Reaching out to rural India

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The rural landscape is changing and helping this transformation are a clutch of Tata companies which are offering quality products and services to customers in the small towns and villages of India.

Prime Minister Manmohan Singh recently talked about his vision for rural India: "My vision of rural India is of a modern agrarian, industrial and services economy co-existing side by side, where people can live in well-equipped villages and commute easily to work, be it on the farm or in the non-farm economy. There is much that modern science and technology can do to realise this vision. Rural incomes have to be increased. Rural infrastructure has to be improved. Rural health and education needs have to be met. Employment opportunities have to be created in rural areas." This is a vision that the Tata Group has not just seen, but incorporated into its business strategy.

Agriculture and agro-based industries account for 25 per cent of India's GDP. More significantly, over 60 per cent of the country's population is engaged in this activity. However, this very statistic simultaneously reveals why rural India remains a backwater for the country's industry; that 60 per cent of the people generate only 25 per cent of the country's GDP means that their purchasing power is low.

Most of industry's 'engagement' with rural India is in terms of corporate social responsibility (CSR), rather than business. Most industries, excepting the ones that directly deal in agricultural inputs, machinery or commodities, confine their business attentions to India's cities, where the country's purchasing power resides. This can be seen in the fact that though a small fraction of the country's population reads English, most of the country's print advertising spend flows to its English language media, read mainly in the cities.

But the fact about India's smaller cities, its towns and villages is that they are growing. There's a market out there, and it's waiting to be addressed. In terms of purchasing power, it may not have great depth, but it has enormous width, like the bottom of any pyramid. It is also a market with its own characteristics and its own dynamics. City formulae don't always work here. Grabbing a foothold takes much more than mere marketing savvy.

CK Prahlad in his ground-breaking book 'The Fortune at the Bottom of the Pyramid', speaks about the need for companies to design and develop innovative products and services, and help the poor prosper by partnering and engaging with them. He goes on to say that there is huge consumer potential in rural India and addressing this segment is a
win-win partnership for both companies and the people. The companies benefit by widening their consumer base and selling more products; the rural people benefit by getting quality goods and services, which motivate them and raise their self-esteem.

This vast expanse of rural, semi-rural and semi-urban India has been a focus of Chairman Ratan Tata's vision for Tata Group companies. He believes that there is a large niche market comprising the emerging Indian consumer, which seeks a better quality product or service at a fair price, but can't get it. And he is convinced that Tata companies can profitably fulfil that need.

Here, we recount the experiences of Tata companies that have worked to translate the Chairman's vision into reality, and the amazing levels of success that so many of them have achieved.

**Tata Teleservices: ringing in a new era**

In India's metros, state capitals and small towns, telephones have morphed into cell phones. From the high-powered executive in his tinted-glass Mercedes to the vegetable seller down the road, people everywhere are chatting, getting information and doing business on the cell phones.

But it's a different story in India's villages, where many are yet to see a telephone. Communication is still a problem, and most villages are yet to savour the benefits of Alexandra Graham Bell's remarkable invention. Of the 70 per cent of our population that lives in rural India, only 1.5 to 2 per cent are connected through a telephone.

In 2002, in an effort to increase rural tele-density, the government set up a universal service obligation (USO) fund. Telecom operators had to give a certain percentage of their gross revenues to this fund. It also mandated that every telecom operator must provide telephone services in rural areas each year, up to a certain percentage of their annual business turnover, which would be subsidised from the USO fund.

Last year the system was changed to a tender system, where operators could bid for rolling out services in certain areas of the country that have zero to less than 1 per cent tele-density. They would receive a subsidy from the USO fund to enable them to provide services in those areas.

Tata Teleservices Ltd (TTSL), which started operations in 1996 in Andhra Pradesh, is a major telecom player in India. Over the years, it has expanded its network and today covers 2,500 towns in 20 circles. It is the market leader in the fixed wireless telephony market, with a customer base of over 2.8 million. TTSL has bid successfully to provide telephone services in 242 SDCAs (short distance charging areas). It sees rural telephony not just as a service to India's villagers, but also as a great business opportunity.
Darryl Green, CEO of Tata Teleservices, expands on the company's philosophy, "There is a huge amount of satisfaction in working in the rural areas. In urban areas, the telephone has become an integral part of life. But in rural areas, people have to travel long distances on foot or a bicycle to find out good or bad news from family and friends. For them to be able to pick up a phone and get that news in a second, makes this business that much more meaningful."

But the challenges of providing telecom services to rural India are manifold. Many villages cannot be accessed easily owing to their remote location; setting up a network is fraught with difficulties, thanks to rough terrain; the investment required is high and the returns are very low, as many villagers cannot afford the cost of telephone services. It's also difficult to get people to work in these areas; they are remote and lack amenities.

Electricity is one of the primary requirements for telecom services, but many villages do not have electricity. Diesel generators are expensive and can work only as a stopgap measure. The government is supposed to help telecom companies get electricity, but the companies have to do most of the work and also bear the cost. "However, once electricity comes into a village, it can only lead to further development," says Green.

