradesh Experiments

The Government of Andhra Pradesh has also decided to run fair price shops as multi-purpose malls. Officials are instructed to make an arrangement with manufacturers so that they (manufacturers) could make available their products at a point to enable FP dealers to take the commodities on consignment basis. As a result, the consumer will get commodities at cheaper rates. The government has also issued orders asking collectors to provide loans through banks in case dealers approach them. They have also been told to explore the possibility of providing loans from the Khadi Village Industries Commission (KVIC) and Khadi Village Industrial Board (KVIB) duly treating FP shops as rural malls for providing soft loans with differential rate of interest. The state government, through a Government Order, has also allowed the dealers to provide postal services, life insurance policies, bus ticket booking facilities, STD booths and ice cream parlours.

As of now, rice, wheat, sugar, kerosene, palmolein oil and red gram are being sold through the Public Distribution System (PDS) network. Following the initiative, companies like ITC, HUL, major oil companies, Videocon and telephone service providers like Tata, BSNL and Hutch are supplying their wares. Other products include Life Insurance Corporation (LIC) policies and ice cream parlours. Both state-run and private banks are trying to position themselves in the rural areas by making the malls a sale link for their financial products. Computers will be introduced gradually to take care of the value added tax (VAT) calculations.

The government would implement this scheme initially at a village in each of the mandals in each district. According to the AP State Civil Supplies Commissioner Sanjay Jaju, who told the Times of India, the government has already sent orders in the matter. He further said that the "Biometric and Radio Frequency Identification (RFID) system" will also be implemented within two months at FP shops in five districts of West Godavari, Guntur, Prakasam, Chittoor and Karimnagar on experimental basis. The civil supplies department will provide smart cards instead of coupons". A ration card holder should take the smart card to the Fair Price (FP) shop to get essential commodities.

Village malls are believed to increase income of Fair Price Shop (FPS) dealers by allowing them to sell more goods and services through such shops. The owners of the shops earn not more than Rs.,500-2,000 initially as commission from sales. They can now hope for earnings of Rs.5000 a month.

However, there are riders. FPS dealers have to modernise their shops in a phased manner and create more space for mobility, change display systems, computerise and provide water and toilet facilities.

6. Entrepreneur – Founded Malls

With the growing opportunities for business in rural areas some entrepreneurs are taking chance in rural areas. Nadeem Jafri, is one among them. A brief description of his venture is given here.

6.1. Hearty Mart

Nadeem Jafri, an MBA from Institute of Management Studies, Indore Madhya Pradesh (MP), setup a chain of super markets in rural Gujarat, known as "Hearty Mart". Jafri found that the people of Illol village are going to the nearest town of Himmatnagar in Gujarat, even to buy a sachet of shampoo. Now people can buy products of their daily use like shampoo sachets from the shop of their own village rather than travelling to the nearest town.

Jafri ventured into this business with an initial capital of Rs 40 lakh. After a year the venture clocked a retail turnover of Rs 60 lakh, which is expected to cross Rs 70-75 lakh during the following year. The first anniversary of the Hearty Mart was celebrated by sending a packet of sugar to all its customers along with a signed letter acknowledging their support and at the same time expressing the Mart's desire to continue the "sweet relationship". This gesture indeed had tremendous impact on the customers.

6.2. Franchisee Model

This novel initiative of Jafri percolated into a number of remote villages of Gujarat such as Pipodar, Kakoshi, Vadnagar and Idar, providing a modern retail experience to rural folk aspiring for brands similar to those introduced into their homes by television.

This model operates on the concept of "two brands under one roof", Hearty Mart and another chosen by the franchisee. The model provides a choice to the shop keeper to pull out of his brand's association from that of the Hearty Mart and to operate on his own. The first franchise was issued at Illol for a deposit of Rs 25,000. Sahyog, Easy Shop and Tiny Shop are the second brand names chosen by the franchisees in Illol, Kakoshi and Pipodar respectively. The stores are generally 500-800 square feet in size and those with a size of less than 300 square feet, are known as Hearty Mart Saral Shops. The latter category of stores has been devised owing to the interest shown by the villagers. Saral is modelled after the neighbourhood *kirana* stores found in cities. Jafri and his team take care of the initial stocking for the store and claim 1.5 per cent annual royalty from the franchisees. The chain intends setting up about 15 stores in a couple of years.

