

Issue 12, AUG 2011

Gravity

The Great Lakes Magazine

INCLUSIVE MARKETING

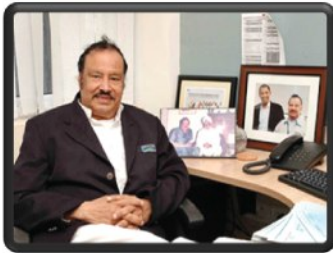


Farm to Fork Marketing helps the farmers contribute to and benefit from economic growth in the short run

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FROM THE DEAN'S DESK



In the recent years, there has been much talk about rural marketing and extending the reach of products and services beyond the urban locales and the potential of the rural market to contribute to increasing corporate bottom lines has been the debate of many an elite conference. Companies are scrambling for a piece of the pie represented by the 'base of the pyramid' market. The statistics show that people earning less than a dollar a day collectively make up some 30% of India's income and consumption. This translates into a 165 billion dollar market.

However, most companies have failed to cash in on the 'rural' potential simply because they believe that the rural consumer can be satisfied with sub-standard quality or obsolete stuff. For many reasons that are not restricted to the economics alone and also include political and social ramifications, 'Inclusive Marketing', as an approach that looks at the poor not only as consumers but also as producers/suppliers is gaining ground. This approach offers promise to add economic value to goods and services contributed by the poor. In a nutshell, the business model ensures that farmers as producers get better value for their produce. Once their incomes are enhanced the model then uses the same channel that was created for procuring produce to push relevant goods and services needed by the farmers/others as consumers. ITC through its E-Choupal has been successfully experimenting with this for several years now and perhaps the time has come to perfect this system to enhance the wealth and standard of the poor consumer and by extension the collective wealth, per-capita income and standard of living of the country as a whole.

The current edition of Gravity (our Great Lakes in-house magazine) focuses on the various issues critical to introducing and sustaining Inclusive Marketing as a concept. The articles have all been contributed by our own students through independent researches and data collection expeditions.

I am delighted to present this to you and I hope you enjoy reading the articles as much as we have in writing and publishing them.

Best wishes,
Bala

Dr. Bala Balachandran

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FROM THE EXECUTIVE DIRECTOR'S DESK



Dear Readers,

I am delighted to write this message for Great Lakes Institute of Management's in house magazine "Gravity".

The image of rural India has transformed over the years. The sight of a rustic villager sporting a mobile phone with him is no longer unusual. The corporate has increasingly been attracted towards the rural India in the last four to five years. It is indeed the matter of great pleasure that the team chose the latest buzz in Marketing as their theme. Needless to say, Inclusive Marketing aims at focusing on delivering value by reaping rich payments from the secluded sections of the society. The current issue of Gravity envisages and brainstorms what this "Inclusive Marketing" is all about and where it could lead the Indian corporate and Rural India in the near future.

I congratulate the team for the theme and wish them success in their attempt.

Happy Reading!

With warm regards,

Prof. S Sriram

Executive Director, Great Lakes Institute of Management

FROM THE EDITOR'S DESK



DR. TAPAN K PANDA,
DIRECTOR - KSCEM

INCLUSIVE MARKETING: THOUGHTS FOR A SUSTAINABLE MODEL

Developing nations are at the cross roads as more and more people are being pushed down in the ladder of development. The benefits of a welfare state and good governance are now percolating down to selected few. This has given birth to a huge outcry among the public and higher attention of policy makers to analyze and develop sustainable models of growth where more and more people can be brought under the gambit of development.

A bird's eye view on the developmental initiatives and review of poverty alleviation program brings the anatomy of planned development in India into three distinctive phases with contrasting approaches to inclusive growth. The first model relied on government dependence as a key driver for growth and survival by people at the bottom of the society. Here, the government played the sole role of helping people at the bottom through subsidies and a public distribution system. It is no wonder that during independence, even milk was rationed and was available only through a public distribution system. It was duty of the government to provide services and welfare measures through low/no cost parameters. This included family welfare, public health and education. The philosophy of governance was to help and enable them survive for the next challenge. This was an over dependence model and not sustainable in the long run. Over the years, the approach shifted to the second model - increasing opportunity of sustainable employment through various employment generation programs. The idea is based on a philosophy of creating a welfare state at the bottom of society in such a way that people will get gainful employment while building local assets. Through employment generation programs, rural-urban migration can be checked; local resources like water bodies, social forests and farmland can be protected and non-farm sector can also grow.

A recent study of NSSO reveals interesting facts - there is a decline in unemployment as well as the growth rate of employment. Though it might seem contradictory, it has relevant meaning for a marketer. A decline in unemployment makes sense as more and more people are moving to self employment through meaningful engagements, but the more alarming number is the slowing down in growth rate of employment! India's labor force is expected to grow by 32% in next twenty years. So there is an urgency to create 250 million additional jobs in

the coming two decades. If you analyze the growth rate of the manufacturing sector and government policy, we cannot rely on this sector to provide so many jobs to people; though the service sector is growing, we don't expect this sector to create many jobs in such a small period of time. It is obvious that the focus should shift to agriculture as a large chunk of the work force is in the agriculture sector. But for wages to increase, productivity in the agricultural sector should increase! Modern agricultural practices and shift in cropping patterns should be pursued aggressively. But agricultural land in any country is fixed and a large part of the Indian agricultural system is monsoon fed. The third model of inclusive growth has to be based on sustainable development of markets where both rural and urban produce are accessible to end consumers.

Marketing is often seen as a process where surplus at the consumer end moves to the marketer through a value added process. It assumes that a certain section of consumers have the ability and intent to buy goods and services; marketing needs to convert generic demand for goods and services into selective demand for brands. The whole strategy is focussed on consumable surplus at the customer end. A large part of the Indian rural market and so called 'bottom of pyramid market' are devoid of consumable surplus!

Inclusive Marketing is based on a proposition to develop markets and consuming class (segments) at the bottom of 'bottom of pyramid'. One can use the principles of a consumption economy to develop this sustenance model. A marketer needs to develop a business model by which the marginal outputs from the 'bottom of pyramid' market finds a way to market. There should be reverse distribution model where marginal producers in both farm and non farm sector have access to urban and international markets. This is referred as 'reverse marketing', 'sustainable marketing' or 'farm to fork' approach. Unless we provide market access to people at the bottom of pyramid, it is impossible to develop a sustainable consumption level at the bottom. Unless we apply Inclusive Marketing and provide network access to marginal producers and suppliers at grass root level, we will not be able to envision a day when a large chunk of population has purchase parity with access to products and services now available at middle of the pyramid. The challenges for Inclusive Marketing are multifold and timelines are very short. Policy makers and marketing strategists need to rethink the role of marketing from a market development point of view.

We need to re-strategize quicker as the bottom is ever expanding. This issue of Gravity includes few thought provoking and paradigm challenging articles by our inspirational and business ready managers at Great Lakes.

Happy Reading!

Inclusive Marketing - An Introduction

In the market economy, the growth of the market is driver of the economy. Various companies have tried to capture new customers through various products. Today this strategy seems to be inadequate to realise the potential of the market. The market is limited to the spread of money and hence, vertical and horizontal expansion is also limited. Search for new markets or revival of old markets is the new theme. The emerging economies are considered the new arena for global players as well as entrepreneurs.

The primary challenge is posed by the increasing gap between the have and have nots in these economies. The concept of "Inclusive Marketing" is the bridging element to reduce this widened gap. It aims to create an opportunity for the bottom of pyramid (BOP) to realise their market potential and earn a return equivalent to their effort, thus creating a new potential marketer-customer segment.

The major development hurdles in emerging economies like India are rampant poverty, poor social infrastructure and limited awareness. Every government driven social welfare scheme has seen a disastrous outcome. This has led to a more vigorous spread of poverty. Similar is the situation when it comes to the education and healthcare sectors.

The Role of the Private Sector

David Osborne and Ted Gaebler in their book "Re-inventing Government" (1992) stated "The job of the government is to steer, not to row the boat". Essentially it meant that the government's duty is to act as the facilitator rather than doer. The Indian government, post liberalisation in 1991, has undergone tremendous change to turn itself into the facilitator. It separated the economy in two parts, welfare and business. Under welfare it took the onus of driving social schemes for the population. But the outcome has not been favorable as governmental schemes are not properly implemented. The business segment was addressed by opening the Indian market under globalisation.

The market-economy today carries the potential to equally contribute to the social and welfare needs of the population. Under Inclusive Marketing, the market acts to financially empower the customer by providing various options to choose from as per his consumption capacity. The Microfinance institutes, Self-help group based entrepreneur opportunities are some areas where firms strive to generate profit and contribute by empowering people.

Innovations and Inclusion

Innovative use of Communication Technology, Inclusive Marketing and tie-ups between private firms and charities can cut down poverty at a rapid rate. Private firms can come up with innovative business ideas resulting in better healthcare, food and digital technology for poor. The large population offers unique opportunities for the private sector to make a positive impact on the lives of the poor by using new business models while securing their profit. It creates solutions that can make the market more efficient, competitive and inclusive, thereby affecting poverty positively.

A market based approach focuses on the poor as consumers and producers, creating solutions that can make markets more efficient, competitive and inclusive so that the BOP can benefit from them. The market

oriented approach recognizes that only sustainable solutions can be scaled to meet the needs of the poor. Corporates are known to use marketing as an effective tool to first understand the needs of consumers and then offer appropriate products and services to fulfill their need at affordable prices. The challenge is how this effective tool of marketing can be used to help increase the incomes of the poor and empower them.

If the marketing skills of promotional agencies such as Khadi Commission, Handicrafts and Handlooms are combined with the reach of the NGOs that are engaged in the non-farm sector, these agencies will then be able to help the poor get better value for their products and higher incomes. Engaging the BOP in the formal economy must be a critical part of any wealth generating and growth strategy.

Recent CII and Planning Commission studies have identified Tourism, Construction, Retail and Healthcare as high growth sectors. These sectors can absorb millions of workers in the organized sector of the economy, provided their skills are upgraded. Workers can thus hope to get higher income levels and better employment benefits.

The rapid spread of Information Technology will also ensure greater inclusion of the poor in the market as they can now have access to market information which was the exclusive preserve of the rich and powerful. For example, the poor can now access prices of commodities in different Mandis (agri-markets) through the new, transparent electronic exchanges or receive this information through sms on mobiles. Marketing cooperatives of small farmers will help them achieve scale and will allow them to access bigger markets and get better prices for their produce.

Diversity and Geography

India as a country has people of different races, language, culture, ethnicity. Most of the market initiatives ignore the importance of this diversity. Hence target-based marketing is not able to add any value to such product offerings. Under Inclusive Marketing, the market adapts itself to address the needs of customers.

The consumers have different needs according to the geography. The various business opportunities lie within the geographical zone.

The tapping of resources through planned strategy would empower the consumer. The absence of any opportunities in the past has led to migration of people and thus no development has penetrated in the backward pockets of India. But financial empowerment through the market can actually provide the BOP consumer a regular source of livelihood and deliver the benefits of growing economy.



Conclusion

Success in providing empowerment and benefits of inclusive growth to the economically poor population segments depends on the strategy adopted to propagate it. A definitive approach is yet to be finalized. The market has immense potential to deliver welfare activities through new business models. The future of marketing truly lies in the emerging concept of "Inclusive Marketing".

INCLUSIVE MARKETING



THE FUTURE OF MARKETING TRULY LIES IN THE EMERGING CONCEPT OF “INCLUSIVE MARKETING”. IT AIMS TO CREATE AN OPPORTUNITY FOR THE BOTTOM OF PYRAMID (BOP) TO REALISE THEIR MARKET POTENTIAL AND EARN A RETURN EQUIVALENT TO THEIR EFFORT, THUS CREATING , A NEW POTENTIAL MARKETER-CUSTOMER SEGMENT.



ABHILASH MOHAPATRA

WHAT DO YOU THINK WHEN YOU BUY ?



NEUROMARKETING

Neuromarketing is a new field in the Marketing discipline that aims to gain customer insight by studying their neural response to product promotions.

Introduction

Traditional Market Research techniques help marketers in understanding their consumers better in every aspect. Techniques like focus groups, detailed interview and panel review give some additional outputs as against questionnaire-based Market Research. There are companies which have done extensive Market Research but still failed to reach the consumer's shelf. Few companies, on the other hand, have made themselves successful. This throws up a kind of paradox as to what causes a company to really make it or break it. Neuromarketing is a recent advancement in Marketing Research, which can provide some solution to this paradox and bring about inclusive growth in the marketing arena.

What is Neuromarketing?

