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INNOVATION IN RURAL MARKETS: A CASE STUDY OF PROJECT SHAKTI BY HUL**CHIRAG V. ERDA****ASST. PROFESSOR****GYANYAGNA COLLEGE OF SCIENCE & MANAGEMENT (ATMIYA INSTITUTE)****RAJKOT****ABSTRACT**

Most marketers realize that India is passing from incredible change. The economy is vibrant, incomes are rising; and the habits, preferences, and attitudes are changing rapidly. But nowhere is this more evident than in rural India. There is, thus emerging need to build expertise in rural marketing. There are main three challenges of rural marketing first one is challenge of reach, second is challenge of awareness and the third one is challenge of influence. Number of organizations now uses innovative strategies to overcome these challenges. Project Shakti by Hindustan Unilever Limited (HUL) was initiated to reach the massive un-served and under-served markets that cannot be economically and effectively serviced through traditional methods. HUL identifies underprivileged women in villages and these women are trained to become Shakti Entrepreneurs (SEs) i.e. distributors of HUL products in villages to earn a sustainable income through this business. The present case explores how innovative developmental marketing initiatives undertaken by the organization are not only benefits to themselves but also changes the lives of people in a very positive manner with reference to social, economical and psychological impact. The concept of fortune at the bottom of pyramid is also very much pragmatic from this case.

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KEYWORDS

Bottom of Pyramid, Developmental Marketing, Innovative distribution Model, Micro entrepreneur, Rural Marketing.

INTRODUCTION

Rural market potential in India is so huge that a mere one percent increase in India's rural income translates to Rs. 1,00,000 million of buying power (Dobhal, 2002). Trends indicate that rural markets are growing twice as fast as those in urban India (Vaishali, 2007). Infact, rural is already a bigger market than urban in case of FMCG (53 percent) and durables (59 %) (NCAER, 2003). Rural consuming class is growing at an annual rate of 3 to 4 percent, which translates into 1.2 million new consumers every year (Financial Express, 2002). The number of middle income and high-income households in rural India is expected to reach 111 million by 2007 from the current 80 million (NCAER, 2003). Money available to spend on FMCG products by urban India is Rs. 495,000 million as against is Rs. 635,000 million in rural India (Kannan, 2001).

INNOVATIVE DISTRIBUTION MODELS

Reaching rural market 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 (Velyudhan, 2007).

With the entry of new players in rural markets, marketers are innovating new cost-effective approaches to reach these markets. Looking at the bottlenecks of rural distribution, the solution is likely to centre on maximizing the existing infrastructure and ensuring the participation and economic sustainability of all the stakeholders. The SHG distribution model (Project Shakti), satellite distribution, syndicated distribution, the NYKS model (Project Disha), use of IT kiosks (e-Choupal), PDS, cooperatives, petrol pumps, agricultural input dealers and other unconventional channels of distribution are recent initiatives in this direction.

PROJECT SHAKTI – BACKGROUND

By the late 1990's, though the company had a vast reach and was the market leader, it was looking for the next big opportunity. The aim was to get to really small villages not reached by their distribution network.

India is the second largest country in terms of population size after China and over 70% of its more than one billion people live in rural areas. While the business rationale was clear, setting up a distribution channel to reach remote parts of India was less straightforward. We were tapping into some of the rural populations through tools such as van road shows, but a large share remained outside its reach.

Hence we came up with an interesting solution: build a distribution system through a network of women micro-entrepreneurs to get the product directly to consumers. The solution also aimed to assist rural entrepreneurs to start businesses and improve living conditions in their regions. The business objective was to extend our direct reach into untapped markets and to build brands through local influencers. The social objective was to provide sustainable livelihood opportunities for underprivileged rural women. The model proved to be an excellent way of tapping the fortune at the 'bottom of the pyramid'. (www.hul.co.in/sustainable-living/)

THE WIN – WIN DEVELOPMENTAL MARKETING MODEL

Hindustan Lever's Project Shakti was targeted at strengthening the company's FMCG rural distribution drive, as HUL saw several opportunities in this field. Initiated under the umbrella of New Ventures division of the company, the project sought to stimulate demand and consumption through the direct-to-consumer approach. Since its inception and pilot in 50 villages of Andhra Pradesh in 2001, Project Shakti has spread over 260 districts across 12 states.

A strategic combination of micro credit and training in enterprise management leads to the transformation of women members of Self Help Group (SHGs) into direct-to-home distributors of HUL products. Women members of thrift-credit groups (SHGs) organized by the government can avail micro credit from rural bank to promote income-generating activities aimed at poverty eradication and women's empowerment. They were identified as a potential channel of distribution, due to their widespread presence (there are 4.36 lakh such groups in Andhra Pradesh alone) across rural areas.