In a bid to generate more revenue through the stores, the chain is exploring the idea of stocking private labels for products such as *papad*, pickle, *besan* and so on that are not available locally. Jafri recently introduced *Lutf*, a homemade ketchup that is sold to hotels and other institutions, for sale at the Hearty Mart stores. *Good Time* is another in-house label for packaged spices that is now being tested.

7. Company Retail Outlets

Agri - input suppliers and petroleum companies have creative innovative retail formats in rural areas. Here is a brief description of such rural retail outlets.

1. ITC Choupal Sagar
2. Tata Kisan Sansar
3. HPCL's Rasoi ghar
4. IOC Kisan Seva Kendras (KSKs)
5. EID Parry Indiagriline
6. DSCL Hariyali Kisan Bazaar
7. Godrej Aadhar & Manthan
8. Mahindra Shubh Labh

7.1. ITC Choupal Sagar

ITC's zeal in organising these malls reflects the dominant trend in corporate India entering every area ranging from contract farming to rural malls, seed research to medicinal plants and food processing to fruit exports.

Choupal Sagar is a warehouse for storing the farm products which the ITC buys through its E-Choupals. It is one of the first organized retail forays in the hinterland set up by the international business division of tobacco major ITC. This is a hub-cum-super market and forms a part of the warehouse.

7.1.1. Business Model

- The business model of Choupal Sagar is linked closely with the E-Choupal initiative of ITC.
- Role of ITC is to create infrastructure such as space, computers and building.
- ITC will charge a fee for the services and items sold at the mall.

These malls will act as a hub for both branded and locally produced goods, entertainment options, education, healthcare and farm advisories. The malls will also generate rural employment.

7.2. Tata Kisan Sansar (TKS)

This initiative came into existence in 2004 with a view to consolidate the rural margins, by the merger of Tata's two companies namely, the Tata Chemicals and Rallis India, which were existed as separate companies till 2003. Tata Kisan Sansar (TKS) is designed as an information and communication technology (ICT)-oriented rural project with the aim of helping the farmers to lead healthier livelihoods and carrying out sound agricultural activities.

The Tata Chemicals aims big in building sustainable alliances, systems and processes with a focused approach to attain requisite competencies. Accordingly, the company through TKS has launched a paid value-added service, Tata Kisan Sansar Parivar, by enrolling in it 5-6 key farmers for the membership through invitation. The members of the Parivar are provided customised training, soil nutrient testing and an accident insurance cover for the family. According to Kapil Mehan, COO, Fertilizer Division, Tata Chemicals Ltd, the service received good response from rural communities, as indicated by a membership of over 30,000.

7.3. HPCL's Rasoi Ghar

The Rasoi Ghar (Community Kitchen) Project was initiated as a rural marketing strategy following a study made by MART for HPCL in 2003 in 8 states of India. The study found that the poor people, particularly those living in rural areas, cannot afford the LPG initial connection, irrespective of whether it is a 14.2 kg cylinder or a 5 kg cylinder. Further, the poor people believe that the cylinder was unsafe and could cause health problems. It then occurred to MART to introduce the concept of "Community Kitchen" to enable the rural women to cook their food items on payment of a meagre amount of Rs.3/-. This novel idea was found by the rural households to be a clean, efficient, alternate fuel for firewood and for its being health and environment-friendly.

Today this scheme has become popular in about 6 states with thousands of community kitchens of population of above 2000, owing to its convenience in a pollution free environment. It became successful due to the involvement of the local panchayat providing the required and easily accessible shelter to socially and economically backward classes, HPCL contributing gas stoves, LPG cylinders and cooking utensils and a woman from the self-help-groups acting as a caretaker. The paltry sum of Rs. 2 to 3 collected as fee from the kitchen-user-families is used to pay honorarium to the caretaker and to buy refilled cylinder.

The concept was appreciated by women, environmentalists, and voluntary organizations. This economically viable model as well as the safety and health aspects associated with it paved the way for the SHGs to facilitate rural women to purchase 5 kg LPG connection through their "kitty" schemes.

From the point of health and environment, the World Health Organization (WHO) through its study found that the use of firewood regularly for cooking can cause the inhalation of carcinogen benzopyrene equivalent to smoking 20 cigarettes a day. The Maharashtra Forest Department's study sponsored by the HPCL reported that the firewood consumption is around 4 kg a day or about ten small trees (shrubs). This rate works out to be 300 small trees a month or 3600 small trees a year. The shift in the women taking the LPG connection would virtually stop deforestation.

