

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**. All other instructions on the reverse of Admit Card should be followed meticulously.

SECTION A

Attempt all questions. Each question carries 10 marks.

A1a. Briefly discuss the rural environment in terms of the infrastructure available for marketing. How does this environment affect the marketing decisions and opportunities? Explain with reference to

- (a) Marketing of banking services:
- (b) Marketing of consumer necessities like toilet soap and detergents

(CILO 1)

OR

A1b. How did demonetization impact the Indian rural economy? What were the challenges faced by marketers during this happenstance?

A2a. Write the importance of rural marketing research. Write a research plan for launching a cosmetic brand in the rural market.

(CILO 2)

OR

A2b. Explain the concept of STP in the rural context citing the example of television sets.

A3a. What are the important media vehicles especially suited for advertising and promotion in rural markets? Having identified the rural market potential, your company is keen to promote its economy range of cooking gas stoves in the rural market. What is the media mix you would suggest to the company and why?

(CILO 3)

OR

A3b. What, in your view, are the sales promotion tools most likely to succeed in rural markets? Justify your answer. Give examples.

## SECTION B – CASE STUDY

Attempt both questions. Each question carries 20 marks. (C10-1/2/3)

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 the 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 an 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 crores through the e-choupals all across the country. The bigger plan is to spend some Rs. 150 crores 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 centers 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 ton 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 ton 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 per cent 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-choupals. It has already roped in US seeds giant Monsanto, fertilizer companies like BASF and Nagarjuna Fertilizers 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 per cent fee on the face value of the transaction and the Tobacco Company pays the sanchalak 5 per cent of the sales as commission for any product sold on his kiosk.

#### 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-choupals?