

REPORT ON THE MANAGEMENT DEVELOPMENT PROGRAMME ON MAKING MARKETS WORK FOR THE POOR (Market – Led Livelihood Interventions) CONDUCTED AT INSTITUTE OF RURAL MANAGEMENT ANAND FROM FEBRUARY 22-24, 2017

The Management Development Programme on Making Markets Work for the Poor (Market – Led Livelihood Interventions) was conducted at the Institute of Rural Management Anand, Gujarat from February 22-24, 2017. The programme co-ordinator was Prof. Preeti Priya from IRMA. Sri Pramod K.V, Programme Officer (Organization & ME), State Kudumbashree Mission, Smt Kavitha P.C, District Mission Co-ordinator, Kozhikode and Smt Hemalatha C.K, District Mission Co-ordinator, Malappuram participated in the training.

The training started at 9.30 in the morning on 22.02.2017 with an introduction session. The training module is attached as annexure – I. There were sixteen participants for the training.

Day – I

Session – I Market – led interventions in subsistence context – Prof. Preeti Priya

The session started with defining Marketing in a broad aspect. The rural market can be classified as follows:

Rural World 3	<ul style="list-style-type: none"> • Subsistence production • Only a small part of harvest is sold to raise cash • Very limited access to even local & national markets
Rural World 2	<ul style="list-style-type: none"> • Local orientation, but able to balance high volume – low margin and low volume – high margin products • Linked primarily to local and national markets
Rural World 1	<ul style="list-style-type: none"> • Globally competitive • Market oriented

Enhancing market agency to make markets work for the poor is possibly the way ahead. This is not exactly a human attribute, but an attribute that is distributed between the person and the markets. The outcomes of low market agency are (i) Unable to tap existing market opportunities, (ii) cost inefficiencies, and (iii) unable to create new market opportunities.

The interventions to enhance market agency are

- Inside in – Production and consumption as inseparable functions in the subsistence market place
- Inside out – Production for consumption in a different market place
- Making markets work for the poor

- Create new value chain
- Market directed production
- Work with existing value chain
- Address market imperfection

The marketing management frame work consists of the following factors:

- Analysis of Consumer, Company, Competition, Collaborations and Context
- Decisions – Aspiration, Action Plan
- Outcomes – Acquisition, Extension, Buy Rate (Aspiration) and Sales, Profits, Franchise (Action Plan)

The Company in market led interventions is a collective effort of collectives, promoter and network partners. The core strength of a company lies in social capital. We must be having an understanding about who are the company in our intervention, what is the quantum of bonding social capital in our intervention and who is providing the bridging capital and at what levels.

SESSION – II Consumer Understanding for Market Directed Production – Prof. S.N. Biswas

Prof. S.N. Biswas started the session by the quoting “Consumers are predictably irrational” . He defined “Consumer Behaviour” through the wordings by David Fincher in The Narrator in the Fight Club - “We are designed to be hunters and we are in a society of shopping. There is nothing to kill anymore, there is nothing to fight, nothing to overcome, nothing to explore. In that societal emasculation this everyman is created” .

We consume things of daily use and also consume and buy these products according to our needs, preferences and buying power and these can be consumable goods, durable goods, spaciality goods or industrial goods. What we buy, how we buy, where and when we buy, in how much quantity we buy depnd on our perception, self concept, social and cultural background and our age and family cycle, our attitudes, belief values, motivation, personality, social class and many other factors that are both internal and external to us.

Consumer behaviour can be defined as the decision-making process and physical activity involved in acquiring, evaluation, using and disposing of goods and services. It is a complex, dynamic, multi-dimensional process, and all marketing decisions are based on assumptions about consumer behaviour.

Consumer behavior can be explained on the following contexts:

Logical or illogical?	- Both
Rational or irrational?	- Rational
Simple or complex?	- Complex
Single or multiple objectives?	
Need vs. Want?	- Want
Familiarity or Novelty?	- Novelty
Frugal or Squandering?	- Depends on situation

He cited the example of Twinings (Earl Grey) Tea from 1706 and showed a small film on the story of Twinings and showed us how they build the brand step by step.

The consumer insights allow us to:

- Enter markets
- Develop advertising materials
- Innovate
- Develop great products & services
- Optimize market strategy
- Measure performance of products &/or services

The different ways we know about consumer behavior are:

- Traditional methods
- Surveys
- Experiments
- New techniques
 - Data analysis
 - Development in neuro science
 - Indian lab

If we are going for a brand, there should be atleast three variants.

The cultural, social, individual and psychological factors affect all steps like need recognition, information search, evaluation of alternatives, purchase and post purchase behaviour. The consumption is of two types – utilitarian and hedonic.

