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INNOVATIONS IN RURAL MARKETING IN INDIA: A CRITICAL REVIEW OF SELECT CASES

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ABSTRACT

The urban markets are crowded and saturated and the share of agriculture in GDP (Gross Domestic Product) is going down but India still lives in her villages. A considerable proportion of the global population resides in the rural pockets of the world. Though this segment constitutes a significant part of the population, it took longer for corporates to make inroads to create market. Hence it is proposed to study the potentiality and early innovations made in Indian Rural Market. As the primitive urban market required some breakthrough innovation to accelerate the process of evolution, this market also calls for relevant and path breaking innovations in different sectors. This paper critically reviews the pragmatic pre-emptive innovations made in rural markets for better penetration using secondary data and case studies collected from various sources.

KEYWORDS

rural marketing, innovation, e-rural marketing, e-governance, organised retailing.

I. INTRODUCTION

"The organizations have only two functions, one is marketing and other is innovation".

Peter Drucke

Modern day marketing has completely metamorphosed the nature and dynamics of business. Marketers today need to be adaptive to survive. Marketing of products has taken precedence over the process of production itself. This can be attributed to the fact that the new-age consumer equipped with the potent tool of information, seeks more knowledge about the product, its features and uses. Customer today indeed is the 'King'. He can make or break the business organization. And when this information is presented in a creative and effective manner, it creates an everlasting impression on the consumer's mind and may even alter his perception of what he needs. The urban consumer has always been pampered with the most dazzling array of goods and services from every industry. But the urban market is fast shrinking due to saturation caused by the competition, and the growth rate over the past few years has consistently shown a declining trend. In the hunt for fresh pastures, the vast and hitherto vastly unexplored terrains of rural India consistently sought by marketers (Patel, 2013).

1.1 WHY RURAL INDIA?

According to the third annual edition of Accenture Research, "Masters of Rural Markets: From Touchpoints to Trust points - Winning over India's Aspiring Rural Consumers," The hinterlands in India consist of about 6,50,000 villages. These villages are inhabited by about 850 million consumers making up for about 70 per cent of population and contributing around half of the country's Gross Domestic Product (GDP). Consumption patterns in these rural areas are gradually changing in an increasing order resembling the consumption patterns of urban areas. Some of India's largest consumer companies serve one-third of their consumers from rural India. Owing to a favourable changing consumption trend as well as the potential size of the market, rural India provides a large and attractive investment opportunity for private companies.

1.2 RURAL MARKET SIZE AND GROWTH

India's per capita GDP has grown at a Compound Annual Growth Rate (CAGR) of 12.3 percent during 2009-10 to 2015-16, due to significant growth achieved in the rural sector. Nielsen estimates that the fast moving consumer goods market in rural India will hit USD 100 billion by 2025 from USD 12 billion currently¹. Moreover, the government's efforts to improve the efficiency of welfare programs with cash transfers will further boost rural consumption; it plans to deposit USD 570 billion in the accounts of 100 million poor families by 2014².

The rural economy has rapidly transformed in the last decade and is now being led by manufacturing. Indeed, agriculture accounts for only about one-fourth of rural GDP compared to half a decade ago. About 55 percent of manufacturing GDP is rural; nearly 75 percent of new factories built in the last decade were in rural areas, and rural factories account for 70 percent of all new manufacturing jobs³. Industrial development in rural India has increased household purchasing power and income stability. Rural India accounts for about 50 percent of India's GDP and nearly 70 percent of India's population. This enormous opportunity has been clear for a decade or more. However, only in recent years have these markets lived up to their promise. Per capita rural GDP has also experienced strong improvement over the past few years. Since 2000, it has grown faster than per capita urban GDP, 6.2 percent compound annual growth rate (CAGR) versus 4.7 percent⁴. Between 2009 and 2012, rural consumption per person grew at 19 percent per annum, two percentage points higher than its urban counterpart. In incremental terms, spending in rural India during these two years was USD 69 billion, significantly higher than the USD 55 billion spent by urban populations⁵. As incomes rise, rural consumption shifts from necessities to discretionary goods and lifestyle products, including mobile phones, television sets and two-wheelers. Nearly 42 percent of rural households owned a television in 2009-2010, up from 26 percent five years earlier. Similarly, 14 percent of rural households had a two-wheeler in 2009-2010, twice the penetration during 2004-2005⁶. About one in every two rural households has a mobile phone today, evening India's poorest states such as Bihar and Orissa. Rural consumers have been trading up, and their consumption basket is beginning to mirror that of the urban consumer. Premium products are replacing entry-level versions, and commodities are giving way to branded products. While companies have realized that rural markets offer significant growth

¹ "Rural Spending in India Outpaces Urban Consumption", *Knowledge @Wharton*, September, 2012.

² "India to Roll Out World's Biggest Direct Cash Transfer Scheme for The Poor", *International Business Times*, November 2012

³ "Rural India no longer an agrarian economy: Study", *The Economic Times*, April, 2012.

⁴ "Rural Spending in India Outpaces Urban Consumption", *Knowledge @Wharton*, September, 2012.

