

# Broadening the Scope of Rural Marketing by Internet Technology

Ms. Shraddha Singhal<sup>1</sup> and Ms. Radhika Tomar<sup>2</sup>

<sup>1</sup>5<sup>th</sup> year Integrated B.Tech+MBA In Gautam Buddha University

<sup>2</sup>5<sup>th</sup> year Integrated B.Tech+MBA In Gautam Buddha University

E-mail: <sup>1</sup>[shraddha.singhal2010@gmail.com](mailto:shraddha.singhal2010@gmail.com), <sup>2</sup>[radhika.seraph@gmail.com](mailto:radhika.seraph@gmail.com)

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**Abstract**—It is not a fair deal for the farmers of India because of lack of knowledge and information in rural areas. This gap can be filled by negotiation from both sides. Access of information to all is the essence of digital marketing. Through a joint effort of government and other stakeholders, the concept of digital marketing can be extended so as to serve the needs and requirements of farmers. Many such projects have been initiated by private companies and government in this direction such as kisan call centres, ITC e-choupal which has brought in mixed results. This paper studies the case of ITC e- choupal and its efforts in the direction of e- marketing. Through this case we have tried to understand the factors that effects the successful propagation of e- marketing in agricultural sector making it a win-win situation for farmers in specific and the nation at large. In this paper a generic model based on the learnings from ITC e- choupal is discussed.

**Keywords:** Rural e-marketing, e-choupal, Digital Marketing

## 1. INTRODUCTION

Digital revolution basically means changing from analog, electronic and mechanical technology to digital technology. With the onset of digital era, the information era also emerged. As the advancement of technology has taken place, it has brought a lot of changes to business world also. Technology has also undergone new inventions such as internet, GPS, cell phone and many more. These inventions have brought a great change in lives of people. Now communication has become easier and people stay connected with each other much more as compared to the past. All these changes in lifestyle of people are because of digital revolution.

Information technology has an important role in increasing the communication between people and letting them stay connected from across the globe. Due to these changing trends, organizations have also changed their manner of presenting a product before their customers and also the ways through which they target their customers.

The organization now emphasizes on maximum use of these technologies so as to target their customers.

Earlier organizations used traditional methods like newspapers, radio etc. but now there are social networking sites so as to promote their product. After China, India is the most populated country and more than 65% of the population in India lives in 600,000 villages. The agro-sector of India contributes to 26% of total GDP. The farmers in India are mostly dependent on agriculture and its related services for their earnings. Due to variety in climatic conditions as well as in soil texture, India has a huge scope for agriculture. Due to these favourable conditions, it supports cultivation of almost every item from cash crops to food grains. Agriculture provides livelihood to approximately 65% of the labour force and accounts for 8.56% of India's exports.

India is ranked 2<sup>nd</sup> for the maximum area of arable land after USA but still it is not even close to being the best. India is not even in top ten positions in productivity of wheat and rice. Even after the emergence of green revolution India has not been able to cope up with world level productivity. This lack of efficiency in agro-sector is due to the gap present between government and farmers. The farmers in India face unfairness as they are not the direct sellers. As farmers do not have the idea of real rates of the crops so they cannot negotiate much with the middle man.

But now due to the evolution of e- marketing in each and every sector, the rural India is also taking the initiatives and utilizing its use for the benefit of agro-sector. Earlier rural India was devoid of the privileges which urban area was enjoying but now that the population of rural area are also getting educated as well as they are also using the technologies like cell phone, computers etc. now rural market is also ready for change. Rural markets also want to use the technology so that it can benefit from it. So keeping the rural India in mind, ITC came up with the idea of e-choupal which created a win-win situation for both the farmers and the company.

## 2. BACKGROUND

The concept of e-choupal has been formed on the grounds of over exploited rural India. It is a big step taken by the conglomerate ITC so that lives of rural people can be improved while benefitting the organization. As the primary producers of agro-sector were the continuous victim of the inefficient supply chain of agro-sector, ITC came up with the idea of e-choupal in the year 2000. ITC arranged kiosks for the farmers in villages so that they can have access to information and the traditional mandi method could be replaced and they can directly market their produce.