Neuromarketing is a new field in the Marketing discipline that aims to gain customer insight by studying their neural response to product promotions. For over twenty years, researchers have been recommending brain wave measurements to study the impact of promotions on buying behavior (Young 2002). Now, the disciplines of neuroscience and cognitive psychology have advanced and joined to give a completely new way of understanding of what consumers think about each communication right from their brain (Gordon 2002). Neuroscience methodologies are now able to get into neural level of activities for understanding the consumers (Shiv et al. 2005).

The customers who are tested already know that they are in a controlled environment, prior to being subjected to marketing stimuli in the screening process. Since the participants have willingly agreed to share their thoughts to be screened, it reduces the complexity of ethical issues. There is a degree of disconnect between what is shown in the stimuli and their usage during further persuasion attempts.

In collective a Neuromarketing persuasion model, the neuroimaging technique is used at the time of screening itself. These stimuli are unrelated to product characteristics; the result is an attempt to manipulate the customers' buying decision making process. The fundamental difference between conventional marketing techniques and Collective Neuromarketing techniques is that the former attempts to change beliefs, attitudes and behaviors while the latter is concerned with what triggers buying emotions in consumers.

The Visual Model

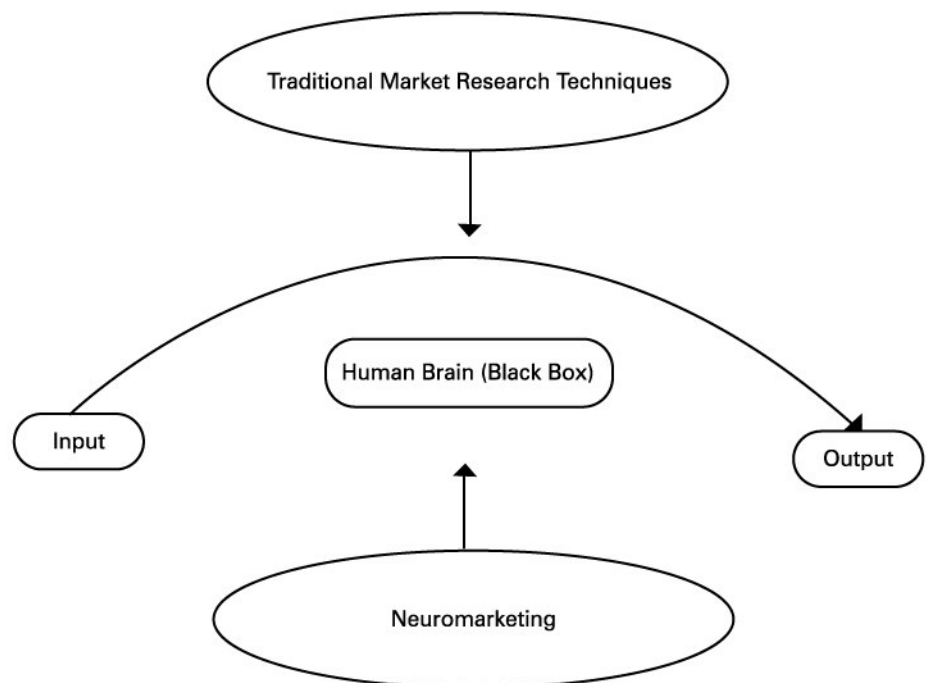
Traditional Market Research techniques throw inputs to the consumer, catch the output from them and work out inferences from there. But, they are not able to break the black box and get the real answer / feel out of the consumer. This is possible through Neuromarketing, where the consumer's brain waves are studied for responses for any given stimuli in marketing communication. Hence this technique bridges the gap between consumers and older techniques in Market Research.

Conclusion

The gaps that are found in traditional Marketing techniques, which are based mostly on giving socially acceptable responses versus real responses, is captured through Neuromarketing. Although this technique is costly, compared to other techniques, it gives a complete understanding of the consumers which would lead to sustainable growth of companies – inclusive growth.

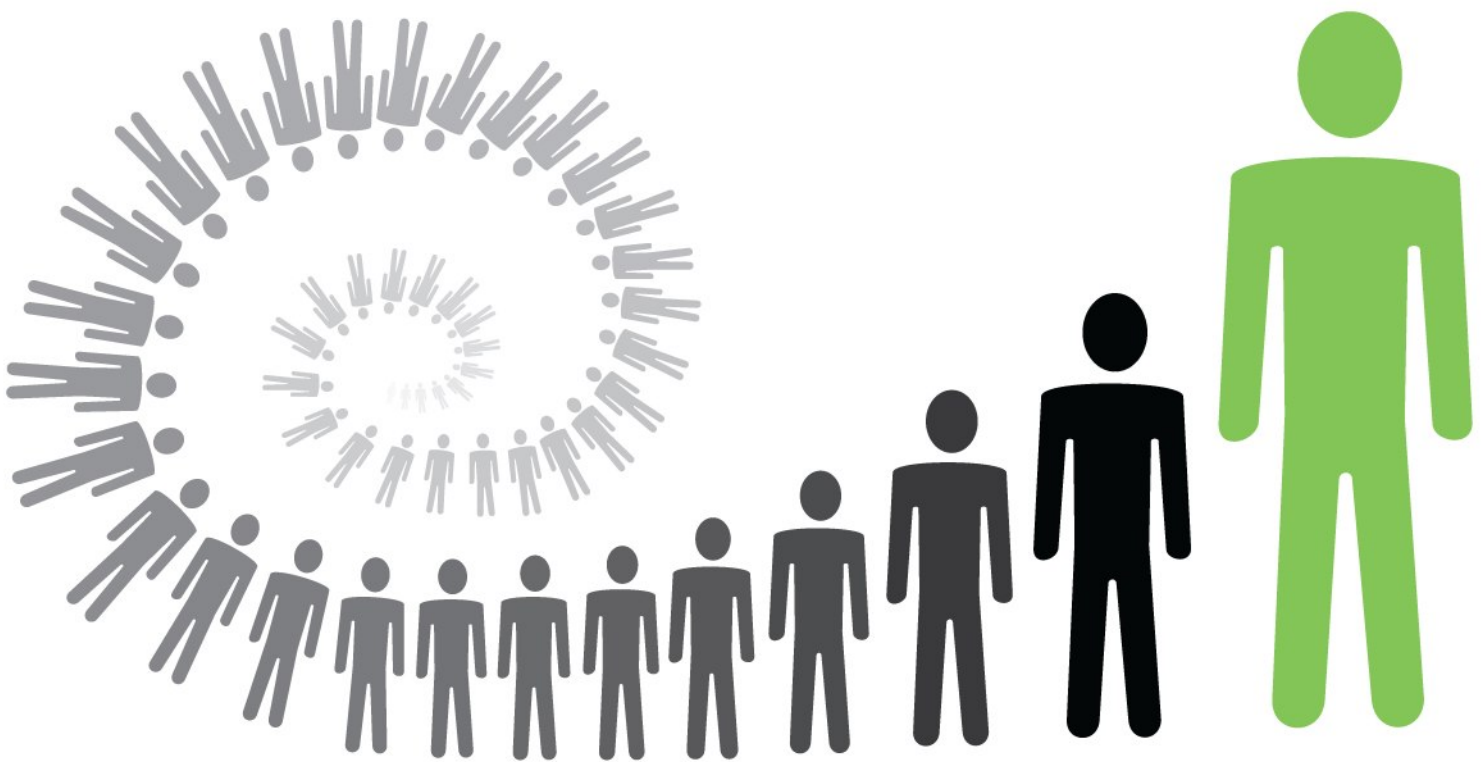
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SABARI RAGHAVENDRAN

INCLUSIVE GROWTH IN THE **LIFE INSURANCE** **INDUSTRY**



Life Insurance in India: A Brief History

Though the Life Insurance Companies Act was passed in 1912, the Indian Insurance Sector came into existence only on 19th January 1956, due to a disparity between Indian and foreign companies during those early days. The first ever exclusive life insurance company in India was the Life Insurance Corporation (LIC). The Parliament of India passed an act and created LIC in September 1956 with the objective of issuing Life Insurance Policies to all the insurable citizens in the country in order to provide financial cover at a very reasonable cost.

Life Insurance as a product was introduced by the government mainly for three reasons. First, in case of the sudden demise of a person (especially the breadwinner of the family), it would provide a means of

basic financial security by replacing lost income / paying off debts / providing educational funds for children. Second, it acts as savings for future needs like marriage, higher education and medical expenses. Third, it is one of the easy ways to reduce the tax load of a citizen.

From society's point of view, Life Insurance increases the sense of ownership in family and also emphasises the importance of protection during unemployment and ill health. Any individual will go through a phase of financial constraint during his life. Life Insurance will help during those crisis periods of hardship. This reduces the insecurity of a person which would, in turn, increase his productivity at his work place. Therefore, it is clear that Life Insurance is a critical measure for any individual to protect himself from the consequences of unexpected events.

FROM SOCIETY'S POINT OF VIEW, LIFE INSURANCE INCREASES THE SENSE OF OWNERSHIP IN FAMILY AND ALSO EMPHASISES THE IMPORTANCE OF PROTECTION DURING UNEMPLOYMENT AND ILL HEALTH.

Entry of Private Players

The ratio of Life Insurance premium and GDP was just 1.9% for India, whereas for Japan and UK it was more than 5% (Source: The Changing Product-Life-Marketing case, ICMR) and around 80% of the LIC premiums came only from endowment and money-back policies. During mid 1990s, there was a debate between the reformers and the Insurance Regulatory and Development Authority (IRDA) about the fact that insurance, despite being a nationalized industry, failed to exploit the potential of the market as the range of products was restricted and inadequate to satisfy a customer's needs. There was a suggestion of enhancing private players' participation in the industry since there was a lack of competition. This took a longer time than expected. IRDA finally approved the entry of private players in April 2000. IRDA was particular on the financial stability of an entrant and stipulated a very high solvency margin and entry capital requirement. Foreign Direct Investment (FDI) was allowed only up to 26%. This forced the foreign companies to enter into collaboration with Indian companies. This reform in Life Insurance business history brought about a major change in the industry. The average first year premium collection during the 1990s were ₹2000 to 2500 crores, whereas it was more than ₹6000 crores in the first year (1999-2000) of private entrants market. This competition triggered significant growth in LIC's performance as well, with an annual growth rate of 36% compared to only 16% prior to this reform. (Source – Indian Insurance Industry since 2000 – IRDA). In five years, private players captured 35% market share from LIC, which pushed LIC to think up of innovative products and marketing strategies and fight for their market share.

Life Insurance in the Current Context

As per the Indian Industries Report, today the Indian Insurance industry contributes up to 7% of the GDP, thereby helping the country by providing long term funds for infrastructural developments. And according to the Insurance Council, Indian Life Insurance is the fifth largest Life Insurance market growing at a pace of 32-34%.

The above growth statistics raises some pertinent questions. What is the difference that has boosted Life Insurance business by 20%? Was it mere competition? What was the competitive advantage the private players had against LIC in order to capture 35% of the market share in 5 years?

Definitely, marketing of the product played a major role, but prior to that, product innovation came in. There were ten private entrants in the year 2000-2001 (Source: IRDA). Before they came in, some companies carried out an exhaustive Market Research about the products offered and products desired from the Life Insurance companies. The Market Research evidenced that there are no customized offerings in the market. It was observed that only the endowment and money-back policies were popular among public with high premium and less life cover. More over the findings also concluded that the term for paying premium was always high and this could lead to policy lapse.

The companies focussed on bringing need-based products and effective marketing strategies which would delight the customer into buying an insurance policy. The outcome of this market study made the private entrants introduce innovative products other than Endowment and Money-back policies. The products fell under the following categories:

Unit Linked Plans

When there was a boom in online trading in India in the year 2000, Unit Linked Insurance Policies were designed for the public who desired to invest in Equities. This insurance plan had various features such as a very short premium paying term (for instance, only 3 years for a very popular product called 'Lifetime' in ICICI Prudential). The customer could customize his premium as well as his sum assured. Life was covered even after he stopped paying the premium. The customer was given different fund options like equity, debt, income and so on and he was given a choice regarding where his money was to be invested. The companies came up with product innovations like partial withdrawal, loan against the policy, premium withdrawal, premium holiday and top-up options. ULIP was a highly successful product for insurance companies. Last year (2010) alone, out of the total funds invested by life insurers, 27.52% was contributed by ULIP products (Source: IRDA Annual Report 2009-10).

Pension Policies

In India, only government concerns offered pension schemes for their employees post-retirement. Most of the private concerns did not. This provided an opportunity to come up with pension policies. This product never bore risk of giving death cover to the customers; it was a pure investment plan with the focus of providing pension for the customers to take care of their retired life.