⁵ "Sustaining the rural consumption boom", *CRISIL Research Insight*, August, 2012.

⁶ National Sample Survey Office (NSSO).

opportunity, a large proportion have remained unsure of the profitability. Bigger corporates with long term goals realized it early and diffused innovations to rural markets for the benefits of rural folk vis-à-vis profitability.

1.3 RURAL MARKETING

Rural marketing is planning and implementation of marketing function for the rural areas. It is a two-way marketing process which encompasses the discharge of business activities that direct the flow of goods from urban to rural areas (for manufactured goods) and vice-versa (for agriculture produce), and also within the rural areas (Gopalaswamy, 2005, p. 6).

According to National Commission on Agriculture, rural marketing is a process which starts with a decision to produce a saleable farm commodity and involves all aspects of market structure or system, functional and institutional, based on technical and economic considerations, and includes pre and post-harvest operations, assembling, grading, storage, transportation and distribution.

Kashyap and Raut (2010) defined rural marketing as, “two-way process that includes the flow of goods and services from rural to urban areas and the flow of goods and services from urban to rural areas, as well as the flow of goods and services within rural areas” (p. 12).

Krishnamacharyulu and Ramkrishnan (2011) defined corporate rural marketing as, “a function that manages all activities involved in assessing, stimulating and converting the purchasing power of rural consumer into an effective demand for specific products and services and moving these products and services to the people in rural areas to create satisfaction and a better standard of living and thereby achieving organizational goals” (p. 26).

Rural marketing amounts to dealing with various inputs, projects and services meant for the rural market. In this sense, it is different from agricultural marketing which means marketing of rural products or output to the urban consumer or institutional market. When we integrate these perspectives to have a holistic view, then on the basis of the scope of activities performed, rural marketing can be illustrated in a tabular form as shown in the Table 1.

TABLE 1: RURAL MARKETING SCOPE: FLOW OF GOODS AND SERVICES

From/To	Rural	Urban
Urban	1. Consumables 2. Consumer durables 3. Agricultural inputs	1. Not Concerned
Rural	1. Rural Marketing, services and products	1. Agriculture and allied production 2. Rural artisans and rural industry products

Source: Table from “Understanding Rural Buyer Behaviour” by M. Jha, 2003, *IIMB Management Review*, 15 (3), p. 89.

Therefore, rural marketing is a distinct specialized field of the marketing discipline which encompasses a customized application of the marketing tools and strategies to understand the psyche of the rural consumer in terms of needs, tailoring the products to meet such needs and effectively delivering them to enable a profitable exchange of goods and services to and from the rural market (Dogra & Ghuman, 2011, p. 3).

1.4 RURAL INNOVATIONS

Innovation is the main reason behind the growth of any country. There is the widespread agreement that economic growth of any country depends largely on how that country innovates, and reinvents itself in the competitive environment. Marketers make consistent attempts to innovate tools and strategies to overcome the challenges that they face in business arena. As the rural market is different from urban, the marketers realized that there is a strong need to approach the rural market with different innovations. The business innovations are broadly classified as product/service innovations and process innovations.

1.4.1. ROLE OF INNOVATIONS IN RURAL MARKETS

The main challenges or the areas of innovations in rural areas are as follows.

a. Physical Distribution: To serve more than 0.6 million villages, spread over 3.3 million sq. km.

b. Channel Management: To manage multiple intermediaries in the entire supply/value chain serving rural markets.

c. Promotion and Communication: To communicate with existing or prospective consumers living in media dark areas.

d. Poor Infrastructure: Only 50 percent of villages in India are connected with *pucca* roads and less than 50 percent of homes have electricity.

e. Uneconomical Market size: As villages have very small populations, it is not profitable for marketer to approach each and every village.

f. Consumer Profile: Rural consumers are very diverse in terms of socio-economic profile (Kashyap & Raut, 2010).

The principles and practices of innovation to be adopted in rural market have to take into consideration of needs, lifestyles and consumer behavior of the rural population. It is extremely important that the product, pricing, promotion and distribution strategy are not just innovative alone but they must make product value proposition attractive and relevant for rural consumers (Desai, 2013).

The positive results achieved by ITC's *e-Choupal*, HUL's Project *Shakti*, Colgate's Project *Jagruti*, Escort's *Rajdoot* motorcycle, etc., are due to the fact that they had structured their rural marketing in terms of planning, effort, operations distinctively from their urban marketing. This proves the justification for treating and approaching rural marketing distinctively from urban marketing.

