JAIPURIA
INSTITUTE OF MANAGEMENT

JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA
PGDM/PGDM (SM)/PGDM (M)
SIXTH TRIMESTER (Batch 2017-19)
END TERM EXAMINATIONS, MARCH 2019

Course Name	Rural Marketing	Course Code	MKT603
Max. Time	2 hours	Max. Marks	40

INSTRUCTIONS: *Attempt all questions.*

1. Your client 'Healthy Chocolates' is a leading distributor and manufacturer of chocolates. According to Mr. Kuldeep Singh, CEO of the company, the traditional strength of selling chocolates in rural India has been with grocery stores, which still account for the majority chocolate sales of Healthy Chocolates. But, 'Kids Bazaar', a kid's food chain startup, has been growing at a healthy rate of almost 15 per cent per year and has now become 'Healthy Chocolates' largest customer. Mr. Kuldeep Singh is not sure how to react on this as a distribution strategy. Being a rural market distribution consultant, he has asked you to advice on this.

   Question: Keeping in view your understanding of the availability challenge in rural India, recommend an appropriate distribution strategy to Mr. Kuldeep Singh. 8 marks

2. **Kansai Nerolac's new brand Soldier to micro-target rural India**

   "...As per market estimates, the overall paint penetration in the country is between 50 per cent to 60 per cent and this low penetration is primarily because of villages and Tier 4 and 5 towns. There are 7 lakh villages and few thousand towns with less than 20,000 population where the organised paint segment is non-existent. Currently that market is being tackled by local players." (Source: http://brandequity.economictimes.indiatimes.com/news/marketing/kansai-nerolacs-new-brand-soldier-to-micro-target-rural-india/49243468)

   Question: In a category such as paints, what according to you would be the factors that will influence the rural consumer's decision? What will be the decision-making process followed by him? 8 marks

3. **"Chinese firm bets big on rural India, to launch AC, fridge in 2019**

   After disrupting India's mobile phone market with brands such as itel, TECNO and Infinix, Transsion Holdings is all set to launch in 2019 its entire range of consumer durables, including televisions, air conditioners, refrigerators and washing machines, under the Syinix brand, the China-based company's India CEO has said. The company is currently doing "market testing" in Rajasthan and Uttar Pradesh with the launch of a 32-inch LED TV for Rs 13,999 and a 40-inch Smart TV at Rs 24,999. "The initial results of market testing in Rajasthan and eastern Uttar Pradesh have been very good. Generally in consumer durables, companies offer one-year warranty, but Syinix offers 24+1 months warranty. "We will also soon launch 49-inch and 55-inch smart 4K UHD (ultra-high-definition) TV," Arijeet Talapatra, CEO of Transsion India, said. "We will keep the pricing extremely competitive. Unlike other brands that tend to focus only on key cities, our main focus is tier 2,3,4,5 and 6 markets," Talapatra said, adding that the company was also planning to set up a research and development (R&D) centre in India next year. They are hopeful that the Syinix brand will do well in the rural markets of India.
   (Source: https://brandequity.economictimes.indiatimes.com/news/business-of-brands/chinese-firm-bets-big-on-rural-india-to-launch-ac-fridge-in-2019/67157962)

   Question: Design a rural-centric promotional strategy for the Syinix brand. 10 marks

4. Please read the attached case "Rural Financing Strategy" carefully and answer the following questions.
   a. Evolve a rural credit financing strategy based on ICICI and SBI models. **8 marks**
   b. Will the debit card scheme of SBI be successful? **6 marks**

Rural Financing Strategy

'he demand for rural credit is estimated at Rs. 143,000 crore. For banks, the challenge is not in isbursement but in loan recoveries. Some of the reasons for poor loan recoveries are:

- Farmers are risk averse and do not shift from established farming practices.
- The agri services provided by government and private agencies are intermittent and less intensive.
- The agri input sellers are only sales oriented. The dealers are prone to give incorrect information that sometimes ruins the crop.
- At *mandi*, the farmer is exploited. He is not able to realise the profitable price. Unfair practices, shabby treatment and inconvenience adversely affect the psychology of a farmer.
- Farmers are unable to invest in capital assets. As a result, the yields are very low.

'he recent RBI report on currency and finance concluded that one of the main reasons for the low levels of ield is the unsatisfactory spread of technology due to the lack of capital assets. So, though India leads the vorld on total area of cultivation for paddy and wheat, its productivity is way below that of other countries. 'or instance, in 1998, China's yield per hectare of paddy was 6,059 kg compared to India's 2,890 kg. The overnment's 10th working group report on agricultural finance says the sector will need funds to the tune f Rs. 750,000 crore in the next five years. In the last year of the 9th plan, only Rs. 60,000 crore was isbursed to the sector. Says an ICICI executive; "Now that margins in corporate lending are falling, the arm sector is suddenly more appealing".

