

## Role of corporate sector in rural marketing: A critical review of select cases

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### Abstract

In India approximately 70% of population lives in rural areas, therefore improvement in living conditions in rural areas is essential for the development of the wholesome Indian economy. More than 50% of the national income is generated in rural India and there are opportunities to market modern goods and services in rural areas and also rural agricultural products in urban areas. Rural markets have always been an intriguing segment for businesses. While these markets bring huge potential for growth and expansion, achieving sustainable volumes and optimal distribution networks in the remote rural areas, is often a huge challenge for businesses. This paper critically reviews the corporate innovations made in rural markets for better penetration using secondary data and case studies collected from various sources.

**Keywords:** Rural Marketing, Rural Innovation, Agri-business, Organised Retailing, CSR

### 1. Introduction

The rise of rural markets has been the most important marketing phenomenon of the 1990s, providing volume growth to all leading companies. Many corporates have been trying to get a grip on rural market. But the challenges are many; how to make the product affordable, how to penetrate villages with small population, connectivity, communication, language barriers, spurious brands etc. The reasons why companies are going rural are manifold. Higher rural incomes driven by agricultural growths, increasing enrolments in primary schools, high penetration of TV and other mass media have increased the propensity to consume branded and value-added products in rural areas. The marketing mix of many companies is now being tailored to rural tastes and lifestyles. Rural marketing is a two way marketing 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. According to planning commission towns with population up to 15000 are considered as rural. According to LG electronics, "the rural and semi urban areas are defined as all other cities other than the 7 metros" (Vyas & Vyas, 2014) [17].

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].

India's per capita GDP has grown at a Compound Annual Growth Rate (CAGR) of 12.3 percent 2009-10 to 2015-16, contributed by growth in rural sector. Nielsen estimates that the fast moving consumer goods market in rural India will hit USD 100 billion by 2025, up from USD 12 billion currently [2]. 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 2014 [3].

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 jobs [4]. 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 percent [5]. 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

<sup>1</sup> Patel, S.K. (2013) The Challenges And Strategies of Marketing in Rural India, *Asia Pacific Journal of Marketing and Management Review*, 2 (7), 38-39

<sup>2</sup> "Rural Spending in India Outpaces Urban Consumption", Knowledge @ Wharton, September 2012

<sup>3</sup> "India To Roll Out World's Biggest Direct Cash Transfer Scheme For The Poor", *International Business Times*, November 2012

<sup>4</sup> "Rural India no longer an agrarian economy: Study", *The Economic Times*, April 2012

<sup>5</sup> "Rural Spending in India Outpaces Urban Consumption", Knowledge @ Wharton, September 2012

than the USD 55 billion spent by urban populations<sup>6</sup>. 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 2004-2005<sup>7</sup>. About one in every two rural households has a mobile phone today, even in 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 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 folks vis-à-vis profitability.

Kashyap and Raut (2010) [7] 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 Ram Krishnan (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).

Due to significant differences in almost all the major marketing variables, it becomes very difficult to optimally tap the rural market potential with an urban mindset. In most cases, it requires a modified approach, philosophy and marketing mix. Therefore, the domain of rural marketing is significantly different from the way marketing is planned and implemented in urban areas.

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. The positive results achieved by ITC's *e-Choupal*, HUL's *Project Shakti*, Colgate's *Project Jagruti*, Escort's *Rajdoot* motorcycle, etc., are because 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.

## 2. Objectives of the Study

- A. To understand the rural market.
- B. To Study the Indian Rural Market Potential.
- C. To identify the Corporate Initiatives and Innovations in Rural India.

## 3. 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 and 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 and effective penetration into the rural market also 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 be bringing a sustainable growth, it is important that the neglected rural lot are not merely treated as consumers' but as strengthened producers (Jaiswal, 2008).

## 4. Research Methodology

This is an exploratory research. Researchers have extensively relied on Secondary Sources of Data. The secondary data and case studies were collected from different authentic sources like textbooks, research articles, newspapers, internet etc. This research is limited to India.

## 5. Role of Corporate Sector in Various Areas

### 5.1 Corporate Sector in Agri-Business: Cultivation, Processing & Retailing

For long, farmers of India were facing the obstacles. They were forced by law to sell their produce at *mandis*, a system of local markets, which was established to protect poor farmers from exploitation. But, this system more or less got transformed into a cartel of traders, bureaucrats, and moneylenders. Farmers were paid the official minimum price or less for their produce, but no one was there to guide them about which varieties they should produce for better yield and the best farming practices to increase their productivity and improve the quality.

Corporate sector has realised the potential of agriculture in rural sector. The second green revolution, which is being driven by corporate sector, is emerging in the country. The stage is getting set for corporate India's thrust into the agri-business by building the infrastructure that connects Indian farms to national as well as international supermarkets. They are getting involved in all facets of agri-business right from research and development, production, processing, marketing and even retailing. They are providing or enabling setting up of much needed linkages that were missing in the traditional marketing and distribution system.