II. REVIEW OF LITERATURE

The market Dynamics are changing and because of the companies wooing the same set of customers, the market has become an arena of cut through competitions. Therefore, the real market promise in the future is expected to come not from the developed markets like urban areas, but from the under privileged segments, through largely untapped till now have the potential of expediting a substantial growth rate if catered to properly. “Managers who focus on gross margins will miss the opportunity at the bottom of the pyramid; managers who innovate and focus on economic profits will be rewarded” (Prahalad and Hart, 2002). However, catering to these lesser tapped markets including the rural markets calls for a radical restructuring of the business process and developing marketing approaches to suit the demographics and psychographics of the newly developed markets. Thus, effective penetration in the emerging markets calls for a rethinking of a marketing programs directed at these markets (Dabvar & Chattopadhyay, 2002). As in the bottom of the pyramid market effective penetration into the rural market requires a judicious use of innovation. Innovation must be used in such a way so as to avoid undesirable inclusions or undesirable exclusions. In order to effectively survive in the rural markets and to bring a sustainable growth, it is important that the neglected rural lot are not merely treated as consumers’ but as strengthened producers (Jaiswal, 2008).

III. OBJECTIVES OF STUDY

1. To Study the status and potential of Rural Market in India.
2. To Compare Rural and Urban marketing on various dimensions.
3. To analyze select innovative marketing cases in Rural India.

IV. RESEARCH METHODOLOGY

This is an exploratory research. The secondary data and case studies were collected from different authentic sources like textbooks, research articles, newspapers, internet etc. The cases on rural marketing innovations were rigorously reviewed to draw conclusions on their feasibility, viability and profitability which can pave the way to other marketers.

V. INNOVATIONS IN RURAL MARKETS

5.1. E-RURAL MARKETING/ICT INITIATIVES

E-marketing can be defined as, achieving marketing objectives through use of electronic communication technology. In very simple terms e-Rural Marketing refers to customized application of e-marketing for the rural markets. As the technology usage environment and the corresponding benefits that are sought in the rural

markets are very different from urban markets, the overall implementation of e-marketing in the rural areas becomes quite different from that of the urban markets. Therefore, e-rural marketing represents application of Internet based technologies as a tool, to facilitate efficient and effective exchange with and from the rural market.

Some of the organisations have successfully harnessed the potential lying dormant in the rural areas through the application of advanced technology, in a manner that is relevant and user friendly for the rural consumers. Many organisations have integrated Internet as a part of their strategy to cater to the rural market and others are creating a business model through its application. Some of the successfully implemented Internet initiatives in the rural market are discussed as following.

E-RURAL MARKETING: SELECT CASE STUDIES

5.1.1. ITC'se-Choupal

ITC launched three web-based initiatives (e-Choupals) as part of its strategy to vertically integrate its sourcing operations in the year 2000. Company launched **aquachoupal.com** in Andhra Pradesh for shrimp farmers, **soyachoupal.com** for Soya farmers in Madhya Pradesh and **plantersnet.com** for the coffee farmers in Karnataka. These portals also act as facilitators for inputs to farmers in aqua, soya and coffee domains. ITC Infotech structured the entire virtual interaction model for providing inputs like fertilisers, pesticides etc. that the farmers in different states can use. It had deployed a total of 970 kiosks serving 6,00,000 farmers who supplied it with soya, coffee, shrimp, and wheat from 5,250 villages spread across six states: Madhya Pradesh, Karnataka, Andhra Pradesh, Uttar Pradesh, Maharashtra and Rajasthan by the first half of 2005. Its plan was to set up 3000 kiosks to cover 10,00,000 farmers by adding 30 new villages a day. It was also using this network for distributing products for other organisations. Adding additional services such as selling seeds, fertilisers, and crop enhances the profitability of the system even further. ITC installed computers with solar charged batteries for uninterrupted power and the V-Sat connection suitable for the rural environment. Thus, three-choupal network became independent of erratic power supply which is a regular feature in rural India. Local farmer (*sanchalak*) operates the computer on behalf of ITC but for farmers. The services offered to the farmers of the villages are information on weather forecast and prices of crops in local language, knowledge about farming methods, soil testing, expert advice, purchase of seeds, fertilisers, pesticides, cycles, tractors, insurance policies, products and services of over 37 companies and sale of crops to the ITC centre, after checking the prices on the net.

5.1.2. TARAhaat

TARAhaat Information and Marketing Services Ltd., promoted by Development Alternatives Group, (an alliance between Hughes Escorts Communication, Hewlett Packard, Oracle, KLG Systel, jaldi.com, Global Development Gateway (sponsored by World Bank and Gates Foundation), Excelsior Ventures Management, LLC and James Martin one of the world's leading NGOs), is an organisation that focuses on rural India for taking the benefits of technology to the rural population.