The creation of e-choupal, the role of middle men was omitted hence creating more profits for farmers. By doing so e-choupal not only reduced ITC's agrarian supply-chain concerns but also contributed to the economy upliftment as well as empowerment of Indian farmers. Although e-choupal was mainly an answer to improve supply chain of ITC but the organization was quick enough to be cognizant of the fact that it is a delicate balance between corporate profitability and social contribution. Aware of the degree of poverty-stricken Rural Indians, ITC extended its e-choupal framework to deliver basic services such as education, health care and information. ITC even collaborated with other companies like fast-moving consumer goods companies and finance companies to provide rural India those products and services which they were devoid of earlier due to huge premiums or because they were not available. Emerging as a platform for social development, e-choupal was both eliminating poverty and chipping away at rural remoteness, even while ITC continued to enjoy the benefits of functional procurement and distribution value chains.

## 3. EVOLUTION AND CURRENT STATUS

### 3.1. Concept of e-choupal

Agriculture is the largest livelihood provider in rural India. Efforts put in the agriculture are not up to the mark which leads to poor agricultural productivity and food security of the nation. For this, constant application of latest ideas and technologies is essential. The bane of Indian agriculture is not lack of technology or Research and Development efforts; it is inadequacy and inefficiencies in the dissemination of relevant information to the farming sector. So Information and Communication Technology in agriculture can act as a driving force in the development process.

Market is a meeting place where suppliers and customers come together to do transactions where both try to get benefit so in this area an initiation was taken by ITC in the form of e-choupal. E-choupal is a Hindi word which means "village meeting place". E-choupal is a virtual market place where farmers can transact directly with an organization and realize that they get better price for their produce. E-choupal acts as a

market where large varieties of vendors and customers meet online. Geographical distances does not matter or play any role or restrict the participation in e-choupal's meetings. Conventional market's disadvantage is the information asymmetry and flow in the market whereas e-choupal provides for transparent, clear and continuous and up-to-date transactions. This involves the participation of not only smaller but also larger players. Elimination of few intermediaries from the flow allows for larger share of profits and correct information to reach the lower end of value chain. The main attractiveness and advantage of e-choupal is that it is used for connecting large producers/small producers and small customer/large customer which eliminates the need of brokers in the flow. Internet is used as a low transaction and cost effective and fast communication channel. The brokers are not eliminated completely rather they are given the responsibility of delivering the produce physically.

Total elimination of intermediaries is not an attempt of e-choupal as this is indispensable in Indian economy, as these intermediaries add value at mediate levels at low cost. Intermediaries' expertise in transportation, storage, counter, quality assessment and party risk reduction which are difficult to replicate and eliminate. E-choupal provides all the market information to farmers which helps them to become market oriented. In e-choupal, intermediaries are leveraged but they are disintermediated from the market information flowing to the farmers.

### 3.2. Role of ICT in E-choupal

The evolution of e-choupal was not an easy task. To implement any new system in an area where it has no background is always difficult as people resist any change. This has to be continuous process where knowledge distribution has to be a major factor to be noticed. Knowledge management was the crucial factor which had to be considered as the prime element in its operation when both the business as well as local community should get the benefit out of it. The problems which were to be faced while implementing this system includes acceptance by local people, resources for implementation, infrastructure inadequacies, power supply, telecom connectivity and bandwidth. Various alternative and innovative solutions were adopted for the lack of telecom and electricity connectivity in the villages which included Power back-up through batteries charged by Solar panels, installation of VSAT(very small aperture terminal) equipment, upgrading BSNL (Bharat Sanchar Nigam Limited) exchanges with RNS kits, local caching of static content on website to stream in the dynamic content more efficiently, Mobile Choupals, 24x7 helpdesk etc. which proves to be expensive apart from technological inadequacies. The biggest challenge for ITC e-choupal was to impart skills to the first time internet users in remote and inaccessible areas of rural India.

