

Rural Marketing- The RUDI Model for Intra-rural Marketing

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Abstract

Creating short supply chains between rural producers and consumers will ensure fresh produce at low cost. Reduction or total elimination of middlemen and reduction in transportation cost will substantially increase the income of all members in the short supply chain. RUDI has revolutionized the intra-rural marketing efforts by generating higher incomes for small and marginal farmers and at the same time providing employment opportunities for rural women. The packaged, good quality basic products needed by rural consumers are delivered at their doorsteps by RUDIbens. The RUDI model achieves the dual goal of better prices for farmers for their produce and good quality with lower prices for rural consumers by keeping the supply chain short. RUDI model is compared with another rural distribution initiative namely Project Shakti of HUL. RUDI model is found to be superior to Project Shakti in empowering rural producers and consumers. The innovative and indigenous intra-rural marketing model developed by SEWA can be replicated in other states for empowering rural people especially women.

Keywords:

Intra-rural marketing, RUDI, RUDIben, SEWA, Short supply chain, Rural marketing

Introduction

The marketing exchanges involving rural markets can be classified broadly into intra-rural and rural-urban. In intra-rural marketing exchanges, both the seller and buyer are from the same rural area. The seller is the original producer of the product (in majority of cases) or a trader and the buyer is generally buying for self consumption. This marketing exchange is highly unorganized with very few organized players. In rural-urban marketing exchanges, the farm and non-farm products of rural area are sold in the urban markets; and the Agri-inputs, FMCG, services and durable products manufactured mainly in urban areas are sold in rural areas. Rural-urban marketing exchanges are better organized than intra-rural. There are many organized players operating for many years with varying levels of success in rural-urban

exchanges.

The objectives of this paper is to; (1) Introduce the dynamics of intra- rural marketing exchanges with the help of an emerging and committed player namely RUDI, and (2) Discuss the impact of RUDI in making the intra- rural marketing exchanges more organized and how it created more non-farm sector full-time jobs for women.

RUDI Multi Trading Company Limited (RUDI) was established with an objective to internally generate funds for the rural producer groups (Singh, 2012). The fund so generated was expected to enhance the quality, capacity and efficiency of production through the use of better technology for farming, warehousing and post-harvest processing of agro commodities. Enhanced profits earned through bulk procurement and a well organized distribution network would then be shared by the members of the rural self-help groups. This would bring a positive change in the

economic condition of marginal farmers and workers majority of whom perpetually struggle to survive as they are below the poverty line.

RUDI was launched to raise the economic status of women farmers in a sustainable, scalable and systematic manner by nurturing livelihoods at all levels of the supply chain (Dave, 2008). RUDI was born when the largest rural women's network in the country, SEWA (Self Employed Women's Association) – in partnership with the Government of Gujarat, determined to assist rural women to produce, process, market and sell agro-commodities through training and mentoring, as well as eliminating middlemen through establishing direct ties with bulk buyers. This rural distribution network is intended to raise profit margins for local workers, by which the whole community will benefit through profit-sharing amongst self-help groups.

Figure 1: Logo of RUDI



Source: www.sewa.org

Background

To strengthen the self-employment and facilitate self-reliance among the members of SEWA, it undertakes marketing of some agricultural products, salt, forest products, and handloom/ handicrafts, as members in these sectors constitute a large proportion of SEWA's membership. In 1999, the Department of Rural Development, Gujarat and SEWA founded SEWA Gram Mahila Haat (SGMH) in order to eliminate middlemen and provide direct technical, financial and marketing facilities to the rural poor producers of the state. The programme focuses on linking local producers in four sectors - agriculture, salt, forest produce, and handicrafts to large corporate bulk buyers. Through its pilot, SGMH connected 1450 SEWA sesame farmers to bulk buyers. Upon the conclusion of the pilot, it was determined that the mechanism work towards helping a larger number of SEWA members across the value chain. As such, the pilot gave birth to the RUDI Multi Trading Company, which aims to generate funds within the SEWA network to enhance the quality, capacity and efficiency of production. Ms. Umadevi Swaminathan is the

Managing Director of RUDI. By leveraging their large-scale membership for nurturing local women entrepreneurs along the farming value chain, SEWA piloted the RUDI initiative in Sabarkantha district of Gujarat in 2004. 'RUDI' stands for Rural Urban Development Initiative.