Health Insurance Policies

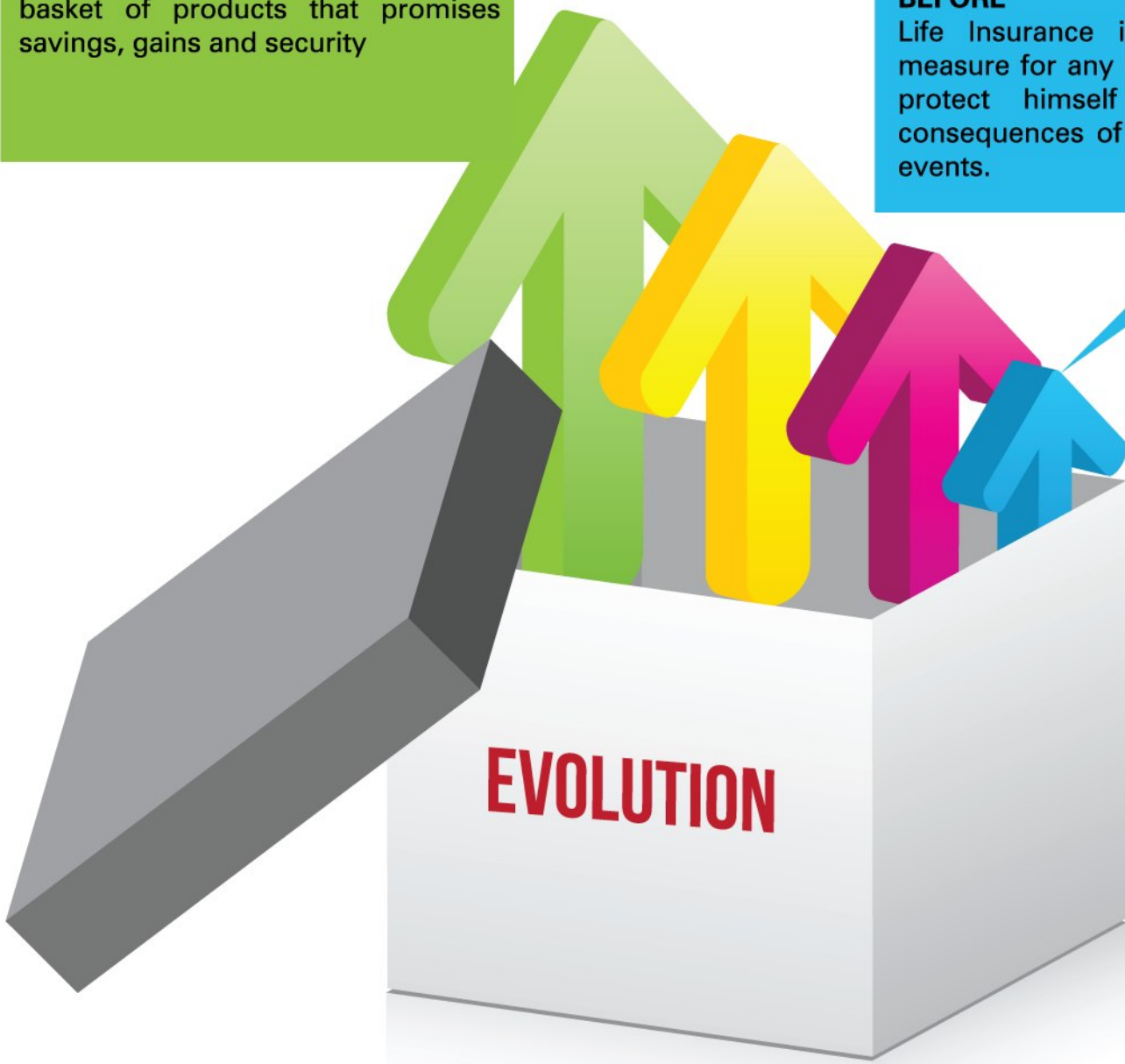
For the customer who wants to buy insurance policies only as protection for his/her family in case of any unfortunate event or demise, a term policy would be a good option. The customer would pay premium for a specific number of years and get life cover for the rest of the years. Once the term is over, the contract towards that policy gets over. Insurance companies came up with two kinds of plans - return of premium, where the premiums will be returned to the customer after the policy term and non-return of premium where premium will not be returned. This product generally fetches a high sum assured for the customers.

TODAY

Life Insurance Industry comprises a basket of products that promises savings, gains and security

BEFORE

Life Insurance is a critical measure for any individual to protect himself from the consequences of unexpected events.



THE COMPANIES FOCUSED ON BRINGING NEED-BASED PRODUCTS AND EFFECTIVE MARKETING STRATEGIES WHICH WOULD DELIGHT THE CUSTOMER INTO BUYING AN INSURANCE POLICY. THE OUTCOME OF THIS MARKET STUDY MADE THE PRIVATE ENTRANTS INTRODUCE INNOVATIVE PRODUCTS OTHER THAN ENDOWMENT AND MONEY BACK POLICIES.

There is no doubt that the products were new to the Indian customers when they were launched. LIC also did its part in Market Research and came up with new innovative products like Jeevan Rekha and Jeevan Anand, which had the combination of two products and double life cover. The Life Insurance industry as such achieved substantial growth since the entry of private players. From ₹9707 crores in 2000-01, the insurance premiums grew to ₹19857 crores in 2001-02. LIC alone contributed with 101% growth in this year. Definitely, competition among the players played a major role in this transformation. Apart from that, Inclusive Marketing took up an important role in Life Insurance industry.

Inclusive Growth and Life Insurance Industry

For selling new products to new consumers, Life Insurance companies followed the Ansoff matrix model (market expansion grid, intensive growth strategies) to understand the market and brought in new varieties of products to the various segments of people. For instance, when they did the Market Research, they found that short term premium paying products would be successful in India. Since an Insurance Policy premium would be the last priority for a common man with his salary commitments, a longer payment term was one of the major reasons for Policy lapse. So they brought in short term premium plans in Unit Linked products, where the customer could withdraw money after 3 years, but the policy would continue till his old age. In order to attract impatient customers in the salaried class, some products were designed with short term commitments. Investment plans with shorter commitment and lower lock-in periods were introduced to facilitate people undergoing job insecurity. And it did work well for the Industry.

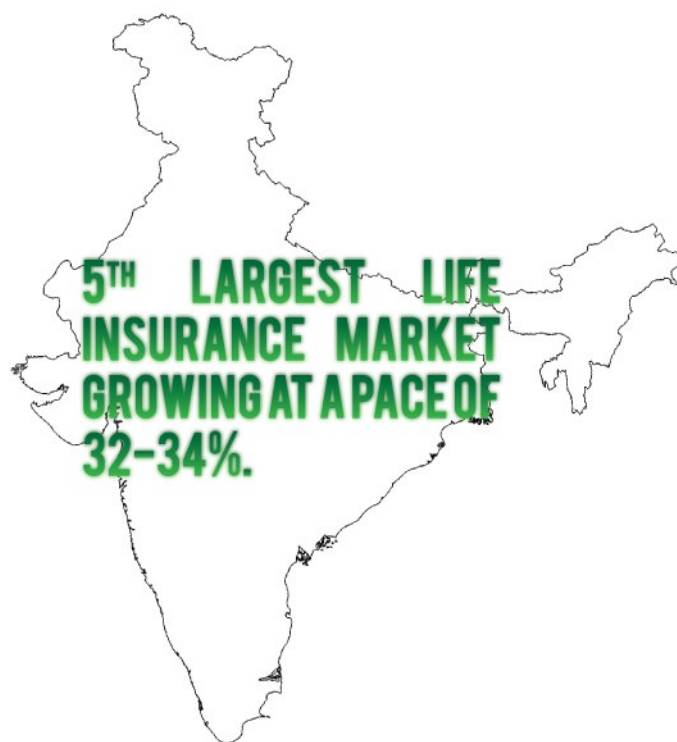
Income Levels and Income Tax

In the year 2000, when Information Technology underwent a boom in India, many software companies and multi-national companies invested money and created high paying job opportunities for youngsters in the country, causing many to pay income tax to the government. Life Insurance, being one of the instruments to invest to save tax under section 80 (C), 80 (CCC) and 80(D), companies marketed the products as 'Tax-Savers / Tax Gain' which facilitated the 'young customers' segment by saving tax, by paying premium for Life Insurance. This in turn enhanced the habit of saving among the public.

Effective Advertising

For any human being life is not certain, income is not certain and health is not certain. So Life Insurance companies took uncertainty in a big way to the public with their advertisements and highlighted their products to handle these concerns. Insurance companies like HDFC Standard Life, Max New York Life and others took efforts to make the public understand how important it is to have insurance policy for their children.

Insurance companies also addressed issues like the consequence of accidental death, accidental disability,



sudden health problems and the benefit of saving. This created great awareness among the public and many new customers from all classes bought Life Insurance for their well-being.

Products for the Rural Market

The Insurance companies started designing products for rural markets. Some companies had a healthy relationship with NGOs in order to promote their products in rural markets. These products were designed with affordable premiums to cater to economically weaker sections. This was implemented by many of the insurance companies because they knew that the potential of persuading people to save is very high. In fact, IRDA came up with a regulation called Rural Sector Obligations, where the Insurance companies must underwrite a certain number of policies from the Rural Sector. These products gave choices to customers to select the premium amount and sum assured. Insurance companies started opening offices in rural areas with minimum staff strength, which is otherwise called as 'spoke branch'. This move promoted the success of many Insurance companies.

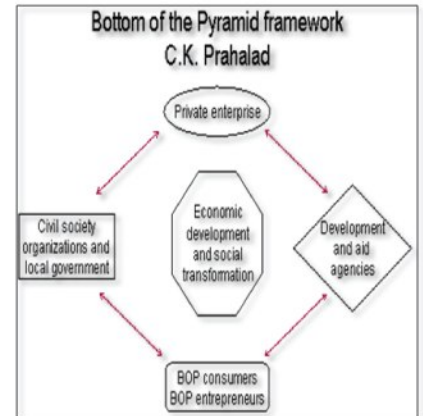


SATHYA SWAMINATHAN

Fortune at Bottom of the Pyramid

The “Bottom of Pyramid” or “Base of Pyramid” or “BOP”, a term coined by management guru C K Prahalad, refers to the largest and poorest socio-economic class of people from developing and least developed countries (LDCs) of the world. This segment consists of around 2.5 billion people with daily earnings less than US \$2.50. Extreme poverty is mainly characterized by the BOP population in LDCs.

In India, this segment accounts for 88.1% of the national household expenditure on food, 87.2% of energy expenditure, 85.3% of health spend, 78.8% of household goods expenditure and 52.6% of the country’s spend on Information and Communication Technology. The BOP level market in India is estimated at 1.2 trillion USD. Hence there is plenty of scope for marketing in this segment. Management Guru C K Prahalad, in his book “The Fortune at the Bottom of Pyramid”, presented the framework for the socio-economic development of the BOP population. This framework provides a motivation for private enterprise participation in creating marketing systems for the transformation of the BOP segment. C K Prahalad’s work drew attention of the corporates to the following fact – there is opportunity at the bottom of pyramid and that it is a highly viable market.



Financial Inclusion and Microfinance

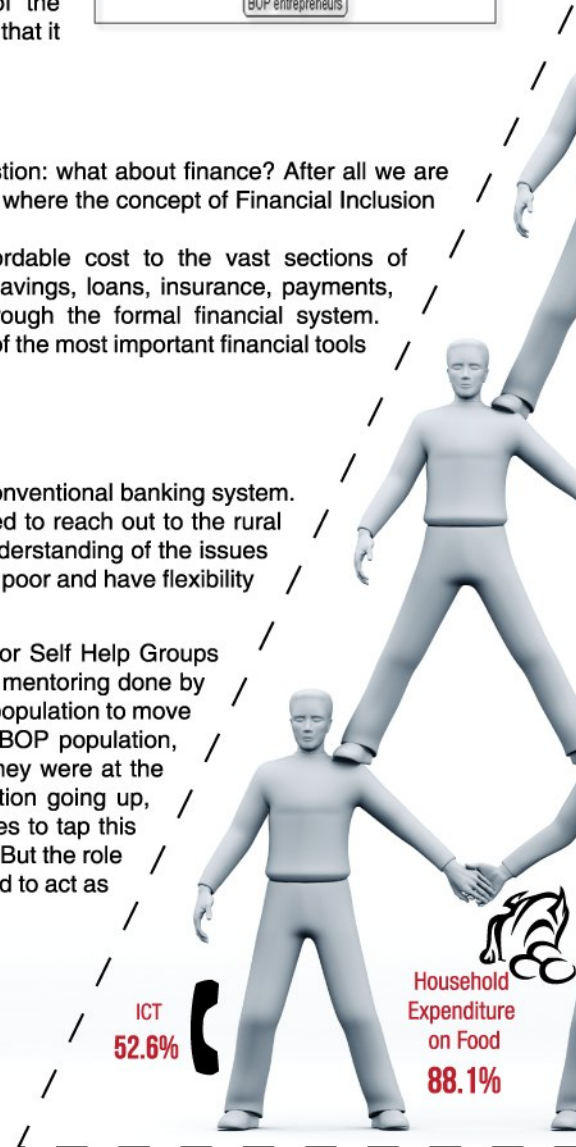
Taking marketing to the masses is a viable option but there arises a critical question: what about finance? After all we are talking about people who are the poorest of the poor who earn much less. This is where the concept of Financial Inclusion comes in.