Creating a local language portal, which provide the required information to farmers of local weather, market prices and best practices of irrigation was the major task. Content creation and its processing plus updating was also a challenging element for the model. This was supported by creating a B2B (Business to Business) site, which integrated the transactions directly to the backend ERP and ensured that there was no latency in processing any of the procurement by the processing units. Now a key challenge was personalization of content for the heterogeneous and fragmented farmer groups. The main challenge except Technological advancement was Digital Divide. There are no off-the-shelf technology solutions for deployment in rural India in operational procedure. IT in rural India requires to overcome the challenges of digital divide and poor infrastructure

The major elements of the ICT platform includes:

- Managing the vagaries of local power availability, as well as non-availability, through UPS and renewable power sources.
- User interfaces in the local language.
- Iconic and intuitive support to first-time computer users.
- Connecting even the Last Mile of rural market.
- To uniquely identify a choupal user and offer personalized content delivery by the use Smart card technology.

The challenge was to customize each of these, since availability of facilities is different at different places. So careful planning has helped to convert e-choupal into an E-hub that could be used for many commodities. E-choupal is an expanding platform that increases its scope as it operates and with the emergence of E-hub, now it facilitates operators like rural distributors and inputs providers and raw suppliers to work effectively to deliver and procure goods from every participating village. This will be supported by direct feeds in to rural produce buyers and rural produce distributors, integration with their backend systems and a live Meta market. The technology at this phase will have a secure, consolidated farmer's database with all information pertaining to their holdings and credit worthiness which will be available on-line. This database plus identification provided by smart cards enables support for on-line transactions through the "e-choupal" which leads to integration of financial institutions such as banks, insurance and credit agencies to support the farmer's transaction with procurers and distributors.

ITC e-choupal was an experimental project as this was the first such project to be initiated and implemented in rural market. So to implement it, ITC needed a full research of market and area where this has to be done before implementing it. To meet all the challenges which were stated above was the major task so that this project could benefit both the parties socially and economically. This project was the first former project to be aired which had no background to be followed and no theoretical knowledge for reference.

ITC had rolled out e-choupal in different states like Madhya Pradesh, Haryana, Uttarakhand, Karnataka, Andhra Pradesh, Uttar Pradesh, Rajasthan, Maharashtra, Kerala and Tamil Nadu, Karnataka and also in different commodities like wheat, soyabean, aquaculture, coffee, rice pulses, and shrimp. ITC firstly launched e-choupal at the pilot stage which amounted to 50-100 e-choupals. If pilot stage was successful, then only company would aim for critical mass scale which amounted to maximum 300 e-choupals. Saturation stage consisted of more than 1500 e-choupals. The e-choupals for various commodities were in different stages of operation. Till 2010 ITC e-choupal reached 10 states which included 4 million farmers and about 40,000 villages through 6500 kiosks. In 2009 ITC has also set up Choupal Sagar Malls in villages where e-choupal was initiated. The main objective of e-choupal is to 'build an intelligent first mile and a low cost last mile for agricultural products and services'. ICT is the primary means of operationalising and functionalising this vision. Therefore, every e-Choupal centre is equipped with a computer, internet connectivity through satellite technology and solar power for proper dissemination of information. As well as, it provides access to a web portal with current agriculture commodity prices at the village level.

### 3.3. Traditional Method

Farmers who were not aware of the market and uneducated, easily got influenced by the brokers. They used to bring their produced output to mandi for selling purpose. Mandi was a central point, which used to function as a marketing channel, as well as delivery point. Commission agents called adatiyas (brokers who buy and sell produce) conducted mandis. They were of two types: kaccha adatiyas and pukka adatiyas. Kachha adatiyas were only purchasing agents that used to buy on behalf of others and pukka adatiyas who used to finance trade as representatives of distant buyers and sometimes procured crops on their own account. Now when produce were brought to mandi, open bidding was carried out where government employee inspected the quality and used to set the initial bid. After this, the traders used to bid until the crop was sold. Afterwards these traders sold it to the food processing companies. Different stages included in the operation of Mundi, from the logistics of transporting grain to the market to quality inspection, auction, bagging and weighing, and payment. The traders, are well informed and educated about crop prices prevailing in markets and the prices offered by processing companies. This is the biggest reason why traders are able to exploit the farmers.