Sabarkantha District is bounded by Rajasthan state to the northeast, Banaskantha and Mehsana districts to the west, Gandhinagar to the south and Aravalli District to the South - East. Himmatnagar is a district headquarters, and talukas Prantij and Talod are major industrial locations in Sabarkantha. The main economic activities include agriculture, ceramics, chemicals and milk processing. In 2006 the Ministry of Panchayati Raj named Sabarkantha one of the country's 250 most backward districts (out of a total of 640). It is one of the six districts in Gujarat currently receiving funds from the Backward Regions Grant Fund Programme.

Objectives of RUDI

There are mainly three objectives of RUDI. They are as follows;

1. Provide year-round employment for women
2. Procure directly from producers(farmers) and ensure better returns for them
3. Improve the quality of local farm products

The above mentioned objectives are achieved through the following approaches;

1. Assistance at all levels of the supply chain – crop production, purchasing, quality control, accounting, processing, brand promotion and marketing.
2. Connect local SEWA members through value chain linkages.

Following SEWA's vision of Gandhi's 'Gram Swaraj', RUDI aims to improve the conditions of India's rural population by making them self-sufficient.

Brand RUDI

“RUDI” is the name of SEWA's first rural member and in Gujarati, it means small and beautiful. Moreover the word itself is very rural and we will find at least one woman named RUDI in each village. It is a frequent used word when talking about something dear or while giving blessing. It also incorporates a sense of goodness, security and gives a holistic approach. Literally 'RUDI' means small, beautiful and nice in the local dialect. It also means a person having all the virtues and who is perfect in terms of possessing the characteristics like goodness, honesty, worthiness and self-confidence, reliable and hard working. It also indicates the

purity of product. The name is very feminine and represents the strength of that femininity reflected in the brand, which says that although being a woman she is noticed and have successfully launched her product and her brand

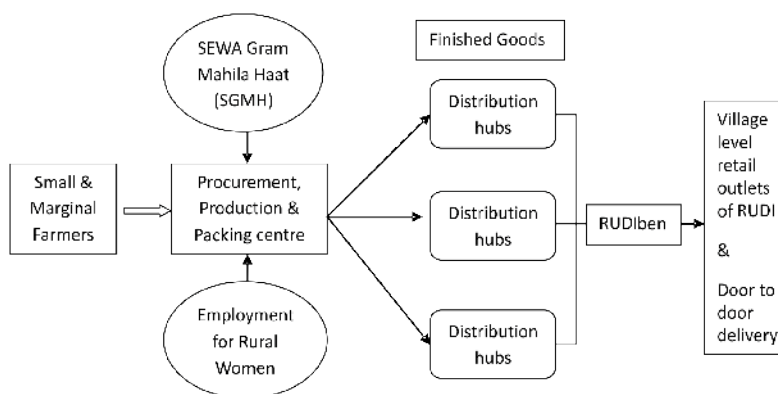
From the consumers point of view RUDI today stands for quality, purity, fair price, right weight, directly from farm, poor rural women managed, and continuous quality check. Purchasing RUDI products gives them the satisfaction that the product she/he purchases will help to empower and better the lives of numerous poor rural women who are a part of the RUDI value chain.

“RUDI” brand was launched on 8th December, 2004 by NABARD's chairperson Dr. Ranjana Kumar and SEWA's founder Mrs. Ela Bhatt. RUDI's product range includes agro commodities (cereals, pulses and spices), staple goods (salt, sugar and tea) and non-farm products (incense sticks, washing powder and light bulbs). Personal hygiene is emphasized and the women are encouraged to wear gloves, masks and hair covers while handling food products. They are not allowed to wear glass bangles and other accessories, which may fall into their products being processed. The products sold under RUDI are AGMARK certified and hence the women involved in processing and packaging are trained in stringent quality control.