In view of this successful endeavour, the HPCL started involving Forest Departments, Lions and Rotary clubs for taking the scheme to the rural poor. HPCL collaborated with Maharashtra Pandharkawada Forest Division and set up 32 Rasoi Ghars in 800-900 villages each with 70-80 households. As a result, firewood consumption was reduced by an estimate of 36 lakhs small – sized trees per annum. It is interesting that this scheme has become a national level programme with the community kitchens becoming hubs for cooking mid-day meals for the school children, as a service centre, as a dealer outlet and serving as a tea-cum-kirana stores for the caretaker's earnings. This finally led to enhance the HPCL's business besides contributing to the overall development of the rural communities, particularly those below the BPL level. Use of LPG gas reduced cooking time unlike other fuels.

The concept of Rasoi Ghars found new applications in cities also. Rasoi Ghars were set up at public places also – AIIMS, King George Hospital, etc. Temporary Rasoi Ghars were set up during Kumbh Melas at Nasik and Ujjain. About 1500 Rasoi Ghars are in operation benefiting 10,000 families all over the country-especially in UP, MP and Orissa. It is proposed to set up future Rasoi Ghars involving SHGs, Forest Departments and Social organizations as also village communities.

7.4. IOC Kisan Seva Kendras (KSKs)

The Kisan Seva Kendras (KSKs) are rural malls initiated by the Indian Oil Corporation (IOC), the country's largest fuel retailer. These are typically low cost organized retail outlets being set up by IOC on a dealership basis. The dealer who operates the outlets earns a margin of Rs 1.03/litre of petrol and 60 paise for diesel. These margins are similar to those of regular pump dealers.

The Kendras are set up in the dealer's land, the investment being Rs 4-5 lakh for a Kendra. This investment is quite insignificant as compared to the one of Rs 1-1.5 crore required for setting up a large petrol pump in an urban area. The Kendras are provided infrastructure such as pumps and the sales building. To set up a Kisan Kendra the minimum fuel sales is 30 kilo litre (kl) per month. On the average, a Kendra is expected to sell a fuel of 50 kls per month. The All India average throughout per outlet per month is about 70 kls which is very impressive according to the IOC. There are some Kendras where as much as 200kl per month fuel are sold.

Besides petrol and diesel, these outlets sell non-fuel products, different commodities ranging from fertilizers to seeds to fishing nets. This is being facilitated by its recently appointed consultant Technopak. Dabur India Limited entered into an agreement with IOC in servicing the growing rural market demands for consumer goods to IOC's chain of Kisan Seva Kendra. Accordingly, at all KSKs of IOC (about 1600), the products of Dabur India Limited stocked and sold ranging from health care, oral care, personal wash, skin care and home care products.

The company's non-fuel sales, as of now, appear to be about Rs 3,000 crore from the segment. The company's overall sales in the 2006-07 financial year was Rs 200,923.09 crore. The dealer pockets the entire revenue he earns from non fuel sales.

The Kendras also conduct educational programmes for the farmers regarding better insights into the field of agriculture. The company has already started 1180 Kisan Seva Kendras, followed by 1000 more such Kendras started recently

7.5. EID Parry's Indiagriline

This is an IT initiative developed by the EID Parry in 2001 based on its concept of "ParryFarmers". The initiative mainly concentrated in rural Tamil Nadu by focussing on 271 villages around EID Parry's Nellikuppam sugar factory near Cuddalore. It fashioned a franchise-based business model "Parry Corners" to meet the demand for information and connectivity. These kiosks are owned and operated by franchisees trained to operate the system. They provide advisory services, finance facilities and other occupational information to farmers. The company has been approached by financial services companies for partnering with the channel.

7.5.1. Goals

The strategic goals of the initiative are as under:

- *Distribution Infrastructure*: To create bidirectional distribution of products and services into and out of rural India. The infrastructure helps in establishing and managing the distribution channel in an inexpensive and cost-effective manner.
- *Trading Infrastructure*: To serve as a platform for trading agricultural commodities and rural industry manufactured goods as well as provide varied services. It aims at providing the farmers with information on the prevailing prices in local and distant markets for the agricultural products besides guiding and educating them through complex risk-transfer mechanisms.