Another challenge has been to communicate the benefits of the product to the people, as many of them are illiterate. The company's sales people first put on an entertainment show to attract a large crowd and then use visuals to talk about the services and the registration process. Many times they have to carry their own camera to complete registration formalities as villagers rarely have their own photographs.

An important learning for the company has been in understanding the communication needs of villagers. "In rural communities, communication takes place mainly among defined family groups. So they want a service that allows them to call families in and around their village at reasonable rates," says Green. The company's family-and-friends (Parivaar) programme at special calling rates has been well accepted.

TTSL's telephones also provide unique information services that are required in these areas. They have an LCD display and different language capabilities for diverse Indian regions. Farmers can avail of the SMS facility to find out crop prices in other markets; get weather updates and the price and availability of agri-equipment. "This kind of information is very important for farmers and helps them make better decisions, which in turn helps them increase their income," says Green.

The cost of the service has been adapted for the rural customer. In the pre-paid scheme, the company retains ownership of the phone, so there is no deposit to be paid, just an activation fee which ranges from Rs 600 ($13) to Rs 800 ($17). If the customer wants to stop subscribing to the service, the company takes back the phone. TTSL is trying to develop lower cost phone models to attract more customers.

The CDMA technology enables customers who can afford a computer to connect to the internet with these phones. Tata Teleservices is also helping school children gain access
to information by providing internet services free of charge to local schools. This is a corporate social responsibility activity in conjunction with CDMA equipment maker Qualcomm, which is initially being rolled out in Maharashtra and Madhya Pradesh.

Another key learning has been in setting up a distribution network. The company has set up a three-tier network with a main distributor who looks after a large area, generally an SDCA, and has feeders (on his pay roll) which feed into 'runners' – people appointed and trained by TTSL – who visit villages on a bicycle or a two-wheeler at defined times on defined days of the week, selling recharge vouchers and servicing equipment; each runner covers between 200 to 300 customers. The company has also joined hands with Tata Chemicals' Tata Kisan Sansar network, disseminating information through these centres and using them as local distributors.

Tata Teleservices has invested Rs 240 crore ($51 million) in rural telephony in these 242 SDCAs, covering Rajasthan, Bihar, UP East, UP West, Maharashtra, Andhra Pradesh, Karnataka, Punjab and Haryana. It will reach out to more than 6,00,000 subscribers by end March 2007. It hopes to get more subscribers and induce existing customers to move up to value-added products and services.

"Right now, the need is a fixed wireless phone in the house, so that all family members can benefit from it. Cell phones will be the next wave, when their affordability increases," says Green. Apart from looking at products for individuals, the company is also looking at helping small businesses by offering services based on CDMA technology.

Less than 15 years ago, the telephone was a luxury for most urban Indians, who had to endure years of waiting to be allotted one. Today, it is the exact opposite, as telecom companies vie for customers. Availability of telephone connections at an affordable price has made the difference. The Tata foray into rural areas is bound to cause a similar transformation, sooner rather than later.

**Rallis India: farmer's friend**

Rallis India provides a wide range of agro inputs and services through the entire agricultural cycle – from seed to harvest

Rallis India is the country's leading agrochemicals company, and has helped the Indian farmer for close to 40 years, by improving yields and returns on crops. It provides a wide range of agro inputs and services through the entire agricultural cycle – from seed to harvest. "We spend a lot of our time interacting with the farmer, trying to understand the problems that he faces in the field," says Dr Venkatrao Sohoni, managing director, Rallis India. "We also educate the retailer, to whom the farmer normally goes with his problems."
When the farmer sows the crop, he is uncertain of the yield. Lack of rains, erratic electricity, pests, bad seeds – any one of these can ruin the crop. No one can alter nature, but the Rallis R&D centres at Hyderabad, Bangalore, Turbhe and Patancheru have enabled the company to offer the farmer the very best inputs – seeds, insecticides (Tata Mida, Asatafa, Rogor), fungicides (Contaf, Contaf Plus, Fujione) and herbicides (Fateh, Tata Metri).

Countrywide classroom
Rallis is present in every district in the country, and reaches the farmer through its own personnel as well as through retailers, distributors and preferred dealers. During the agricultural season, as many as 1,200 technical field assistants (TFA) along with agronomists visit India’s villages, interacting with the farmers.

TFAs demonstrate the efficacy of products by spraying crops on special plots to show the difference between treated and untreated crops in terms of health, vigour, quantum of pest infestation and damage. They advise farmers about when and how to use their products, and on crop selection, depending on the soil. "The farmers are encouraged to spread this knowledge. Our intention is to create centres of information within villages," says Sohoni.

Over the years, Rallis has built an impressive all-India database of progressive farmers who can be considered as peer leaders or trendsetters. It has a list of more than 50,000 farmers who are knowledgeable about cotton, and another 56,000 that grow rice. The database is also used to share learnings and to plan marketing activities.

Marketing initiatives vary according to crop, season and region. Campaigns often resemble a mela (fair), with a convoy of gaily decorated jeeps and carts with placards and posters, meandering down village roads. Sometimes, even boats are used.

