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The Last Mile: Gateway to rural empowerment in India

Le dernier kilomètre : la passerelle vers l'autonomisation des populations rurales en Inde

El último tramo: la puerta de acceso a la capacitación rural en la India

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The Last Mile: Gateway to rural empowerment in India

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Abstract. This article focuses on exemplary projects conducted by organizations who are providing access to key services and goods by creating new markets in rural India. Reaching “the last mile” is a key issue in India, which complexity is often overlooked by multinational firms. This article aims at providing a framework to help understanding innovative strategies to reach low-income consumers in India through innovative partnerships.

Keywords. Rural India, Community empowerment, Base of the pyramid, Rural distribution, Rural marketing

1. Introduction

During a recent visit to a small village in Northern Karnataka in India, our team, along with a senior professor, visited a water purification centre. We wanted to understand the situation with last mile delivery of essential services in the region. We noticed a modestly dressed villager emerge with a set of cans to fill up water for his family’s daily consumption. Nothing unusual about this scene, except that the villager had driven to the water purification centre in a recently launched and very successful European SUV! The man’s appearance clearly didn’t “fit” the vehicle he was driving and this made the professor curious enough to ask the man what he did for a living. “I’m a shepherd sir” said the man in his local dialect, because of his lack of any notion of English. Upon further questioning, he mentioned that there were over 50 such vehicles in that region. When we narrated the incident to the senior management of the automobile company, they could hardly believe it. Someone like him had clearly not been a part of the initial ‘target segment’ for this vehicle.

While the person we met may not have access to clean drinking water among many other basic services, he still aspires for a lifestyle similar to the urban middle class because information, in the form of news, mobile services and entertainment, has reached him before the infrastructure and opportunities have reached him.

This was a very interesting dichotomy. On one hand, we were seeing a clear rise in the aspirations of

the rural consumer. And on the other, as a system we are unable to deliver essential services to the rural population, affecting the productivity and quality of life in rural areas. We were seeing unsustainability in front of us.



2. The Problem: Lack of Access and Empowerment

Over 55% of children in India suffer from malnutrition, close to 10 million children don’t go to school forget getting quality education, over 300 million people in India have no access to electricity, over 600 million people in India have no access to clean drinking water, toilets or good sanitation services – there is no dearth of statistics to show why rural India is so backward. Many such people from among the rural population are *forced* to move to urban areas in search of better opportunities that meet their aspirations, quality education for their children being one

of the key drivers. The problems emerging out of this phenomenon have been many - families either uprooted from native cultures or separated from one another; lack of life skills to adapt to an alien urban environment leading to lost opportunities; unstructured and uncontrolled growth in urban areas leading to social and environmental tensions and more.



Access to social security, welfare schemes and even essential services has a long way to go in rural India. Pic: Welfare scheme enumeration in Odisha, Western India

2.1 A collaborative platform for essential services and market opportunities

It is an age old saying, emerging from the identity of India as an agrarian economy, that ‘India lives in its villages. Governments however have been working for years to deliver essential services to the rural poor with limited effect, that too in small pockets - **the effectiveness and efficiency of social security delivery, employment and welfare schemes still leaves much to be desired.** Very few states, like Chattisgarh which is one of the poorest states in India, have managed to make their public food distribution systems (PDS) relatively more effective than the average, and even there, it is thanks to the initiative of few committed bureaucrats who have partnered with an empowered local community and NGOs over years of effort and monitoring. However, structured partnerships between the state, civil society and the markets to respond to these social needs have been lacking, resulting in each of these players working in silos based on their own priorities and needs.

Unless the state moves from being a service provider to being a facilitator and starts to foster better partnerships with the civil society and the markets, there is little hope to solve the above challenges in the near future.

In addition, the inadequacy in infrastructure and access to effectively connect with the mainstream markets strongly impacts the productivity and socio-economic growth of rural populations. For instance, there have been significant improvements in agriculture technologies across India. However very little of this technological advancement or inputs have been able to reach small farmers who need it the most. . However very little of this technological advancement or inputs have been able to reach small farmers who need it the

most. Similarly, while Indian art, handicraft and handloom sectors are multi-billion dollar markets across the world, wages earned by the artisans in rural India is below market rates and insignificant. The inequitable distribution of margins across the value chains is common across every produce coming from smaller producer groups in rural India. With lack of tools and technologies, lack of education, uneven information distribution and requisite skills needed to understand and operate in mainstream markets, the population at the bottom of the pyramid is being pushed further down even as the inequality in the markets continues to grow in an unsustainable way.