<sup>6</sup> "Sustaining the rural consumption boom", CRISIL Research Insight, August 2012

<sup>7</sup> National Sample Survey Office

## Corporate Sector in Agri-Cultivation & Processing: Select Case Studies

### 5.1.1. Pepsi

Pepsi's venture of contract farming, processing and marketing in horticulture is a perfect example of an obligation turned into an opportunity. Investing into farming and food processing were preconditions for Pepsi's entry into India.

#### 1. Horticulture

Pepsi's involvement with Punjab farmers for pulping tomatoes began in the 1990s as a part of mega-marketing effort to obtain government permission to produce and sell its soft drinks in India. The company imported state of art tomato processing plant from Italy to Punjab in 1989 to process tomatoes to make ketchup for the export markets. The plant's processing capacity was 35,000 tonne a year. It introduced new varieties of tomatoes and educated farmers on better cropping methods. Though it sold the tomato processing plant to HUL in 1995 but the seeds of change and improvement had already become a robust tree by then.

#### 2. Citrus Cultivation

After it revolutionised the horticulture in Punjab through contract farming, Pepsi entered the citrus cultivation. It is developing saplings of kinnows in its greenhouses in the state. Company flew some farmers to America in early 2004 to show them citrus plantations in Florida. All operational costs are being borne by Pepsi, while Punjab government and farmers meet capital expenses. By the end of 2005 over one-lakh samplings were planted in Punjab and number of trees were increased to two lakh by 2007. It was a five-year programme with the Punjab government to provide several hundred farmers with forty lakh sweet-orange trees by 2008. The output of these plantations was fed to Pepsi's packaged juice brand, 'Tropicana', raw material for which was being imported.

#### 3. Seafood Farming

Pepsi has also launched ambitious seaweed cultivation programme in Andhra Pradesh in 2004. Pepsi is also developing a seaweed crop for a food-gelling agent on 4,000 rafts off the Southern coast of India.

#### 4. Other Projects

Pepsi has introduced Punjab farmers to high-yielding varieties of other crops, such as basmati rice, mangoes, potatoes, chillies, peanuts, and barley, which it uses for its Frito-Lay snacks and sells to domestic and foreign buyers. It has an arrangement with farmers to grow grapes in Belgaum and it is also involved in production of low water consuming peanut crop. Information technology tools are being employed for imparting training to farmers through Power Point presentations, video shows and distribution of print manuals.

### 5.1.2 Bharti

The business model of Bharti was to link Indian fields to the world market, by providing premium quality fresh produce to the markets worldwide through contract farming. It is leasing large tracts of land in Punjab and Rajasthan and has developed an arrangement with a group of farmers in Uttaranchal as well. It is also tying up with orchards in Maharashtra for planting grapes and mangoes. It is sourcing its products from Punjab, Jammu and Kashmir, Himachal Pradesh, Haryana, western

Uttar Pradesh and Uttaranchal. The investments includes an agriculture research centre and model farm in Punjab, which will spread latest farming practices and technologies. The company will export fresh fruits and vegetables to Europe, Southeast, Middle East and CIS countries. FieldFresh Food started selling produce to EU, Southeast Asia, Gulf and central Asia in 2006. Field Fresh exports only fruits and vegetables and focuses on niche international markets that demand specific fruits and vegetables from India. It plans to sell apples, mangoes, grapes, cherries, tomatoes, baby corn, okra and iceberg lettuce. Cold storage, processing plants and refrigerated transport facilities are also planned to be established. Instead of the farmers produce being wasted, it can be taken to Europe at a price point that can be competitive.

### 5.1.3 Reliance

Reliance Industries, one of India's largest industrial groups, in June 2006 announced a USD 5.6 billion (Rs. 25,200 crore) multiyear investment in agriculture and retail sectors.

#### 1. Reliance Life sciences

Reliance Industries got involved in cropping and sale of medicinal and herbal plants (MAP), through Reliance Life sciences, as a separate organisation since January 2001. It is a biotech venture of Reliance with Rs.22 crore 50 lakh investment. It has developed a 200 acre herbal garden in Navasari, Gujarat, where it grows plant such as *ashwagandha*, *aloe-vera*, *patchouli*, *geranium* and *lemon grass*. It planned to invest Rs. 1000 crore in the venture and already has MAP brands in the market under the name 'Redicare'. The company is betting on the potentially large applications of MAP in pharmaceuticals and alternative health therapies both in India and abroad.

