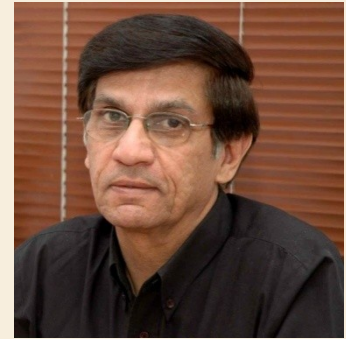


Inclusive Marketing

Innovative Strategies for the Development of Masses

Theme Paper Presented by Mr. Pradeep Kashyap, CEO, MART
At
Indian Marketing Summit, February 22, 2008, New Delhi.



Good Morning Ladies and Gentlemen,

On behalf of MART and BIMTECH it gives me great pleasure to welcome you to the Indian Marketing Summit on the important topic of 'Inclusive Marketing'.

The Bottom of the Pyramid market has generated a lot of interest among corporates in recent years. The reason simply is that the 650 million people, each earning less than a dollar a day collectively amount for 30% of India's income and consumption. They represent a 165 billion dollar market. Some companies have quickly tried to tap into this market by offering inferior or stripped down products at reduced prices. Others have offered obsolete products with no adaptation to meet usage needs of the poor. It is therefore not surprising that not many companies have been able to unlock potential of this low income market. The real challenge is that though the total market is huge, the per capita income is a paltry Rs 40 per day. As BoP marketing looks at the poor as consumers only it cannot be expected to increase their incomes nor reduce poverty.

For the social sector the challenge is to increase incomes of the millions of poor engaged in the handicrafts, handlooms, dairy and other sectors. The promotional agencies in these sectors lack professional marketing support and hence are unable to help the poor get better value for products made by them.

This brings us to 'Inclusive Marketing', an approach that looks at the poor not only as consumers but also as producers/suppliers. This approach offers promise to add economic value to goods and services contributed by the poor. It can therefore impact poverty positively. ITC's E-choupal is a perfect example of inclusive marketing. The business model ensures that farmers as producers get better value for their produce. Once their incomes are enhanced the model then uses the same channel that was created for procuring produce to push relevant goods and services needed by the farmers as consumers.

As the chief mentor of the summit I therefore felt we needed to ask some candid questions about the promised benefits of inclusive marketing. Once the questions were articulated we then decided on specific topics so that the summit could engage in focused and meaningful discussion.

The critical questions we posed were

1. What can marketing do for the poor?
2. How can poor be included in the free market system? And finally
3. Can Inclusive marketing offer a way out of poverty?

Let us start with the first question

What can marketing do for the poor?

Government poverty reduction programs assume that poor are unable to help themselves and hence they are treated as 'beneficiaries' who need a generous dose of grants and subsidies for their income generating activities. This traditional approach has not created sustainable solutions because once the funding is withdrawn the activities collapse.

On the other hand a market based approach focuses on the poor as consumers and producers and on solutions that can make markets more efficient, competitive and inclusive so that BoP can benefit from them. The market oriented approach recognizes that only sustainable solutions can be scaled to meet the needs of the 650 million poor.

Corporates are known to use marketing as an effective tool to first understand the needs of consumers and then offer appropriate products and services to fulfill their need at affordable prices. The challenge in front of us is how this effective tool of marketing can be used to help increase incomes of the poor and empower them. I am sure we can look forward to some answers from the successful initiatives such as the treadle pump and Grameen phone initiatives that will be presented at the summit.

If marketing skills of promotional agencies (Khadi Commission, Handicrafts, Handlooms etc) and NGOs that are engaged in the non-farm sector are enhanced these agencies will then be able to help the poor get better value for their products and higher incomes.

How can the poor be included in the free market system?

India's GDP has been growing at an impressive 7-8% for the last several years. The country is witnessing a significant improvement in physical infrastructure such as IT and road connectivity, tele-connectivity, warehousing, electronic commodity exchanges and transport. This has opened up many new opportunities.

But BOP is often not integrated into the market economy and therefore does not benefit from it. Engaging the BOP in the formal economy must be a critical part of any wealth generating and growth strategy. Let us take the example of the labour market to explain this point. Two thirds of the labor force is the BOP segment. Currently they earn low wages and do not get regular work. Recent CII and Planning Commission studies have identified Tourism, Construction, Retail and Healthcare as high growth sectors. These sectors can absorb millions of workers in the organized sector of the economy provided their skills are upgraded. Workers can thus hope to get higher income levels and better employment benefits.

In the fastest growing services sector which now contributes 60% to GDP if domestic servants, plumbers, electricians and other service providers living in urban slums form themselves into marketing collectives they can negotiate better rates for their services. They can also look at providing services to large contractors and builders and thus enter the organized economy, something they can never hope to achieve individually.

The rapid spread of Information Technology will also ensure greater inclusion of the poor in the market as they can now have access to market information hitherto the exclusive reserve of the rich and powerful. For example the poor can now access prices of commodities in different Mandis (agri-markets) through the new, transparent electronic exchanges or receive this information through sms on mobiles.

Marketing cooperatives of small farmers will help them achieve scale and will allow them to access bigger markets and get better prices for their produce. The case of AMUL that will be presented at the summit is an

excellent example of milk production by millions of individual dairy farmers and processing and marketing centrally under the strong AMUL brand.

Corporates too stand to gain by engaging with the poor as they can get skilled manpower for their growing businesses and aggregated supply of raw materials and other produce. But to get this benefit they will need to commit resources.

Can inclusive marketing offer a way out of poverty?

From the time economic reforms were set in motion in 1991, the gap between the rich and poor has only widened and the absolute numbers of poor has not declined significantly. Special efforts will therefore have to be made to enhance incomes of the poor using inclusive marketing approaches.

Public – Private partnerships is one such approach that can benefit the poor. But it should be a win-win model that offers benefits to all stakeholders equally. Such equitable, market based models are more likely to be sustainable as they utilise the best strengths of each partner. ITCs e-choupal mentioned earlier and Project Shakti that was co-created by HUL with MART are examples of successful PPP models. In Project Shakti for example the SHG women benefit because of the additional income they earn from this business, the company has been able to reach their brands to remote villages which were not possible earlier because of high distribution costs. It has helped the government in meeting its objective of reducing poverty by creating more livelihoods and NABARD has benefited because the loan off take has gone up. Rural Business Hubs of the government, Dhristee IT kiosks and HP Rasoi Ghar are some new initiatives that will be presented at the summit which will enhance our learning on this important area of inclusive marketing

The micro-finance model is one PPP initiative that has achieved scale and sustainability because of the active involvement of the different stake holders – the poor themselves, NGOs, government and financial institutions. Several learning from this successful model can be applied to make new PPP initiatives successful.

To conclude I believe enlightened corporates will consider inclusive marketing part of their market development strategy because as BOP incomes grow it will translate to higher business growth for companies. For development professionals inclusive marketing can help empower the poor economically.

We have lined up a galaxy of eminent speakers from India and abroad including some of the best marketing minds. You will benefit immensely from their vast knowledge and experience. I am personally grateful to each of them for having honored my request to address the summit despite your busy schedules. I would like to say a big personal thank you to all of you.

The next two days promise to be exciting and packed with new learning. We can look forward to getting some definite solutions from the presentations, discussions and individual interactions that take place during the tea and lunch breaks.

Thank You.

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