www.TARAhaat.com, an Internet portal was launched by this organisation on June 1, 2000, in Bundelkhand near Jhansi in Madhya Pradesh, which aims to connect rural India to the external world. Since then, it has expanded into Uttar Pradesh, Punjab and Haryana and had 38 centres by the end of 2005. The portal is supported by franchise network of cyber cafes or TARAKendras providing wide gamut of services like entertainment, information and commercial needs. Each TARAKendra serves villages within 5 km radius, which comes to about 4 villages. Then next are the TARAKiosks called TARAdhabas, which operate in the same manner as local PCO booths providing education and entertainment services. TARAhaat has a rural ambience to increase the acceptability of the rural users. It is extremely user friendly portal and has sound and media animation for simplifying the navigation process for those who cannot read, as the system can process simple voice instructions. Even children, housewife or an illiterate Person can use it. Computer displays content in local language and has self-explanatory animated icons. Its email service TARAdak supports 11 languages thus, making it relevant and easy to use for the rural consumers who are only familiar with vernacular language. It has integrated delivery systems called TARAvans (TARArath), or vans which are franchised to local people to deliver the goods ordered by the villagers at his doorstep. TARAcards have been provided to regular users enabling them to make transaction without paying money in advance. TARAcad enables villagers to buy the products and services listed at portal, although cash transactions are also possible. Rural producers are also able to connect to global market and sell their products to distant clients through the sister portal called TARAbazar. TARAguru, a decentralized university provides guidance and consultancy to the micro enterprises established by rural entrepreneurs. TARAgyan offers range of computer enabled education services ranging from basic IT training to English proficiency to vocational skills in areas like textile cutting, plumbing, TV repair, etc. The person operating these kiosks and cyber cafes can provide these services using the same infrastructure. This not only enhances the knowledge of the people in rural areas but also create avenue to earn money and reduce problem of unemployment in rural areas by creating opportunities of self-employment. TARAscouts, collects latest information to update the site and TARAvendors are suppliers, dealers or agents for supplying TARA approved products. It also contains information on topics like health, nutrition, first aid, healthy motherhood, diseases, livelihood, law, government schemes, water, agriculture, entertainment, etc. It also guides on selection of projects and developing project reports, finance, registration, clearances and licensing for setting up small-scale industry.

5.1.3 EID Parry's Indiaagriline

EID Parry and Nagarjuna Fertilisers have launched a portal, **www.indiaagriline.com** an experiment with Information Technology for the rural markets in Tamil Nadu in 2001. In 2004 the Parry's Indiaagriline had 30 franchised access centres or kiosks known as Parry corners already operational. These Parry corners were franchised to local villagers who owned and operated them in their own homes. These kiosks are equipped with PC, printer, telephone, furniture and a power source with a backup. The farmers could log on at www.indiaagriline.com, through the kiosks located in the village itself and be informed with regard to farming activities in the area. This platform provides information on five crops namely banana, sugarcane, cashew, tapioca and groundnut and focuses on 271 villages around its Nellikuppam factory near Cuddalore. This information helps the farmer to increase their yield on one hand and provides good quality output to the organisation on the other. The increases in productivity of farmers, enables the organisation to sale its agri-inputs in the market better than it would have been possible otherwise. It not only builds a strong brand in the rural areas but also creates additional buying capacity for the company's produce. It has tried to integrate the entire model into the daily life of the people living in the target villages by providing information that is useful, needed and relevant for the rural population.

5.1.4. HUL's Project i-Shakti

The Project *i-Shakti* kiosks set up by HUL in partnership with women self-group of Andhra Pradesh have got overwhelming response from local people. At the launch of these kiosks, important members of the village community like *sarpanch*. School teachers, doctors are invited to reinforce social relationships within villages. The kiosks remain open from 9 a.m. to 7 p.m. six days a week. To gain access to the services offered, the users have to first register themselves and obtain a unique registration number. An ID card with the registration number is given. The kiosks offer information chiefly in the form of the audio visuals in the areas like, (a) Health and Hygiene, (b) E-Governance, (c) Education, (d) Agriculture, (e) Employment, (f) Legal Services, and (g) Veterinary Services. The information provided in above areas is put together from the best available resources, focussing on locally relevant information based on inputs from home-grown experts. These experts are also available on request to help provide solutions to problems through a query-mailing system. People can also send queries on health and hygiene to local doctor for a speedy response.

5.1.5. Kandhamal Apex Spices Association for Marketing (KASAM)

KASAM is a registered Apex Society formed by 61 Spices Development Societies (SDS) of the Kandhamal district, most of which are self-help groups for women. Situated in small town of Bandhgarh, in Orissa, this co-operative was set up to trade fairly with, and to help the KuttiaKondh tribe in 1998. This co-operative is vital to the welfare of more than 12,000 subsistence tribal farmers in a region where average family plot is only around one third of a hectare. The Kandhamal region of Orissa, in eastern India, is the poorest region of the second poorest state of India (after Bihar).

Orissa's Kandhamal district produces organic turmeric, which is grown without using any chemical fertilizers or pesticides. 70 per cent of the population is below the poverty line and literacy percentage is only 32 per cent. Under such demographic environment, the Kandhamal turmeric is organic by default. The tribal practice traditional, primitive methods of cultivation. Thus, it is good for health and skin care and does not pose any health hazards at all. It has a characteristic aroma and can be stored for more than 2 years. This organic turmeric has a huge demand in Europe, America and Australia, but neither the state administration nor the farmers in Kandhamal had the resources to tell the world where to come for it. The farmers used to sell their produce to local merchants at nominal prices of Rs. 8-10 per kg as there were no linkages with the market and the farmers on their own could not access the highly profitable markets because of lack of resources, information and the huge distances.