Financial Inclusion is the delivery of banking services and credit at an affordable cost to the vast sections of disadvantaged and low income groups. The various financial services include savings, loans, insurance, payments, remittance facilities and financial counselling / advisory services provided through the formal financial system. Microfinance, a concept developed by Nobel Laureate Mohammad Yunus, is one of the most important financial tools to include BOP population in the financial umbrella.

So What is a Microfinance Institution (MFI)?

A MFI is a bank that exclusively serves the poorest of poor who are outside the conventional banking system. MFIs play a significant role in facilitating inclusion, as they are uniquely positioned to reach out to the rural poor. Many of them operate in a limited geographical area and have a greater understanding of the issues specific to the rural poor; hence they enjoy greater acceptability amongst the rural poor and have flexibility in operations providing a level of comfort to their clientele.

Due to the availability of microfinance credit to the BOP population, individuals or Self Help Groups (SHGs) are getting funds for setting up their small business. This, along with the mentoring done by MFIs, has led to the creation of sustainable revenue generation, helping the BOP population to move up the ladder of self-sufficiency. This has led to more cash in the hand of the BOP population, resulting in more consumption. This is in contrast to the earlier situation when they were at the mercy of private moneylenders. With the purchasing power of the BOP population going up, many private companies are concentrating on designing rural marketing strategies to tap this huge market, some of them banking on presence of MFIs to penetrate the market. But the role of MFIs do not end at providing banking services to the poor, they can be leveraged to act as a distribution channel for BOP products.



The role of MFIs does not end at providing banking services to the poor, they can be leveraged to act as a distribution channel for BOP products.

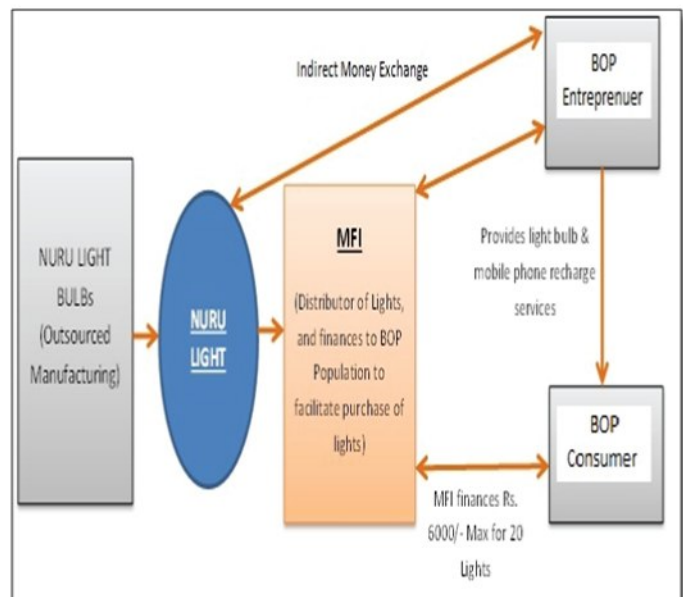
BOTTOM OF PYRAMID

Case Study: Nuru Light

One of the best examples for using MFIs as a distributor and financier to the customers is Nuru Light, a social enterprise start-up that participated in the Proto 2011 event at the Great Lakes Institute of Management. Nuru Light is in the business of bringing light into homes in India and Africa that don't have access to grid electricity and cannot afford solar power due to its high cost. It uses a distribution network of MFIs to reach out to a geographically wide range of the BOP population.

The system works like this: the MFI gives a microloan to a BOP consumer to a maximum of ₹6000/- for 20 lights, which the customer has to return in small EMIs. The availability of lights at cheaper cost without reliance on grid power will help achieve the electrification of poor and deprived households at a low cost. The change that has arrived in the lives of these people due to this scheme will be a step forward in development, creating a huge market at grassroots level.

Another impact created by such a marketing ecosystem is on BOP entrepreneurs. The system is helping BOP entrepreneurs generate sustainable revenue to the tune of ₹5000- 6000 every month through recharging of lights and mobile phones. BOP consumers get the lights recharged for just ₹5 which then gives light for an average of 30 hours.



Financial Inclusion can facilitate the inclusion of the poor or BOP population in the free-market system helping the private sector to create a sustainable socio-economic Inclusive Marketing ecosystem. Thus it is helping the Least Developed Countries and emerging economies like India in their overall socio-economic growth through development of BOP population as well as businesses/private sector through consumption of goods & services.



HITESH HIRAN

MARKETING AND MICROFINANCE

In India, the BOP segment accounts for 88.1% of the national household expenditure on food, 87.2% of energy expenditure, 85.3% of health spend, 78.8% of household goods expenditure and 52.6% of the country's spend on Information and Communication Technology.

FOOD MARKETING:

A MEANS TO ERADICATE POVERTY

Inclusive Marketing strategy will not only contribute to the well being and prosperity of the consumers at the bottom of pyramid but will also translate to higher business growth for the companies.



Food Marketing: A Means to Eradicate Poverty

It may be said that marketing does not instantaneously solve the problems of poverty. However, researchers believe that there is a huge fortune and untapped market that is lying at the bottom of the pyramid (BOP) and its inclusion does not carry a high transactional cost.

With the growth of micro-financial institutions and the rural market, there is significant inclusive growth for the BOP segment in India. Companies entered into rural markets with hygiene products such as soaps and cosmetic creams, selling the products in sachets and small packs, thereby making a big hit. But the inclusive growth that involves BOP consumers is not only limited to sachet marketing of cosmetics and soaps. As consumers in this segment are becoming aware of health and nutritional amenities, companies are now targeting the consumers with health and nutrition as a tool to push their products. Contributing to the society and the nation in achieving inclusive growth is the new mantra of the organizations. However some of the important questions which need to be answered are: Can companies deliver quality nutritional food to the BOP segment? Can marketing help in reaching the BOP effectively?

Companies have been trying to introduce various nutritional and healthy products to the BOP segment. The trend was started by Hindustan Lever and Tata by introducing iodized salt. With the Indian government pitching in and through effective marketing by companies that targeted mothers as the influencer for the purchase of iodized salt, the result was tremendous. The marketing and advertisement strategy not only increased the consumption of iodized salt in rural and poor segment of the society but also created awareness on Iodine Deficiency. This triggered the further growth in nutritional food market for BOP segment.

Packaged nutritional food items have seen high demand in the rural market. Fast moving consumer goods companies are targeting the market with low cost packaged juices, soups, mineral water, curd and high vitamin tea. With high future growth opportunities, the market for nutritional food provides a win-win situation for both consumer and producer. While the former get nutritional value in their food consumption, the latter is able to achieve its social responsibility and business objectives.

Besides the packaged nutritional food, the market has also seen a surge in street food. The street food of India, which has been an integral part of the Indian consumer's life, is being marketed by the companies as hygienic and nutritious food at low cost. One such example is Chakh le India, a startup by MDI, Gurgaon alumnus, which is in the business of hygienic and nutritional street food. The menu of food item ranges from Samosas to Rajma Chawal. The food carts are strategically positioned in and around the National Capital of India, thereby trying to serve the entire segment from high income consumer to low income consumer. Besides Indian entrepreneurs, global brands like Yumm foods are also planning to exploit the opportunities by launching street food carts and kiosks.

THE MARKET FOR NUTRITIONAL FOOD PROVIDES A WIN-WIN SITUATION FOR BOTH CONSUMERS AND PRODUCER. WHILE THE FORMER GET NUTRITIONAL VALUE IN THEIR FOOD CONSUMPTION, THE LATTER IS ABLE TO ACHIEVE ITS SOCIAL RESPONSIBILITY AND BUSINESS OBJECTIVES.

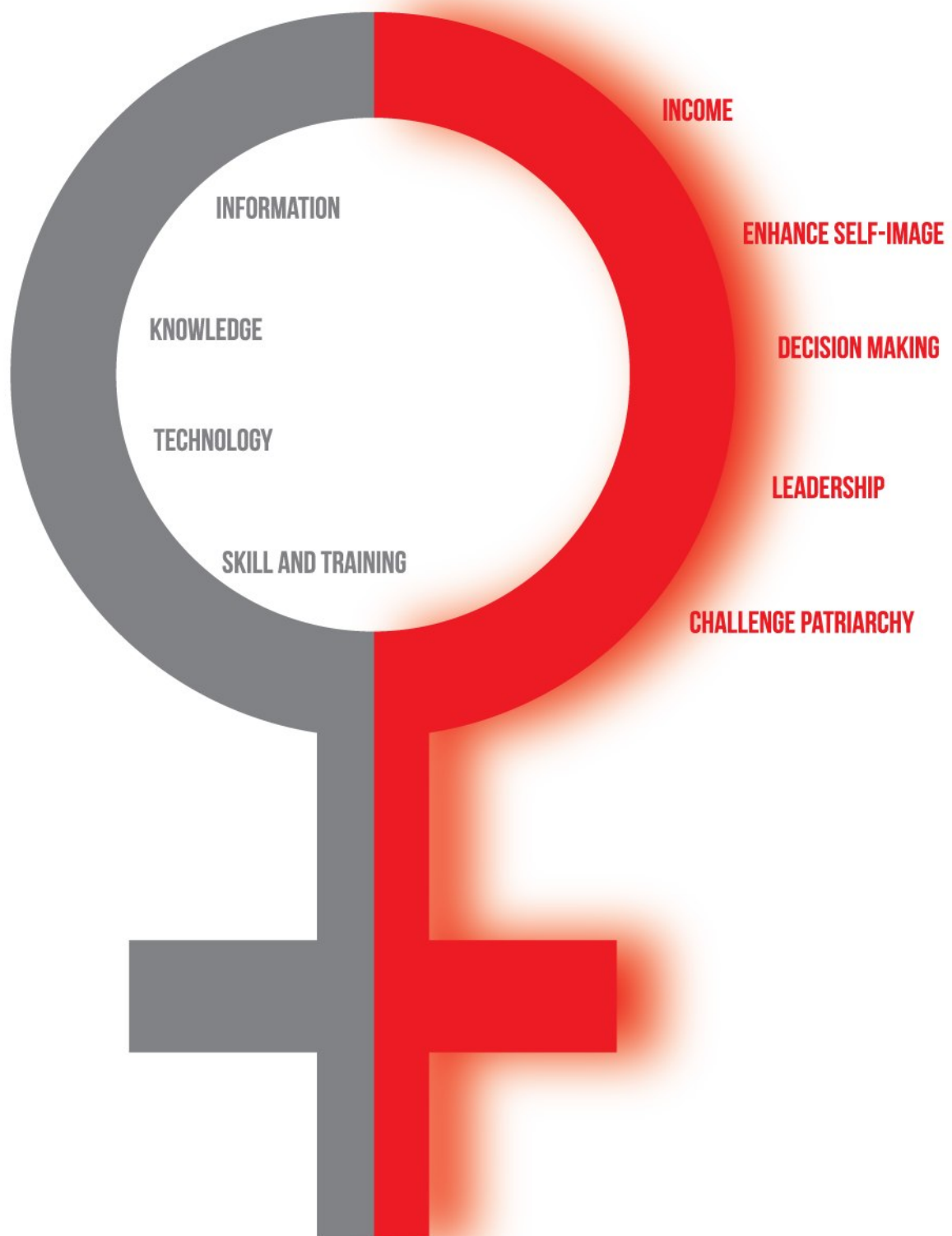
However selling substitute nutritional products to the poor forms just one aspect of Inclusive Marketing. Companies need to take steps to build an efficient system and bring the products produced by the BOP segment to a broader market. Some of the companies are dealing directly with farmers by using fair trade and organic products to market their products in niche urban markets. McDonalds in India is one such example that has assisted Indian farmers in high quality seed selection and advanced drip irrigation technology for the production of lettuce. Some of McDonald's suppliers have set up a network for milk collection in villages thereby providing benefits of new surplus market to the farmers. These steps help in fighting poverty through income generation and really indicate the true essence of Inclusive Marketing.