#### 2. Food Processing and Exports of Fruits and Vegetables

Reliance is entering food processing and export of fruits and vegetables through contract farming and establishing chain of cold stores. These cold stores were established in Punjab and through its supply chain it intends to supply the fresh fruits and vegetables from the airport in Amritsar to the developed world and Middle East. It has planted 1, 00,000 mango trees in Jamnagar, Gujarat on land adjacent to Reliance's oil refinery and plans to become India's biggest exporter, selling 3,600 tonnes annually within five years.

### 5.1.4 ITC

ITC is facilitating farmers through e-choupal model. It is now getting into larger format retail stores branded as *Choupal Sagars*, at a cost of Rs 5 crore each.

### 5.1.5 BILT

Paper industry depends on the agriculture sector for the availability of its raw material. BILT, a leading paper products manufacturer sources wood pulp for paper production through farm forestry. For its paper unit in Jeypore, Orissa, BILT had to get wood from distances ranging between 500-1,000 kilometres resulting in high freight costs and delays. In the year 2000 company got into a buy-back arrangement with marginal farmers to grow eucalyptus for which it provided the seedlings. Over 9,000 farmers are involved in BILT's social forestry initiatives.

### 5.1.6 DSCL

DCM Shriram Consolidated (DSCL) has put in place a relationship model for ensuring supply of sugarcane for its sugar production business. With improved inputs, better technology and modern farm practices, the company achieved a sugar recovery of 10.4 per cent, the fourth highest in the country, for the financial year 2004-05. Its productivity at 40 tonnes an acre was achieved due to the combined initiatives of the farmers and the company's 350-odd field workers. DSCL is also employing IT tools for dissemination of information to enable farmers to increase their productivity through better cropping practices. The improved sugarcane production is leading to increased incomes for farmers in Uttar Pradesh in the last 7-8 years.

### 5.1.7 GGCL

Thapar Group's Global Green Company Ltd. (GGCL) is helping farmers in Andhra Pradesh and Karnataka to grow gherkins. The company markets 30,000 tonnes of gherkins and has a contract farming arrangement with 12,000 farmers. The business model has enabled the company to earn substantial hard currency from international market. Over 95 per cent of GGCL's products are exported to 23 countries through 15 leading retail chains.

### 5.1.8 Tata Chemicals

The company undertakes contract farming in 15,000 acres of land. It grows paddy and vegetable seeds in Uttar Pradesh and Punjab and fruits in Karnataka and Maharashtra. The produce is sold to retail chain or exporters.

### 5.1.9 Mahindra's

Mahindras are also involved in corporate farming in over a lakh acre. It grew oilseeds and cereals in 2003 and went for horticulture in the form of aromatic plants and flowers in 2004.

### 5.1.10 Chambal Fertilisers

In 2002, the company entered the food processing by taking over a food-processing unit in Haryana. The unit processes and freezes fresh vegetables and markets them under Ever Fresh Brand.

## 5.2 Corporate Sector in Agri-Business: Organised Rural Retailing

Corporate sector is entering the semi urban and rural areas with the large format branded retail store for rural markets as a forward integration strategy. It is a big change from the time when rural consumers were served from tiny and dingy *dukaans* (retail outlets) with almost no additional or value added facilities.

The retail stores set up by corporate sector are banking on the strategy to present their stores as a solution to the problems associated with the traditional distribution channel. For example, (i) In the traditional channel the push strategy was employed and the consumer interest was not the driver, (ii) Brands that are available were not displayed and consumer most of time had to buy brands recommended by retailers. (ii) Spurious, Adulterated and Counterfeits are also available in large percentage along with the genuine products. Rural customers have limited ability to distinguish the between the two, (iv) Rural customers have limited choice both in terms of product range as well as brand choice.

## Organized Rural Retailing: Select Case Studies

### 5.2.1 ITC's Choupal Sagar

The country's first rural mall known as *Choupal Sagar* was established in Madhya Pradesh at Rafiqganj, which is not even a city, but a little village, about 4 km from Sehore town. It signalled the arrival of retailing in rural India. It is located on an eight-acre plot with a shopping area of 7,000 square feet. It has been set up at a cost of Rs 4.5 crores and based on the learning from this experiment and evaluating its success.

Along with soaps, detergents and the toothpaste mall sells everything, like, TVs, DVD players, pressure cooker, sewing machine etc. Farmers can also buy motorbikes, or even tractors. ITC has also launched its own rural range of clothing and shoes, trousers at Rs. 166 a pair tailored for the rural people is a value for their money.

*Choupal Sagar* is an extension of ITC's warehouses. The farmers will be in position to make purchases for all their requirements from a place where they sell their produce. The ready availability of cash after the sale and the transport facility in the form of emptied trolley or cart would provide an opportunity to make bulk purchases for the coming season. It can lead to better utilisation of space along with proximity to the consumers. It will also act as an information centre for market prices for products.