Contact has intensified over the years as farmers have become more knowledgeable and even net savvy. Rallis has a farmer helpline, troubleshooting by telephone and email from its website. It holds training sessions for the retail network and works closely with local agricultural universities.

"We are not into selling pesticides. We deal with the whole crop cycle and educate farmers so that our products are used safely, judiciously and effectively," says Sohoni. The company plans to set up dedicated kiosks manned by informed personnel and updated continuously.

The focus is not on selling Rallis products, but on making the company a trusted friend of the farmer. "Very often, solving a problem may not require the use of our products. The farmer sees our TFA as a knowledgeable friend, and increasingly relies on his advice to improve yields," says Sohoni. This sets Rallis apart from other agro companies; it spends more time generating demand rather then pushing its own products by virtue of lower prices.
Market mantra

As pesticides are mostly generic by nature, Rallis is constantly faced with products that are similar to its own. The critical differentiation is through service, quality and interaction with the growers. "We have a very strong brand equity in this market. The Tata name is associated with Rallis and often people call it Tata Rallis," says Sohoni.

Whether in R&D or marketing, innovation makes the difference. Rallis has created a mascot, 'Dr Vishwas', a sort of super-man who identifies farmers' problems and offers complete solutions. He appears in all the company's communications. Some of the farmers who call the Rallis helpline actually ask to speak to Dr Vishwas!

The company also has a unique marketing programme called 4S (Sampark-Sambandh-Samruddhi-Santushti) which means building relationships through information and service.

The sales and marketing staff are joined by factory workers, R&D scientists and officers in the field. Each group is assigned an area and a number of farmers to meet. Apart from understanding problems, if farmers are moving to other products, they can find out why. It is an invaluable marketing device that builds trust and a priceless knowledge base. A process called Innogate captures innovative marketing and problem-solving practices.

Farmers first

In the new product development (NPD) process, listening to the farmer gives the company new product ideas. After gathering information and doing research, the most promising ideas are intensively worked on before the new product is introduced into the market. Rallis introduces four or five new products each year.

Many of them are new forms or combinations of existing products and not necessarily new molecules.

With 40,000 retail outlets across the country, the Rallis retailer is a vital cog in the wheel. "Both the retailer and the farmer are very astute in differentiating between companies that just sell products and those that are interested in the farmer's well-being," Sohoni points out.

Rallis continuously trains its people – through the web as well as on the job – so that farmers get the best advice and latest information. After every interaction, it is mandatory for field staff to send a report to all marketing and sales people in the company. The customer satisfaction survey helps Rallis to find out how the company is perceived by farmers and retailers.

A recent Gallup survey showed that Rallis is known for providing quality products and service. The Rallis brand is recognised in all parts of the country.

"Going forward, the challenge for Rallis is to bring in unique products and to continue to enrich our product portfolio so that we are able to gain marketshare, stay abreast of the
changes in agronomy that affect inputs and their profile, and react swiftly to pest complaints," says a quietly confident Sohoni. Little wonder that farmers consider Rallis their friend in need.

**Tata Chemicals: one-stop farming shop**
The face of Indian agriculture is changing. New practices, techniques and farming methods have evolved, and the farmer is keen to be a part of the new revolution. But a dismal lack of rural infrastructure and finance prevents him from gaining access to this brave new world. "Farmers today primarily need to get the right information and find markets to sell their products at a good price," says Prasad Menon, managing director, Tata Chemicals.

"For farmers, the top priority is acquiring the knowledge that can improve their yield," adds Kapil Mehan, chief operating officer of the Tata Chemicals fertiliser division. Tata Chemicals is India's leading soda ash and fertiliser company, and has had a long association with the farmer, supplying high quality urea, a vital input for most crops.

From seed to...
In 1998, Tata Chemicals set up the Tata Kisan Kendra (TKK), a one-stop shop for the Indian farmer, supplying all requirements, from seed sowing to post-harvest. TKKs enabled farmers to purchase the products they needed as well as gain from expert information. Four years later, the company decided to shift the focus to offering services as well, and re-branded the rural initiative. Now named Tata Kisan Sansar (TKS), it offers farmers a range of agri-services and agri-products.

Says Mehan, "In effect, we are telling the farmer to look at farming as a business, not a subsistence activity that he continues to do because his forefathers did it. An increase in his income will mean a higher standard of living for him and his family."

The change is in keeping with the evolving farming mindset in the country, an openness of mind to seek knowledge, new techniques and ideas. "That," says Mehan, "is a challenge for companies in agri-business today. We can no longer go to farmers with a pre-designed basket of products and services; we have to design them according to their needs."

TKS operates in northern and eastern India – Punjab, Haryana, Uttar Pradesh, Bihar and West Bengal. It is franchised, working on a hub-and-spoke model. The hub acts as a resource centre to a number of TKS outlets, and each TKS services a number of surrounding villages. With 25 resource centres and 497 TKSs, the initiative reaches more than 35 lakh farmers in 16,000 villages.