7.5.2. Range of Services

Different services facilitated by India griline initiative are given here.

- *Procurement* Relaxation of restrictions on buying, selling, and holding of certain commodities including varieties of rice by the Indian government has opened up a whole new opportunity for EID Parry.
- *Marketing Products and Services* The same network that brings produce from the village can be used to transfer goods to the villages. EID intends to leverage this network to sell products to rural India.
- *Desktop and Publishing Services* Desktop and publishing services are a key source of revenue for the franchisee. As part of project e-inclusion, EID Parry, in partnership with Hewlett-Packard, has deployed all-in-one print/scan/fax/copy devices and digital cameras. These devices enable the franchisee to provide a range of services to the villagers.
- *Communication Services* A Parry's Corner kiosk doubles as the local Internet café. Franchisees usually charge customers an access fee for surfing the Web. Information accessed at these kiosks relates to current affairs, education, health, entertainment, and weather. In addition to a data line for Internet access, the kiosks get a telephone line as well.
- *Education Services* EID Parry has used its Parry's Corners to launch adult literacy and computer education programmes. In partnership with NIIT Ltd, a pioneer in the field of IT education, EID Parry organised computer education programs. In partnership with Tata Consultancy Services, it also conducts an adult literacy program to educate illiterate women.
- *Farm Extension Services* Providing farm extension services is central to EID Parry's business model. The extension services provided in the Cuddalore district focus on paddy, banana, groundnut, tapioca, and cashew. For the cane farmers in the region, EID Parry provides the following farm advisory services:
 - Expert visits and crop seminars
 - Soil sampling and analysis

The India griline initiative has a good network of partnerships with a wide range of organisations such as Tamil Nadu Agriculture University (TNAU) and its research stations, Tamil Nadu University for Veterinary and Animal Sciences (TANUVAS), National Horticulture Board, AMM Foundation, and Murugappa Chettiar Research Centre. The *agriportal* (www.indiagriline.com) was developed by using in-house expertise (EID Parry's Sugar and Farm Inputs Division and Corporate Research & Development Lab).

7.6. DSCL's Hariyali Kisan Bazaar

The DCM Shriram Consolidated Limited (DSCL), based on its experience in the sugar and seed business, set up the Hariyali Kisan Bazar, a rural business initiative in 2002 in the States of Rajasthan, Uttar Pradesh, Haryana, Punjab and Uttarakhand. The retail outlets of five in 2002 have increased to 24 in 300 by March 2005 and 2006. In the next five years this number may go up to 500 and spread all over the states of the country.

7.6.1. Goals

The main aim of the initiative is to empower farmers by fulfilling all their occupational requirements and to build farmer friendly relationship to enhance their productivity.

7.6.2. Range of services

The scope of the project includes the supplying of agricultural and daily needs of the farmer like the availability of inputs, agronomy services, finance and output linkages.

The company wants to develop and customize retail solution through its initiative to serve the rural customer better while creating a strong infrastructure for the operations spread over multiple locations. The Hariyali Kisan Bazars on the whole are engaged in bridging the last mile providing a complete range of good quality multi brand agri-inputs (fertilizers seeds, pesticides), farm implements and tools, veterinary products, animal feed, irrigation items and other key inputs like diesel and petrol at fair prices, financial services (access to modern retail banking and farm credit through simplified and transparent processes as also other financial services like insurance etc.), farm output services with opportunities to buyback farm produce, access to new markets and output-related services, other products and services like fuels, FMCG, consumer goods and durables, apparels etc.

The company expects the technology platform to be scalable, robust and capable of improving inventory management and controlling stock-outs and overstocking and reducing operational costs.

The malls occupy an area of about six acres for storing some 400 categories of products like stock feeds, seeds, fertilizers, veterinary medicines and farm implements all of which cater to the needs of farmers. They function under the management of agronomists who guide the farmers with technical know-how related to agriculture without charging any fees. The malls provide need based infrastructure to farmers, caters to agricultural land of about 50,000-70,000 acres and impact the life of about 15,000 farmers.

The company has linked its Hariyali retail outlets with a custom-built IT system to serve rural consumers. The project e- Starr (systems & technology in agriculture & rural retail) offers its solution to Hariyali to extend better service to the farmer. The company also partnered with software solution providers (SAP) polaris to create a unique IT platform.