For the sustainability of this model it has already tied up with LG, Sansui, agri-input companies and others services organisations like banks and insurance companies. Sansui has even invested in infrastructure and manpower training for *Choupal Sagar*.

### 5.2.2 TATA Kisan Sansar

Till 2003, the TATA group's two companies TATA Chemicals and Rallis India ran separate rural retail initiatives. TATA Chemicals had a chain called *Tata Kisan Kendras* in Uttar Pradesh, Haryana and Punjab. The centres offered farmer a host of products and services ranging from agri-inputs (seeds, fertilisers), financing to advisory services. Rallis, another Tata company manufacturing chemicals for agriculture was running *Kisan Kendras*. It was involved in an integrated programme with select farmers of Madhya Pradesh. The company partnered ICICI Bank and HUL, in offering solutions to farmers that covered operation from pre-harvest stage to post-harvest stage. Farmers were first provided with seeds, pesticides and other farm inputs, through Rallis, but mostly funded through loans offered by ICICI Bank. Once the crop was ready, it was bought by HUL and ICICI Bank loan was repaid through the income from the sale. But the experiment did not sustain for long. In April 2003 Rallis' operations were merged with TATA Chemical's *TATA Kisan Kendras* and on October 26, 2004 the company relaunched its *Kisan Kendras* as *TATA Kisan Sansar* (TKS). These are planned to evolve as networks of one-stop shops for farmers providing everything from inputs to know-how. In December 2004, it comprised of 421 centres and all franchisee run stores were in three states covering 14,000 villages. The centres are linked to 20 hubs owned and managed by TATA Chemicals. TATA Chemicals have three broad sources of income from these stores: sale of inputs, provision of advisory services and fee charged on sale of partners' goods. TKS already had 15 partners in December

2004 including ICICI Bank, ING, SBII and agri-input companies<sup>8</sup>.

### 5.2.3 Delhi Cloth and General Mills (DCM) Shriram's Kisan Hariyali Bazaar

Setting up of chain of the rural malls, *Kisan Hariyali Bazaar* promoted by DCM Shriram Consolidated Limited (DSCL) has created one stop shops offering everything from sickle to technical advice as a forward integration strategy. Utilising its experience in the sugar, agri-chemicals and seed business it has set up 13 *Kisan Hariyali Bazars* or rural mans in five states: Punjab, Haryana, Rajasthan, Uttaranchal and Uttar Pradesh. Each store has a customer base of 7000 to 10,000 farmers<sup>9</sup>.

Three qualified agronomists would be available at the stores throughout the day and two other would be in the field to get in touch with the farmers and guide them on products and services he should go in, at his doorstep. These stores will not only save farmer from buying spurious material but will also provide requisite quality assurance. *Kisan Haryali Bazars* offer multiple brands for each product category to meet the farmers' preference and choices. Although, the retail ambience of the store is modem, the manner in which service is offered is farmer friendly. It also brings the contract farming opportunities to farmers thereby they can now sow new crops, sell is farmer friendly their produce directly to processors and get better prices. The idea is to build a relationship with farmers and enhance their productivity<sup>10</sup>.

### 5.2.4 Godrej's Aadhaar and Manthan

What started with a small animal feeds sub-division of the soap division in 1974 has become a Rs. 1.000crore agribusiness for the Godrej Group, under its two companies Godrej Agrovet and Goldmohur Foods. The company's products include natural pesticides, animal feed, oil palm plantlets and other farming inputs. Godrej also acquired and merged HUL's agri-business with its own. As a forward integration strategy it has entered the rural retail business.

The group was testing two concepts, *Aadhaar and Manthan*. *Manthan* focuses on supplying animal feeds for dairy and poultry. On the other hand *Aadhaar*, is a supermarket, which retails agricultural inputs such as fertilisers, pesticides, animal feeds and small implements along with FMCGs, appliance and also services. Services like soil analysis and veterinary care are also offered to the farmers. *Aadhaar* stores have been opened in Maharashtra and Andhra Pradesh to sell Godrej's brands as well those of others. *Aadhaar* has a synergic link with Godrej's urban retail outlet 'Nature's Basket' which retails fruits and vegetables in the metros. *Aadhaar* provides connectivity for sourcing fruits and vegetables for urban markets. The company expanded the number of *Aadhaar* outlets from 14 to 18 during the September quarter of 2005 and targets to have a few hundred such outlets over the next five years<sup>11</sup>.

### 5.2.5 Mahindra's Shubhlabh

In order to sell farm inputs and equipment including M&M brands, Mahindras established *Shubhlabh*, which is a chain of franchised store for the rural market. It had 36 such franchisee stores in ten states by the end of 2004. It provides rural financing and borrowing support through these stores as Mahindra *Krishi Vihar*, a platform for banks to provide loans to farmers with minimum documentation, quick sanction and attractive interest rates. For banks, it's easy, safe to lend their money without too many overheads. Farmer's access to funds gets easier and for bank's loan is relatively safer<sup>12</sup>.