Interested women from SHGs were appointed as Shakti entrepreneurs; they borrow money from their group corpus and provide services to 6-10 villages, covering a population of 6,000-10,000. They receive stocks from HUL rural distributors and make sales to both retailers and direct consumers in villages. HUL and MART, the implementing agency of the project, countered the initial problems of high dropout rates by carefully choosing stable SHGs that had existed for more than three years, ensuring a minimum of three visits by Shakti animators, hosting Shakti days for enhanced awareness about the program, as well as developing scalable, simple and easily understandable modules on enterprise training and health/hygiene. Capacity building of the women is an important component of Project Shakti; they are provided support till they enhance their entrepreneurial abilities.

Project Shakti is often described as a win-win initiative with multiple players, as it has proven to be useful for all stakeholders. It has meant increased penetration into the rural market for HUL and the ability to reach out to small villages that are often left out of the distribution circuit. HUL earlier had only

70,000 villages in its ambit, but after the launch of Project Shakti this number has more than doubled. Small villages below 2,000 population size are most common in rural areas, according to the Census of India 2001, but ironically these get left out in conventional distribution channels due to their poor approachability or scattered nature. Project Shakti, however, was able to counter this problem and succeeded in penetrating into small villages as well. The creation of this one-to-one sales channel that reaches the final consumer is unique; it has created credible and effective brand endorsers at the grass-root level, an achievement that is beyond the scope of most media. In the first phase of the experimentation itself, the company saw incremental sales of 8-10 per cent in rural Andhra Pradesh. This innovative distribution channel has been able to reach rural markets at the bottom of the pyramid, while achieving double digit savings in costs as compared to using independent rural sales agencies.

ECONOMIC AND SOCIAL BENEFITS

For the rural consumer, this has meant the procurement of authentic and quality products at appropriate pricing. The biggest beneficiaries are the Shakti entrepreneurs, who in some cases have been able to augment their income up to Rs. 1,000. Rural women who were underprivileged until very recently today beam with confidence, thanks to their newly acquired entrepreneurial skills, financial empowerment and enhanced self-esteem.

SHAKTI ENTREPRENEUR

Sales \$250/month & \$3,000/year

Earnings about 7%, after 3% goes towards principal (250) and interest

Improves her per-capita income by about 50% to 100%

So, Social Benefit equals \$20 to \$30 million

HUL

Sales Turnover of about \$250 million

If all goes well, Net Margins of about \$25 million

PERFORMANCE & TARGET

Under the project Shakti 45,000 entrepreneurs – Shakti Ammas were selling products to over 3 million households in 1,00,000 Indian villages in 2011. The target is to increase the number of Shakti entrepreneurs from 45,000 in 2010 to 75,000 in 2015. (www.hul.co.in/sustainable-living/)

FUTURE INITIATIVES

With Project Shakti running successfully in many parts of India, two new initiatives have been included under its umbrella. i-Shakti is ushering rural communities into the age of information, offering them access to information on a variety of subject through kiosks and interactive websites and making available answers to queries provided by experts; this initiative heralds the age of techno-friendly rural masses in India. The success of the pilot in Andhra Pradesh has encouraged plans to set up 3,500 i-Shakti kiosks in three states by the end of 2005. Shakti Pracharini, the other initiative, appoints a rural communicator for disseminating information on health and hygiene through village meetings in cluster of villages using IEC material. This is projected to reach out to 40 lakh people by 2005.

Project Shakti has been able to and will continue to, create access and awareness, influence attitudes and bring about affluence through these three programs. These initiatives bolster and support attempts to change the face of rural India through ventures that are not only socially beneficial, but also make business sense.

CONCLUSION

UNILEVER TO TAKE PROJECT SHAKTI GLOBAL

Unilever has begun replicating Hindustan Unilever's (HUL) rural micro-enterprise [in India], led by women-entrepreneurs, Project Shakti in several international markets.

The project has emerged as a successful low-cost business model and enhanced HUL's direct rural reach in the so-called media-dark regions. Armed with micro-credit, rural women become direct-to-home distributors of Unilever brands in rural markets. Overall, around 50% of Hindustan Lever's revenues came from the rural markets in India.

The effort is expected to help Unilever tap fresh growth avenues in emerging markets [which now contribute around 44% to global revenues] up in the face of recessionary trends in the US and Europe [and] the saturation of urban markets.

The project is being customized and adapted in other Unilever markets such as Sri Lanka, Viet Nam and Bangladesh. It is being considered for other Latin American and African markets. In Bangladesh and Sri Lanka, it is being promoted as Joyeeta and Saubaghya, respectively. There is a similar initiative in Viet Nam as well. (The Economic Times, 16th Jan. 2009)

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