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M.B.A. (Fourth Semester) Examination, Apr-May 2020

(New Course)

(Specialization : Marketing Management)

(Management Branch)

RURAL and AGRO MARKETING

(Elective-I)

Time Allowed : Three hours

Maximum Marks : 80

Minimum Pass Marks : 32

Note : Part (a) of each unit is compulsory, and it carry 6 marks. Attempt either from part (b) and (c), it carries 10 marks.

Unit-I

1. (a) Define rural marketing. Discuss the need and importance of rural market in India.

- (b) Explain the social and behavioral influences on rural consumer.
- (c) Explain the market strategies and tactics with reference to rural market.

Unit-II

- 2. (a) Discuss in detail the distribution channels of rural marketing.
- (b) Explain the role of government and NGOs in rural marketing.
- (c) Explain the problems related to rural marketing.

Unit-III

- 3. (a) Explore the strategies related to marketing mix adopted by the Indian companies in rural market.
- (b) Write a detailed note on the marketing of agricultural inputs.
- (c) Describe in detail the association of agricultural marketing and economic development.

Unit-IV

4. (a) Write a detailed note on the structure and types of cooperative marketing societies in India.
- (b) Explain the importance of supply chain management in agri-business. Discuss the need for cold chain.
- (c) What are the factors enhancing Agri-business opportunities?

Unit-V

5. (a) Write short notes on :
 - (i) NABARD
 - (ii) SCARDB
- (b) Explain the role of government as facilitator in rural market.
- (c) Case study

Tobacco-to-hotels giant ITC Ltd. has been trying to find a solution to an old problem for years. The company used to buy soya bean for export. Like everyone else, the corporation had no option but to source its supplies from the local mandis. This created into problems. One, quality was not guaranteed, and two, since supplies were sourced through middlemen, the company had no contact

with the growers which is a crucial precondition for orders to many European countries. Direct contact with farmers was all but impossible given the fact that they lived in far-flung villages in Madhya Pradesh. ITC's problem was that it did not have a mechanism to approach them directly and as importantly, cost effectively.

The company looked for the solution in information technology, through a project called e-choupal, launched one-and-a half years ago. A classic click-and-mortar business, the idea behind e-choupal was to offer an alternative distribution and supply chain system to the rural market. How does it work? Soya bean farmers in Madhya Pradesh can now come to the e-choupal, which is nothing but an Internet kiosk set up usually in the house of an influential man (usually the headman) in the village. The village official is appointed by the company and is known as the sanchalak. The site provides farmers with real-time information on the latest weather report, prices in various mandis, world prices and even best farming practices.

More importantly, it offers a price at which ITC is willing to buy the soya from them direct through the sanchalak. Says S Sivakumar chief executive

of ITC's international business division "The biggest problem for farmers is that middlemen have blocked information flow. Now the price discovery is met through the kiosk and it is transparent." The farmers have the choice of selling their product in mandi or to ITC. If a farmer accepts the company price, the order is confirmed promptly by the sanchalak on the net. But the e-choupal is not merely as instrument for effective supply chain management for ITC. By using the power of information technology, the company has converted the computer into the popular US concept of a "meta market", or a one-stop shop right in the village, where farmers can sell their produce, buy products (from farming inputs to daily items for household use), receive all the information needed to improve their fields and even get a better price for their produce.

For ITC, it opens up new windows of opportunities. It allows it to source more products directly from farmers through a more efficient price discovery mechanism. It also provides a platform for it to sell its products directly to the customer. This, in turn, provides the company with some direct information on consumer needs in the

booming rural markets and reduces dependence on wholesalers. Explaining the logic behind the move, Sivakumar says : "What started as a cost effective alternative supply chain system to deal directly with the farmer to buy products for exports is slowly going to expand into an alternative distribution mechanism for rural India."

The tobacco giant has already set up over 700 choupals covering 3,800 villages in four states - Madhya Pradesh, Uttar Pradesh, Karnataka and Andhra Pradesh - dealing with soya bean, coffee, aquaculture products and wheat. Last year it transacted business of over Rs. 80 crore through the e-choupals all across the country. The bigger plan is to spend some Rs. 150 crore to expand the number of kiosks so that the company is able to reach over 1,00,000 villages and cover 10 million farmers in 14 states in five years.

Is the business big enough to justify this level of spending and planning? To understand that, consider why a farmer would opt for the e-choupal over the regular mandi. Farmers who strike deals on the internet kiosk with ITC have a choice. They can either bring their produce to the ITC warehouse or factory and get reimbursed for the

transportation cost or they could give their supplies to one of the collection centres that have been set up by the company for a cluster of villages or even deliver it to the sanchalak. Both ITC and the farmers make a neat saving by bypassing the middleman in the mandi. For instance, the farmer saves as much as Rs. 250 per tonne on soya bean because he does not incur costs such as bagging, transportation, loading and unloading, to haul his goods to the mandi.