TKS centres offer soil and water testing, contract farming and credit facilitation. Each has a complete range of agri-inputs like fertilisers, seeds, pesticides, herbicides and micronutrients. Agronomists at each TKS share their expertise with farmers, and provide
the latest information on weather, market pricing and crop production, enabling them to take quick and informed decisions.

All the centres are being computerised and a database of farmers is being built up, allowing sharing of techniques and information. Tata Chemicals has tied up with Cornell University's College of Agriculture and Life Sciences, a premier American agricultural college. Professors from the university have interacted with trainers at TKS centres as well as farmers in the field. The focus is on human capacity building. The company is also trying to set up development centres in association with some agricultural universities.

Farming family
Farmers can avail of TKS services by becoming a member of the Tata Kisan Parivar (TKP). They can also choose to pay selectively for services. TKP is essentially a relationship-building initiative where Tata Chemicals identifies farmers who are open to new techniques, and can also be spokespersons in villages. The 30,000 members of TKP are given training in the latest farming techniques, offered services at a discount and taken for educational trips to agricultural universities. They also get family insurance coverage.

The Kisan Sahyog Parivar is yet another initiative. Farmers are encouraged to form self-help groups (SHGs) that provide a platform for facilitation of credit as well as learning and sharing among themselves.

Improving lifestyles
The TKS is a business development initiative – an alternate delivery mechanism to provide products and services in a more reliable manner, so that the farmer feels confident about them. Both the farmer and the company benefit from the initiative. In 2005-06, TKSs did business worth Rs 307 crore ($66 million), growing from Rs 38 crore ($8 million) in 2002-03

TKS is now expanding its basket of products to include lifestyle goods. It has done pilot projects with Titan for selling Sonata watches, with Tata Indicom for telecom services, and with Tata BP Solar for solar power products. Indian Oil has approached TKS for setting up fuel stations and selling packaged kerosene, to prevent adulteration. Going ahead, Tata Chemicals is looking at adding financial and credit services, as well as crop insurance to its range of services. With these new initiatives, the partnership between TKS and farmers will grow stronger and deeper.

Tata Motors: wheels of fortune
India's plans to link villages with towns and towns with cities across the country, through world-class highways and all-weather roads, is going to dramatically change lifestyles, both in terms of transportation of goods as well as people. Tata Motors, India's leading auto manufacturer, is gearing itself to address and accelerate this transformation.
Tata Motors commercial vehicles are known for their reliability and durability. Seven out of every 10 trucks on Indian roads proudly carry the Tata logo. But the smallest vehicle it made was a four-tonner, which was too big to be economically deployed in large numbers in small towns.

"What was required was an optimal vehicle that could economically carry smaller loads and reach out into small towns and villages. Issues such as purchase price, cost of operation and reliability would be critical," says Shyam Mani, VP (sales and marketing), Commercial Vehicles, Tata Motors.

A few years earlier, Tata Motors had consciously decided to focus on being a customer-centric company rather than a product-centric one, developing products that fit customer requirements rather than making customers adjust their requirements to suit existing vehicles.

With this intention, in 2002, the company remodelling their Tatamobile in response to customer feedback asking for an economical and reliable vehicle for intra-city and local transport, and the 207 DI was born – a sturdier vehicle that drives well on dirt tracks, has a higher operating speed and more applications.

"Changing customer attitudes are driving the market today. Issues like reliability and low maintenance costs are now basic requirements, not product differentiators. The key to success is how well you learn the differentiators," says Mani.

Who is the customer?
With the help of McKinsey, the company classified its customers into a four-level pyramid. At the bottom was the acquisition-price-sensitive customer, who is looking only at price, not performance. Above that is the return-on-investment customer, who is willing to pay a price for better value. The third layer is the looking-for-a-balance customer, who weighs both price and performance. At the top is the only-performance customer, who is willing to pay a higher price for it.

The rural customer is not too aware of features and benefits, and is found more at the lowest end of the pyramid, while the educated urban customer lies at the second level. In both urban and rural India, there will be customers in all the four segments, in varying percentages. "The challenge, as competition increases, is to bring out products that provide the benefits of one segment at the price point of the lower segment," says Mani. The company targeted customers, largely from semi-urban and rural areas, who fell into the two bottom layers of the pyramid, which cover 85 per cent of the market.

What does (s)he want?
Through its interaction with customers, the company learnt that the five essential attributes they look for in a small commercial vehicle are lower operating costs (as compared to a three-wheeler), reliability, durability, safety and comfort, and – most important of all – a viable business proposition.
"Commercial vehicles are actually a business investment. If a customer is not able to earn the money to be able to pay back the acquisition price and earn some profit, (s)he is not going to buy the vehicle. The economic cycle must be complete," says Mani.

Dealing an Ace

The company realised that the entry level for the semi-urban and rural market was a product between a three-wheeler and a pick-up truck, at a price-sensitive level. It put together a team to develop such a vehicle, and it came up with an Ace.

A sturdy vehicle that can carry loads up to 1.5 tonnes over distances up to 300 km, the Ace is a four-wheeler at a price slightly higher than a three-wheeler, but offering greater stability, safety and comfort. More important, the operating cost was extended to a product lifecycle cost, which covered purchase cost, operating cost and resale price. "It has the lowest product lifecycle cost; that is our USP. It is essentially a last-mile load carrying vehicle, useful in congested cities as well," says Mani.