There are over 14 million artisans in India, but both the value for their goods and their access to markets has been very poor.

2.2 Consumer empowerment and the importance of choice

Markets work effectively when there is empowerment of the consumer with sufficient choice and quality of products and information available in a transparent manner. Information asymmetry and lack of choices place the consumer at the “mercy” of the market till it fully develops, which is the danger in rural markets being serviced by only a few anxious players. However, it is equally dangerous for socially motivated players or non-profits to decide on behalf of the community about what products they should or should not be using. We have seen several instances of grassroots organisations taking strong positions – from deciding what solar lamp or cook stoves communities should buy to migration of rural populations to urban areas. While it is important for the state and non-state players to address the lack of access to essential services, doing so by providing little or no choice to the consumers could reduce the effectiveness of its delivery.

Most markets probably develop more by co-opting than by providing relevant choices, yet this approach could be dangerous in a market where the population has limited savings and expensive credit options. We have seen this in urban markets in India and across the world where the markets have focused on short-term gains and offering products and services that are sustainable neither for the consumer nor for the environment. However, with the emergence of the rural consumer, there is an opportunity for us to establish a new paradigm in the rural areas that combines the drive for commer-

cial gain with a strong focus on education and awareness.

The good news is, there has been a very interesting trend in the last few years - the emergence of 'a sustainable way of doing business.' Non-profits, Social enterprises and Corporates, though few in number, have started to experiment with business models that can address the above challenges of customer empowerment and delivery of essential services in rural India in socially, environmentally and economically sustainable ways. Large FMCGs, for instance, have started to invest in sanitation issues in rural areas, which grow the market for their affordable personal hygiene and cleaning products, while also addressing gaping social and environmental issues.

Based on our experience of working with diverse players in building such models, one thing has been very clear – that *businesses* in their current form will not be able to address these markets, especially with the “pure profit motive”. Similarly a model based on addressing only the social needs of a community is going to be equally short-term and ineffective. Serving these rural populations is a long-term journey of empowerment and access to shape our world and solve the most challenging problems of our times, keeping in mind various costs and impact – social, ecological, cultural and economic.

And in this journey towards sustainability, with the current administration unable to fully address these issues, there is a significant opportunity for corporates, social enterprises, non-profits and communities to come together and take on the onus to bridge the gap of empowering rural consumers and delivering essential services in an effective manner.

Anybody who succeeds will automatically be serving the largest and youngest markets in the world in a profitable and sustainable manner.

3. The Catalyst: Rise of the rural market in India

Rural markets in India are changing and changing fast. In a research report released in August 2012, Crisil Research reported that, for the first time since the opening up of the Indian markets in the 90s, rural consumption had overtaken urban consumption. Both in terms of volume and its pace of growth, consumers in the hinterland are buying more and faster, a trend corroborated by firms like Credit Suisse and Accenture. While there are many reasons for this trend, what is critical to note is that new markets that were hitherto out of the reach of the ‘mainstream markets’ from both production and consumption, are rapidly opening up in India.

Multi-national companies are already looking beyond their well established, developed urban markets towards untapped, unstructured markets in rural areas, requiring them to innovate at all phases of the product lifecycle. Notable among these are Fast Moving Consumer Goods (FMCG) companies such as ITC, with its e-Choupal, and Hindustan Unilever’s Project Shakti whose successes have been widely documented. However these examples are still few and far between.

In order to ensure the dual aim of larger corporate involvement and true social empowerment, it is imperative that the last mile conundrum be cracked.