The company, on the other hand, saves over Rs. 200 a tonne by avoiding transporting the produce from the mandi to the company outlet even after reimbursing the farmer for transport. And the sanchalak, the local-level entrepreneur, also makes money by getting a 0.5 percent commission on the total transaction made through his kiosk. But the kiosk can be used for reverse trading also - for companies to sell products and services needed by farmers directly. And ITC is already putting together a strategy to leverage the infrastructure to market and distribute goods and services that farmers require. The facility will be available for selling both ITC products as well as those of other companies - of course, at a price. The company

has taken some initial steps to get agricultural input companies to sell their products directly to farmers through e-choupal.

It has already roped in US seeds giant Monsanto, fertiliser companies like BASF and Nagarjuna Fertilisers and state-owned MP State Seeds Corporation to take orders and market their products through the site. These companies can display their products on the net, train farmers on how to use them, offer special prices, book orders from farmers and - through the sanchalak - deliver it at the village. Of course, ITC does not provide the service free. Companies have to pay a 10 percent fee on the face value of the transaction and the tobacco company pays the sanchalak 5 percent of the sales as commission for any product sold on his kiosk.

But companies point out that the experience has paid rich dividends. Says a spokesperson for Monsanto : "The model offers us an opportunity to work closely with farmers and promote our offerings. Additionally, our cost of reach is also reduced." Monsanto also makes the point that the company's corporate reputation and brand image

has been greatly enhanced as a result of its association with the model. "Close association with the farmers, through this model, encourages them to see us as a first preference." he says. ITC is also experimenting with using the kiosk to sell fast moving consumer goods (FMCG). As the first step, it is selling gas lanterns and packaged vegetable oil. At the moment these are being manufactured by third parties on behalf of ITC.

Orders by farmers are being booked by the sanchalak who also arranges to have them delivered to the farmer's doorstep. If the idea clicks, the platform would be available for other companies too, which could help ITC generate healthy revenues. More importantly, the new distribution system could be an effective tool for the company which is planning a major foray in the foods business. Says Arun Sharma, a rural marketing expert in the advertising agency Bates India : "For its foods foray, ITC cannot depend on cigarette distributors who are already overloaded to penetrate rural markets. The e-choupal could provide an effective alternative."

The third initiative is to leverage the e-choupal to sell services. Talks are already on with various

insurance companies for using the e-choupal as a medium for both educating and selling insurance products to the farmer - in which the sanchalak becomes the insurance agent. If this experiment is successful, ITC officials say there is no reason why the array of services being offered to farmers cannot be extended. Says a senior ITC executive, "There is no reason why banks providing micro-credit to farmers, health services companies and educational services companies cannot leverage the power of the Meta market". If all this sounds like a rural marketer's dream, consider the possible drawbacks. Says Pradeep Kashyap, president of Marketing and Research Team, a rural marketing consultancy outfit in Delhi : "As a collection centre for agricultural goods, it is a cost-effective way. But I don't think the availability of FMCG products at his doorstep for the farmer is an issue or a particularly high priority since he visits the local town often and picks up what he wants."

There is also the additional problem of the role of the sanchalak who could well replace the despised middleman in the chain of things. Says Arun Sharma of Bates, "There is too much dependence on the sanchalak who virtually becomes the new, powerful

middleman replacing the old one. Also, to develop such a distribution system is very expensive and might not be cost effective after all, even though one can reach new markets." Preet Bedi, a director in the advertising agency Lowe-Lintas, expects that it will take at least five to seven years for a distribution platform of this nature to develop, "But it is a good way to understand the need of the rural consumer". ITC is conscious of the infrastructure constraints in expanding the e-choupal. For one, many villages are not electrified, so how do you run a computer? For another, connectivity to the web is unreliable and could be pretty expensive, a situation that has been made more complicated by the sheer dispersion of villages in the country. Kumar says that the other challenge is to build personalised content catering to individuals across a wide range of income levels. No doubt the path towards a much-vaunted rural distribution EI Dorado will be paved with problems. But with the corporation trying to reduce its dependence on tobacco and find more stable income streams, e-choupal might be its best bet yet.

Questions :

- (a) Will e-choupals work as a new distribution strategy for ITC which believes in a two way flow (urban to rural; rural to urban). If yes, why; and if no, why not?
- (b) Is it a right move for ITC, which already has a presence in Indian villages with special tie ups with farmers for tobacco cultivation, to enter into e-ventures? Will this model run successfully in the long run? What can ITC derive out of e-choupal?
- (c) Will a company, which thinks of social marketing as its objectives for rural development, really succeed in winning the hearts of rural Indians? Is ITC going the right way in this initiative, according to you?