KASAM has started marketing of organic spices in a big way. It has developed infrastructure for production and supply of value added spices. It took up organic spices export from the year 2000. KASAM is now preparing to sell some of its production in the domestic market directly to branded spices companies and institutional buyers. It has entered into a marketing tie-up with Orissa State Co-operative Milk Producers' Federation (OMFED), whose website www.omfed.com prominently features Kandhamal turmeric powder. OMFED has established its processing unit at Phulbani, the district headquarters of Kandhamal to do the value addition to the natural produce. The sun dried turmeric is processed and graded within a co-operative owned factory, and from there it is exported worldwide. The organic turmeric has also been certified by SKAL, Netherlands the international certification awardee with EKO, the Dutch equivalent of the British Soil Association. With this certificate, KASAM can export organic spices to countries such as the USA, UK, Netherlands, Egypt, South Africa, Bangladesh and Sri Lanka, through exporters under the active guidance of the Spices Board of India (Dogra & Ghuman, 2011).

5.2. ORGANISED RURAL RETAILING

An overwhelming proportion of the Rs. 400,000 crore Indian retail market is unorganized. In fact, only a mere Rs. 20,000 crore segment of the market is organized. The presence of the organized retail format is limited to metro cities only. In terms of physical size, 96 per cent of the 5 million-plus outlets are smaller than 500 square feet in area. India's per capita retailing space of about 2 square feet (16 square feet in the United States) is the lowest in the world. The organized retail industry was expected to grow to Rs. 1,60,000 crores by 2005. There is no role model for Indian retailers to follow or adapt in their attempts to expand into rural markets. Urban centres already have a well-defined retail network and international retail models are adapted after relevant contextual changes have been incorporated. In rural India, *haats*, mobile traders and village shops form the traditional retail network. In such conditions, marketers are trying to experiment with new models such as Self-Help Groups by HUL and ITC's ChoupalSagar to serve end consumers in rural markets.

The government has also established some good rural retail networks such as the Public Distribution System (PDS), Khadi and Village Industries Commission (KVIC), rural banks and Indian Farmers Fertilizer Co-operative Limited (IFFCO).

During post liberalization, a few corporates have taken initiatives to set up organized retail formats in rural areas. ITC was the first to take such an initiative and launched the country's first rural mall in Madhya Pradesh, signalling the arrival of organized retailing in rural India. The mall, christened *ChoupalSagar*, offers a diverse product range, including soaps, detergents, toothpastes, televisions, DVDs, sewing machines, grinders, etc., in an attempt to provide farmers a one-stop destination for all their needs. Other initiatives include DCM Shriram Consolidated's *HariyaliKisan Bazaars*, which started by offering farm-related inputs and services but soon planned to sell FMCGs and durables also. Other corporate houses that are setting up agri-stores to provide products/services targeted at farmers include Escorts and Tata Chemicals (with *Tata KisanSansar*). The Godrej Group runs a chain of agri-stores named *Adhaar* in Maharashtra and Gujarat that serve as one-stop shops for farmers selling agricultural products and also provide farmers with instructions on how to effectively utilize these products.

ORGANISED RURAL RETAILING- SELECT CASES

5.2.1. Mahindra Shubhlabh Services Ltd. (MSSL)

MSSL is a subsidiary company of Mahindra & Mahindra Ltd., the largest farm equipment company in India. MSSL has revolutionized agri-business by aggregating the factors of production under the brand *Mahindra KrishiVihar* through farming solutions specific to crop, region and market. It provides a complete range of products and services to improve farm productivity and also establishes market linkages to optimize the commodity supply chain. The staff provides support and guidance to farmers in the selection and usage of products in terms of crop health and environmental and human safety. *Mahindra KrishiVihar* offers a platform for banking institutions to provide loans to farmers with minimum documentation, quick sanctions and attractive interest rates, while the participating financial institutions develop a lower-risk portfolio and reduce their overhead costs through this channel.

5.2.2. ITC's ChoupalSagar

ChoupalSagar was the first rural mall in India, with an impressive 7,000 square feet area. It offers a self-service facility, with attractive merchandise displayed on open shelves (lining the neat aisles). It stocks almost everything, from toothpastes to televisions, hair oils to motorcycles, mixer-grinders to water pumps, shirts to fertilizers. Most of the brands that *ChoupalSagar* sells are national brands, such as Marico, LG, Philips and Eveready and shirts from ITC's apparel business, bikes from TVS and tractors from Eicher. The mall is located near the stock points of ITC's *e-Choupals*, making it an integrated model. To offset the huge investments made in the distribution network, ITC has partnered with other companies interested in serving the rural market. This has not only widened their product offerings, but has also spread out the overhead costs.

5.2.3. Mahamaza

Mahamaza, introduced in 2000, is a network of virtual dealers scattered around the country. Today it has an amazing network of 275,000 Web store dealers in small towns. They deal with extraordinary range of products, from motorcycles to cycles (Atlas) and cell phones of (Nokia). In total, they sell 28 brands across 15 industries. This website uses an offline network of Web Store Owners (WSO), who are registered after paying about Rs. 5,100 each. WSOs interact customers face to face and report transactions to the nearest of the four offices located in Delhi, Lucknow, Dehradun and Pune. Payments are made through pay orders or demand drafts and goods are delivered within a week. *Mahamaza* can avail of attractive discounts from the participating companies because it buys in bulk. It achieved a turnover of Rs. 90 crores in 2004. Durable goods companies have acknowledged the significance of this channel in their entire distribution channel in penetrating villages and small towns (Kshyap & Raut, 2010).