4. Challenges and Key Success Factors : Effectively serving India's hinterland

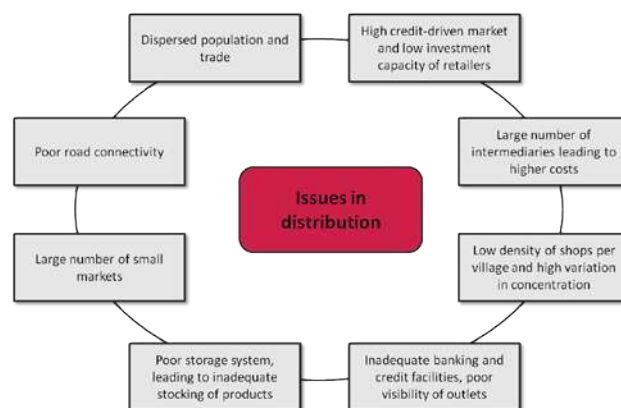


Figure 1. Issues in Distribution in rural markets Source: MART

As detailed by a recent Accenture report on selling to rural India, the path to rural consumers can be full of unexpected challenges even for large multinationals with significant resources. The following graphic¹ outlines the key issues in distributing products in rural markets today. Accenture’s report goes to further detail many strategies and tips on *what* needs to be done to capture rural markets. Based on our experience of working extensively with communities in rural areas, we can say that many of those tips are absolutely right. However, the challenge is not the *why* and *what* needs to be done anymore, it is the big “HOW.” As an old saying goes, the devil is in the detail!

4.1 Breaking through local networks

“We are at the mercy of local distributors and haven’t been able to break through the local networks and barriers, even though we know how to serve the farmers better,” lamented the owner of a leading agricultural input supplier in India recently. Agriculture is the primary occupation of India’s rural population and this company had been able to penetrate less than 15% of the market in the rural regions where they were market leaders.

Local governments, networks, markets and institutions have existed for decades in rural India and have grown stronger over the last few years with the growth in the rural economy. Understanding, engaging and working with these local players is not a skill companies from the urban markets organically possess. Furthermore, a holistic understanding and appreciation of local customs and cultures is critical to understand product and service needs which are often understated and much less vocalised.

4.2 Understanding the consumer

A few years back, while on an expedition to sell fuel-efficient cook stoves which were an eco-friendly and healthier

¹ http://www.martrural.com/Rural%20Opportunities%20%26%20Challenges_website.pdf

household option, we realized that the consumer had very little interest in saving wood – it was available in plenty in the forest area. He had even lesser interest in saving time spent in collecting wood as that was a good way to spend time with his son and teach him about nature! The farmer’s wife further added that the homemade mud stoves warmed up the house during winters. One can count many similar examples of products and services across energy, water, healthcare, durables which were built and tested in leading research labs from across the world and have not found acceptance among rural consumers.

The most common competition to companies entering rural markets is “non-consumption” or existing practices.

On the other hand, the ecosystem of sustainable businesses in India, have, over the last few decades, built significant knowledge and understanding of the rural population, with ready answers to some if not all of the challenges and needs. However, given that the approach, vision and philosophies of these non-profit organizations are often times diametrically opposite to the “pure profit motive” of businesses, finding and sustaining common grounds/reasons to work together has been rare.

4.3 Empowering the local community with the power of knowledge

It is common among institutions working successfully with rural populations to see a certain focus on information and knowledge ahead of their products or services. A leading bank we met last month in an economically backward district had put a lot of effort in designing and delivering financial literacy programs as part of their first set of operations. In another instance there was a strong focus on awareness and training regarding sanitation and hygiene practices before taking related products or services into the communities.

With business models, one often gets into the debate of who decides what is good for the consumer and who plays the role of the gatekeeper while introducing relevant products to the communities that are not yet ‘empowered’ with information. According to us, it is the collective responsibility of the entire supply chain to keep the customers’ need and well-being in mind, but in the end the choice always has to be of the consumer and his community alone. Hence, somebody or if possible everybody in the chain will **have to** focus on educating and empowering the consumers they want to serve in the long-run.

4.4 Building a soft infrastructure

India’s hard infrastructure has been constantly improving, making rural markets more accessible to the outside world. With better roads and stronger mobile infrastructure, companies have been able to access rural markets with considerably lower effort compared to a decade ago. While this has brought many companies to the doorstep of rural consumers, without developing local talent or engaging the local entrepreneur, sustaining business is hard.

4.5 Providing fertile ground for local enterprise, our last mile

Recent years have seen the emergence of enterprises focusing on engaging and developing the capacity of local talent to be their champions in understanding and delivering to the needs of the rural consumers. These companies have been focusing on building talent, nurturing the entrepreneurial spirit and slowly developing the ecosystem to provide an environment that is right for the infusion of products and services, but more importantly, to lay the foundation for a community that is empowered in arriving at local solutions to its local challenges.