### 5.2.6 Warna Bazaar

*Warna Bazaar* is the name of two superstores in Kolhapur and Sanghli in Maharashtra, which are set up in the area of 10,000 sq. ft. Along with that they have 30 stores of 500-1,000 sq. ft at the village level. These stores retail products like apparel, food, grocery, agn-inputs, vehicles, consumer durables and hardware. The store's retail sales productivity is nearly Rs. 11, 650/sq. ft.<sup>13</sup>.

### 5.2.7 Kasti Society

*Kasti Society* has established organised co-operative rural retailing near Ahmednagar in Maharashtra, which serves 70 surrounding villages. Numbers of shops are arranged in the shopping centre format with three supermarkets with total retail space of 5,000 sq. ft. with sales productivity of Rs. 7,000 per sq. ft.<sup>14</sup>

### 5.2.8 Indian Oil

Indian Oil is setting up large number of retail outlets to sell non-fuel products like soaps and fertilisers along with petrol and diesel in the rural market. Oil companies already have a widespread network of close to 30,000 petrol pumps all over the country, which they are planning to leverage by selling the non-fuel products from the same retail outlets. It is a good option for the companies to sell through petroleum retail outlets as they get a very good platform to sell their products in rural market.

### 5.2.9 Bharat Petroleum

Bharat Petroleum is planning to target cluster of smaller villages with a population of about 200 to 250 households. The pumps it is planning to set up for these small villages will be smaller in size and therefore will be low priced units in terms of the cost of the infrastructure to establish these outlets. These retail outlets will serve a radius of seven to eight such villages and company plans to set up thousand such pumps. These outlets can also sell non-fuel products to the people of the surrounding villages. Organisations can develop understanding with the parent organisation or even with the dealers to place their products at these outlets.

<sup>8</sup>Saran, R., Bhupta, M. & Goyal, M. (2004). New Deals foe Rural India. *India Today*, December 13, 2004, p. 57

<sup>9</sup>Bhatt, P. (2005) Farmers needs under one roof, *The Tribune*, December 10, 2005.

<sup>10</sup>Saran, R., Bhupta, M. & Goyal, M. (2004). New Deals foe Rural India. *India Today*, December 13, p. 58

<sup>11</sup>Venkatraman, L. and Menon, S.G. (2005). FMCGs Sector Buoyancy to Continue: Adi Godrej, *The Hindu Business Line*, October 25, 2005.

<sup>12</sup>Saran, R., Bhupta, M. & Goyal, M. (2004). New Deals foe Rural India. *India Today*, December 13, 2004, p. 59

<sup>13</sup>Panigrahy, B.P. (2006). ITC's ChoupalSagar: An Innovative Rural Mall, Marketing Mastermind, ICFAI University Press, Febuary 2006, p. 54.

<sup>14</sup>Panigrahy, B.P. (2006). ITC's Choupal Sagar: An Innovative Rural Mall, Marketing Mastermind, ICFAI University Press, Febuary 2006, p. 55.

### 5.3 Corporate Social Responsibility in Rural Markets

The corporates with leading market share in the rural areas in their respective product categories should not just compete for share of the pie but should also aim at increasing the size of the pie year after year. Therefore, the development of the rural market by providing them with better education, better earning opportunities and increasing their overall disposable income is the frontier on which the leading companies should focus in the new millennium. Social responsibility initiatives place the brand names in the hearts and minds of relationship seeking rural consumers. This is a bond which others will find difficult to beat in the marketing warfare.

#### CSR Campaigns in Rural Markets-Select Cases

##### 5.3.1 AMARON-Amaragaon (Our Village)

Amaron Harvest tractor batteries from Amara Raja has initiated a programme 'Amaragaon' to empower rural people by giving them access to knowledge through Internet connectivity. "Gyanke Sang, Unnati ki Umang" is the tagline of Amara Raja Batteries new corporate social responsibility campaign, Amaron-Amaragaon. This campaign aims to take rural digital, by bringing in Internet solution to the villager's doorstep. This campaign is about bridging the digital divide in rural India by getting the farmers to make Internet an essential part of their lifestyle through which they can not only access important agricultural information but also access land records, e-governance and on the whole can use it to have increase in the yield and the overall income. The company has set up twenty Internet kiosks in the villages across eight states: Uttar Pradesh, Rajasthan, Maharashtra, Punjab, Haryana, Gujarat, Uttranchal and Andhra Pradesh. In Punjab, Amara Raja has adopted Chachrari village, near Phagwara in which 3,000 people are being benefited.

