MBMM 4001

M.B.A. DEGREE EXAMINATION, JUNE 2014.

Fourth Semester

Marketing

RURAL MARKETING

Time : Three hours Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions out of the following.

All questions carry equal marks.

1. Enumerate the Rural-Urban disparities in India.

2. Explain the Nature of Rural Markets.

3. Describe the Characteristics of Rural Consumers.

4. How Product Mix Decisions are taken by Rural Marketers? Discuss.

5. Elaborate the Potentiality of the Rural Markets.

6. Whether Rural Marketing needs Pricing Policies? Justify.

7. What are the different Promotional Campaigns available in Rural Marketing? Explain.

8. Describe the problems encountered by Rural Marketers in Distribution Channels.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions out of the following.

All questions carry equal marks.

9. Discuss the emergence of Rural Economy in globalised India.

10. Elaborate the Buying Decision Process of Rural Consumers.

11. Explain the Components of Rural Marketing Information System.

12. Describe the Competitive Product Strategies in Rural Marketing.

13. How Rural Markets are selected? Discuss.

14. Enumerate the Types of Innovative Pricing Methods for Rural Markets.

15. Explain Promotion Mix in Rural Marketing.

16. Elaborate the Action Steps to reach out Rural Markets.

(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 ?

(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?

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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 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.

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?

PART C — (1 × 20 = 20 marks)

Compulsory

17. 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 two 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 directly 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 yields and even get a better price for their produce.

For ITC, it opens up ne 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, acquaculture 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 Kiask 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