5.3. INNOVATIVE RURAL DISTRIBUTION

5.3.1 HUL's Project Shakti

Hindustan Unilever Limited (HUL) to tap this market conceived of Project Shakti. This project was started in 2001 with the aim of increasing the company's rural distribution reach as well as providing rural women with income-generating opportunities. This is a case where the social goals are helping achieve business goals. The recruitment of a Shakti Entrepreneur or Shakti Amma (SA) begins with the executives of HUL identifying the uncovered village. The representative of the company meets the panchayat and the village head and identify the woman who they believe will be suitable as a SA. After training she is asked to put up Rs 20,000 as investment which is used to buy products for selling. The products are then sold door-to-door or through petty shops at home. On an average a Shakti Amma makes a 10% margin on the products she sells.

An initiative which helps support Project Shakti is the Shakti Vani programme. Under this programme, trained communicators visit schools and village congregations to drive messages on sanitation, good hygiene practices and women empowerment. This serves as a rural communication vehicle and helps the SA in their sales.

The main advantage of the Shakti programme for HUL is having more feet on the ground. Shakti Ammas are able to reach far flung areas, which were economically unviable for the company to tap on its own, besides being a brand ambassador for the company. Moreover, the company has ready consumers in the SAs who become users of the products besides selling them.

This model has been the growth driver for HUL and presently about half of HUL's FMCG sales come from rural markets. The Shakti network at the end of 2008 was 45,000 Ammas covering 100,000 plus villages across 15 states reaching 3 million homes. The long term aim of the company is to have 100,000 Ammas covering 500,000 villages and reaching 600 million people. We feel that with this initiative, HUL has been successful in maintaining its distribution reach advantage over its competitors. This programme will help provide HUL with a growing customer base which will benefit the company for years to come (www.hul.co.in).

5.4. RURAL MARKET MAPPING

The advertising agencies and rural marketing consultancy organizations now have developed database on the rural market in the electronic form. These databases are integrated in software's, which generates reports for selection of villages to be targeted on the basis of select parameter. They provide classified information to clients with the help of which an organization can make a decision where to invest its resources in the rural market. The organization now are in a position to map the market with a significant precision for market potential analysis as well as media market fit decision.

MARKET MAPPING TOOLS

5.4.1. Thompson Rural Market Index

Hindustan Thompson Associates took first attempt to map the rural marketing potential by developing 'Thompson Rural Market Index' in 1972. This database provides comprehensive information on Market Potential Value (MPV) of different districts. This potential was determined for 335 districts of India on the basis

of first 11 variables and then 26 variables. The data with regard to demographic variables, occupational pattern, and agriculture based information and availability of commercial banks was incorporated to determine the comparative potential of the different districts of India. This tool determined the relative potential of the different districts on the basis of demographic factors and the overall agriculture potential of the district. This tool was effective for segmenting the rural market directly for the agricultural inputs and durables and indirectly for other consumables and durables.

5.4.2. MICA Rural Market Rating

It ranks districts according to seven parameters like population, fertilizer consumption, etc. It also depicts census data in digital maps, where one can pin point on district level details. It was priced at Rs. 35,000 in 1999.

5.4.3. Linquest

Market mapping tool from AP Lintas was the predecessor of Lincompass. It ranked districts on 42 variables. It was available for Rs. 75,000 in the year 1999⁷.

5.4.4. Indian Market Demographics

This comprehensive information based study is compiled by NCAER on regular basis. The findings of this are based on largest research sample. Its 10 year White Book gives detailed information on income-classes, durable trends, etc.

5.4.5. Business Intelligence Unit

This Chennai based research unit has introduced a purchasing potential based ranking of 500 districts. It correlates agriculture zones with the purchasing power.

5.4.6. Lincompass

Lintas has developed a specialised rural marketing division named Linterland and it also has developed a software tool that does the mapping of the rural market named Lincompass. Software has calculated a fixed market potential for a district. This geographical information system based software has data on 6,26,000 villages from all over the country barring Jammu and Kashmir. Each of these districts can be analysed with 256 parameters of which 32 are considered key to avoid overlaps⁸. The parameters included are: agriculture, literacy, civic amenities, village composition, income and distance from national and regional highways⁹.

5.4.7. ARCVIEW

This knowledge based intelligence system depicts the 5,87,962 villages as digitised points on the maps depicting the market potential of an area as a cluster. It generates maps of different kind: agricultural maps, socio-cultural maps, national & state highway maps and river maps. This tool can be used for optimal decisions for distribution and logistics applications, territory planning and dealer development. It identifies potential markets from state to district to village or town. It also analyses accessibility, coverage and penetration enabling cost-effective transportation planning.