The objective of the Amaragaon programme was to make a positive impact on the lives of villagers by offering global connectivity via Internet<sup>[15]</sup>.

The content is customised to suit the needs of farmers and residents of the village. Host of offline services such as educational CDs with English courses, Microsoft office courses, computer operator courses and so on can be imparted through these kiosks. The villagers can also get on the spot photographs shot and printed at the low cost, get official documents typed in the local language.

The farmers no longer need to go all the way to the district headquarters to resolve queries such as getting solutions for pest attacks, or getting a copy of land record. All this can be done online for a nominal charge. They can even access cash certificates, license application forms, examination results and mark sheets, e-mail, railway and bus tickets and embassy appointments. It also facilitated communication between the district administration and the village *panchayat*.

##### 5.3.2 ITC's Csr Initiative in Rural Areas

###### 1. Sunehra Kal (Better Tomorrow)

ITC has started comprehensive natural resource management initiative called *SunehraKal* in the vicinity of *choupals*<sup>16</sup>. *SunehraKal* is a social forestry programme, launched by ITC in 224 villages in 14 mandals around its Bhadrachalam plant in Andhra Pradesh. It had provided earning opportunity to 6,405

households by the March 2005 after four years of its launch in 2001. This is a part of 'Triple Bottomline' concept of ITC covering economic, social and ecological goals of the organisation. This programme targeted at economically backward communities, living below the poverty line involves afforestation, soil and water conservation, community development, health and sanitation, education and watershed management. It provides attractive land use alternative to both traditional farmers and wasteland owners. The ITC is supplying planting stock and provides extension services and market for the produce.

##### 2. Live Stock Development Programme

ITC's livestock development programme, in collaboration with an NGO has created 32 cattle development centres covering 635 villages in Bihar, Uttar Pradesh and Madhya Pradesh by 2005 and had a plan to add 600 new villages every year to its ambit. The aim of the programme is to create the high yielding progenies through genetic improvements.

##### 3. Other Initiatives

As part of rural community development programme 40,000 women-at-risk and children under five have been covered under the mother and child health programme. Rupee 1 from every 'Classmate' notebook sold by ITC goes toward supporting rural development initiatives including primary education in villages.

##### 5.3.3 HUL's Vindhya Valley Project

In the year 2000 HUL helped state owned Khadi Board through an advisory relationship with the government of Madhya Pradesh. It helped the board to brand local produce from villages and tribal areas, such as natural honey collected from forests in the state under the brand name 'Vindhya Valley'. The product range including edible products like papads, pickles, masala and turmeric, was launched in 2002. These products were made by groups under DW CRA (Development of Women and Children in Rural Areas) and distributed through their own outlets. HUL provided the corporate expertise, marketing acumen and quality parameters, while the state government bore the marketing expenses for the brand building. Thus, it has not only built a brand for the state government but it also touches the lives of 35,000 to 40,000 tribals and contributes meaningfully to their upliftment.

##### 5.3.4 HUL's Swasthya Chetna Campaign

HUL is positioning its largest selling soap brand Lifebuoy on the health and hygiene platform. In 2002, HUL launched Lifebuoy *Swasthya Chetna* campaign to build awareness about good health and hygiene and how simple habits like washing of hands regularly with soap could prevent transmission of disease. The project was pilot tested in MP, Chattisgarh, UP, West Bengal, Orissa and Bihar and involved interaction with students and elders who were expected to be change agents. It touched the lives of 7 crore Indians in 18,000 villages in ten Indian states through repeated exposures to health and hygiene message.

<sup>15</sup>Bureau (2003, June 22) Empowering Villagers, *The Tribune*, Chandigarh

<sup>16</sup>Deveshwar, Y.C. (2005, August 1). Inclusive and Sustainable Growth: ITC's Enduring Contributions, *The Times of India*, August 1, 2005.

### 5.3.5 Colgate's Project Jagruti

Colgate executes this rural oral hygiene drive along with the IDA (Indian Dental Association). In 1998, 60 lakh people in 20,000 villages were contacted under this project, of which 15,000 villages had no experience to the availability of toothpaste and tooth powder let alone toothbrushes. Though the aim of this drive is to promote the brand in rural areas, but the overall strategy is also spreading the vital information on oral hygiene among the lesser aware rural folks.

### 5.3.6 Chambal Fertiliser's Uttam Bandhan

In the year 2000 the K.K. Birla group's flagship company Chambal Fertilisers and Chemicals Ltd. (CFCL) launched community welfare initiative in Rajasthan called *Uttam Bandhan*. Under the programme, the company trains unemployed rural youth as extension workers known as *krishi sewaks*, who interact with farmers and advise them. *Uttam Bandhan* also manages an Internet website [www.uttamkrishi.com](http://www.uttamkrishi.com) which provides information on weather, cropping techniques and markets<sup>17</sup>.