There are certain human conform factors like the after dinner 'service' in Rajadhani, tv comedies that use canned laughter – research shows that it works and bartenders & street musicians will often place money in their trip jars or hats – again research shows that this works. Conformity increases with group size, when one is made to feel insecure, when there is direct request to help, when there is social cause marketing specially for certain products, the foot – in- the-door technique and door on the face technique. Consumers need growth, relatedness, autonomy, variety and ego satisfaction.

DAY – II

SESSION – I – Market Linkages – Digital Marketing – Prof. Preeti Priya

We need a digital marketing strategy because without one we will miss opportunities and lose business. Formulating a digital marketing strategy will help us to make informed decisions about our foray into the digital marketing arena and ensure that our efforts are focused on the elements of digital marketing that are most relevant to our business. Unlike conventional forms of mass media marketing, the internet is unique in its capacity to both broaden the scope of our marketing reach and narrow its focus at the same time. Using digital channels we can transcend traditional constraints like geography and time zones to connect with a much wider audience. We bother about digital marketing based on whether the customer is online and whether the product is suitable for online marketing.

The key consumer traits online –

- Comfortable with the media
- Fickle

- Want it all and want it now
- In control
- Vocal

The 4 P's of digital marketing are –

- Place
- Price
- Product
- Promotion

The 3 mantras of digital marketing are –

- Get found
- Convert
- Analyze

The following are the commonly used search engine techniques –

- The common search work that the public must come in large numbers in our page
- We must try to be in the first page while on searches
- Many pay google for appearing on the top of the search page

Once we have decided that we do need to pursue some form of digital marketing, the next step is actually to sit down and define our strategy. There is no magic recipe to ensure our digital marketing success. Every business needs to 'bake' its own unique strategy based on its own particular set of circumstances. The best people to define our digital marketing strategy are the people who best know our business.

Businesses use social media for consumer engagement, lead generation, feed back collection, crowd sourcing and customer service.

SESSION – II – Market Linkages – Contract Farming & Buy Back Arrangements – Sri S.R. Asokan

What is Contract Farming?

Agricultural commodities are produced and supplied to a particular buyer, mostly processors under pre negotiated terms and conditions such as price, quantity and quality. This is known as Contract Farming.

Markets based on supply and demand decided the price and farmer is having no role in fixing the price. Getting the raw materials in required quality and quantity in time and at least cost are the advantages that a firm gets with contract farming and stable price and assured markets are the advantages for the farmers.

The Contract Farming was explained based on PEPSI – BASIX partnership as an example. The project named "Potato farming for Empowered Livelihoods in Jharkhand was that Basix would provide microfinance and guidance to farmers to produce potatoes which would then be bought by Pepsi for manufacturing Lays and Uncle Chips. The farmer would gain by getting an assured buyback for the high quality produce and by learning new farming techniques. The Basix team met the farmers in groups and individually to educate them on the concept of contract farming. Since potatoes were a perishable crop, the idea of getting an assured buyback was tempting as it saved the farmer the effort of distribution, sales and wastage. The offer of \$0.14/kg of produce was good as they were getting something in between \$0.08 to \$0.20/kg in the traditional method. Eventhough the seed was expensive and the farming method was

unfamiliar, few farmers were willing to take the risk. The project was started with 70 farmers and 83 acres in 2005, which grown to 518 acres and 873 farmers. A Growers' Association was formed to sign a fresh contract with PEPSI and BASIX. The project was highly rewarding in the first year, but was facing challenges in 2007. The farmers were unhappy because they were expecting high rewards and Pepsi was telling that they are not getting the expected quality and quantity. This was because in the second year, the State witnessed heavy rains and a part of the seeds planted were washed away. The demand of seeds grew, but PEPSI was unable to fulfill the demand in time. However the seeds were planted much late. This time, owing to the impact of adverse weather conditions, the price of potato in the market rode to \$0.20/kg. The farmers secretly sold the potatoes in the open market. And the left over portion did not match Pepsi's quality specifications.

