

VPM's
DR VN BRIMS, Thane
Programme: PGDM (2016-18)
PGDM Trimester VI Examination April 2018

Subject	Rural Marketing		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	3	Date	04.04.2018

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

Q1) 20 Marks (Compulsory)

Read the following case and answer all the questions below:

Contract Farming: The Classic Case of Pepsico Foods Ltd.

Launching its agro-business in India with special focus on exports of value-added processed foods, Pepsi Foods Ltd. ('PepsiCo' hereafter) entered India in 1989 by installing a Rs 22 crore state-of-the-art tomato processing plant at Zahura in Hoshiarpur district of Punjab. The company intended to produce aseptically packed pastes and purees for the international market. However, before long, the company recognised that investment in agro-processing plants would not be viable unless the yields and quality of agricultural produce to be processed were up to international standards. At that point of time, tomato had never been cultivated in Punjab for its solid content, with a focus on high yields and other desirable processing characteristics such as colour, viscosity and water binding properties. Furthermore, little effort had been made to create a database on the performance of various varieties and hybrids, or to introduce modern farming practices. There were no logistically efficient procurement models for fruits and vegetables that could be built on by the company. These apart, there were simply not enough quantities of tomato available even if the grown varieties/hybrids were procured from the open market. The total Punjab tomato crop was 28000 tons, available over a 25-28 day period, while PepsiCo required at least 40000 tons of tomato to operate its factory, which had a gigantic capacity of 39 tons fresh fruit per hour. The company required this intake over a minimum 55-day time frame, and in 1989, the season in Punjab did not last beyond 28 days. There were formidable challenges before the company and nothing short of a horticultural revolution was required to solve the problem. There was no choice but to alter the tomato production and logistics situation in Punjab. This led to the birth of PepsiCo's backward linkage with farmers of Punjab.

PepsiCo follows the contract farming method, where the grower plants the company's crops on his land, and the company provides selected inputs like seeds/saplings, agricultural practices, and regular inspection of the crop and advisory services on crop management. The PepsiCo model of contract farming, measured in terms of new options for farmers, productivity increases, and the introduction of modern technology, has been an unparalleled success. The company focused on developing region- and desired produce-specific bringing about a drastic change in the Punjab farmers' production system towards its objective of ensuring supply of right produce at the right time in required quantities to its processing plant.

Another important factor in PepsiCo's success is the strategic partnership of the company with local bodies like the Punjab Agricultural University (PAU) and Punjab Agro Industries Corporation Ltd. (PAIC). The company's unique partnership with PAU and PAIC fuelled its growth in Punjab. Encouraged by the sweeping success of contract farming in tomato in several districts of Punjab, PepsiCo has been successfully emulating the model in food grains (Basmati rice), spices (chillies) and oilseeds (groundnut) as well, apart from other vegetable crops like potato.

PepsiCo's scientists, who ensure successful transfer of technology from the trial to the commercial field levels, closely monitor the performance of the crop. At the time of harvest, the company procures the entire pre-agreed quantum of the harvested produce at the farm gates, at the preagreed price. The raw material so procured is transferred to PepsiCo's

ISO 9002 and Hazard Analysis Critical Control Point (HACCP) certified Rice Mill located at Sonapat for processing, packing and export, ensuring that the product remains completely traceable from field to consumers.

Similarly, PepsiCo planned a foray into contract farming in groundnut with the farmers of Punjab with the objective of producing export-quality, value-added groundnut such as roasted and salted peanuts, flavoured and coated peanuts, and peanut butter.

The company proposes to extend its contract farming in groundnut to farmers in Rajasthan and Uttar Pradesh, who have shown great interest. A sound R&D program backed by committed extension personnel to transfer the resulting technologies has been the intrinsic strength of PepsiCo. Its focused research on increasing yield levels, to the advantage of farmers (which in turn brings down the cost of raw material to the company) has resulted in their increased trust and loyalty towards the company.

With this kind of a backward linkage with farmers of Punjab and Haryana, PepsiCo developed a perfect contract farming model involving an enduring relationship with local agencies including the State Government.

Key elements of PepsiCo's success are; Core R&D team, unique partnership with local agencies including a public sector enterprise, execution of technology transfer through well-trained extension personnel, supply of timely and quality farm inputs on credit, prompt dispatch/delivery/procurement of the mature produce from every individual contracted farmer through the system of 'Quota Slips', effective adoption/use of modern communication technology like pagers for communication with field executives, regular and timely payment to contracted farmers through computerised receipts and transparent system and maintenance of perfect logistics system and global marketing standards.

1. Describe the concept of 'Contract Farming' and its role in modern business.
2. What were Pepsico's challenges of rural distribution and communication while doing contract farming and how did it overcome these challenges?
3. How does model of contract farming supports idea of Inclusive business for BOP (bottom of the pyramid) segment?
4. Analyse the social, technological and economic rural marketing environment created by contract farming initiatives in India.

Attempt Any FOUR from the Remaining SIX Questions

Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Analyse the difference between rural and urban markets?
- b) How do you classify and identify rural markets in India?
- c) Discuss any one rural marketing innovation model.

Q3) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Explain the 'bottom of the pyramid' approach with an example from consumer durable industry.
- b) Analyze the different influences on rural consumer behavior.
- c) Which are different categories of opinion leaders for rural consumers?

Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Discuss any five rural buyer characteristics and its influence on marketing strategy.
- b) Considering the personal care category from FMCG industry, and mention three buying patterns of rural consumer. How can marketer position their products accordingly?
- c) Analyze different variables of rural segmentation with examples from different rural regions across India.

Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) What are regulated markets? Discuss the advantages of regulated markets.
- b) Illustrate any five products for rural market positioning.
- c) Discuss any five product strategies for rural markets from consumer durables and service sector.

Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Explain the various functions of packaging to be focused for rural markets with examples from FMCG product categories.
- b) What are fake brands/products and various reasons for fake products to flourish in rural markets?
- c) Enlist five different barriers in rural marketing communications.

Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Analyze any five rural pricing strategies and reason for their adoption.
- b) What are Agricultural Export Zones? Discuss its benefits for farmer communities.
- c) Discuss any five types of rural cooperatives and its functions.