All the Hariyali centers have an internet connection through Reliance Phones and the SAT connectivity. As a result, the business processes across all retail stores and in the head office have been simplified, standardized and nationalized. The farmers are provided online information about weather forecast and market prices at fair and transparent billing. There are now extensive farmer data basics with micro information about farmers' yields to receive customized service to them. Farmers are also provided technology services, including training to use the POS terminals installed at various outlets.

7.6.3. Alliances

For sales and distribution of its handsets, Motorola has associated with DSCLs Hariyali Kisan Bazaar Chain of rural /semi/ urban utility malls.

7.7. Godrej Aadhar & Manthan

Godrej Agrovet Ltd is a division of Godrej Soaps Ltd & a part of Rs 3400 crore Godrej Group. It was setup as a separate company exclusively meant for an Agri Centre. Right from its inception in 1971, the company has developed and nurtured close relationship with the farmers by providing with innovative produce and educating on world- class farming practices.

7.8. Range of Services

Adhar and Manthan are new concepts initiated by the Godrej Group. Adhar is a retail project which has its stores in Maharashtra and Andhra Pradesh which sell its own as well as other brands. Services like soil analysis and veterinary care are also offered to farmers. Manthan, on the other hand, focuses on the supply of quality animal feed to boost up the dairy and poultry produce both which are expected to raise the farmers' income.

Godrej Agrovet Ltd entered into a joint venture agreement for rural retailing with Future Ventures India Ltd, which is a Future Group company with 70 per cent stake in Aadhaar Retailing Ltd, while the Godrej Agrovet Ltd owns the rest. Godrej Aadhaar, the agri-services-cum-rural retail initiative with about 66 outlets, is a complete solution provider for the farmer. Besides offering agri-solutions to the farmers, based on their feedback, the venture of late diversified its business offering a number of other product categories like consumer durables, food and grocery, apparels, footwear and so on. Thus this retail initiative meets the total requirements of the rural households.

Aadhar retailing reaches out to 50000 farmers every month through about 300 employees of the company to directly access the produce of farmers from as many as 2,000 villages in the country. This scheme is presently in operation in the States of Punjab, Haryana, Maharashtra and Gujarat. Sourcing from farmers and helping them sell their produce to other retailers is viewed as an extension of the earlier cash-and-carry format of the Future Group.

Aadhar, would now serve as a procurement hub for the Future Group's retail formats such as Food Bazaar and KB's Fair Price and even become supplier to other retailers across the country. All the existing Godrej Aadhar outlets, in a bid to extend their current portfolio, started stocking the Future Group's private labels and financial products. The new brands making their appearance at the Aadhar outlets include *Koryo* (for consumer durables) and food brands such as *Tasty Treat and Fresh 'N Pure*.

7.8.1. Alliances

After forging its alliances with such players as GlaxoSmithKline, the Future Group is able to make it possible that the Gopikabrand of ghee is sold at its Aadhar outlets. Other brands of products which are catching up for sales at Aadhar outlets include financial products like the insurance-based *Future Generalli*, and the *Future Card* (the Future Group's loyalty cum credit card).

7.9. Mahindra's Shubh Labh

The Shubh labh is a rural subsidiary initiative of the \$2.6 billion Mahindra Group, which is the largest farm equipment company in the country. The Mahindra Shubhlabh Services have operations in 11 states, and leverages the strong Mahindra brand, the 700,000-strong Mahindra tractor customer base and the 400-plus dealer network, to provide a complete range of products.

The subsidiary also extends services to improve farm productivity and establishes market linkages to the commodity market chain. Its retailing arm, Mahindra Krishi Vihar, has been instrumental in increasing the groundnut yield in Rajasthan through a new seed sourced from Maharashtra. It has also introduced a new variety of grapes in Maharashtra. The head of Mahindra Shubhlabh Services, Vikram Puri says that almost 80 per cent of the farmers registered with the company have less than five acres' land and therefore the company wanted to make farming an attractive proposition through three basic guiding steps —

- growing what the market requires,
- improving the crop yield
- Decreasing the cost of crop production.

The activities of Mahindra Shubhlabh Services have attracted the attention of the International Finance Corporation, the financial arm of the World Bank, which recently picked up a 27 per cent stake in the company.

