PGDM (RM), 2013-15
Rural Retailing
RM-601

Trimester – VI, End-Term Examination: February 2015

Time allowed: 2 hrs 30 min

Max Marks: 50

Roll No: ____________

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means.** In case of rough work please use answer sheet.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		Total Marks	**50**

Section A (Word limit: 50 , Q5 is compulsory)

1. Define rural India per the Census of India. How is it different from the RBI definition?
2. What is MNREGS? What is the lacunae and positive aspect of this scheme?
3. Give 5 reasons why organized rural retailing has not been so successful in India?
4. Define the following abbreviations: (a) NCAER(b)NSSO(c) CSO (d)ICDS (e)CMIE
5. What is Kisan Call Centre and how does it work? What is 'Tesan Kan Khajura' and its uniqueness?

Section B(Word limit: 100, Q3 is compulsory)

1. Which are the four challenges of rural marketing ? Which of them is the most difficult to address and replicate. Explore and discuss with practical examples.
2. Define PFCE which is a part of GDP. Explain its significance. Even after getting PFCE data everything cannot be taken under retail market. What are the two reasons?
3. What are the constraints of the present agricultural marketing system? Define APMC Act. What are the changes in the revised APMC Act?

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Section C: (Word limit 200 words)

Evolution of a Sustainable PPP Model in the BOP Market, Creating value for all

01 August 2008
MART, **Prepared by**
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Debrief

Colgate Palmolive, the world's leading manufacturer of oral care products, dominates the Indian oral care industry with a market share of more than 62%. The word 'Colgate' has become synonymous with 'toothpaste' for most consumers in India, especially those in the rural Indian context.

As the leader, Colgate faces the major challenge of expanding the market which will ultimately result in increased business for all players. The urban market is more or less saturated with most consumers in this segment already using oral hygiene products in one form or other. In the rural context, however, there is scope for growth, as over 30% of the population of 780 million still uses traditional methods of oral care. Colgate's rural coverage reaches down to villages with a population of 5000+ through direct distribution channels but it is unviable to penetrate further. An increasingly active competition is putting further pressure on Colgate. Large powerful corporations like Hindustan Unilever are getting ready for a tough fight with their 'Pepsodent' brand, while smaller regional players like 'Anchor', 'Ajanta' and 'Amar' are cashing in on religious sentiments with vegetarian toothpaste, increasingly segmenting the market further, and in the deep interiors the fight against lookalikes, fakes and spell-alikes has made a heavy dent in Colgate's market share.

The big challenge, Colgate executives stated to their agency - MART – was that the remaining un-penetrated villages with populations of less than five thousand inhabitants account for 85% of the rural population of India. "The major portion of the non-using oral care segment lies in the less than 5000 population village strata," said Sudhir Langer, Manager, New ventures at Colgate, "and current methods and forms of accessing this stratum of rural population are not commercially viable models."

These smaller villages would have little economic development, with a small proportion being affluent and the majority at the bottom of the pyramid. In this stratum, people would typically have to travel out of the village for the purchase of many necessities; periodically visiting Haats[1], shops at nearby larger villages or the block town. Low per capita usage in these small villages fosters an environment where there is inadequate scale for return on investment and which makes regular access untenable for existing direct distribution channels. The brief to MART executives was clear: create a model or program that can viably and sustainably address the critical issues facing Colgate at this point of time.

Deliberation

The MART team absorbed the brief. One team member decided to start with a holistic understanding of

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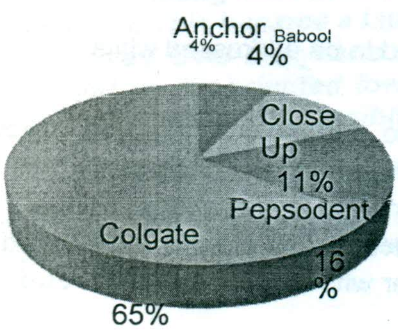
the oral care industry, the levels of rural penetration and other issues dogging the industry as a whole. He prepared a report for the team, a summary of which is given below.

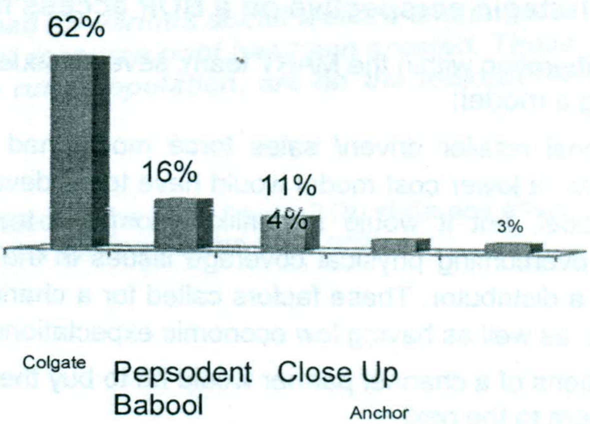
Oral care penetration figures

Particulars	India			Zones			
	All	Urban	Rural	North	Sout h	East	West
Toothpaste	48.6	74.9	37.6	47.8	61.8	40.0	44.4
Toothpowder	34.7	30.6	36.5	37.1	35.7	30.0	36.1