**Table 1:** Corporate Innovations for Rural Market

Company	Industry/Segment	Product/Program	Description	Impact
Godrej & Boyce	Consumer Durables	<p>ChotuKool Refrigerator</p> 	<p>Powered by battery, a perfect refrigerator for rural population. Does not require regular electricity supply unlike the conventional models.</p>	<p>Providing the rural/ semi-urban areas with a high-end product, the company pays commission of US\$ 3/ refrigerator to the rural agent; making rural population the last mile connectivity of its supply chain.</p>
Vortex	Banking	<p>Low cost ATM</p> 	<p>Low-cost Automated Teller Machines (ATM) which provide banking solutions to people in rural/ semi-urban areas. The machine consumes very less power, and has an elegant, rugged and reliable Cash Dispense Module. A wide range of products meant for rural and semi-urban bankers makes the financial operations seamless and uncomplicated</p>	<p>A wide range of products meant for rural and semi-urban bankers makes the financial operations seamless and uncomplicated.</p>
Tata Chemicals	Consumer goods	<p>Water Purifier</p> 	<p>Swachh range of water purifiers promise pure drinking water to the rural people at a very low cost of INR 999. It does not require running water or electricity to provide harmless, bacteria-free drinking water.</p>	<p>The winner of the gold at the Asian Innovation Awards 2010 would be rolled out nationally and then in emerging markets across Africa, South-East Asia and Latin America.</p>
HUL	FMCG	<p>KhushiyonkiDoli</p> 	<p>The multi-brand rural engagement module- KhushiyonkiDoli- initiated by HUL, provides various personal care and home care brands such as Wheel, Surf Excel, Fair &amp; Lovely, Sunsilk, Vim, Lifebuoy and Close Up.</p>	<p>The main objective of the campaign is to reach out to media dark villages with HUL brand messages to inculcate good personal hygiene habits among the people. Shakti distributors now account for 15 per cent of the company's sales in rural India</p>
Nestle	FMCG	<p>Smaller packs of maggi noodles and tomato ketch-ups</p>	<p>The initiative aimed at 'indianising' Nestle's global portfolio to propel its growth in the rural markets. The company promises nutritionally superior products for people residing in the hinterlands.</p>	<p>With an aim to penetrate into rural markets, Nestle has strived to create products specifically for the consumers at the bottom of the pyramid. The taste maker introduced not only</p>

<sup>17</sup>Saran, R., Bhupta, M. & Goyal, M. (2004). New Deals for Rural India. *India Today*, December 13, p. 58

				delights the taste buds, but also adds nutritional quality to the food.
Nokia	Software	<p>Nokia Life tools</p> 	The mobile application, launched in June 2009, empowers people to have access to agricultural, educational and entertainment content	Nokia has tied up with government organizations, NGOs and Reuters for this campaign and has partnered with Idea Cellular as the service provider. It has launched an ancillary microfinance campaign to facilitate handset purchase in the rural areas.
ITC	Agriculture	<p>e-Choupal</p> 	An initiative by ITC, e-Choupal aims to empower farmers with up-to-date agricultural and marketing information through access to internet and computers. The campaign was launched in 2000 and targets to empower 10 million farmers by 2012.	e-Choupal delivers real-time information and customised knowledge to improve the farmer's decision-making ability, thereby better aligning farm output to market demands; securing better quality, productivity and improved price discovery.
GlaxoSmithKline	FMCG	<p>Asha- milk food drink</p> 	GlaxoSmithKline's Asha, which is 40 per cent cheaper than the regular variant of Horlicks, is the first product from the UK-based MNC designed for rural consumers.	Realising that right product needs to reach the right consumer in time, the company will continue to identify and bridge need gaps for BoP consumers, particularly in terms of nutrition products and their availability.
Hero Honda	Consumer Durable	<p>Splendor</p> 	Hero Honda Motors Ltd., a joint venture between India's Hero Group and Japan's Honda Motor Co., has bet big on rural India by selling fuel-efficient motorcycles designed for shallow pockets. The Splendor, for instance, costs US\$ 800.	Cost-effective motor bike for rural population.
TATA	Agri-Input Retail Chains	<p>TATA Kisan Sansar</p> 	TATA relaunched its <i>Kisan Kendras</i> as TATA <i>Kisan Sansar</i> (TKS). These are planned to evolve as networks of one-stop shops for farmers providing everything from inputs to know-how.	Easing out purchasing problems of Rural Farmers.
BILT	Contract Farming for Paper Industry	<p>Bilt</p> 	BILT, a leading paper products manufacturer sources wood pulp from farmers of Odisha. In 2000 company got into a buy-back arrangement with marginal farmers to grow eucalyptus for which it provided the seedlings.	Over 9,000 farmers are involved in BILT's social forestry initiatives and earning livelihood.
Chambal Fertilizers	Food Processing and Cold storage	<p>Ever Fresh</p>	In 2002, the company entered the food processing by taking over a food-processing unit in Haryana. The unit processes and freezes	Decreased Perishability of farm produce.