With 36 outlets, M&M's Shubh Labh network is spread over eight states. Only three centres are run by M&M and the rest are franchisees. The company retails agri-inputs, including M&M brands through Shubh Labh. It also undertakes contract farming in over a lakh acre. Both oilseeds and cereals have been cultivated in this land besides growing horticultural products, aromatic plants and

flowers. It also offers borrowing support to marginal and small farmers through its agri-input centres under the platform of the Mahindra Krishi Vihar. This programme renders assistance through banks to provide loans to farmers with minimum documentation, quick sanctions, and attractive interest rates. Thus rural lending becomes safer for banks without too much overhead.

7.10. Value Retail of Raheja Group

The Raheja group initiative adopted the internationally popular concept of value retail called Inorbit Malls, and introduced 'Village' mall in August 2008 as a value retail showroom at Pocharam village, located about 12 Km from Uppal, a suburb of Hyderabad city in Andhra Pradesh. The products sold here offer discounts in the range of 20-50 per cent. The company considers the 'village mall' as a family destination offering shopping experience, entertainment area and eateries. The mall developer invites local, national and international brand players to set up shops at Pocharam.

The 'Village' mall of this initiative at Pocharam occupies an area of four-lakh sq.ft. which the company wants to replicate in other Indian cities according to Mr Rajiv Bhatia, Chief Executive Officer. According to Mr. Bhatia, one can go to the 'Village' mall in the morning and do his shopping, while his kids play. It will also have cultural shows, with popular artistes representing various streams performing there throughout the year. He further asserts that people don't mind travelling a bit provided they are assured of proper ambience.

Another mall of the Raheja Group is coming up not far from its Mind space office space on the Warangal highway, which is also in Andhra Pradesh. This ensures them an immediate catchment area. In orbit, which currently operates one mall in Malad (Mumbai) is planning to build 10 malls, including two each in Baroda, Pune and Hyderabad; and one each in Bangalore and Chennai

8. P-P-P Models

Many companies have found the significance of partnering with people in rural areas, and private social organizations. Such initiatives are described here.

8.1. CFCL Uttam Bandhan

Uttam Bandhan initiative of Chambal Fertilisers and Chemicals (CFCL) was started in 2000 by the K.K. Birla Group's Flagship Company. It is a community welfare initiative originated by its present name in the state of Rajasthan where the company has its urea plant.

8.1.1. Aim

Chambal's Uttam Bandhan is a community welfare initiative that tries to enhance the farmer's income and quality of life. It further seeks to provide employment to educated rural youth.

8.1.2. Employment

Under the auspices of the initiative, the unemployed local youth are trained by the company as extension workers, who are otherwise called Uttam Krishi Sewaks. About 300 educated, unemployed youth from a rural background are at present acting as Uttam Krishi Sewaks. The extension workers earn from commission on the sale of specialised products.

8.1.3. Services

These extension workers are obliged to interact with farmers and render the required assistance in their agricultural practices.

- *Soil and Water Test* Soil and water samples are collected and tested for micro-nutrients and balanced inputs. Soil test reports are explained and the farmer is educated on the importance of proper soil health and micro-nutrients. Based on thousands of samples tested over the years, soil mapping is being done. The Agriculture Development Laboratories are located at Agra and Sriganaganagar and satellite soil testing facilities have been set up elsewhere. The company does not charge any testing fee from Uttam Bandhan member farmers.
- *Farm education* Crop and product demonstrations, field demonstrations and farmer meets are conducted regularly to educate farmers on latest farm practices. Farmers are given training on specialised services that vary from cultivation of medicinal and horticulture crops, vermi-culture and the use of bio-fertilisers.
- *Alternate Source of Income* Uttam Bandhan looks beyond land and water to increase a farmer's income. Breed improvement and Animal Health Care camps are regularly organized and farmers are educated on proper feed and mineral mixtures for good returns. Goat rearing, turkey farming, bee keeping, backyard, poultry etc. are other sources of income for farmers and Uttam Bandhan drives them to enhance income through proper training and making the facilities available at the doorstep.
- *Farmers' Website* – *uttamkrishi.com* Chambal set up *uttamkrishi.com* a website for farmers in the year 2001. *Uttamkrishi.com* was one of the first websites to be set up for the benefit of the farming community. It has a bottom-up approach to farming solutions as the website has been designed region wise to address the local issues. Broad information on crops and agronomy has been posted. Farmers can access it free and post queries that are answered by experts.
- *Farmers' Helpline* – *Hello Uttam* Telephonic help lines called "Hello Uttam" have been set-up. Farmers can raise issues over phone by calling one of the local numbers of "Hello Uttam" helpline. Though the number of centres is limited at the moment but experts are prompt in their response. Information about the help line is widely circulated and for areas where the help line is not operational, the farmers are urged to seek clarity from Department of Agriculture, Govt. of India's Farmers' Call Centre facility.