5.5. E-GOVERNANCE IN RURAL MARKET

E-governance may be understood as the performance of the governance via the electronic medium in order to facilitate an efficient, speedy and transparent process of disseminating information to the public and other agencies and for performing government administration activities. E-governance is generally considered as a wider concept than e-government, since it can bring about a change in the way how citizens relate to governments and to each other.

RURAL E-GOVERNANCE-SELECT CASES

5.5.1. Gyandoot

In Dhar District of Madhya Pradesh this project was initiated. *Gyandoot* was Rs. 26 lakh intranet, conceptualized and implemented in just 51 days in Dhar District of the soya bean and cotton belt of Madhya Pradesh that handled transactions worth over Rs. 400 crore a year¹⁰.

Gyandoot was launched on January 1, 2000, with the installation of a low cost rural intranet covering twenty villages that has expanded to 39 Kiosks covering 311 *panchayat* over 600 villages and serves the population of around 5 lakhs. *Gyandoot* serves as government-to-citizen platform and connects the district headquarter to multimedia kiosks or rural cyber cafes, called *soochnalayas*. Each *soochnalaya* serves 20-30 villages, which is between 20,000-30,000 people. It provides local entrepreneurs with internet and telecommunications access, as well as with governmental, educational, and other services.

The services available on *Gyandoot* include: daily commodity marketing information including price and volumes, copies of land records, bank loan forms and maps, online registration of applications for income, domicile certificate, other certificates and redressal of grievances. E-mails in Hindi are sent through the *soochnalaya* when the certificate is ready for the citizen to come and collect it. An e-mail reply is assured within seven days.

5.5.2. Andhra's Card

In Andhra Pradesh a CARD (Computer-Aided Administration of Registration Department) is the pioneering effort in registering real-estate transactions. Starting with two centres in 1997, the Rs. 25 crore project now covers 239 offices and some 24 lakh transactions have been registered till date. Using a sophisticated document management system with imaging technology, the land registration department digitised 24 lakh land records dated from 1983 onward and implemented the project in 387 offices around the state. For land registration process, workflow has not changed. But, the quality of interaction between citizen and the system has changed. All the steps are now transparent and easy to access and sequence of steps to be followed is also clear. All interdependent steps are completed automatically.

5.5.3. Andhra Pradesh's e-Seva

Chandra Babu Naidu, the chief minister of Andhra Pradesh decided in 1998 to make his state the model state in India. He decided to use digital technologies and the Internet as the basis for making his government responsive and citizen-centric. E-Seva can be accessed via the Internet or through the kiosks set up by the government. Citizens can pay water and electricity bills through e-Seva. They can get their driver's license. They can pay their property taxes. There are more than 45 integrated state and federal services currently available to citizens through this system.

5.5.4. Punjab's PRISM

Punjab also launched PRISM (Punjab Registration Information System Module) project. Instead of pleading and bribing the *patwari* for registration documents which were needed for applying for loans, farmers now pay Rs. 10 and instantly get the necessary documents.

5.5.5. Karnataka's Bhoomi (Land)

In Karnataka, the *Bhoomi* project, has put most of 1.7 crore land records on the Internet since July 2000, at a cost of Rs. 1.8 crore. Farmers now pay just Rs. 15 for a printout of their papers, in comparison of Rs. 100-500 bribe they had to pay to *patwari* earlier.

5.5.6. n-Lounge Communications

n-Lounge Communications was set up by the Telecommunications and Computer Networks (TeNet) of IIT, Madras (IITM), a group which is dedicated to evolving technically superior and cost-effective solutions for a poor country like India. n-Logue is in the business of providing Internet, voice, e-governance and other rural services through a network of Local Service Providers (LSPs) and kiosks by establishing and maintaining corDECT (wireless access) based communication systems. The basic business model has three tiers, (i) the village kiosk operator, (ii) the LSP, and (iii) n-Logue Communications.

The kiosk operators are largely young men or women from the local villages who invest in and operate a tele-kiosk. While the LSP provides the first level of support, whether training, hardware maintenance or raising awareness. The kiosk operator assists customers in sending and retrieving voice and text messages and online forms, accessing the information they seek and in general acting as an interface between them and technology. Their most important function is to communicate the potential benefits of the tele-kiosk to the villagers in an understandable and appealing way. The kiosk operator invests Rs. 50,000 in the basic kit (which includes the corDECT connection, personal computer with a colour monitor, multimedia equipment and a web camera, a power source with a four-hour backup battery and a dot-matrix printer). The LSP invests in the business by becoming a partner with n-Logue. On an average, each LSP covers a couple of small towns and about 35 villages. In addition to the tele-kiosks, the LSP will provide connectivity to government offices, primary health centres, schools and colleges, small businesses and other local institutions. The services delivered by the n-Logue kiosks include basic communication services, computer training, desktop publishing, word

⁷Bansal, S., Joseph, S. and Bhattacharjee, P. (1999). Rural Market: Who is Winning and How. *Business World*, October 11, 1999, p. 29.