The studies revealed that the key factors for the low return in the vegetable sub-sector were the following:

- Marketing and price risk in vegetables
- Low productivity
- Unavailability of high quality planting material/agri inputs
- Poor package of practices
- Higher costs of cultivation
- Lack of timely availability of credit/microfinance services
- Lack of proper crop insurance

SESSION – III VALUE CHAIN ANALYSIS – Prof Preeti Priya

The following is the menu of tools for assessing Value Chain:

- Mapping Tools
- Economic analysis of value chains
- Socio-political analysis

Mapping tools

A value chain can best be understood by mapping its various dimensions. To prepare the value chain map in a given sub-sector, it is useful to review the principal functions, participants and channels in the value chain because:

- Functions describe the transformations of the commodity, product or service that takes place
- Participants indicate who perform them
- Channels describe how products flow among the participants – who buys from whom, and how the network

Economic Analysis of Value Chains

While mapping techniques help to understand what is happening in a value chain, these are not enough for making decisions regarding possible interventions. Some of the tools that enable social entrepreneurs to take decisions regarding the design of Value Chain Interventions are:

1. Price Spread Analysis – This tool is used to quantify the share of the terminal price at different nodes of the value chain. It shows the proportion of earnings of different functionaries when compared to their contribution in the value chain. Hence, it becomes a useful tool in the hands of the social entrepreneur to quantify the share of the primary producer and other targeted producers of the value chain in the terminal price

2. Gross Margins Analysis – Gross margin or profit is simply defined as sales minus direct costs. To make a true assessment of profitability, one should consider all the indirect costs as well. However, such detailed information is difficult to obtain and, therefore, as a first cut, including only direct costs will suffice to get a rough idea of the profitability at different nodes of the supply/value chain.
3. Ruling Constraints Analysis - Ruling Constraints refer to those constraints that hamper or impede the performance or efficiency of the functionaries at a given node
4. Socio-Political Analysis – Socio-political analysis of value chain is yet in its infancy and robust tools are in the process of being evolved.

SESSION – IV- ROLE OF BRANDS & PRICING ISSUES IN PRO-POOR VALUE CHAINS – Prof.Preeti Priya

A brand evolves as various authors write their stories around the brand. Value chains have been described as special supply chains which bring value to the end user and competitive advantage to the primary producer through strategic alliances between various members of the supply chain. Value chains enable all the partners in the alliance to achieve a more rewarding position in the market. A pro-poor value chain intervention can be described as a value chain intervention that looks at the entire chain as an opportunity to generate livelihoods for the poor, while creating value, that is, increasing the overall productivity and delivering quality products and services to the end user/customer. As examples, certain models were introduced like BASIX's Dairy Intervention in Andhra Pradesh, PRADHAN's Tasar Silk Intervention in Jharkhand, AGROCEL's Pro-poor Organic Cotton Value Chain in Kutch, Rangasutra and SEWA's Decentralised Value Chains in Gujarat.

The story of TOEHOLD ARTISANS COLLOBORATIVE was a thought provoking one. Athani is a small and remote town in Belgaum District, 720 kms from Bangalore in the state of Karnataka. Athani housed about 400 artisan families, for most of whom making traditional handmade Kolhapuri footwear was the only source of income. They sold the footwear to the local-influential businessmen, from whom that had all borrowed huge amounts of money at very high interest rates. They made a reasonable profit from the trade of Kolhapuris, but very little value was being passed to the artisans. This forced the artisans to use inferior quality of leather to make the footwear and this had adverse effects on quality, thereby lowering the prices even further. So, the Kolhapuris slowly became synonymous with low quality, cheap footwear with a 2-3 month life. Later, two Government bodies, Karnataka Leather Industries Development Corporation (LIDKAR) and Khadi & Village Industries Commission (KVIC) stepped into do the needful. They pitched in with support programmes and procurement centres in Athani and provided living-cum-working sheds to most artisan families, which provided some respite. But these agencies were also not able to market the produce in very profitable markets and their impact on the community gradually declined.

The Asian Centre for Entrepreneurial Initiatives (ASCENT), founded by Madhura conducted a study on the condition of women in the leather tanning industry and they developed a project named "Project EnterPrice" with the objective of transforming the artisans of Athani from simple producers of footwear into industrious entrepreneurs. Women were only involved in making the uppers for the footwear and were not even recognized for their work. ASCENT decided to develop a model that would include them in the process. The emphasis of the model was on economic empowerment through collective entrepreneurship with a special focus on women. They started not with product development, but with a process of human development and they encouraged women to form affinity-based SHGs. Eventhough they started with women's SHGs, their focus was always on the artisan family. ASCENT treated the artisan family as a microenterprise where the male and female artisans were partners. The thrust was no so much on microfinance and marginal improvements but on entrepreneurship development among the artisans and delivering economic empowerment through enterprise. Also, ASCENT did not want to become another marketing agency for the artisans but wanted to take them to a level of enterprise where they would ultimately become independent of ASCENT and manage their own enterprise including marketing function. Soon they formed their own collective named ToeHold Artisans' Collaborative, which is a Group Enterprise

of the 14 women SHGS and the products were promoted under the brand ToeHold which was targeted at the high value niche segment and soon began to export to very competitive mainstream international fashion markets.