### 3.4. Reasons for E-choupal

- Farmers are not served well by mandi system, they are burdened by inefficiency.
- The farmer lack in resources to analyse their yield and are exploited on price trends.

- Crops displayed in open area are subject to being affected by the weather.
- The auction process proves to be demeaning for farmers.
- Traders exploit the farmers' situation.
- The farmers bear the cost of bagging and weighing the crop, which has to be done by mandi labourers.
- The farmer is never paid the full purchase price but is paid a partial amount.
- The multiple levels of handling the supply-chain and flow process
- Inefficiencies make mandi far from an optimal procurement channel.
- A gap exists between the ITC and farmers on communication basis through which middle-agents get opportunities to exploit farmers.

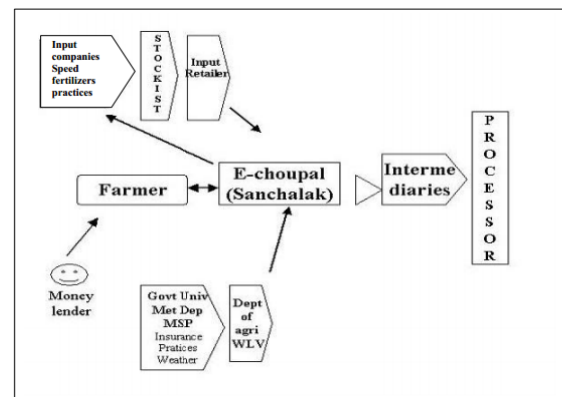
### 3.5. Vision and planning behind the e-choupals

- From the conventional and traditional system ITC has to identify that how the system could be improved resulting in better efficiency and effectiveness. The system on the whole should benefit both the producers and customers.
- The whole system should be addressed as one, not only on individual pieces.
- Reducing the transaction cost by providing online services.
- It should not only focus on community needs but also on cooperative advantages.
- Recognise optimization, effectiveness, scalability and cost.
- Disseminate Real Time Information
- Collaborate between parties to fulfil the needs
- Divide the process in steps and then follow incremental approach so that if any correction is needed then it has to be done at early stage.

### 3.6. Processing of E-choupal

E-Choupal is an alternative to traditional models of procurement. Farmers earlier used to go to market or mandi to sell their produce but now ITC e-Choupal centres provides them all the services along with the infrastructure and connectivity to 4-5 villages. Through this, farmers can access a web portal with current market rates from various procurement centres, which includes mandis' and ITC procurement hubs. An ITC procurement hub services approximately 30-40 centres of 20-30 km radius. Farmers seek the services from sanchalak who is "the centre operator" to find the price of their produce at different places, through the computer. This information, empowers them to make an informed decision as to where and when and at which procurement centre to sell their produce so that in return they could get maximum profit out of it. Through accessed and received information at the e-Choupal, farmers can choose to travel to the ITC hub to sell their produce at correct rates.

ITC has set fixed commission of sanchalak on the basis of every transaction from his village and services provided. The procurement hub has enabled the company to cease procurement activities at government mandis'. ITC also initiated the Choupal Pradarshan Kheth (Choupal Demonstration Field) programme. This programme improves the yields with a demonstration plot of land for every clustered village. Best practices have been put into functioning along with high quality fertilisers and seeds, and comparisons are made with produced output from control plots to encourage and motivate farmers to switch to improved farming practices and methods. ITC commit to improve agricultural yield, and supplement farmers by high quality seeds and fertilisers, both at ITC rural retail centre, Choupal Sagar (CS) and e-Choupal. The Choupal Sagar is a one-stop retail supermarket for rural customers, it is set up in locations that lie within 30 kilometres of any e-Choupal village. ITC's strategy is to build a collaborative 'Pan-Indian Network of Companies' that serves the untapped rural markets. Because of E-Choupal in rural market, farmers are getting variety of new exposure for their growth and development.