			<p>fresh vegetables and markets them under Ever Fresh Brand.</p>	
GGCL	Contract Farming for Gherkins	<p>GGCL</p> 	<p>Thapar Group's Global Green Company Ltd. (GGCL) is helping farmers in Andhra Pradesh and Karnataka to grow gherkin cucumbers.</p>	<p>The company markets 30,000 tonnes of gherkins and has a contract farming arrangement with 12,000 farmers.</p>
ITC	Agri-Input Retail Chains	<p>ITC's <i>choupalSagar</i></p> 	<p><i>Choupal Sagar</i> is an extension of ITC's warehouses. The farmers will be in position to make purchases for all their requirements from a place where they sell their produce.</p>	<p>The ready availability of cash after the sale and the transport facility in the form of emptied trolley or cart would provide an opportunity to make bulk purchases for the coming season.</p>
DCM Shriram	Agri-Input Retail Chains	<p>Haryali Bazaar</p> 	<p>DCM Shriram created one stop shops offering everything from sickle to technical advice as a forward integration strategy. This <i>Kisan Haryali Bazaars</i> offer multiple brands for each product category to meet the farmers' preference and choices.</p>	<p>Easing out purchasing problems of Rural Farmers.</p>
Godrej	Agri-Input Retail Chains	<p>Aadhaar</p> 	<p><i>Aadhaar</i>, is a supermarket, which retails agricultural inputs such as fertilisers, pesticides, animal feeds and small implements along with FMCGs, appliance and also services.</p>	<p>Easing out purchasing problems of Rural Farmers.</p>
Warna Bazar	Rural Shopping Mall	<p>Warna Bazar</p> 	<p>These stores retail products like apparel, food, grocery, agri-inputs, vehicles, consumer durables and hardware.</p>	<p>Easing out purchasing problems of Rural Farmers.</p>
Mahindra	Agri-Input Retail Chains	<p>Shubhlabh</p> 	<p>In order to sell farm inputs and equipment including M&amp;M brands, Mahindras established <i>Shubhlabh</i>, which is a chain of franchised store for the rural market.</p>	<p>Easing out purchasing problems of Rural Farmers.</p>
HUL	Agri-Produce Branding	<p>Vindhya Valley</p>	<p>It helped the board to brand local produce from villages and tribal areas, such as natural honey collected from forests in the state under the brand name 'Vindhya</p>	<p>This has not only built a brand for the state government but it also touches the lives of 35,000 to 40,000 tribals</p>

		<p style="text-align: center;"><b>Vindhya Valley</b></p> <p><small>-In 2002, the company took up a project in Madhya Pradesh</small></p> <p><small>-The ministry of Madhya Pradesh's economy is agriculture</small></p> <p><small>-Prosperity thus means increasing the income of farmers and small town and village entrepreneurs engaged in agri processing and cottage industries.</small></p> <p><small>-With the help of the government's "Vandana Yojna", an umbrella brand for food products, and support software for its marketing, manufacturing and distribution.</small></p> <p><small>-The agricultural yield generated higher sales and higher returns for rural artisans, entrepreneurs, many of whom are women.</small></p> <p><small>-To uplift even larger groups, ITC is helping the government set up permanent handcraft fairs across the cities and towns of the state. The government operates about 15,000 fair price shops.</small></p> 	<p>Valley'. The product range including edible products like papads, pickles, masala and turmeric, was launched in 2002.</p>	<p>and contributes meaningfully to their upliftment.</p>
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Source: Company Websites

**6. Conclusion**

Rural markets are indispensable for all consumer product companies. This is because most urban markets are getting saturated. The intensity of competition in urban markets decide the profitability of the firms. The rural markets have also gained importance because of the socio-economic changes, which are sweeping rural India. These changes are being fuelled by satellite television, internet and telecommunication. This has enhanced rural consumer's awareness and aspirations. Also concerted attempts are being made by self-help groups to generate incomes in the poor areas, which, in turn is helping create demand for products and services. The corporate involvement in agri-business, organised retailing, e-marketing, e-governance, CSR initiatives at all levels in the food chain is not only providing much needed assured markets to the farmers but also is bringing the latest know-how to the farmers. It is leading to better earning opportunities for the farmers through higher yield, higher prices for the produce on one hand and this is also creating direct and indirect employment opportunities for the farmers who are finding it difficult to be the part of service led growth. These corporate innovations are positively impacting the family, farmers and the rural youth.

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