- *Mailers and AVs* Chambal is particular on proper dissemination of information. For that it has a quarterly mailer “Chambal ki Chitthi” that is hand delivered to every Uttam Bandhan farmer. It contains valuable farm related information on activities pertaining to that quarter. Handouts, leaflets, farm calendar, farmer diary etc. are distributed extensively. It arranges radio talks, AVs and programmes for farmers on Doordarshan

Uttam Bandhan is spread out in ten states with around 80,000 farmers as its members. Services provided are customized taking a farmers' preference and packaging them according to the agro-climatic zones. Through proper training, demonstrations, expert opinion, quality inputs and non-farm income, the Uttam Bandhan farmer has been a gainer in terms of not just increase in income but also quality of life.

Chambal has always believed in Public Private Partnership (PPP) in knowledge dissemination. In organizing crop demonstrations, field days, animal husbandry camps, health check-up etc., it resorts to the PPP mode. It takes help of experts in the Government Departments, Agriculture Universities, Agriculture Research Stations and Krishi Vigyan Kendra. On its part Chambal offers its own expertise and training facilities for soil testing to government agencies, shares government schemes with farmers and persuades the farmers to take advantage thereof. It has played a proactive role as a partner in Government's Agriculture Technology Management Agency (ATMA) initiative.

9. ITC- E-Choupal

The ITC Limited, which started as a traditional tobacco and cigarette produce, has grown into a premier and diversified business giant of India dealing with hotels, agribusiness, information technology and Fast-Moving Consumer Goods (FMCGs). It is one of India's foremost private sector companies with a market capitalization of about US\$ 4 billion and annual revenues of US\$ 2 billion. The company with its philosophy of corporate social responsibility as well as dedication to the cause of nation building created its International Business Division (IBD) in 1990 as an agri-trading company. To face the challenges of multinational corporations, the ITC's IBD decided to use information technology to create a competitive business resulting in US\$ 150 million business potential trading in varieties of commodities like feed ingredients, food-grains, coffee, black pepper, edible nuts, marine products, processed fruits and so on.

The social consciousness of the company led to the creation of e-choupals (meaning gathering places) in 2000 to serve as social gathering places for exchange of information as also as e-commerce hubs. Initially the e-choupals were engaged to re-engineer the procurement process for Soya, tobacco, wheat, shrimp and other cropping systems in rural India. In course of time, it became an e-commerce platform at a low cost fulfilment system focused on the needs of rural India by creating a highly profitable distribution and product design channel for the company. The system has become a catalyst in transforming rural life by helping to alleviate rural isolation, creating more transparency for farmers and improving their productivity and incomes.

9.1. The Business Model

Unlike pure trading models which do not require much capital investment the e-choupal model required the ITC to make high investments to create and maintain its own IT network in rural India as also to identify and train a local farmer to manage each e-choupal. The computer is located in the house of the farmer with internet facility through phone lines by a VSAT connection. It serves on an average 600 farmers within about a radius of 5 kms. The cost of each e-choupal is between US\$ 3000 & US\$ 6000 for the set up and about US\$ 100 per year for its maintenance. It is cost-free to the farmers whereas for the host farmer called sanchalak, some operating costs are incurred. The sanchalak is obliged to serve the entire community by oath. He is paid commission for all e-choupal transactions besides enhancing this prestige.

9.2. Benefits to Partners

The benefits to the farmers are many.

Information Through the use of the computer include the information on various aspects like: daily closing prices of commodities at local *mandis*, local price trends, and new farming techniques either directly or through the *sanchalak*.

Purchasing Farmers place orders for seeds and fertilizers besides consumer's goods from ITC or its partners at prices lower than those available from the village traders etc. All the products required by the village are ordered in bulk by the *sanchalak*.

