

Corporate social responsibility and Rural business

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Abstract

The objective of this study is primarily to find out how the enterprises are using the stakeholder approach¹ and creating shared value² in order to master the rural markets in India. Various models opted by the companies who have executed their rural business penetration successfully and maintained a positive growth are studied in this study and their key points which helped these companies in achieving their targets are pointed out from the perspective of both companies and their end product consumer.

Introduction

Rural markets are going to prove crucial in the India's growth and that's why for the first time since economic reforms began three decades ago, consumption in rural India is growing faster than in cities fuelled by rise in household incomes³. It is evident that rural markets are going to play a crucial role in the growth of the nation as a whole. This paper seeks to come out with the recommendations for the enterprises planning to enter the rural markets or already present there. This study is based on the responses of the executives, cases and papers of the enterprises which have successfully entered the rural markets and are holding commanding positions in the rural markets. Therefore we'll analyze the cases of Hindustan Unilever, ITC Ltd. And Reuters Market Light launched by Reuters group. Further, the common thread underlying the study is the utilization of the stakeholder approach (CSR in some cases) in penetrating the rural markets as

¹ See Stakeholder approach by R. Edward Freeman

² See 'Strategy and Society' by Michael E. Porter

³ http://crisil.com/Ratings/Brochureware/News/CRISIL-Research-rural-indians-pr_290812.pdf

all the successful enterprises have considered the rural community as an integral part of their rural strategy and how incorporation of CSR in the rural strategy can prove beneficial for the enterprises trying to penetrate the rural markets.

Objective of study

Objective of this study is to analysis the strategies adopted by companies which have successful rural business vertical .Different companies offering different line of product faces different set of problem while dealing with rural marketing. So this study highlight the strategies adopted by companies to overcome the issues which were faced by them while presenting their products in rural markets.

This study is also going to focus upon the new comers in the rural markets and how they can make their mark by analyzing the case of Reuters Market Light launched Thomas Reuters Group. This study analyses the different rural marketing strategies of the enterprises and how working with the stakeholders has helped these enterprises. Although this is not an exhaustive study, the reason why these three have been chosen is because their cases/experiences are indicative and can be used to draw conclusions.

Literature review

In literature review various studies and approach related to CSR are studied and key points highlighted by them are given which are:

1. A stakeholder approach given by R. Freeman:

Stakeholder approach put forward the idea of putting all stakeholder which have stake in business at the center of decision making process for businesses .This approach while putting forward the benefit of putting all stakeholder under consideration in decision making also study the traditional approaches which were not stakeholder oriented and found that those approaches were not balanced in terms of interests .They were more suitable to some while less or not suitable to other stakeholders.

2 'Strategy and society: The link between competitive advantage and corporate social responsibility' by Porter and Kramer:

Firstly In this study Porter and Kramer highlighted concept of society and companies. According to them both society and companies are dependent on each other for their respective growth.A company need a prosperous society to be successful and a society needs a successful companies to be prosperous. This study suggest that points of junction between companies and

society are both 'inside-out' linkages and outside-in linkages. Inside-out include all the internal action of companies which effect the external environment while outside-in include all the activity in outer environment of companies which effect their internal environment .

Secondly this study highlighted the need of customized approach for companies social agenda because generic approach generally tends to fail the targeted achievement due to different circumstances faced during their execution and provide a way to to formulate their policies related to social agenda according their strategic value to company.

3. An Empirical Analysis of the Strategic Use of Corporate Social Responsibility by by Donald S. Siegel and Donald F. Vitaliano

Type of end product offered by company generally help management to decide the CSR policies of companies. It has been observed that companies providing products with durable life cycle are tends to opt for CSR more than companies providing less durable product. Similarly companies which are dealing with financial services in which perception of peoples toward the company is important to be successful are tends to be more CSR oriented .

Conclusion of literature review

Through the study of various studies and approaches related to CSR ,it is clear that CSR approach is much needed for sustainable long term growth for the company. On the point of how to choose CSR approach ,from studies given above it is clear that that their no fixed approach, it should be tailor made suiting the different situation in which company works such as type of market, product, end consumer.

Methodology

To conduct the study ,first a minor field study was conducted .In the field study successful companies which are working in rural area with the help of their CSR strategies are selected .After the selection of successful companies an open ended questionnaire is prepared ,questionnaire is keep open ended to have conversation without the boundation of limitation and in this way respondent can provide elaborate response which will help in understanding the issue

in full .Analysis of responses are done with the help of case study method. Case study cover both the theoretical framework as well as analytical framework. Confidentiality of interviewees Due to competitive nature of business and for the value of confidentiality of interviewees , interviewees are kept anonymous in the study .

Limitations of the case study

Due to qualitative nature of study following can put limitation on the result of study:

- 1) cultural barrier : cultural barrier between the interviewer and interviewee could have impacted the interview process ,Different culture have different perception of different issues and these can cause output of any interview.
- 2) Language barrier : Language barrier between the interviewer and interviewee could have impacted the interview process .
- 3) Communication gap due to the mode of interview: Some interviews were conducted on email which could have created communication gap due to the mode of communication .
- 4) Values, perception and ethical issues: Due to different values, perception and ethical values of interviewee distort standardization of interview .