The private sector in India, particularly food sector, has started considering Inclusive Marketing as part of their market development strategy. In future, an Inclusive Marketing strategy will not only contribute to the well being and prosperity of the consumers at the bottom of pyramid but will also translate to higher business growth for the companies



DEEPINDER SINGH





SHG & RURAL WOMEN EMPOWERMENT

A Study on Inclusive Growth of Rural Women through Self Help Groups in Kancheepuram District of Tamil Nadu

Inclusive growth as the accurate meaning of the two words refers to both the pace and the pattern of the economic growth. The literature on the theme draws a fine difference between shared growth or direct income redistribution and inclusive growth. The inclusive growth approach takes a long term outlook as the focus is on fruitful employment rather than on direct income redistribution as a means of increasing incomes for excluded groups. Therefore, inclusive growth is supposed to be essentially sustainable as distinct from income distribution schemes which can, in the short run, reduce the disparities between the poorest and the rest, which may have arisen on account of policies intended to jumpstart growth. While income distribution schemes can permit people, to benefit from economic growth in the short run, inclusive growth urges people to "contribute to and benefit from economic growth" .

The 'inclusive growth' as an approach of economic development received attention due to a rising concern that the benefits of economic growth have not been equitably shared.

Growth is inclusive when it creates economic opportunities while also ensuring equal access to them. Apart from addressing the issue of inequality, inclusive growth may also make poverty reduction efforts more effective by explicitly creating productive economic opportunities for the poor and vulnerable sections of society. According to the International Encyclopedia (1999), 'power' means having the ability and the means to direct one's life towards preferred social, political and economic goals or status. Therefore, inclusive growth of women means giving the power and means to direct women's life towards preferred targets.

Inclusive growth is a process by which women gain greater control over resources (income, knowledge, information, technology, skill and training), challenge the ideology of patriarchy and participate in leadership & decision making processes, enhance the self-image of women to become active participants in the process of change and develop the skills to assert themselves.

At present, the SHG is widely used as an instrument to make women powerful, both socially and economically. Once socio-economic empowerment is achieved, it would have implications on the common development of women. The economic contribution of women has been found to be related to her role and status in society. Economic independence facilitates in bringing about gender equality and increase in women's income translates more directly into family wellbeing. Therefore, enhancing income earning opportunities through the formation of SHGs is a viable pathway for the inclusive growth of women.

A study was conducted by the author of this article in Kancheepuram between Aug 2009 to March 2010. The study covered the self-help groups functioning in Thirukalukundram Taluk of the district. The study focused on the role of self-help groups in the empowerment of the rural women. The pre-test was conducted with the secretaries of five SHGs, Project Officer of Mahalir Thittam and Block Development Officer. Among the total group of 298 functioning in Thirukalukundram Taluk under three NGOs, 40 groups were selected from each NGO for the study.

The study examined the relationship between the various heads of expenditure of women members' consumption before and after joining the SHG. The factors of consumption considered were food, education, health, electricity, clothing and other miscellaneous items. The study revealed that the relation between expenditure on food and health alone was found to be significant before joining SHG.

Also, the study revealed that among the variables considered for the study like age, family income, family size and number of earners in the family, age had a greater influence on the per capita consumption expenditure for women members before

AT PRESENT, THE SHG IS WIDELY USED AS AN INSTRUMENT TO MAKE WOMEN POWERFUL, SOCIALLY AND ECONOMICALLY.

joining the SHG. It was found that disposable income, family size and age were found to be significant variables, having greater influence on per capita consumption after the women joined SHG. This meant that any change in income, could affect positive change in the annual consumption expenditure of the women.

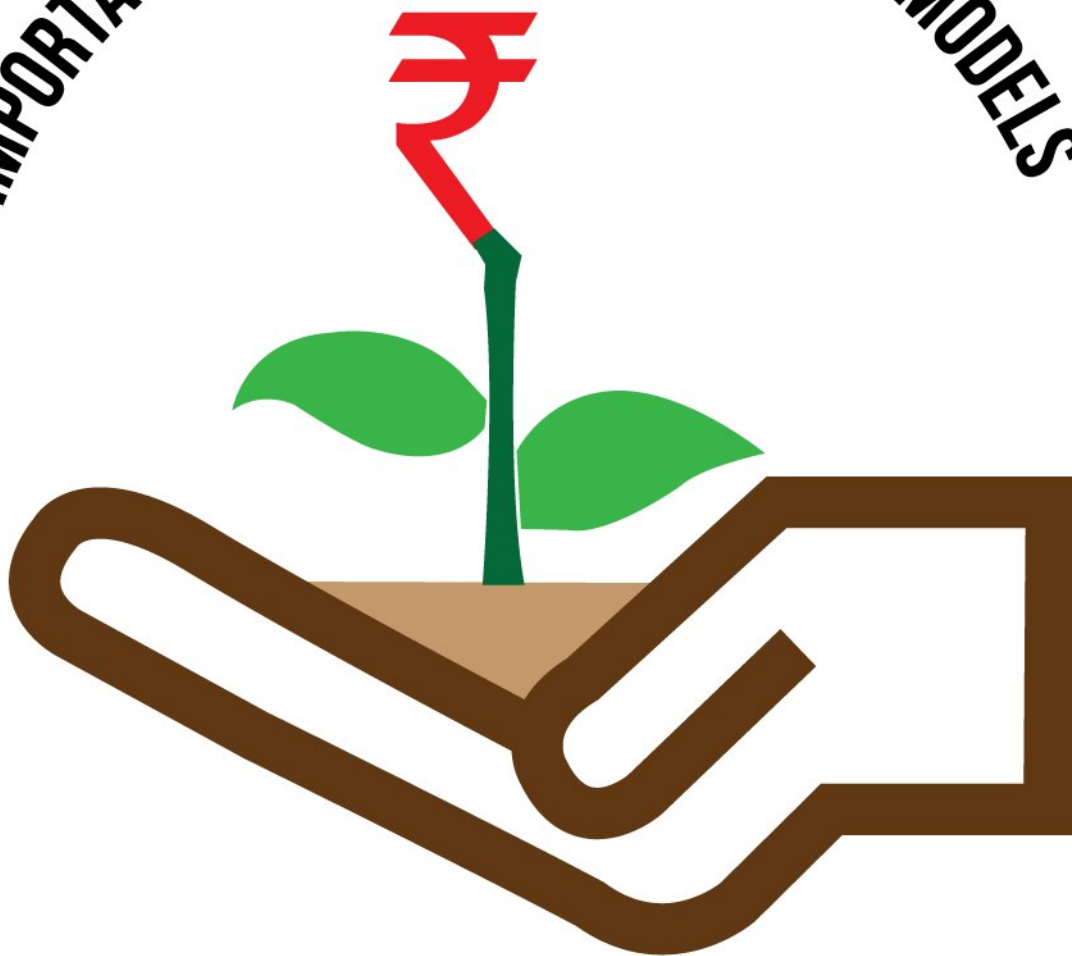
The SHG is a feasible alternative to achieve the objectives of rural development and especially inclusive growth of women. Through the SHG, micro-credit is disbursed to rural women for the purposes of making them enterprising women and encouraging them to enter entrepreneurial activities. The credit needs of rural women can be fulfilled totally through the SHG. The group members save a regular amount of ₹50 to ₹150 every month. The group rotates the money to the needy members for various purposes at a specified interest rate. As the repayment is cent percent and the recycling is fast, the savings amount increases rapidly owing to the accumulation of income from interest. The savings practice helps the members to escape from the clutches of money lenders.

Inclusive growth of women aims at enabling them to understand their identities, potentiality and power in all spheres of their lives. The real inclusive growth of women is possible only when a woman has increased access to economic resources, more strength and sources for entering into the power structure, more involvement through social relationships and participation, more self-motivation and confidence, and more say in family matters. Women should be willing to take additional effort to build a mindset which is suitable for their overall development. It is a continuing and consistent process which requires the support of many who are related to them in one way or other.



DR. MUTHURAJ M

IMPORTANCE OF INCLUSIVE BUSINESS MODELS



ENHANCE THE COMPETITIVENESS OF INDIAN AGRICULTURE, TRIGGERING A VIRTUOUS CYCLE OF BETTER PRODUCTIVITY, HIGHER INCOMES, ENHANCED FARMER RISK MANAGEMENT AND LARGER AGRICULTURAL INVESTMENTS.

Inclusive business models consist of people from low income groups, both on the demand and supply side. On the demand side, there are consumers of goods and services, while on the supply side there are employees, producers and business owners at various points in the value chain. These models connect businesses and the poor for mutual benefits that extend beyond profits and higher incomes. Businesses gain by winning new customers, expanding the workforce, and strengthening supply and delivery chains. People with low wages achieve sustainable earnings due to higher productivity, resulting in a better quality of life. Although various efforts have been undertaken to achieve these objectives, very few have been successful. This article talks about two very successful



models in the Indian context that have not only been effective but also scalable.

E-Choupal – ITC, India

The Indian Agriculture sector is characterized by a fragmented procurement and supply chain that depends upon intermediaries who capitalize on the ignorance of farmers regarding critical market information to secure huge margins.

In 2000, the Indian Tobacco Company (ITC) introduced the E-Choupal initiative with the prime objective of increasing the efficiency of its procurement process and empowering the rural farmers by bypassing these intermediaries. At that time it was anticipated that such a market-led business model would enhance the competitiveness of Indian agriculture, triggering a virtuous cycle of better productivity, higher incomes, enhanced farmer risk management and larger agricultural investments. Further, growth in rural incomes can also unleash latent demand for industrial goods and create another virtuous cycle of consumption, propelling the economy into a higher growth trajectory.

Objectives of E-Choupal

The E-Choupal business model aims to

Enhance farm productivity by

- Disseminating short and medium term weather forecasts at district level
- Promoting best practices in farming techniques
- Supplying quality agricultural inputs such as seeds, herbicides, fertilizers and pesticides within the village.

Improve price realization for farm produce by making available

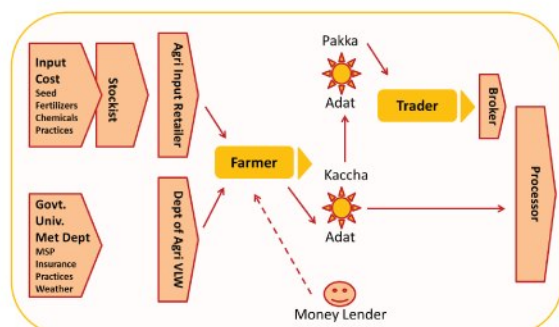
- Market prices with respect to location / buyer
- International market prices of relevant agri-commodities
- Up-to-date supply and demand information
- Expert opinion on expected future price movements

Minimize transaction costs in marketing farm produce by

- Buying output at the farmers' doorstep
- Transparent pricing and weight management practices

The Model

Choupal, in Hindi, means a "village meeting place".



Under this initiative, ITC has created a virtual market (E-Choupal) platform through which the rural farmers are directly linked to ITC for the sale of agriculture and aquaculture products. The farmers obtain mandi prices through the E-Choupal kiosk and directly negotiate the prices of these commodities with ITC. They also obtain information on good farming practices and purchase agricultural inputs such as seeds and fertilizers. Thus, the model has not only helped the farmers obtain better prices for their produce but also improve the quality of their produce.

Operational Aspects

Establishing and Running the E-Choupal

An E-Choupal is established by equipping a place in the village with a computer and internet facility. It is operated by a 'Sanchalak' (operator)-who is one of the educated villagers. He is trained to act as the interface between the farmers and the computer and helps the farmers retrieve information from the internet. While ITC bears the cost of equipment, the 'sanchalak' bears the operational costs. He is paid a percent per ton of processed product - a commission of 0.5% per ton of processed product.

Selling Process

The farmers can sell their products directly at E-Choupal kiosks or collection centers set up by ITC. The transportation cost for the produce is borne by ITC.

The role of the intermediaries has been altered to that of samayojaks (coordinators). They receive 1% commission from ITC for helping transport the sales made at the ITC E-Choupal.

Impact

E-Choupal is recognized as India's largest Internet-based inclusive development initiative. Its services today reach out to over 4 million farmers growing a range of crops such as soybean, coffee, wheat, rice & pulses, and shrimp in over 40,000 villages through 6500 kiosks spread across ten states (Madhya Pradesh, Haryana, Uttarakhand, Karnataka, Andhra Pradesh, Uttar Pradesh, Rajasthan, Maharashtra, Kerala and Tamil Nadu).

Future Plans

ITC plans to integrate bulk storage, handling and transportation facilities to improve logistics efficiency. Over the next few years it also plans to extend the 'E-Choupal' initiative across 15 Indian states and channelize other related services such as micro-credit, health and education through the 'E-Choupal' infrastructure.

IMPORTANCE OF INCLUSIVE BUSINESS MODELS



TO INFLUENCE WOMEN TO SWITCH TO LPG INSTEAD OF TRADITIONAL FUELS.

TO DISPEL THE PRE CONCEIVED NOTIONS OF LPG BEING UNSAFE.