Selling Further the ITC directly purchases the crop from any farmer at the closing price of the previous day, enables him to transport his crop to an ITC processing centre for electronic weighing and for assessing its quality. The payment is made to the farmer directly both for the crop and for its transport. If the quality of the crop is above normal, the farmer is benefited by what are called “bonus points”, which are exchanged for ITC products. This is how the e-choupal system bypasses the government mandated trading *mandis*. The beneficial aspects to the farmer such as more accurate weighing, faster processing time, prompt payment to his crop, accessibility to a wide range of information like accurate market price knowledge and market trends enable him to decide when, where, and at what price to sell his products. Generally, the farmers selling directly to the ITC through an e-choupal receive a higher price for their crops than that through the mandi system, the benefit being about 2.5% higher (about US\$ 6 per ton). The total benefits accrued to the farmers consist of lower prices for inputs and other goods, higher yields, and a sense of empowerment.

The other benefits to the farmer include the e-choupal system acting as a channel for soil testing services and for educational efforts to help farmers to improve crop quality. By partnering with banks, the ITC offers farmers access to credit insurance and other services.

9.3. Benefits to ITC

The system not only benefits the ITC in net procurement costs and in its direct control over the quality of what it buys but also provides direct access to the farmers and to inform about the conditions on the ground, improving, planning and building relationships, and helping in the security of supply.

The other benefits to the ITC are the use of e-choupal network and distribution channel for its products, including those of its partners and a source of innovation for new products. There is now demand from farmers to expand ITC services into additional crops such as onions and potatoes indicating the farmers becoming a source of product innovation for ITC.

When the farmers bring their grain for sale to the ITC processing center, they can buy seeds, fertilizer and some consumer goods. When some products are aggregated for the whole village and ordered once by the sanchalak, the logistic costs of the ITC are lowered. The e-choupal model enhanced the image of ITC. It demonstrated that corporates like ITC can play a major role in increasing efficiency of an agricultural system which in turn benefits farmers and rural community as well as shareholders. Further a corporation can provide and maintain key role in information technology which is used by local farmers for gaining transparency, increase access to information and rural transformation.

9.4. Benefits to Society

The e-choupal system provides to farmers more control over their choices, higher profit margin on their crops and access to information to improve their productivity. The key notes in the system are more transparent process, empowerment of local people besides increasing trust and fairness. The increased efficiencies and potential for improving crop quality together make Indian agriculture more competent.

However, as the result of introduction of e-choupal, many players in a multi system have suffered loss of revenue. They are commission agents, mandi labourers, bazaars near the mandi, some mandi operators and competing processes. The commission agents have lower incomes after the introduction of e-choupals in spite of ITC's best efforts to compensate them for lost income. The mandi labourers engaged in the weighing and bagging produce have been severely impacted by the drop in volume. The revenue of the local bazaars which offer products to the farmers have been replaced by shops near the ITC hubs. Some regional mandis lost taxes for their operations due to diversion of tax payment nearer to the procurement centre

The e-choupal project is functioning in 35,000 villages in Madhya Pradesh, Uttar Pradesh, Maharashtra, Karnataka, Andhra Pradesh, Rajasthan, Haryana and Uttarakhand States of the country. In these choupals 6000 *sanchalaks* are working and over 17000 *upa-sanchalaks*. The brand 'Choupal Sagar' of the e-Choupal plans to establish shopping complexes house containing a procurement centre, retail store, food court, farmer facility centre and health care clinic. A pilot project in health care services has been launched to provide reliable and quality healthcare services to the remotest villages through leading corporate healthcare service providers. Delivery of quality education services to the rural areas is another project of interest piloted by the system to provide physical and digital infrastructure for commodities sourcing and consumer retail services.

The company is likely to establish 200 rural malls by 2010 in various formats with merchandise assortments designed for local preferences. These malls will act as a hub for grocery items, both branded and locally produced, entertainment options, education, health care and farm advisories. It also serves to generate rural employment.

10. Conclusion

Marketers are on an innovation spree in overcoming the hurdles of distribution. While state governments are expanding fair price shops to create malls, private entrepreneurs are venturing to start modernised retail outlets.

Nadeem Jafri's Hearty Mart chain of supermarkets that target business at the 'bottom of the pyramid' in rural areas in Gujarat is an example of this. Hearty Mart saral is modelled after the neighbourhood *kirana* stores found in cities.

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