Brand Share (Million Households)

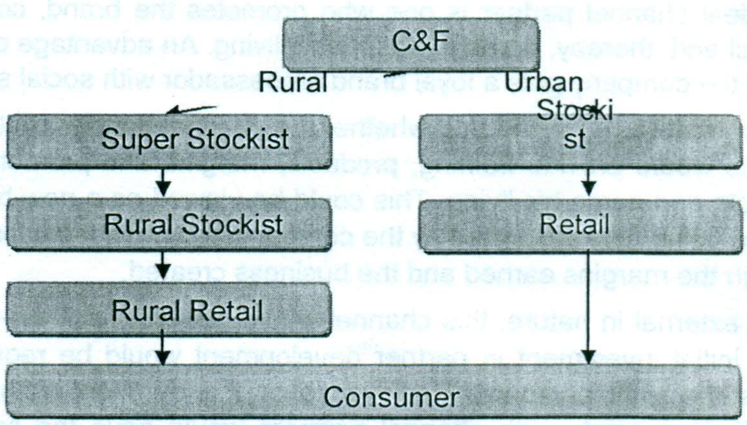


Market Penetration (%)



Current Colgate Strategy

The existing distribution structure, as depicted in the diagram, allowed direct access to the inhabitants of 5000+ population villages. Colgate wished to penetrate deeper and achieve a distribution spread of villages with 2000 population. They had tried experimenting with different models; none worked.



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Buying Behavior

The BOP population, which accounts for a substantial proportion of the rural market, depicts unique buying behavior. Their main interest is in 'value for money' offerings. They also shop more frequently than their urban counterparts, but fewer items on each occasion. As there are limited shops in villages of this pop stratum, the BOP segment usually conducts most of its purchases from the nearby Haat.

From the overview of the oral care sector and understanding on the BOP segment buying behavior, it became evident that the solution revolved around three main factors: Distribution enhancement to expand beyond current coverage levels to access the BOP segment. Provision of strong communication on identification of fakes and use of the genuine article Ensuring sustainability and scalability of the developed model.

Issues and strategic perspective on a BOP access model

After much deliberation within the MART team, several issues emerged to be addressed while conceptualizing a model:

As the traditional retailer driven/ sales force model had proven to not be cost effective at lower population strata, a lower cost model would have to be developed. This would not necessarily be a low opportunity model, but it would be unlikely to meet traditional margin expectations. Further, the proposition of overcoming physical coverage issues in the vast remote areas of rural India would be unattractive to a distributor. These factors called for a channel partner who would be rural in residence and orientation, as well as having low economic expectations.

The main functions of a channel partner would be to buy the products from the company at an approved rate and sell them to the next

Channel/consumers, while also promoting the brand at different levels. Identification of appropriate candidates became the next challenge.

The ideal channel partner is one who promotes the brand, communicates brand messages, sells the product and, thereby, earns a reasonable living. An advantage of this type of dedicated channel partners is that the company gets a loyal brand ambassador with social standing in the local community.

The team at MART wondered whether the channel partner could work through a 'support' model, where Colgate would provide training, products, margins and promotions while the channel partner sells the products and earns his living. This could be viewed as a new business venture for the channel partner, despite being fully supported by the company and provided a fixed stipend, as earnings would be largely through the margins earned and the business created.

Being external in nature, this channel would not entail any on-going liability to the company. However, some initial investment in partner development would be required and these costs would be spread across the total personnel deployed over the duration of the initiative. Being from a social sector organization, rural youth channel partners would have the capability to act as 'brand ambassadors' independently in the rural environment, reducing risk for the company.

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In this scenario, the company gains with deeper brand penetration and access to unreached markets, allowing the brand to strike back at fakes and duplicates. At the same time, the partner can start his own business selling company products, earning his livelihood while being respected as the company man in the area. A win-win situation; creating value for all.

In the Indian, and even global, context, presence in the BOP sector is the single largest remaining market opportunity which any company can address today.

<u>*The search for a channel partner*</u>

The GOI after independence initiated national level youth based organizations, such as 'Nehru Yuva Kendra Sangathan' with a social focus to channelize the rural youth's energy into productive areas. Training was provided along with short employment contracts, to suitable high potential villagers. This became a launching pad for various social welfare and cultural initiatives. Over the year a significant resource pool has been created. These trained youth, oriented towards the rural population, are on the lookout for alternate livelihood possibilities.

In context of the above what was the model proposed by the MART team? Pl. state any assumption and presumptions made. Your answer doesn't have to be confined to the case only.