ENCOURAGE WOMEN TO EXPERIENCE THE BENEFITS OF LPG FIRST HAND.



HPCL: Rasoi Ghar Project

Liquefied Petroleum Gas (LPG) is a clean, safe and convenient fuel which is a great alternative to the traditional fuels still used by majority of rural households in India. These traditional fuels burn inefficiently and in an uncontrolled manner. The collection of these fuels is time consuming, with the average villager spending a significant amount of time and income in stocking fuel, 90 percent of which is used for cooking. As it stands, 80 percent of rural India faces difficulty in obtaining sufficient cooking fuel.

In 2003, a study spanning eight states undertaken by MART for HPCL found out that LPG connection penetration in rural areas was very low. The key challenges identified were lack of product awareness due to low rural penetration of LPG marketing, high prices, lack of accessibility and prevalence of preconceived notions.

Objectives of the Rasoi Ghar Project

- To influence women to switch to LPG instead of traditional fuels.
- To dispel the preconceived notions of LPG being unsafe.
- Encourage women to experience the benefits of LPG first hand.

The Model

Community Model

The Rasoi Ghar is a community kitchen shared by several households of one village, generally located in the center of the village in the form of a ready kitchen set up in a pucca house with water supply, a cooking slab, basic cooking utensils and a minimum of 2 stoves utilizing replaceable LPG cylinders. The concept behind setting up this kitchen is that it allows several villagers to cook their daily meals together.

This focus is on promoting use of LPG through practical demonstration. In villages, women are invited to bring their groceries and cook using LPG for free. They are encouraged to experience safe, clean and convenient cooking for themselves. Under this initiative, 1600 community kitchens have been launched in half a dozen states and in villages with a population greater than 2000. The women normally enjoy the experience.

In the beginning, the prime motive was to spread the awareness amongst the potential user community through visits to the village. Once the idea is accepted, the Panchayat lends a room for the kitchen.

Rasoi Ghar

HPCL contributes cooking stoves, LPG cylinders, utensils, cooking counter and a water connection (one time contribution of \$200 as part of Corporate Social Responsibility). One woman member from SHG is appointed as the caretaker. The women pay 5 cents per half hour for the gas usage which is collected by the caretaker and is used to order refill cylinders and keep the premises clean. The caretaker's monthly stipend is

also paid out of this collection. The user pay model is self-sustaining and scalable.

Operational Aspects

Price

In order to reduce the price and make the LPG affordable, the weight of the cylinder has been reduced from 14.2 Kg to 5 Kg. This has helped reduce the price from \$40 to \$20. The refill price has also been reduced from \$8 to \$2.5.

Accessibility

Town dealers have opened extension counters in larger villages. The cylinders are distributed through HPCL's Petrol Pump outlet network in semi urban locations, highways /arterial roads.

Awareness

HPCL participates in periodic rural markets where turnout is greater than 5000 people in order to create awareness about safe usage and revised price structure of LPG. These messages are posted on market boundary walls and bus stops through wall paintings.

Impact

- HPCL Rasoi Ghars are now operational in over 850 villages and are used by 13,000 families
- The concept has also been extended to hospitals, temples, chungu nakas and truck parking areas. HPCL is also partnering with several other government departments to support their existing projects. An example is the integration of Rasoi Ghars in the government-run 'Mid-day Meal Scheme', providing freshly cooked lunches for school children across the country.

Future Plans

- This model won the RMAAI Gold Medal and Special Jury Award, 2005 for best long term rural initiative in India.
- HPCL plans to dismantle and shift the infrastructure to other villages once it has converted the Rasoi Ghar / kitchen users into individual clients with their own LPG connections. The aim is to set up 80,000 kitchens in all the 2,000+ villages across India.



NISHTHA DEWANI



JAVEDIKA SAWHNEY

FINANCIAL INCLUSION

- ARTHI PANDEY

Banks can play an important role by facilitating account provision to the financially excluded.



TWO DIVERSE WORLDS EXIST SIMULTANEOUSLY IN INDIA - ONE INHABITED BY THE FINANCIALLY WELL OFF AND THE OTHER BY THE ECONOMICALLY DOWNTRODDEN. FINANCIAL INCLUSION AIMS TO BRIDGE THIS GAP WITH ECONOMICALLY VIABLE SOLUTIONS. SUSTAINING SOCIAL HARMONY AND ECONOMIC GROWTH REQUIRES INCLUSIVE GROWTH IN WHICH MAINSTREAM BANKS CAN PLAY AN IMPORTANT ROLE BY FACILITATING ACCOUNT PROVISION TO THE FINANCIALLY EXCLUDED.

In spite of smaller individual accounts, the sheer volume makes the size of this untapped market, striking. According to one report, around ₹3,00,000 crores of deposits can be mobilized from economically weaker sections for priority sector lending. The Microfinance Industry (MFI), which has grown at a rate of over 50%, shows the potential of the market. The Priority sector should not be just looked at from the point of meeting Priority Sector Lending (PSL) targets; it can be a significant consumer of NCP and also help in improving the Current And Savings Account (CASA) ratio. PSL refers to the practice wherein loans are provided on a preferential basis to certain loan categories such as agriculture, small scale industries and loan applications from minority group members. This practice is enforced by the Reserve Bank of India. CASA ratio is the ratio of current and saving accounts deposits to the total deposits in a bank, and a larger value indicates a lower account cost for the bank, as current and savings banks have zero and low interest values respectively.

Therefore, financial inclusion can be achieved when parties involved would collaborate to provide services to the financially excluded.

Banking Services for the Rural Customer

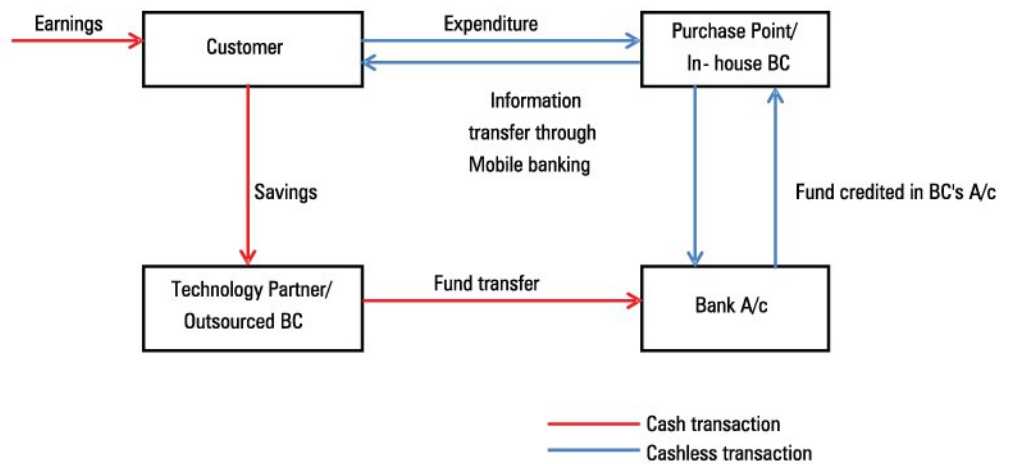


Characteristics of Target Market

The following analysis outlines the region-wise characteristics of the target population (persons from economically weaker sections without bank accounts) that can be used to adopt a strategy and execute plans for financial inclusion.

Region Dynamics	North & Central India	South India	East India	West India	North East India
% Population without Bank Accounts	74%	57.2%	81.26%	56.02%	95.91%
Ability to Repay Loans	Med	High	Low	Med	Low
Literacy Rate	66%	73%	61%	70%	60%
Major Credit Needs	Agriculture Livestock Trade Housing Personal	Trade Livestock Agriculture Education Personal	Trade Agriculture Housing Personal	Livestock Agriculture Trade Personal	Trade Personal Agriculture Education
Risk Bearing Ability	Medium	High	Low	High	Low
Potential Partnership Network	<ul style="list-style-type: none"> Self Help Groups NGOs Telecom Operator Non-profit MFIs Post Offices Local Bodies e.g. Panchayats Petrol Pumps, Local Retail Stores Co-operative Credit Societies 				

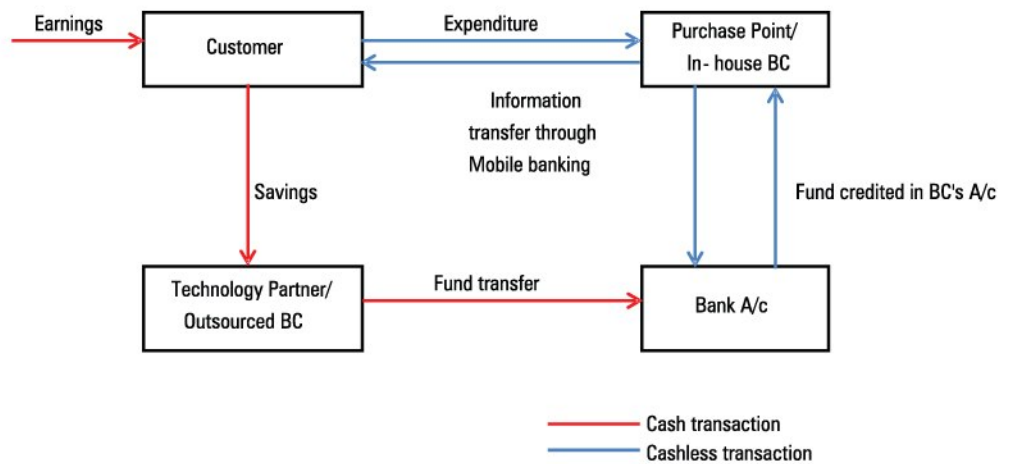
Considering the target population, the current branch based banking model is not feasible in rural areas. Therefore Business Correspondent / Business Facilitator Model is implemented. The model is as follows: the heart of the system is the business correspondent (BC) who is the bank's representative in the rural area. The BC collects the monies from the customer and creates the accounts and pays out money when the person wishes to withdraw an amount or request a loan. The actual transactions between the BC and the bank are handled by intermediaries such as mobile payment companies. In the long term the intermediaries can be phased out and replaced with in-house business facilitators who can handle the actual transactions. The following flow chart illustrates one such system. Transaction cost in Information and Communication Technology (ICT) enabled BC model is 1/10th of branch.



The table below outlines the various elements and functions of a BC based inclusive banking system.

<p>Model</p>	<ul style="list-style-type: none"> ★ Technology partner provides individual BCs in the initial phase for financial awareness, opening accounts, loan disbursement, cash transactions and marketing ★ Develop in-house institutional BCs to influence the cash based expenditure of the customer ★ Extensive use of ICT to minimize risk and operational expenses ★ Shift from technology partner to in-house BCs in subsequent phases
<p>Services Offered</p>	<ul style="list-style-type: none"> ★ New Account creation, NREGS wage distribution deposits, microfinance, loan distribution and loan recovery ★ BC / BF kiosks at mandi's during harvesting season - farmers can deposit their harvest earnings. New no-frills accounts can be opened at these venues
<p>Tasks of BC</p>	<ul style="list-style-type: none"> ★ Provide Financial literacy – Increase the demand by targeting opinion leaders, school children and women through (Self-Help Group) SHG ★ Promote NCP – Promote life and non-life insurance, pension products ★ Promote the use of phone banking – Incentivize the kirana shop owner to use Obopay phone banking system for facilitating daily transactions for consumers ★ Understand loan requirements – Local BC helps recognize the loan requirements according to security, livelihood, entrepreneurial or education needs of consumers ★ Deposit the cash at branch or kiosks – BC have a upper limit to the deposits with them , reaching that, he would be required to deposit it at nearby kiosk/branch ★ Know your customer compliance – Help customers meet KYC norms. UIDAI would reduce the cost

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<p>Partnership Networks</p>	<ul style="list-style-type: none"> • Distribution channel ★ Technical partners such as FINO, A Little World, etc. ★ Consumer goods companies, service providers, post offices, NGOs, individuals <u>Rural</u>: Post offices, NGOs, service providers, Non-profit MFIs <u>Urban</u>: Ubiquitous retailers, utility payment centers, mobile operators, individual BCs • ICT ★ Use ICT partnership during – 1) origination 2) monitoring 3) collection phases ★ Fastest distribution network for financial inclusion ★ For MIS reporting purpose to maintain the customers data comprehensively ★ Leverage the 'Technology Edge' for financial inclusion ★ Launch mobile money initiative to provide services like m-passbook, remittances ★ Mobile loan for Nokia handsets with Obopay Mobile Money facility ★ Collaborate with FINO for smart cards, readers with biometric check & safe box ★ Identify partnership opportunity with Airtel for Mobile Commerce solutions including Mobile Money Transfer (MMT) • Training partners ★ AISECT is a leading ICT based training and services network of India
<p>Advantages</p>	<ul style="list-style-type: none"> ★ Less cash handling for customers ★ Decreased operational expenses ★ Increased cash volume for bank as expenditure component will also be saved ★ Operational risk reduction ★ A/c remain operational