"We took the Ace on road shows through villages and demonstrated the features and benefits. Customers were encouraged to test drive the vehicle," says UT Ramprasad, head – marketing communications, CVBU. "The brand communication for the Ace was 'All the goodness of the Tata Truck now in a mini size' – thereby the descriptor of the category as a mini-truck. Using the metaphor of an elephant (a mother elephant representing the Tata truck), the Ace was simply called the baby elephant!"

Mani relates the case of a person who wanted to set up a paan-bidi shop. When he saw the Ace, he bought the vehicle instead. "With approximately the same investment, he now gets bigger returns and more prestige," he says.

Finessing the finance

The low-price-high-performance Ace has cast its spell on auto financers in urban areas, who now offer five-year financing for the vehicle (three-wheelers get only two/three-year financing), so that customers pay a monthly instalment approximately the same as that for a three-wheeler. "The instalment payment has gone down and income has increased, boosting net earnings. The customer is happy and our sales have jumped. It's a win-win situation," informs Mani.

But in rural India, financing is still difficult. Finance companies find higher comfort levels with a regular salary slip than with agricultural income or property. There is a critical need for micro-finance in rural markets, and Tata Motors is hoping it will happen soon.
Changing lives

Research had indicated that in rural areas, owning a four-wheeler increases the family's status but the price was a deterrent. "The Ace therefore is an emotional brand at a functional price. In addition to a business, it enabled the customer to climb the social ladder," says Ramprasad, who adds: "Semi-urban and rural customers use Tata products for their day-to-day livelihood. Their belief and trust in the Tata brand is huge."

Tata Motors has also developed the Cityride bus, a low-end, 16-seater bus built on the existing 407 platform for passenger movement between small towns.

"We believe that by providing quality vehicles at affordable prices, we can help people improve their quality of life. We believe our vehicles empower people, whether it is the Ace, the 207 DI or the Cityride bus," says Mani.

In top gear

As markets continue to move towards semi-urban and rural areas, the company is extending its reach through a unique concept called 1S outlets, that handle only sales. At over 300 such outlets across India, customers can see and buy the product within 50 to 100 km of their village. Apart from its dealers, Tata Motors has tied up with local garages for servicing, and enhanced their service skills through training. A mobile service van supplements their reach.

The Ace has been so successful that the company is struggling to meet demand. Today, the Ace is available in only nine states, and Tata Motors is enhancing its capacity before launching the vehicle in more states. The wheel of fortune rolls swiftly through semi-urban and rural India, as Tata Motors changes people's lives for the better.

Tata AIG Life Insurance: Insuring the bottom of the pyramid

Life insurance companies in India are mandated by regulations to adopt rural and social criteria as part of their business obligation. The rural mandate dictates that an increasing percentage of the company's annual business (in terms of number of policies) has to come from rural areas – it starts from 7 per cent in the company's first year of operation and increases each year until the sixth year when it reaches 18 per cent. The social mandate requires companies to cover a certain number of people who belong to the informal or unorganised sector (in both urban and rural areas) which comprises close to 90 per cent of the population.

Of the country's 14 life insurance companies, one company decided to do things a little differently. "We thought we would take another route," says Vijay Athreye, assistant VP and head (rural and social) at Tata AIG Life Insurance. "We decided to treat it as a
business opportunity rather than an obligation." In doing so, the company is also giving the rural poor an opportunity to provide for their own security needs and hence develop.

Go to the villages

Athreye joined the company in 2001, started the rural insurance division and spent a lot of time studying rural markets and the insurance business in rural areas. He soon realised that the structure of the insurance industry leans towards the urban scenario in terms of products, delivery, people processes and service.

"Insurance is sold, not purchased. Traditionally agents sell insurance to earn a livelihood. They usually earn a 40-per cent commission on the first year's premium and 6 to 10 per cent in subsequent years (according to regulations)," Athreye explains. "So while agents are enthusiastic about doing sales, they are not happy giving service, especially if the amount is small. In rural areas, the lack of infrastructure makes servicing by the agent that much more imperative but because insurance services in rural areas are not differentiated from urban, the agents are unable to service them and the credibility of insurance takes a beating."

He divided the rural market into three distinct segments: the 'almost urban' people living in large towns, as well as rich farmers; the rural 'middle class'; and the 'bottom of the pyramid' – the 70 per cent of rural India that have no or limited access to any organised financial services/banks. "We had to find a way of addressing the last segment," says Athreye, "as it would help us fulfil our obligation as well as generate incremental new business."

The challenge was to create a channel which could handle micro insurance – not the usual agents – but organisations and people who would be interested in selling insurance to the poor and be content to service the market with small earnings.

Why not women?

Regular agents were interested in servicing only high policy amounts to earn their livelihood. So, in a country where men are supposed to be the primary bread earners, Tata AIG decided to position insurance as a supplementary livelihood activity, and talk to community-based women. "In rural areas it's very difficult for women to find a source of income, so we asked ourselves: can we encourage women to become our micro insurance agents, and by creating relevant products and processes build capacities in them to sell insurance?" Athreye explains.