5. The Way Ahead: Impactful last mile Delivery and empowering the rural workforce

5.1 Some Examples: Reaching the rural doorstep effectively

Here are some interesting models that have been implemented to reach consumers more effectively, all of which enable the flow of information and awareness, providing a range of options for the consumers : More importantly they aim to achieve rural employability and empowerment as the main drivers:

5.1.1 The Village Level Entrepreneur

Companies like Villgro-stores, Frontier Markets, Essmart etc. have created unique distribution models that reach within villages through VLEs (Village Level Entrepreneurs) or local dealership networks. The process of participative product testing and evaluation by end users in actual field conditions makes adoption quick and cost effective. The VLE model effectively creates viable businesses even in smaller villages given its low cost of operation and local participation. For the VLEs this serves as an additional income other than their regular income through agriculture, local business etc. Few hundred such VLEs have been operating successfully across India.





VLEs help create viable business models even in smaller villages through low costs of operations. Pic courtesy: Villgro Stores

5.1.2 Hubs to empower local talent

Companies like Head-Held-High (www.head-held-high.com) have brought to life the concept of creating multi-purpose rural hubs that train local youth in various kinds of business and employability skills, to be hired by corporations or local businesses wanting to access the regional markets. The network is also leveraged to service the various needs of local rural consumers by nurturing local entrepreneurs and connecting them to manufacturers and service providers from across the country. Two hubs have been piloted successfully by HHH in south India and 3-5 more hubs will be ready to setup across other states in south and central India. Bridging the gap between education and employment, Head Held High has a school dropout program and a graduate program for rural youth. The VEF - Village entrepreneur forum – holds various events, expert talks and networking events that bring the local entrepreneurs onto a single platform along with experts, mentors and peers they can learn from. Beyond serving as an effective engagement and knowledge platform, the VEF also helps keep the spirit of enterprise alive in the rural areas where youngsters feel empowered enough to come up with their own initiatives and ideas to tackle local challenges with the support of this ecosystem.



The Rural Entrepreneur Forms held by Head Held High

help serve as a knowledge, networking and peer-exchange learning platform for aspiring village youth. Pic courtesy HHH.

5.1.3 Engaging women micro-entrepreneurs

Social Organizations like Udyogini (www.udyogini.org) have pioneered a model of creating women entrepreneurs who own and run Village Level Service Centres (VLSs) in some of the most backward and remote tribal areas of Jharkhand, Madhya Pradesh and Orissa in north/east part of India. Having a local woman as an entrepreneur has ensured that they are now financially empowered and contributing to the local economy. More importantly the choice of products and acceptance levels have been much higher than usual given that these women better understand the needs of the local households and communities. Udyogini over the last few years has setup of over 120 women entrepreneurs through a unique curriculum in partnership with Intel.



Udyogini over the last few years has setup facilities for over 120 women entrepreneurs across remote far-flung areas.

While there are more such examples of upcoming innovations, a few key players have started to architect these models to scale through the use of technology. Logistimo, an exciting tech start-up in Bangalore has made it seemingly easy for large corporations like TATA Steel with complex supply chain back ends to better engage and deliver through these rural entrepreneurs with the use of technology. **EKutir** is another upcoming rural business that has created over 75 entrepreneurs delivering agricultural services to small and marginalized farmers through mobile tablet solutions.

5.2 Our Suggested Model: An architecture to serve rural markets

From the collective learning of various rural distribution models that have been tested by non-profits, social businesses and corporations, we believe we are now at the right stage of evolution of these markets. We recommend the following architecture that can address the needs of the rural population and empower them in a sustainable manner while fetching the corporations gain in reaching out to the BOP.

The following layers thus working together are imperative:



5.2.1 Community based organizations: Local presence

The layer closest to the community needs to understand, engage and effectively deliver to the rural markets through local physical presence. Research and experience of many organizations have shown that there is no better way of doing this than developing the capacity of local talent, entrepreneurs and grassroots institutions. Grassroot NGOs that have been working on development challenges in the local area for a while can play this role extremely well as institutions given their depth of understanding of the local markets, cultures and communities. Grassroot organisations are also well aligned with the welfare and development needs of the communities, resulting in an engagement that can go beyond transaction and focus strongly also on educating the making the consumers more aware of their needs and choices.