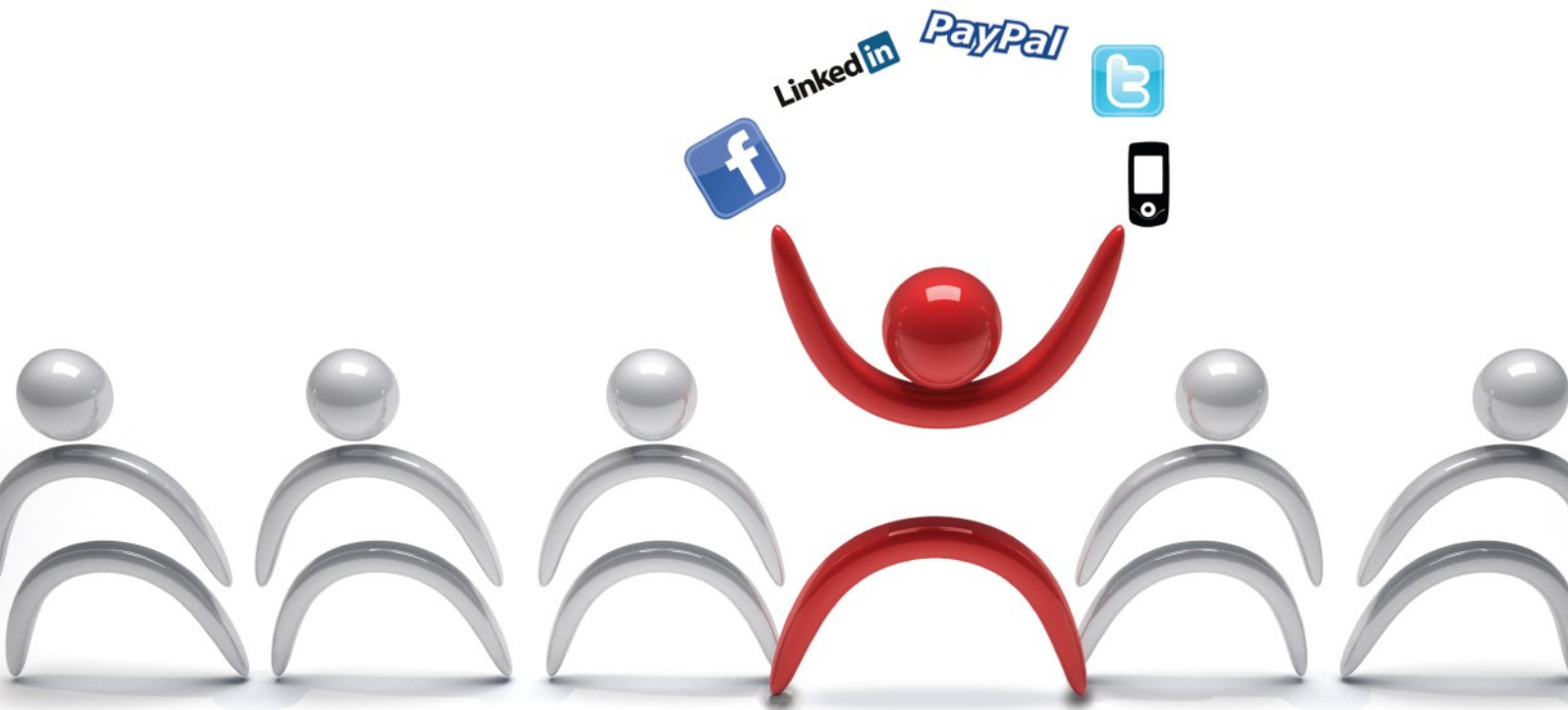
Conclusion

By proper application of the Business Correspondent Model, mainstream banking can be extended to the masses, ensuring their prosperity while simultaneously creating low cost source of income for banks.

References

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2. Source : Indian Banking 2020; BCG and FICCI
3. 10% people have life insurance in India , .6% have non life insurance
4. Consumers would find applicability of a/c in their daily life thus would promote the operation of no frills a/c ,11 % of which remain operational
5. Acc. to the latest regulations by RBI, merchant establishments can also act as BCs.

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GEN Y - MANAGING THE MARKET

Personalization in marketing is got to be the next way to manage the market. Social media marketing and digital marketing with Facebook, Twitter, and LinkedIn have become low cost and high output tools.

“When the going gets good, competition crops in”

Product mix, Market mix, 4Ps, 3Cs, BCG Matrix, Ansoff's product market grid, GE Model - everything is just reducing to common sense. Try every second strategy and you will find exceptions to the well sorted out methods to manage market.

It all started with selling whatever is manufactured to whichever customer. Even if the product was left unsold in the first operating cycle, you could sell the same product in the next year. With more competition, markets grew better, struggling with the accessibility of the manufactured product to the will to purchase. In no time, the market became so important that companies grew in leaps and bound. Then, the concept of affordability came into picture, resulting in price strategies & models, market equilibrium and aggregate demand like concepts. Dozens of books, research papers, theory and models were discussed and some set strategies were developed in order to answer the near to predictable market dynamics.

The time was going good, before the concepts of product multiplier, customer multiplier and market multiplier were discovered. The market was segmented, targeted and positioned by various sectors in the market. Parameters like growth rate, bottom line, and top line haunted every single businessman. Then, the revolution “Bottom of the Pyramid” hit the world. Every FMCG, Banking, Telecom company slogans changed to “Go Rural” to work more on the availability of products. Markets became more inclusive and more pro-people than it was pro-manufacturer.

And now, in present age, competition is increasing at a fast pace. Services have become most important to establish a brand relationship between customer and company. Social media marketing and digital marketing with Facebook, Twitter, and LinkedIn have become low cost and high output tools. The market is experiencing the power of internet, mobile phones, payment gateways, online purchase and e-retailing. Flipkart, Ebay, Amazon and Tradus.in have made retail more organized and changed our purchase experience to more of fun and enjoyment. Not just the purchase, the distribution has also become an entirely separate marketing. We have supply chain management, ERP, CRM and what not to increase our operational efficiency and decrease revenue leakage. IT / MIS systems are helping to manage our customers better and advertisements / promotions are in sync with our aggressive marketing. The market has become more and more INCLUSIVE.

After taking the market share, the companies have even eaten up the mind share of customers. With each and every company competing with the same fervour and intelligence, what would be the next in-thing? Here the next GENERATION is at the onset - GEN Y. The company will compete for the ADAPTABILITY SHARE of the market. The companies will adapt themselves to suit the customer, with each customer different from any other customer. Personalization in marketing has got to be the next way to manage the market. The market will be more experiential, with products and services uniting into one entity. The entire product life cycle of the product will be important to the customer. 4Ps of the product mix will be changed to 7Ps (as of services); People, Process & Physical environment associated to the product will be as important as the final product itself.

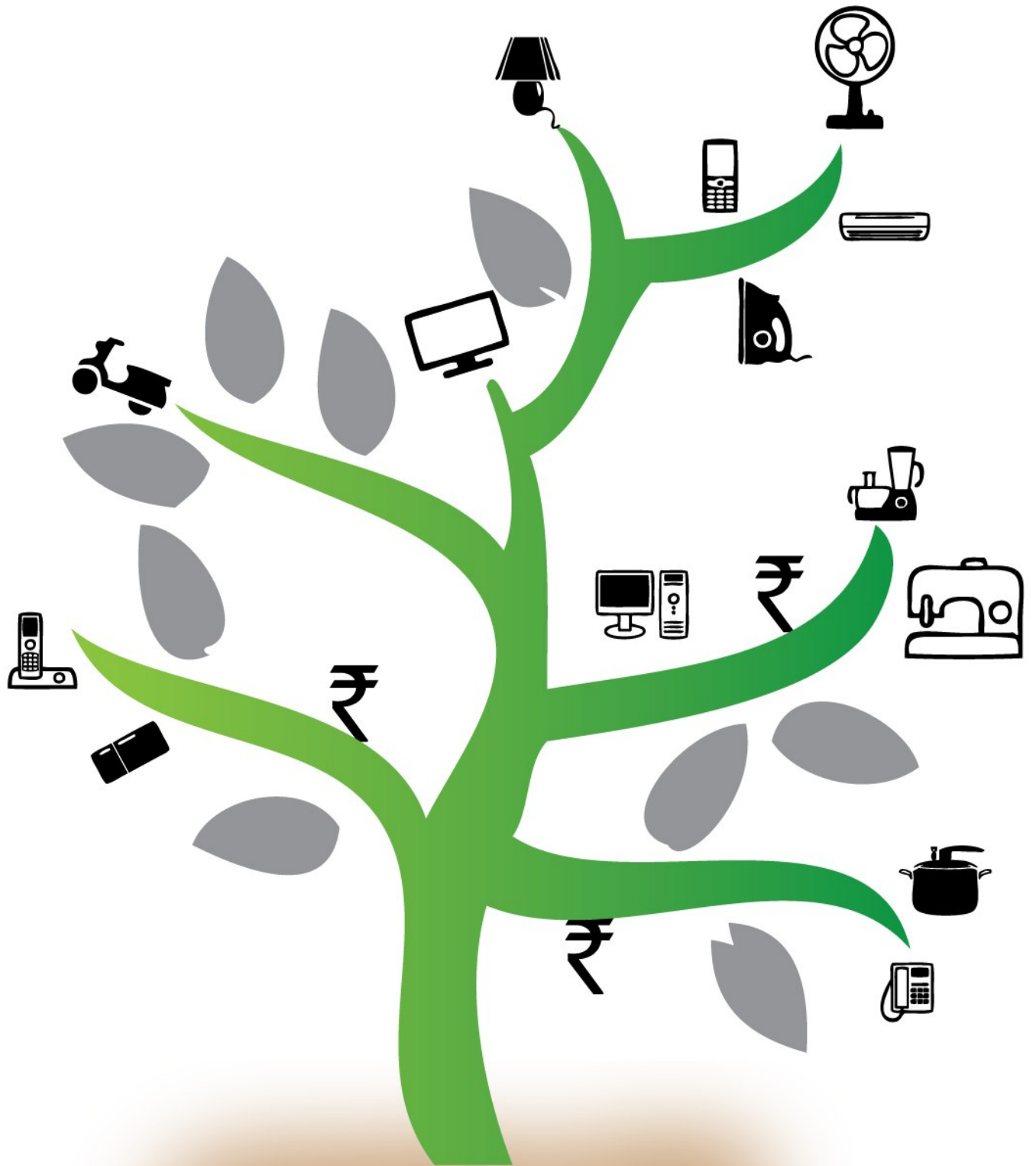
Competition will take a whole new dimension; it will become more touch sensitive. The race will be on the number of interactions companies make with the customer. The more it touches the customer's heart, the merrier it becomes.

**GENERATION Y WILL BE:
MORE COMPETITIVE YET SO SIMPLE...
MORE DYNAMIC YET SO COMMON...
MORE DIFFERENT YET SO INTERESTING...
THE END OF EACH PHASE OF DEVELOPMENT IN
MARKET WILL ZERO DOWN TO GENERATING
HAPPINESS FOR ALL, FOR THE PRODUCER, FOR THE
SELLER, FOR THE BUYER, AND FOR THE USER.**



AASTHA CHALANA

RURAL MARKET: UNTAPPED POTENTIAL



"If you see a woman in a village milking a cow, do you see an opportunity?". But that is exactly where Dr. Varghese Kurien saw an opportunity and it gave birth to one of the most successful organizations in India - Amul. It is just not about Amul, many MNC's are trying to figure out how they can make their way in India's most upcoming potential rural market. The major reason for it could be attributed to the increasing spending power of the rural population. Technopak Consultants and the Confederation of Indian Industries, a trade body, estimate that the country's rural consumer market generated US \$425 billion of revenue, up from US \$266 billion the previous year.

FMCG

The rural market is currently estimated to be worth approximately US \$9 billion in consumer spending capacity in the fast moving consumer goods (FMCG) space per annum. The study also highlighted that rural India now accounts for more than half of sales in some of the largest FMCG categories.

Retail

The rural retail market is currently estimated at US \$112 billion, or around 40% of the US \$280 billion Indian retail market, according to a study paper, 'The Rise of Rural India', by an industry body. Rural consumers are the dominants in capturing market share. Rural India buys 46% of all soft drinks, 49% of motorcycles and 59% of cigarettes and almost 11% of the rural women use lipstick.

Consumer Durables

As per the study, the rural consumer durables markets' annual growth rate is 30%, the market will grow up to 45% in rural and semi-urban India by 2011.