**Fig. 3.1: e-Choupal, a new business model**

Source:-

[http://www.planningcommission.gov.in/reports/sereport/ser/std\\_y\\_ict/4\\_e-choupal%20.pdf](http://www.planningcommission.gov.in/reports/sereport/ser/std_y_ict/4_e-choupal%20.pdf)

E-Choupal centres are managed by a sanchalak, the most educated person who is selected from the village. ITC stipulates farmers from about 25 acres land holdings for sanchalak selection, and insist that they should have a record of community involvement. Actual selection is managed by ITC after consulting the panchayat. Then final decision is made and formalised through a public oath-taking ceremony. ITC organises free long-term technical support so that sanchalak could be trained in computer skills. Sanchalaks are also motivated to stock and sell FMCGs products. ITC also provide sanchalaks with the training in basic marketing and accounting skills. An upsanchalak is also employed whose functions are:

- To serve as a link between the e-Choupal villages
- To communicate daily prices received from sanchalak to farmers in the village.

ITC has also employed salaried employees called sanyojaks, who along with a small staff manage the hub where farmers come to sell their produce. All processes in the procurement chain are controlled effectively and efficiently by ICT, from price setting and daily procurement volumes, to the monitoring of payments and commissions with addition to setting target for sanchalak's functions. Careful analysis is done before taking decisions keeping the overall profitability in consideration by ICT.

E-Choupal is the front end system, where the whole village can be introduced into the ITC procurement and retail channel. ITC more or less monopolises agricultural procurement in the areas that it operates in agriculture.

#### 4. CURRENT SCENARIO

E-Choupal smoothens the flow of information which reaches the farmers, instead passing through various intermediaries, is now passed through sanchalak .ITC e-choupal collects all the information of weather, market prices, fertilizers, pesticides, new farming practices and high quality seeds from various sources like mandi, weather department, research centres etc. therefore this is called real time information system

The farmers gets the information in their local language on market prices and weather, propagates knowledge on scientific farm practices, it greases the wheels for the sale of farm inputs and even for the purchase of the product is from farmer's doorstep. The information and personalized knowledge provided by e-choupal propagates the ability of farmers to take decisions and it also enables the farmers to align their farm output with market demand and secure quality and productivity. When the demand of the individual farmers is gathered it gives them access to high quality inputs from established and reputed manufacturers at fair prices. E-choupal is a direct marketing channel eliminates the concept of middlemen and multiple handling. Thereby it significantly reduces transaction costs.

E-choupal ensures that the quality of goods is good which it does with the help of ITC's expertise. In e-choupal the farmers earns a reasonable price for their product and ITC is benefitted from lower net cost of procurement which is done because of the elimination of costs in supply chain. With the use of innovative application of Information Technology, ITC has added a value to traditional system. This has successfully reached various villages.

#### 5. CRITICAL SUCCESS FACTOR

- The organization should have thorough knowledge of rural markets.
- Designing a model which would create a win-win situation for both farmers and corporate.
- Selecting and Accepting the Sanchalak by community is a valuable factor.
- Idea generation and creativity from bottom level acts as platform for entrepreneurship.
- Application of appropriate interface for better understanding of farmers.
- Dissemination of correct information at correct time within the system.

#### 6. CONCLUSION

E-choupal is one of the rarest method in India which was successful even though it did not have any background. E-choupal brought a rise in Indian economy and it also contributed to the social development of country. E-choupal has proved to be advantageous for farmers and corporate .This resulted in increase in farmer's knowledge, skills, and yield. E-choupal helped organisation in eliminating cost in the supply chain that do not add value. It gave an exposure to the rural market via Innovative Information Technology so that they are not over-exploited.

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