⁸Balakrishnan, R. (2004, February 4). Rustic Never Sleeps, Brand Equity, *The Economic Times*

⁹Bhasin, A. (2005, May 19). Using Technology: Conceptual Framework of LINCOMPASS, In *Rural Asia Conference*. Conference conducted at BIMTECH, New Delhi.

¹⁰Sharma, E.K. & Babu, V. (2002). Experience in E-Governance, *Business Today*, January 20, 2002, p. 51.

processing, school curriculum-based tutorial classes using multimedia applications and astrological predictions. In addition, the kiosks offer online consultancy through agricultural and veterinary experts, doctors and student counsellors' access to online land records through the *Bhoomi* projects and access to online medical databases in collaboration with Web Healthcare. n-Logue earns its revenues through agency fees and initial set-up fees paid by the LSPs. Additionally, the company collects annual franchise fees from local entrepreneurs. By building local capacity and utilizing local resources, this business model aims to reduce the costs presently associated with providing both telephony and Internet access to rural India. n-Logue presently has about 3000 kiosks in the states of Tamil Nadu, Karnataka, Maharashtra, Rajasthan, Andhra Pradesh and Gujarat.

5.6. INNOVATIVE BANKING AND FINANCE

5.6.1. Kisan Credit Card (KCC)

The government of India has taken several policy initiatives for strengthening of rural credit delivery system to support the growing credit needs of the agricultural sector. Some of the important innovations taken in the recent years for improving agricultural credit flow are Kisan Credit Card scheme, Agricultural credit at lower rate of interest, simplification in lending policies and revamping of cooperative credit structure. The emphasis of these policies has been on progressive institutionalization for providing timely and adequate credit support to farmers with particular focus on small and marginal farmers and weaker sections of society to enable them to adopt modern technology and improved agricultural practices for increasing agricultural production and productivity.

Kisan Credit Card aims at ensuring educate and timely supply of Credit to farmers. KCC Scheme is under implementation by Banks throughout the country since 1989-99. KCC is simple card cum passbook. Farmers may approach the nearest branch of any Banks or Primary Agricultural Credit Societies (PACS) for it.

5.6.2. HDFC's Rural Branches

HDFC bank has announced a tie up with Indian Oil Companies Ltd. where rural petrol Pump outlet exists, *Kisan Kendra* will act as Bank Business Correspondent (BCs). This is a finest of its kind marriage of strengths of bank and oil distribution company to make modern Banking services available to people residing in semi urban and rural India that remain inaccessible by the current Hub Branch Network. HDFC Opens 87 Rural Branches in a day in Punjab & Haryana States in this endeavor.

5.6.3. Government Plans to Cross Merge RRB

Government is all set to cross and merge regional rural banks (RRB) in some eight states in a bid to create economics of scale and push its financial inclusion agenda. Cross merger is a blending of RBI under different state wise rural banks in future. Rural Banking is likely to see addition of over one lakh ATM in recent years with banks expanding their rural and semi urban network towards achieving greater financial inclusion.

5.6.4. Union Bank ties with Jain Irrigation

The aim is to partner the farmers for drip irrigation system. The partnership will deliver hassle free credit facilities to farmers, empowering them to fetch higher and faster return on investment. Jain Irrigation will extend guidance to farmers on Crop and Irrigation Management the Banks arrange sensitization campaigns on drip irrigation in high values crop growing areas affected by marginal water quality and undulated land.

5.6.5. NABARD cut refinance rate, Launches crop Lots

NABARD has cut the rate of interest on refinance provided to banks for investment credit. The refinance rate has been revised to lower 20 basis points as per a decision taken by the NABARD board that met in New Delhi. The bank has approved 3 crop specific projects for Potato in Hoogly, tomato in Karnal and Onion in Nasik.

5.6.6. Corporation Bank's Farm Lending

It has launched a year plan campaign to promote agriculture credit and financing initiative at all its branches. The focus of corporation bank will be to assist farming families especially those with small and marginal holdings, the weaker sections, minority and self-help /Joint Liability groups engaged in agriculture and allied activities. They will be pursued during the camps at the bank's branches (Tulsian & Saini, 2014).

VI. CONCLUSION

These innovative rural marketing initiatives may seem to be small in the context of a giant market called rural India but this is a remarkable beginning in the post liberalised era. We prospect the second Green Revolution in the near future if these experiments prove to be successful. The corporate involvement in agri-business, organised retailing, e-marketing, e-governance, CSR initiatives at all levels in the food chain will not only provide much needed assured markets to the farmers but will also bring the latest know-how to the farmers. It will also lead to better earning opportunities for the farmers through higher yield, higher prices for the produce on one hand and this will also create direct and indirect employment opportunities for the farmers who are finding it difficult to be part of service led growth on the other hand. These innovations are positively impacting the family, farmers and the rural youth. Family can have better health, farmers can have the better productivity and youths have better employment opportunities. Rural people have an opportunity to have vast amount of relevant information, which they can use to make informed decisions. They also now have a platform because of these innovations, which can create urban like self-employment opportunities in the village itself.

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