Case

Study:

This part of study present the result form the interview process which was conducted as minor field study and data was collected from executive of different companies which are successfully executing their business in rural market .Case study present the different successful strategies adopted by companies to overcome the issues faced by them in rural market operations.

Theoretical framework

After processing the responses from the interview process and data from secondary sources,a common pattern is developed across the origination of their capabilities to overcome the issues faced by them in rural market and to make their business successful which are:

- Ability to generate market for their businesses
- Ability to make their supply chain agile
- Ability to adapt innovative mean to conduct business
- Ability to be a part of society in an effective way and involve society in their process

Analysis and review of study

Applying the framework to analyze the rural strategies of the enterprises and their projects which are :

1. Hindustan Unilever Limited-Project Shakti
2. ITC –E-Choupal
3. Market light by Reuters

their rural strategies are under review and their key points which help them execute their plan successfully :

1 Ability to generate market for their businesses:

Every company needs to generate or explorer new market for their product or business to keep their operation successful. In India, rural area was initially ignored by big MNC companies but due to changed circumstances like

- Growth of middle class
- Increase in purchasing power in rural area
- Saturation of urban area
- Increased competition in urban area

Rural area become the key point of operation for companies. Different companies follow different model to penetrate the rural area and to offer their products in rural market. Three companies are selected here to which have a successful rural business. We will study their individual strategies here.

1 Hindustan Unilever Limited-Project Shakti:

Rural markets were crucial to HUL was nothing new. HUL had been trying out various rural distribution initiatives for years. The model that the New Ventures Division has proposed, however, went beyond mere rural reach, redefining market development in rural markets.

HUL launched project Shakti specially keeping rural market in mind. Project Shakti is based on Self Help Group concept, which is not new concept but HUL integrate this SHG model into their business model to reduce their distribution cost and to present their product to end customer in

rural area through SHG which were basically from rural area only, so basically offering HUL product through local sales force.

In project Shakti HUL offered SHG members an opportunity to sell HLL's products, In this way HUL could acquire a sales team in deep rural. Such a model would not only increase HLL's rural reach significantly, it would also have great impact on rural community.

2 ITC –E-Choupal

ITC identified the basic problem of rural market economics which is presence of excess intermediate layer in supply chain, Which in result increase the cost of product without adding any value. So ITC launched an online portal to support the rural procurement through the help of technology which will reduce the cost of procurement for company and give the right price to the farmer. This initiative put ITC in rural market and due to its success people start identifying the ITC and its product .Which in return create a market for ITC products.

3 Market light by Reuters

Reuters is a multimedia company and didn't exist in rural market before the launch of market light .So Reuters was a new comer in Indian rural market. Apart from their traditional multimedia business Reuters launch a new product specifically designed for rural market to cater the basic problem of rural India which is " Timely , relevant and accurate information". So Reuters launched Market light to cater the void of information among rural India. Market light provides farmers information regarding their requirement. Apart from market light all the other sources of information which are available to farmers are either generic or not up to date, So Reuters provide farmers customized information as per their location ,requirement ,suitability.

So by launching market light Reuters create a new market for their business and increase their social equity among rural market.

2 Ability to make their supply chain agile:

Supply chains play an important role in success of any company .Supply chain can effect the reach of product to the end customer while effecting the cost of product to end consumer largely. So any company which is trying to penetrate to a market need to have an agile supply chain which can sensibly sense the requirement of end consumer and respond responsibly to the requirement of end consumer.

Strategies of companies successfully doing business in rural market are:

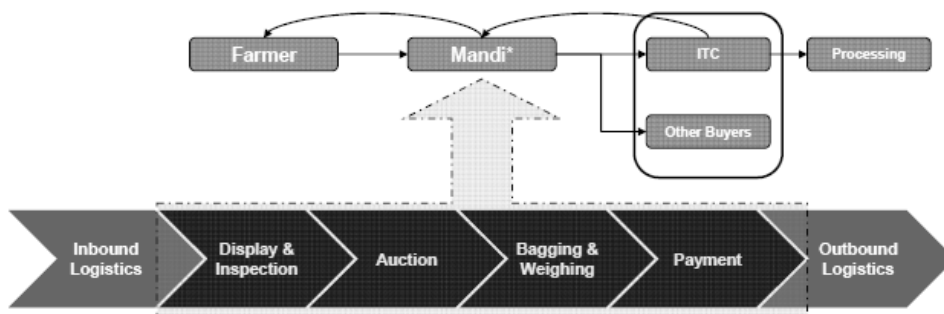
1 HUL –Project Shakti:

HUL hire local women of SHG as their sale force to offer their product to the end consumer, by doing so they hire local sales force for local distribution which help company in reducing the cost of supply chain and local sales force work as point of information for company which support two way communication between company and end consumer.

Project Shakti largely increase the reach of HUL product in rural market ,even where the traditional distribution channel can not reach.