5.2.2 Social business: Consumer understanding and go-to-market

Secondly, there needs to be a layer that can understand and translate local needs into services and products that can be delivered in a sustainable and profitable manner. In addition this layer can play a significant role in creating effective go-to-market strategies and executing the same through the layers below. This layer is many times the missing middle and many grassroots NGOs on one-side and product/sales teams of corporations on the other side have tried to play this role with limited success. The ethos and principles behind a “social business” that is designed to operate on the twin goals of a social mission and a for-profit structure, is probably the best suited to execute this layer most effectively. NGOs with an economics and value driven approach and corporations with a community based approach to business are the next best options.

5.2.3 Corporations: Building products, services and an ecosystem for empowerment

Finally, the last layer comprises corporations themselves who can take the knowledge coming from these markets and design and build products/services at significant scale, with appropriate quality and cost parameters. This requires the corporations to realign themselves from their product development to sales and human resource management and start with an attitude of learning about rural markets, rather than pre-supposing what these markets want. While markets and scale are huge, companies will have to be open to test their internal processes of bottom up innovation, frugality and marketing approaches, beyond just traditional CSR.

5.2.4 Building capacity in the last mile

As evident from the above examples there is a strong need to invest in building capacity of local talent, entrepreneurs, institutions and networks to be able to align and speak the language of self-sustenance and empowerment. And, at the other end, a change in mindset and approach within corporations looking to serve the rural markets. This ‘investment’ in building the capacity of the last mile helps in creating a much more aligned and sustained supply chain with equitable distribution of value leading to larger success in the long run. This however requires patience and perseverance and more importantly strategic partnerships for corporations to succeed in these markets. Many short-term based approaches of looking to “quickly sell” to growing rural markets have resulted in small-time failures to sometimes large-scale disasters, across sectors like energy, microfinance and other consumer products. Furthermore, this has also destroyed the trust between various parties in a market that can only work through partnerships

5.2.5 Orchestrators /Glue and Governments

We have seen many models where any 2 layers have been combined and offered within a single entity and also others where 2 layers have been integrated well within corporations. However, rarely have we ever seen all the three layers built into one single entity and then the last mile empowered to create the access.

To enable this, on one side we would have to have orchestrators who are able to understand and empathise with these different layers and create a constructive dialogue and empower a common platform and methodology where all these layers can work together.

While governments may not have all the tools to enable this, in countries like India, it is imperative that they are involved right throughout the process as one of the stakeholders

This takes time, effort and creation of new knowledge and process systems, within organizations and in the industry ecosystems.

6. Conclusion

Aspirations in rural India are on the rise and we are racing against time to ensure the effective delivery of essential services to these areas. Significant information asymmetry and lack of awareness among consumers make this a vulnerable market that needs to be approached in a responsible manner. However, the costs of learning about the needs of these markets and understanding consumer behaviour are high and serving them profitably is not easy.

Markets need to realize and imbibe the fact that serving rural markets in a long-term game and there are very few quick wins which will be sustainable. Hence treating the rural consumers as an opportunistic customer segment through existing systems will only lead to short-term success and/or higher costs of experiment. Social organizations have to 'nudge' the consumers to make responsible choices by focusing on empowerment and connecting them with opportunities in the markets in a way that meets both their needs and aspirations.

Dichotomy and dilemma exists at almost every level of this value chain, from a rural consumer who is caught between aspirations and essentials, to a corporate having to balance its profits with responsibility and impact and a social organization with social structures on one side and the need for economic empowerment and viability on the other. Every player has to make a strong attempt to move towards the "balanced middle" for this value chain to align and deliver with absolute effectiveness.

For this to happen though, Corporations and non-profits will have to reinvent themselves and be prepared for an exciting but long road ahead of them if they want to serve the rural markets. The question really is, in the midst of quarterly reviews and earning calls in the corporate world or a donor driven non-profit world, does one have mindshare, time and resources to invest in the long term? And more importantly - Today, is there enough empathy in the corporate world or an open mind in the non-profit world to try and understand the aspirations of an emerging customer segment and serve them through a new breed of partnerships and innovative products and channels?