The experience of the Rudi Initiative of Self Employed Women's Association (SEWA) was also explained as an example of scalable and sustainable models for harnessing the entrepreneurial potential of women in subsistence market places through a set of more than 25 sister organizations working in tandem. There is evidence of bonding social capital in the marketing system at two levels : (i) bonding between RUDIbens and (ii) binding between RUDIbens and their consumers in the villages since they belong to the same context.

DAY – III

SESSION – I MARKETING PLANNING Prof. Preeti Priya

What is price?

The element that helps us to fetch the revenue

Role of pricing

- Generate profit
- Support research

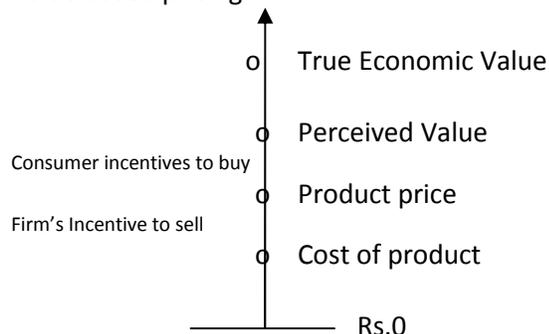
What is profit?

It is $(\text{Unit Price} - \text{Cost of good sold}) - \text{Unit volumes sold}$

The factors that influence our pricing strategy are

- What mix of products are you offering?
- Who is your target segment?
- Are you disturbing our product wholesale or retail?
- What is the estimated life cycle of your product/service?
- What is the projected demand for the product?
- Are there other entities, such as the Government that may dictate the price range of your product?

Value based pricing



- Market research is very necessary

The following are the pricing objectives:

- Partial Cost Recovery
- Profit maximization
- Profit Margin Maximisation

- Revenue Maximisation
- Quality Leadership
- Status Quo
- Survival

The price setting options are:

- Competitive Pricing
- Good Better Best
- Loss Leader
- Multiple Pricing
- Optional Product Pricing
- Penetration Pricing
- Product Line Pricing
- Skim Pricing
- Premium Pricing

SESSION – II AHP FOR MARKETING PLANNING - Sri Anand Venkatesh

The Analytic Hierarchy Process (AHP) is referred to as Saaty Method since it was developed by Dr. Thomas L. Saaty and it is widely used in decision making and in a wide range of applications. The basic principle is to construct a matrix expressing the relative values of a set of attributes. Here problems are decomposed into a hierarchy of criteria and alternatives and synthesized to determine relative rankings of alternatives. Qualitative and quantitative criteria can be compared using informed judgments to derive weights and priorities. The AHP determine the relative importance of the criteria. Wherever there is prioritization of alternatives based on criteria, AHP comes into play.

SESSION – III EXPERIENCES FROM THE FIELD – Dr. Rajat Chabba

Dr. Rajat Chabba is basically a doctor by profession, but after completing his doctor's degree, he joined IRMA. After completing his degree there, he worked with several firms in rural sector. Presently, he is working with the firm AGRASAR. He shared his experiences from different sectors like SWASTHYA CHOUPAL, Mo To TOILETS: SHAUCH KI SOCH, SARAL DESIGNS etc. His main learnings are the following:

- Operating mode – The Unmet Need
- Target audience – Psychology
- Technology vs. Human capital
- Partnerships vs. Collaborations
- Capacity Building
- Community Outreach & Marketing
- Sustain goodwill

FIELD VISIT

We got a chance to visit AMUL at Anand. Even though it was a short one, we got a chance to see the various stages in the production of value added products from milk, that too by a 100% mechanized technology.

OUR LEARNINGS

To sum up, we really gained a lot on marketing side from the training, largely on agri sector since major focus was given on the marketing of agricultural commodities. It was an eye opener to the various techniques and methods which we have never thought about. It helped us analyse the current marketing strategy we are having and to think on how we can change our markets into profitable ones which help the rural poor of our organization. So many short films on various models like ToeHold, RUDI, Pradhan's Tussar Silk Intervention, Brand building of Twinings etc were shown to us. Certain exercises like wallet creation were done by us which taught us how to create a product/brand according to the need of the customers.

SUGGESTIONS

- Our Marketing Consultants must be given this training
- More trainings on marketing including all sectors like productive and service sectors to be provided

Submitted by

PRAMOD K.V,
Programme Officer (ME & org)
State Mission

KAVITHA P.C
District Mission Co-ordinator
Kozhikode

HEMALATHA C K
District Mission Co-ordinator
Malappuram