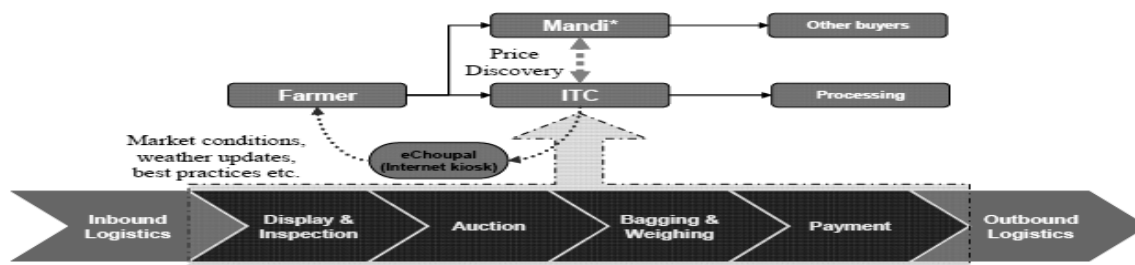
2 ITC E-Choupal:

E-Choupal is an unique platform which facilitates the reverse supply chain for company and help ITC largely in reducing their cost and procuring right product for their product . E-Choupal provide information to company about upcoming crop details and provide farmers details about the right crop and prices for current as well as future market, which help them to cultivate right crop which benefit both farmer as well as farmer. E-Choupal provide for a platform based on technology and information which remove the extra intermediaries from the process and help in reducing the cost for company and help them in planning their product smartly.



Source: ITC e-Choupal Initiative Ravi Anupindi.

EXHIBIT 5: MODIFIED SUPPLY CHAIN



Source: ITC e-Choupal initiative as described in an interview with Ravi Anupindi.

3 Ability to adapt innovative mean to conduct business:

1 HUL –Project Shakti:

Under Project Shakti HUL adopt an innovative way hiring local SHG women (called Shakti Ammas) as their sales force to deliver their product to their end consumer. Being local resource for the HUL supply chain Shakti Ammas are given training to communicate about companies product in local environment such as school and village. Being local to the environment Shakti Ammas are well aware about current user and non user, and they can target non user for the company product.

2 ITC E-Choupal:

E-Choupal is a unique brick and mortar initiative by ITC which is a platform of information and communication technology, trading in several places. In this sense, the support services are provided to maintain the level of physical requirements. The bazaar sanchalaks, town leaders, farmers act as interface between a computer and farmers. ITC climate, modern agricultural practices and sources, such as the meteorological department Agricultural University, Mandis (regional market) market price from collecting information, all the information on the i-mart is designed for the needs of the local farmers in the local language. Sanchalak's access to this information can be easily distributed to farmers. On climate change science and agriculture to help farmers choose the right to cultivate and improve the performance of their farms, provide

market information, help farmers market oriented. They know what ITC's trading price and the local market, which is conducive to a better price to the farmers at the current price.

3 Market light by Reuters

Market light provide innovative source of information to the farmers .Market light use different sources for collecting information and then use their platform to assemble ,segregate and transmit the tailor made information to the farmer in the language of their choice. This type of information give farmers direct access to modern technology of doing farming .Market light also provide forecast regarding different crops based on pattern behavior of crop, market and weather forecast which will be direct beneficial to the farmer.

4 Ability to be a part of society in an effective way and involve society in their process

1 HUL –Project Shakti:

HUL hire women from local SHG for the purpose of last mile distribution channel for HUL product which are called Shaki Ammas,for this purpose Shakti Ammas are given basic training and exposed to basic education and provide extra mean of income ,This extra income is helpful in uplifting the life of their family .Apart from Shakti Ammas Project Shakti also include iShakti which provide local communities information regarding agriculture, health, vocational training, legal procedures and education. Users can search across various content, finding relevant information or asking queries which are then answered by experts.

2 ITC E-Choupal:

E- Choupal platform engages farmers directly with the source of procurement which in return provide farmers increased profit from their crop. E- Choupal increased the income of farmers which provide extra money for the family of farmer which can be used for the upliftment of living standards ,education of their children. E- Choupal exposes farmers directly with the market conditions which prevent them from misinformation spread by the intermediaries to gain unethical gains.

3 Market light by Reuters

Market light provide information to farmers in tailor made pattern in the form their choice ,which in return produces extra income to the farmers. By observing some user experience of Market

light ,Some farmers saved their crop from upcoming unwanted circumstances such as rain ,cyclone etc and market light help farmers in better and safe planning for their crop which in return gives farmers huge monetary benefit .

Conclusion

It is very evident that the rural Indian market is the market for the future and having a foothold early is going to bear advantages to the enterprises in the form of impeccable supply chains and trust of the rural consumers which is going to be crucial for the enterprises.

As we have analyzed the three cases we can easily deduce that it is very crucial for the enterprises to involve the local community if they are to derive performance from the rural markets. From the first two cases of Hindustan Unilever Project Shakti and ITC E-choupal we got to know how the penetration in the rural markets has been achieved using the models that created value not only to the organization but also became a part of the flagship CSR programs in both the organizations

However if we analyse the Reuters Market Light case then we'll get to know that even a newcomer to the Indian rural markets can derive performance if the focus is on providing a service to the community.

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