The company started in Andhra Pradesh, where Tata AIG was doing a project with the Department for International Development (DFID), an arm of the British Ministry of Finance that gives funds on a matching funds basis for financially deepening activities in rural areas. Tata AIG and DFID contributed towards a corpus which was used to develop the idea of utilising grassroots level community workers to develop infrastructure and collaterals that would promote and service micro insurance to landless daily-waged adults in the state.
Tata AIG encouraged the women to form partnerships in groups of five and called them CRIGs (Rural Community Insurance Groups). They travel around in branded vans owned by Tata AIG, which also double as collection and policy servicing units. Over four three-day capacity building modules, women learn soft skills, develop insurance skills and learn data management through computers. About 150 women are now earning Rs 700 ($15) a month. Some have graduated to selling regular products to the rural middle class, and earn as much as Rs 2,000 ($43).

The model has been replicated in other parts of the country with some changes. It's not been easy in states like UP and Rajasthan, where the men don't allow womenfolk to go out of the house for work. Here, the company approached NGO field workers and volunteers. Today, of the 460 rural agents selling micro insurance, 60 per cent are women. A woman agent is typically a cluster leader or an office bearer of a rural self-help group (SHG).

Making a difference

One of the big challenges that the company faced was training the women. The Insurance Act requires that every person who sells insurance has to be trained for 100 hours at designated training centres, all of which are in urban areas. It was a problem to get women to stay in a city for so many days. Tata AIG has shared its learnings, both in India and abroad, and now a new micro insurance regulation allows micro insurance agents with only 25 hours of training in the village. The company is confident that this will help ramp up its woman force rapidly.

"We operate in 10 states (Andhra Pradesh, Kerala, Tamil Nadu, Karnataka, Maharashtra, Gujarat, Jharkhand, West Bengal, UP and Rajasthan) and have more than 50,000 policy holders; close to 85 per cent would belong to the third category (the bottom of the pyramid), for our policy holder survey shows that it is the very first time that they have bought an insurance policy and it is our women agents who have reached out to them," says Athreye proudly.

The company has developed no-frills, low-priced personal products, for rural markets, that focus on savings. A premium of Rs 150 ($3) to Rs 300 ($9) offers coverage of between Rs 15,000 ($320) to Rs 20,000 ($430). Many NGOs, cooperatives/women federations and other such rural organisations including MFIs are partnering with Tata-AIG in mentoring and monitoring the programme at the grassroot level. With new micro insurance regulations that allow level commission (companies can now pay 20 per cent commission through the product's tenure, giving micro agents a more regular income), Tata AIG has developed a new set of products – variants of earlier products – and is awaiting regulatory clearances for them.

Tata AIG has also evolved its processes to deal with rural realities – illiteracy, a cash economy, lack of birth certificates or proof of age. The company has settled many claims, ensuring that the money is given to the beneficiary vide an NGO, so that the proceeds are used well. Tata AIG is expanding its reach and is planning micro insurance-based offices across the country.
It's all business

"We have consciously decided to target the 'bottom of the pyramid'; we move up only after we have gained a foothold. We are looking at rural markets more holistically, as selling only to the very poor is not sustainable for the company in the long run," says Athreye. Last year, the company grew 80 per cent in terms of both policies and premiums. They have covered over 18,000 rural individual policy holders with micro insurance in the first six months of this year and hope to end the year with over 35,000 policies contributing close to Rs 75 lakh ($161,400) in first premium terms.

Athreye is clear that this is business, not corporate social responsibility (CSR): "We have invested money, are working on making it a sustainable business by creating value for our customers through a choice of products, and want to generate long-term profits," he says. "The biggest thing about development is having choices. We are educating people about insurance and about the product choices they have – offering them relevant services at their doorstep, including frequent collection of premiums," he adds.

In trying to create value for the rural customer, a livelihood for the agent and a business for itself, Tata AIG is also changing the face of rural India.

**Tata BP Solar: making the sun rise**

In remote Ladakh, 7,500 ft above sea level, in the bitterly cold Himalayan climate, 14,000 homes have lights. In Punjab, farmers are able to irrigate their fields without conventional electricity supply. In Chattisgarh, tribals living in 107 ‘grid-inaccessible’ villages can watch television, and students can study at night…

In villages across India, children are getting a better education, families are getting better healthcare and people are able to connect with their loved ones far away, thanks to Tata BP Solar, a company that has been at the forefront of solar energy field since 1991.

"Over 70 per cent of India's population lives in the rural areas, but 70 per cent of electricity generated is used in urban areas," says AK Vora, managing director of Tata BP Solar. "Even in the future, rural areas will continue to get an unequal share of power, because urban needs will keep on increasing," he adds.
The power of the sun
Tata BP Solar is playing a key role in helping bridge the urban-rural energy divide. In India, energy planners think of power requirements only in terms of large MWs. But, says Vora, in villages you need small amounts of power; for homes and businesses such as shops and flour mills. Solar power can provide energy security and, therefore developmental opportunities to 700 million rural Indians.

