

## ITC's e-Choupal: A case study on Rural Marketing Initiative

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India is primarily an agrarian economy. It still employs more than 58% of population and accounts for 15 % of the GDP. Though the sector's share has been dipping, it still is important in generating income and demand directly and indirectly. A typical village in India is characterized by many problems - illiteracy, poverty and an acute lack of basic amenities including electricity, telephone and transport facilities. The rural market does not ensure volumes that urban markets guarantee. In addition, cost of set up and operation remain high making brick and mortar models of rural operations unattractive.

### Agribusiness Initiatives

A number of large players across sectors have looked at the rural market with innovative business models – either an E-market place or a one stop shop for agri-products.

All these business models have their inherent problems and challenges. The main problem stems from inconsistent revenues and poor growth. Most organisations were unable to sustain the investments made. Several reasons for the same can be – a lack of trust on the part of the farmers, a significant dependence on intermediaries, a high fixed cost model, high operating costs and low volumes, channel conflict resulting in undercutting and parallel sales models and a lack of procurement knowledge.

Organisation	Model	Venture
EID Parry	E-market place	Parry's Corner
Nagarjuna Fertilizers	E-market place	ikisan.com
Mahindra & Mahindra	One stop shop for agri-products	ShubhLabh
Rallis	One stop shop for agri-products	Rallis' Kisan Kendra
Tata Chemicals	One stop shop for agri-products	Tata Kisan Kendra

### ITC 's foray into Agribusiness

Set up in 1910, the Imperial Tobacco Company of India Ltd. was as the name suggests a tobacco company. In 1971 the organisation began to diversify in a big way. Diversification

Footnote : Case prepared by Prof. Rajesh Panda, SIBM, Pune. The case is prepared as a basis for class discussion rather than to illustrate either effective or ineffective handling of a business situation.

resulted in the organisation being a major player in various sectors including Hotels, Textiles (Tribeni Handlooms), Paper ( Bhadrachalam Paperboards) and Cement (India Cements). In 1974 the company name was officially changed to ITC Ltd. ITC's Agri-Business is one of India's largest exporters of agricultural products focusing on feed ingredients, food grains, edible nuts, marine products and processed fruits. But it faced many problems in agribusiness:

- insufficient control over supply chain
- lack of infrastructure for storage, handling and transportation of produce
- middlemen and other intermediaries blocking market and price information
- no direct control over quality of products

### **New initiative: e-Choupal**

To address the above problems and to integrate association with rural suppliers, ITC's International Business Division started a unique initiative e-choupal. It was initiated to network villages and procure Agri products for export purposes. For the first time, illiterate farmers who lacked basic knowledge of IT were conducting e-commerce transactions. E-choupals work as trust building activity where farmers get all types of crop related information and they can sell their produce directly to ITC in ITC collection centers. E-choupal made use of IT tools to network villages and internet to provide information to farmers and others. It leveraged physical transmission capabilities of intermediaries and dis-intermediated them from flow of information and market signals.

The e-choupal model worked in the following way. It had processing and collection centers as hubs and 'Sanchalaks' as conveners. These sanchalaks were chosen from among the farmers and were trained on using the PC. Farmers were provided with information like daily mandi prices, weather reports, global prices, best farming practices and water, soil, PCR testing etc. The farmers sold their produce in the collection centers for cash. It helped farmers in getting better prices, while ITC could directly procure from farmers and remove the intermediaries. It benefited the company by reducing its sourcing cost and gaining wider reach and networks. It helped in creating new markets for own and third party goods. ITC also used this model to sell FMCG products like packaged vegetable oil, salt, wheat flour and sugar, agri-related goods of other companies like Monsanto (seeds), BASF etc.

### **E-choupals in 2011**

States covered	10
Villages covered	40,000
No. of e-Choupals	6,500
Farmers e-empowered	4 million

### **Challenges**

There are several problems faced by the E-choupal model, most of which were unique and hence all the more challenging. ITC faced many problems like Intermediary unrest, lack of awareness, outdated infrastructure, problem in electricity supply etc. But gradually ITC

tried to overcome these problems. ITC upgraded the telephone lines using RNS kits. The company made use of specially devised technical solutions to manage data along with new imaging techniques, to deal with the bandwidth-related problems. To handle the problem of sporadic electricity, ITC made use of backup batteries, which could be recharged with solar panels.

### **Future**

The key success to the e-choupal model lies in its scalability. E choupals have been very successful in states like Madhyapradesh and Maharastra. Now ITC has to work further in its expansion to various states and use of the e-choupals at retail chains for selling different products.

### **Reference**

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