4 A's of Rural Marketing

However, tapping the rural market has its own cons attached to it, in the form of rampant poverty, poor social infrastructure, low shops availability and limited awareness, which has given rise to 4A's of rural marketing.



Acceptability

Nokia 1100, LG Sampoorna TV (run away hit, with 100,000 sales in very first year), HUL Pure-IT are the few examples of how MNCs are customizing their products for rural markets with the aim of low price, high quality. The insurance companies are not lagging behind in tapping this market. They are tailoring their products; HDFC Standard Life topped private insurers by selling policies worth ₹3.5 crores in total premium. The company tied up with non-governmental organizations and offered reasonably-priced policies in the nature of group insurance covers. Innovation is the key.

Availability

Ensuring availability of the product or service is another challenge with poor infrastructure. Coke strategy "Coke is available, where, even water is not available", is successful via their popular hub & spoke distribution model, where they are giving low cost ice-boxes to distributors. HUL is ensuring availability of products by using unconventional transport methods like tractors, bullock-carts and even boats in the backwaters of Kerala.

Affordability

The rural market is a low price, high volume market, and companies like HUL have addressed it by launching Lifebuoy at ₹2 for 50 gms. Cavinkare's Chik shampoo for 50 paise, Britannia Tiger Biscuit for ₹5, Marico's Parachute for ₹1 are examples of how FMCG companies target the rural market with a low pricing strategy.

Awareness

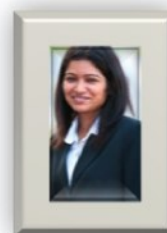
Radio, TV, street plays remain the medium to advertise. Example: Coca-Cola uses a combination of TV, cinema and radio to reach 53.6% of rural households. It doubled its spend on advertising on Doordarshan, which alone reached 41% of rural households. Tag lines like "Thanda matlab Cocacola", "What an idea sirjeel!", create a rural feel. Godrej uses radio in local language for its FMCG products, whereas HUL started Lifebuoy 'Swasthya Chetana' as contact program.

Conclusion

The rural market has immense potential to deliver welfare activities through new business models, and companies have realised this. Various projects taken up by the private sector, such as ITC's E-Choupal, HUL's Project Shakti, Microsoft's Project Shiksha and Google's Internet Bus among various others, are assisting in generating not only awareness but also exploring the ways to get into this still untapped market.

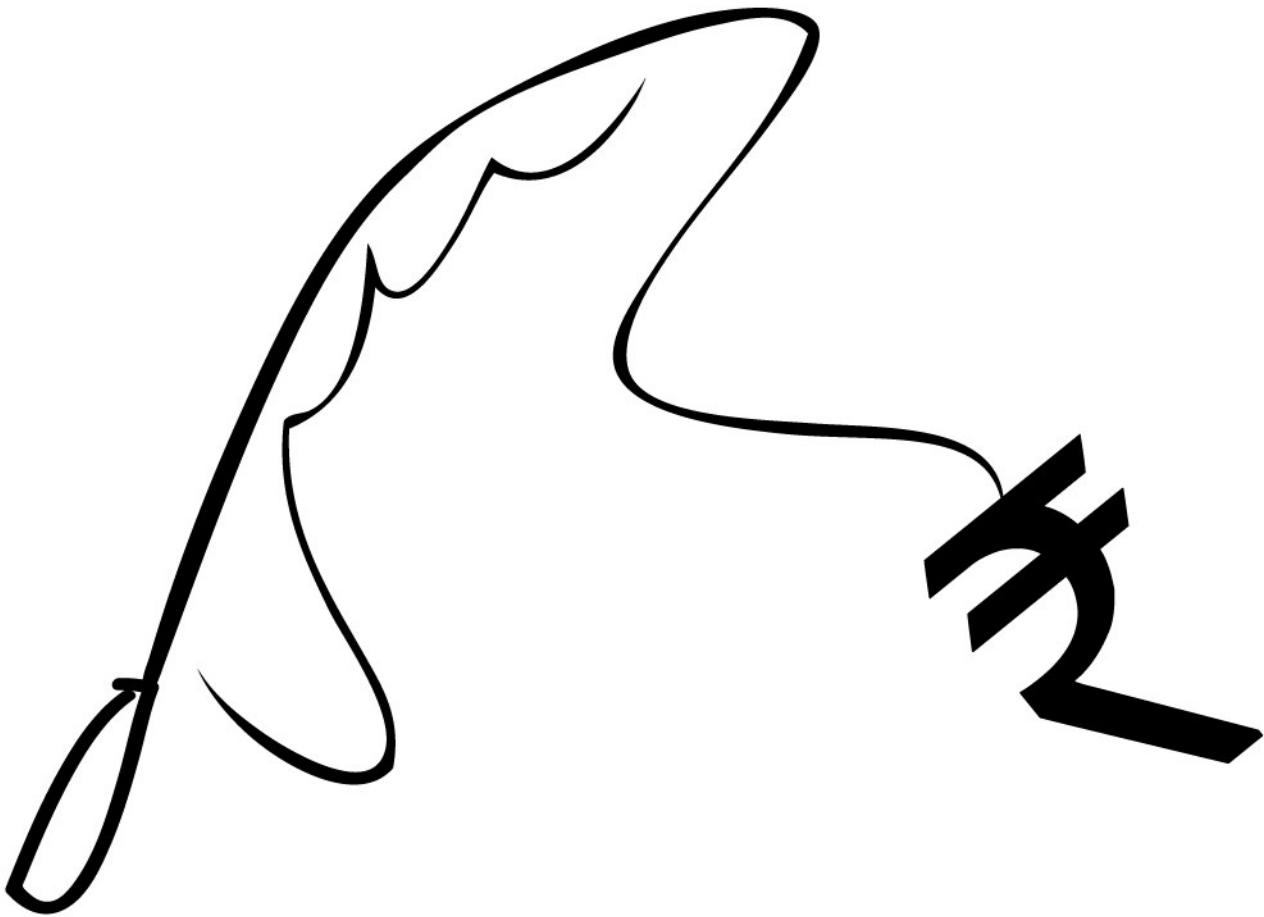
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PRACHI GARG

EMPOWERMENT - TEACHING HOW TO FISH



Teach them how to fish rather than giving them a fish', is an oft repeated phrase, one which is rarely implemented. Governments and NGOs often work with a degree of condescension towards the poor, who are seen as people who have to be constantly supported.

Finely carved wooden artifacts, metal sculpture and other hand-crafted items from Bastar are among the most sought after drawing room objects in homes across India. The region of Bastar in the state of Chattisgarh in India is home to around 20,000 tribal families who earn their livelihood by creating such beautiful works of art. These art pieces, which are in high demand both at home and abroad, claim premium prices in the market. However, the lion's share of profits earned by sales is appropriated by the middlemen leaving the artists barely enough to make ends meet. The tribal people of Bastar, ignorant of lost opportunities continue to rely on these middlemen to their own detriment. Similar conditions prevail across many rural industries.

Alternately let us consider the impact that actors Aamir Khan and Karishma Kapoor had on the sales of 'Chanderi' sarees. As a part of promotional events for their forthcoming movie, the actors visited Chanderi village in northern MP, which is home of hand-woven sarees popularly known as Chanderi Sarees. The making of these sarees, which is a very traditional art, had been losing sheen with each passing day due to reduced sales and profitability. After the visit a few weavers capitalized on the publicity and opened an exhibition in the state capital Bhopal. They sold 4 Lac sarees in four days! The event had suddenly brought Chanderi into the front pages of national news dailies and the TV screens of millions. This event highlights the importance of marketing for the bottom of the pyramid producers. Given the quality and uniqueness of products offered by such segments, the need of the hour is to provide a structured, sustainable and scalable marketing model to benefit the constituents of the bottom of pyramid. The approach should refrain from treating the BOP population only as customers and should support them in drawing the right value for the service they offer to the society. A fitting response has emerged from the marketing community in the form of Inclusive Marketing. Inclusive Marketing talks about business and growth in the economically weaker segments of the society that have been neglected so far. Inclusive Marketing looks at the poor not only as consumers but also as producers/suppliers. The model aims to empower economically backward classes by first rewarding them rightful returns on their services and products and then offering them a choice of services and products that improve their overall standards of living.

Empowerment - All About Teaching Them How to Fish

'Teach them how to fish rather than giving them a fish', is an oft repeated phrase, one which is rarely implemented. Governments and NGOs often work with a degree of condescension towards the poor, who are seen as people who have to be constantly supported. The flaw in this approach is that the dependency only increases over time due to various behavioral and socio-economic reasons. Efforts that offer direct assistance to the poor without addressing the underlying issues render an unnecessary cost on society. The social co-existence of the various segments of the society calls for a harmony that can only be achieved through inclusive growth. Inclusive growth is one of the answers to social unrest that has beset our society making Inclusive Marketing a very important cog in the engine of economic growth.

Does This Model Really Work?

Time has proven that the empowerment process has helped uplift societies much more effectively than the usual donation schemes. Classic examples of successful implementations include AMUL and ITC's E-Choupal. As a result of obtaining

better values for their produce, the producers have been able to raise their living standards by purchasing the services and products that was previously beyond their reach. Such success stories create win-win situation for everyone in the society as the manufactures get a new market to sell their products and the poor consumers gain significant improvements in their living standards.

Relative stagnation in the growth of the urban sales for most products has made companies take notice of the BOP segments that remain untapped. Government schemes launched to improve infrastructure, education and healthcare for this segment have opened new vistas as well. A recent AC Nielsen survey reached the following startling conclusions:

- 40% of fairness cream for men is consumed in rural areas and it's growing at 40% over the past 3 years
- Ready to cook meals grew 160% for the rural segment in 2010, with a total base of 10%
- Grooming products like lip gloss have been growing at a rate 1.5 times greater than urban consumption for the past three years

Statistics like these are indicative of growth in the rural sector unlike any that has occurred before, resulting in companies like SBI, HUL, and P&G targeting the BOP segment.

The Way Going Forward

With the trends like Microfinancing and rural banking gaining traction, the involvement of under-privileged population has increased in economy. With the Indian government's launch of 'Aadhar' system, all the government schemes will reach the targeted beneficiaries. The booming corporate sector in the country is also directly spending on social responsibility schemes; initiatives like Teach for India, Project Shakti, Nanhi Kali Foundation bring the much needed empowerment to the lower strata.

Marketing has been used by corporate powerhouses across the world to offer value to the customers. Inclusive Marketing would be a unique test for practitioners of marketing as they strive to market to the BOP segment. The need for Inclusive Marketing cannot be questioned in the current scenario and new opportunities are opening up. For instance the booming service sector can provide job opportunities to millions of people currently representing the BOP population. With growth of non-agricultural industries in rural areas, many laborers are slated to get a regular paying job as compared to their current seasonal employment. The recent advertisements by the State Bank of India that proudly exhibit a rickshaw puller and an MD together as its customers is indicative of changing times. Inclusive growth is the way forward and Inclusive Marketing is an idea whose time has come!

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DEVASHISH PANDEY

BUZZ FROM CAMPUS



Great Lakes Grand Success for the Event Proto - By CIE Committee

Lessons of management we learnt (you shouldn't make the same mistakes that your brethren made but instead go out and make your own new ones) during Proto:

- Dream big: 8 -10% of 150 million handsets Micromax (leading domestic handset) fail rapidly
- Deep domain knowledge – e.g. Prism (seasoned management team who sold ATM to large banks)
- Pioneer – when you have conviction
- Build entry barriers
- Team - get the right guys onto the bus – be emotionally detached with the inkling feeling of being the best
- If you want to be a high growth company, break it into the smaller units - scale to leverage better management and operational efficiency – e.g. Café Coffee Day
- Delivering happiness – zappos.com

Alcom Organised Great Connect in Mumbai

Alcom, working towards great connect articles and GLAA Alumni meets in Mumbai - Great Connect, the alumni newsletter provides us with the only opportunity to know each other. Through this first edition, Spartans welcome Gladiators into the folds of our illustrious alumni.

Other Major Happenings

- Guest lecture by Deloitte AVP Mr. Satish Raghavendra and Mr Keshav Narayan Kantamneni
- Video coverage by BPR for Dr Bala Balachandran, Prof Vaidy Jayaraman, Prof Surysekar and guest lectures
- GL hosted Financial Inclusion Conference
- Great Lakes wins the MMA award in the educational institutes category
- Top 20 Amazing Green corporate offices in India
- Green Chariot Silver Award
- GL hosted SWIM on 25th August
- GL is planning to host HR Conclave, NASMEI, BA & ISDSI conferences in the near future

The Editorial Team



(From left) Ravisekhar Sakthi, Suvasree Basu, Charanya Thangaraj, Vijayshree Menon, Prachi Garg, Amit Pal Singh Bagga



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