"Solar power is clean, eco-friendly and the most easy-to-set-up source of power. You don't need large transmission towers, lengthy cabling and heavy switchgear. You can light an entire village in less than a week," says K Subramanya, COO, Tata BP Solar.

The needs of the rural people are simple: fuel for cooking, water for drinking, light for studying, and television and telephone for entertainment and connectivity.

It's all in the idea
While Tata BP Solar has a slew of products such as solar home lighting systems, solar lanterns, solar cookers and solar hot water systems, the innovation is in the packaged solutions that they have designed for specific segments in rural India:

- Sunbank, a customised package for rural banks that are being computerised, consists of a power pack along with solar modules, batteries and controllers, and provides power for three to six hours a day. The company is looking at powering ATMs next.
- Suraksha, a solar-powered communication system, helps police stations function effectively.
- India has tens of thousands of primary health centres, but most of them have very little or no power, and vaccines need to be refrigerated at temperatures lower than 6°C. The health centre package, Arogya, includes a solar powered vaccine refrigerator manufactured indigenously by the company and approved by the World Health Organisation (WHO).
- In Madhya Pradesh, the Rajya Siksha Abhiyan has given computers to over 3,000 rural schools, but realised that there is no power to operate them. Tata BP Solar is proposing to put together a school package called Tejas, which powers computers, TVs, lights and fans. Specific packages for e-governance and panchayats are now being developed.

The government is driving banking, farming, education and health activities in rural areas, and Tata BP Solar is ensuring that these initiatives bear fruit through the use of solar energy. "Each of our package solutions addresses the government's agenda in different areas," says Subramanya. "We are also understanding the real needs of villagers and developing products depending on the budget, playability and product use."

One work-in-progress product is a low-cost solar lantern. The present lantern, a bestseller, is priced at Rs 4,000 ($80), too expensive for the rural segment. The company's R&D department is relooking at the product to bring the price down to Rs 1,250 ($27). They are also developing a rural solar water heater, smaller in size (40 to 50
litres) and cheaper than the current range, sold primarily in urban areas for between Rs 18,000 ($387) to Rs 45,000 ($969), depending on the size. "The target is to take it to the market by the end of this year at a cost less than Rs 4,000 ($80)," says Vora.

Spreading out
The company distributes and sells its products through dealers, who also create awareness and educate the end-customer on the products' functionality. "We ensure that our products are sold in areas that are easily accessible, not more than one night's bus ride away. Service technicians must be trained by us," says Vora. Training also provides a much-needed source of employment for the local people.

Though 75 per cent of the company's products are sold in rural, semi-rural and semi-urban areas, its dealers are still not in the heart of rural areas, and it is exploring different channels for selling in these markets. A partnership with the Ramakrishna Mission, which is active across the country, has been successful. Other channels under consideration are self-help groups and TV dealers, as TV has a very wide penetration. The company is also talking to Tata Chemicals' Tata Kisan Sansars in north India, as they interact directly with farmers.

The biggest obstacle in making its products available at a price affordable to the masses is what Vora calls the 'capital cost barrier'. "Solar products have a capital cost, but no running cost, as the sun is free. For conventional electricity, the user pays a monthly bill while the capital investment is done by the generating company," he elaborates.

Lighting up lives
Since people cannot afford to buy solar products outright, financing is important. Tata BP Solar has networked long and hard to get banks to give loans to villagers buying solar products. But banks and financial institutions prefer to give loans for products and technologies that they are familiar with, like tractors or water pumps. Through a unique initiative called Arunodaya, the company is trying to make banks aware of the positive cost-benefit ratio of solar products, and banks have started giving loans.

Arunodaya's objective is not to market solar products but to spread awareness about solar energy and its applications through seminars and workshops. "The customers are a by-product of Arunodaya's activities," says Vora, who points out that Tata BP Solar has a greater responsibility towards promoting solar energy and developing applications, as it is the leader in this field in India.

Tata BP Solar products have transformed lives in the villages of Punjab, Uttar Pradesh, Haryana, Kerala and Tamil Nadu. It has done pioneering work in Rajasthan, Assam, Orissa, West Bengal, Bihar, Chattisgarh, Jammu and Kashmir, and north east India. The idea is to make the sun shine on rural India, to brighten its future.

**Lighting up Ladakh**
Most Ladakhis lived a harsh life without electricity, till Tata BP Solar and the Ladakh Renewable Energy Development Agency (LREDA) joined hands to light up their world. In a short time-frame, Tata BP Solar installed 8,700 solar home lighting systems and delivered 6,000 solar lanterns to 80 remote villages and hamlets situated at altitudes between 2,600 m (8,500 ft) and 5,000 m (16,500 ft) above sea-level, over rough terrain in bone-chilling weather. Half the villages were accessible only on foot; some were a three-day trek from the nearest motorable road.