CICI

'wo years ago, when asked to set up an agribusiness group at ICICI, Zarin Daruwala realized she had a big ask on her hands. No one in ICICI had any clue about the business. Sure, it had financed food processing, ut this was different. So Daruwala began talking to input firms and output buyers. In the last two years, CICI has disbursed Rs. 60 crore.

ICICI aligns itself with either NGOs or agri-ventures like Rallis to route rural credit. "We tend to extend credit only where there is a package of inputs and services being offered by an agri-services company. Wherever there is a package, we will supplement it", says Brahmanand Hegde, Chief Manager (Agri Business Group). ICICI pays off the input companies to that extent. ICICI has also tried to arrange marketing for the farmer so that he doesn't have to market his produce. For instance, it roped in HLL and Food World for the Rallis project. In this case, Rallis would pay the farmers for their produce after deducting the loans, "so, I trap my receivables through a marketing company and I channelise my credit through wholesale means", explains Daruwala, Deputy General Manager of the Agri Business Group. The other sensible way to mitigate risk, says Daruwala, is to target those areas, either with fewer *mandis* (so that the produce can be bought out directly),or those that are well irrigated (risks of crop failure are lower).

So far, the strategy is paying off. In Piparlya, where ICICI collaborated with Rallis to provide loans to farmers, it found there were no defaulters. So it is extending the relationship to Chitradurga in Karnataka. It is also riding on the Mahindra *Krishi Vihar*. "We are continuously forming new alliances; every time we see a marketing company or an input company, we try to bring them to the table. If these alliances keep fructifying, then we can keep scaling it up", adds Daruwala. ICICI's end game is interesting: once it sells a farmer a crop loan, it could try to sell him a two-wheeler loan or a car loan, even a housing loan.

SBI MODEL

SBI's new initiative has its moorings in the Kisan Credit Card (KCC) scheme announced by the Union Finance Minister in 1998. So far banks have issued 21.5 million cards with a total credit of Rs. 45,543 crore. SBI, too, joined the fray by issuing a total of 1.7 million cards. But now, SBI is moving one step forward, it introduced Kisan Gold Card (KGC).

1. The Reserve Bank of India had stipulated that banks would have to lend at least 18 per cent of their net banking credit to agriculture. SBI's Chief General Manager M.A. Kishnan says: "We had to come up with a new idea to drive up credit to farmers. Investment credit was the way to go".
2. By studying the credit history of borrowers under the KCC scheme, it found that large farmers, who were less risky to lend to, needed money for investing in long-term capital assets rather than merely for working capital. SBI's think-tank also noticed that over the years, investment credit to farmers was slipping, even as crop credit was rising. The writing on the wall was clear; if farmers did not invest in increasing farm productivity, ultimately crop credit levels would tend to plateau.
3. Under KCC scheme, farmers had to repay the amount borrowed on the card within one year. For example, the card wasn't a relevant instrument for a farmer, who wanted to add a processing unit to his tomato farm because the pay-offs would invariably take more than a year.

That's when managers at SBI discovered a new opportunity: Why not tweak the KCC and come up with a concept that would allow farmers access to long-term capital? It also had to be careful that recovery rates did not spin out of control. For KCC, SBI's recovery rates were close to 90 per cent, so there were few worries on that score. Unlike the KCC, the farmer will have considerable discretion in using the money in case of the Gold Card. He can decide on the purpose of the loan and repayment programme under certain guidelines. In fact, even though farmers are expected to buy farm equipment, SBI will theoretically allow them to use the money on consumer durables like refrigerators as well.

But how does SBI manage the risk inherent in microcredit? For starters, only farmers with a sound record of repaying loans are eligible. For loans above Rs. 25,000, the farmer has to pledge his land or issue a third-person guarantee. The local branch manager, through his network of field officers, personally examines the standing of the farmer in the community. The local *patwari* has to certify that the farmer uses his land for agricultural purposes. Says SBI's Deputy General Manager, E.S. Balasubramaniam: "These days, there is a lot of community pressure on the farmer to pay up so the recovery rates are moving up".

SBI's next step is to scale up operations. Next year, it's target is to give away Rs. 1,000 crore on 100,000 Gold Cards. Says Vijay Mahajan, director , Basixindia, an NGO specializing in giving microcredit to farmers: "The crux of the issue lies in product delivery. SBI's long experience with farmers should help it to do that better".

The story doesn't end there. SBI eventually plans to issue a plastic card, which will act as a deb it card in the hands of the farmer, who can use it freely in specially marked outlets to buy agricultural inputs. SBI is now tracking purchase patterns at local co-operative stores so that it can build a relevant "member establishment" network in rural India, replete with swipe machines. Then, farmers will no longer need to get each purchase cleared by bank officials. Krishnan says this will automatically lower administrative costs for SBI. And, hopefully, earn higher profits.