The RUDI Model

SGMH facilitates producers' access to technology and credit. RUDI is a for profit agribusiness company managed and owned by small farmers (company's suppliers), the Self-Help Group members, processors and the saleswomen.

Figure 2: The intra-rural marketing model of RUDI (developed by the author)



The rural distribution network (RUDI) works through dedicated centres that operate at all levels of processes. Village hubs cater to three villages at any given time. Above village hubs are district level hubs. There are storage and processing centres at all village hub centres. Distribution centres sit at the village and district levels. RUDI retail outlets operate in villages across the state. A targeted 80

percent of total production is sorted, cleaned and packed at village hubs. It is then sent to the district hubs where it is supplied to sellers based on demand. The District Association is responsible for procuring the farm and non-farm items to be sold under the RUDI brand. Food grains, spices, pulses and other raw material are procured from the small and marginal farmers that comprise SEWA's

members. Non-farm products like salt, soap, washing powder, towels, and tea are also available via RUDI.

Marketing exchange with RUDI is a unique experience for small and marginal farmers. Firstly, the procurement team collects the grains from the farmer's home thus eliminating transportation charges. Secondly, the rate given to the farmer for the produce is an average of rates prevailing over the last three days. Hence, she gets a fair rate for her produce. Last, but not the least, payment for the produce is made to the farmer on the spot. Thus the farmer's produce sale is conducted in a hassle-free manner, without any incidental

expenses. The quantity of each item to be procured under RUDI is decided based on surveys carried out by SEWA's spearhead teams on a regular basis. These surveys assess the demand of various grains in the village. Based on this, SGMH decides the procurement quantity as well as the variety of grain to be procured. District Association also keeps a detailed record of the type of grains grown by its members. Once the procurement quantity is decided, members of the procurement team at District Association purchase the various grains from small and marginal farmers and send it to Aniyor (Sabarkantha district) for processing.

Figure 2: Women at work in the packaging centre



Source: <http://graminchannel.blogspot.in>

There are five RUDI processing centres that cover 14 districts. Each processing centre has a technical team comprised of six groups that facilitate all post harvest management activities:

1. **Procurement:** Women purchase agro-produce in tonnes. This is a significant process because these local women are introduced to the fundamentals of market pricing; they become familiar with price discrepancies between suppliers and also learn how to determine fair pricing.
2. **Processing and Packaging:** Rural women are taught to clean, sieve, grind, weigh, package and label agro-commodities. This stage introduces the concept of 'value added' to women producers who are witness to the transformation of a raw material to a marketable product.
3. **Quality Control:** Agro-commodities are inspected for quality. Women learn about the meaning and value of product quality.
4. **Brand Promotion:** Rural women spread awareness about RUDI products. They learn the most effective ways of spreading awareness about a

brand.

5. **Marketing:** For every processing centre, there are around 100 RUDIbens who work to market RUDI products. RUDIben learn to effectively promote products to buyers. RUDI products are promoted as 'value for money' products that are 'pure' because they are developed at the local level by rural women.
6. **Record keeping & Accounting:** A small contingent of women is trained in basic financial accounting.

Other activities include transportation where women load and unload goods at the villages and hubs. Additionally, continual production is carried out whereby women make washing powder, agarbatti, toothpaste and other basic commodities.

Basic technologies are leveraged throughout the process. These include the use electronic weighing machines, stamping and sealing tools and printers. At the district level, a management information system is used to monitor activities as well as develop purchase plans. In the post harvest phase, district workers seek market prices from the

SGMH Business Information Centre and then send this information to village hubs. At village hubs, third party service providers help to provide adequate storage space and facilitate cleaning, drying and grading. Goods are organised based on whether processing, packing or further production is required.

At village hub centres, the women who perform sale transactions with buyers are called 'RUDIben'. RUDIben navigate a defined route through a cluster of villages to sell products. RUDIben are selected based on a few minimal criteria: not too young or old, not having small children or in the business of animal husbandry, basic intelligence, and in good health in order to walk for long distances. RUDIbens receive a 10 per cent commission on all products that they sell. Major buyers/dealers are selected through the SEWA network.