On June 4, 2002, the first of 118 trucks loaded with solar products set off from the company's sophisticated manufacturing facility in Bangalore to Ladakh, over 3,000 km away, a journey that took two whole weeks. Just four months later, 14,000 homes in dozens of villages in Ladakh were illuminated each night by a golden glow. Thirty-six teams of local people were trained to install the products and educate the people. "Our team has done amazing work in that difficult terrain," says Vora.

Today, the company has a regional office in Leh – the highest solar service centre in India – an on-site project management team and more than 70 locally-trained technicians. It's a job well done and there's a general sense of satisfaction about helping the Ladakhi people. A grateful Buddhist monk at Strongday Gompa in Zanskar summed up his feelings, "Solar light is like giving eyes to a blind man."

**Sonata: the times they are a-changin'**

Sonata, a division of Titan Industries launched in 1997, targets the mass market in watches. Priced between Rs 395 ($8) and Rs 1250 ($27), Sonata is the largest selling watch brand in the country, with volumes of over 4 million units annually.

Currently 80 per cent of Sonata sales come from urban areas where consumer awareness for the brand and its distribution is strong. Last year, the division made a concentrated effort to focus on the rural sector. "Our focus comes from a combination of two factors: providing quality products to the lower income market, and taking the opportunities available in that market," says C Srinivasan, business head, Sonata.
"The rural market exists, but it is dominated by the unorganised sector. The key was to understand how to address it," he adds. Srinivasan and his team spent a lot of time in several parts of rural India, trying to understand rural attitudes and mindsets of people towards owning watches.

80 per cent of rural Indians did not wear a watch. The reasons ranged from functional to socio-cultural. The need to know time accurately is low; the sunrise (and sunset) is their timekeeper, as is their body clock. The ringing of the school bell, the arrival or passing of a train or bus also indicates the time. Most houses have a wall clock.

People also did not buy watches a gifted or handed down within the family. In many parts of the country, a watch is an essential part of wedding gifts and most people wait for the occasion to own a watch. A watch is also considered a personal luxury item. Hence, they feel guilty about spending money on items that benefit only them; a colour TV or a motorbike would benefit the whole family. That is why a watch is considered as self-indulgence.

However, there were occasions when individuals felt not having a watch could lead to embarrassing moments, such as when they were late for an appointment with an important person, a court hearing or when receiving a guest at the station.

Even if villagers buy a watch it's usually cheap (about Rs 150 or $3), non-branded and therefore unreliable. However, they expect the watch to last at least two years. Rural folk are very price conscious and must have a very good reason for spending a large amount like Rs 500 ($10). At that price, they expect a watch that can be passed down to the next generation.

While on the one hand watches are seen as a fashionable indulgence, on the other hand, they connote success and command respect for the owner. Wearing a watch gives a subtle message that you have achieved something in life; 'aapki shaan badhata hai' (it increases social status). A gold plated watch with a gold bracelet conveys this best.

But, as rural India progresses, the times are definitely a-changin'. Farmers no longer want their children to follow in their footsteps. They want them to become doctors or engineers. Rural women, especially, want their children to have a better future.

**Project Swades**

In keeping with these aspirations, Sonata launched project Swades, aimed at changing people's mindsets and making them aware of the value of time. "We used these learnings to project a watch as something that will help people progress," says Srinivasan. The message communicated to people that a Sonata watch from Tata is reliable, of good quality, affordable and can be instrumental to their success.

The idea was to convey to people that having a watch can help manage work and life more effectively, make more money and a better life for the family. "The communication
is complicated due to the cultural diversity of our country. We have to address each region differently," says Srinivasan.

For instance, owning a watch can help farmers to actually save money by helping them to keep track of the time when they hire pump sets and tractors for a certain number of hours. Without a watch they have no way of knowing for how long they have used the machines and may get short-changed by lenders who take them back before the allotted time.

In February this year, pilot projects were started in rural Uttar Pradesh and Tamil Nadu, to test the market. Gaily decorated mobile vans travelled around villages to generate interest. Sonata watches were also displayed at local melas (fairs) and haats (markets).

"We are talking to customers, in the 20-to-35 year age group, about the kind of products they want, and also trying out different price points. So if customers want a watch at Rs 250 ($5), we have to see how we can deliver the product in that price," says Srinivasan.

In rural areas where Sonata does not have a strong distribution network, there is need for setting up a parallel distribution system that can provide access to interior areas at a low cost.

Project Swades is a pilot project and the team is still gathering information. They hope to have a deliverable business model soon. "The biggest advantage is that India is progressing and rural India seems to be clear on what it wants," says an optimistic Srinivasan.

Meanwhile, Sonata is talking to banks for micro financing, so that more people can afford to buy watches. Another interesting option for organising financing is the post office where many people have savings accounts. Sonata is also looking at training youngsters to market and service the watches. This will provide the much-needed employment in rural areas.

Srinivasan is looking very seriously at driving down product costs in tune with Mr Tata's dream of offering a low-cost watch (priced at around Rs 100 or $2), without compromising on quality. "Our efforts are fairly encouraging; on paper Rs 175 ($3.5) seems possible today and we are working with our vendors to reach the target," says Srinivasan.

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