Benefits for all Stakeholders

Rudi's initiative has seen every stakeholder in the value chain benefit handsomely. Small and marginal farmers, the first link in the chain, are happy to work with Rudi. According to Ms. Umadevi, now farmers are assured of getting the fair and best possible price possible. There is no more exploitation by middlemen. The second link is the women employed at the processing centre, who acquire the goods and prepare them for sale. They have steady jobs and earn as much as Rs 1,500-2,000 a month. The third link is the Rudiens, who get a 10% commission on their sales. The last link, rural consumers, gets discounts of 10-15% on the MRP of the products (Bhuva, 2009).

Since its inception, RUDI has been doubling its sales turnover year over year. Today, the profit margin is 12 per cent. The director of RUDI attributes these strong figures to the quality of the products being produced. Given below are some additional reasons for success and also how to replicate this success.

Rural Network Distribution

The distribution model streamlines the process in such a way that the entire steps from production to selling are effective and efficient. The model takes a basic rural raw product, adds value to it through networked management of processing and promotion, and then connects it to the end users. The end result is profitable products which contribute to the economic growth of workers at all levels of the value chain. The model creates efficiencies that eliminate waste at all stages of processing including picking, harvesting, packing, transporting, storage and marketing. These efficiencies reduce cost in big way. Thus, RUDI provides integrated marketing services to the rural producers through exploring, developing and establishing the internal (local market) initially and then the national market for rural products.

Clear Understanding of Supply/Demand

When operating in a market economy, it is crucial to focus on the factors that affect supply and demand. In this case, RUDI initially saw very fast growth in rural areas, so prices were raised; however, as prices increased, demand began to fall and eventually, it was clear that volume of sales needed to expand for sustainable and long-lasting growth. With this, marketing and brand promotion efforts were extended beyond the starting target market.

Employment with Skill Enhancement

RUDI employs a growing number of village women who are of poor communities. The programme gives them work throughout the year, whereby they can generate enough income to feed and educate their children. Employment also brings with it feelings of greater self worth. RUDI is unique in that it supports skill enhancement along with employment and therefore, provides a platform for income growth over time. As workers learn new skills, they are likely to continue learning and moving into more profitable activities along the value chain.

Adoption of mobile technology

SEWA took initiative to Develop RUDI MIS system through mobile technology using mobile application. They are 1500 RUDIben has been trained use the mobile application to take purchase order and receive the goods from the processing centre in time to supply the end customers. This application has enabled RUDIbens to increase their business and at the same time reduce the cost of transportation. With the mobile MIS system, RUDIbens are able to manage their precious time better and there by become more productive.

Impact of RUDI initiative

Social Integration: The Company facilitated in developing a robust rural distribution network across several districts and states in India through a company formation owned by farmers. The system made RUDI, a community owned business that promoted the small and marginal farmers to work in integration. The company established a partnership system between rural community and private sector.

Promotion of Collective Entrepreneurship: The RUDI initiative promoted collective entrepreneurship on production and marketing of rural agri-produce. This approach increased their bargaining power and market awareness on pricing of their production which has helped them to negotiate with local traders.

Employment creation: RUDI has provided year-round, non-farm sector jobs for women in rural areas. This has provided them livelihood, financial independence and dignity.

Low cost but high quality products: Under RUDI brand,

now many agri-produce are available in packed form after grading and processing. The rural consumers are able buy and use branded quality agri-produce at affordable price when they buy RUDI products.

Today, there are five RUDI processing centres catering to 14 districts in Gujarat. Each centre has a technical team with six major groups that nurture entrepreneurs at all levels of the supply chain – from purchasing to marketing. Spices (cumin, chilli, coriander, fenugreek, mustard), pulses (daal), and cereals (rice, wheat, millet) are produced. Processing includes appropriate packaging and labeling. Marketing and brand promotion educates the staff on how to build and sustain demand in order for activities to be profitable.

Through RUDI Agri-business initiative 15,000 farmers are able to access to direct market linkages by getting 20-30% more price than locally offered price by traders. RUDIben earn between Rs. 1,500 to Rs. 3,000 per month, and processors earn between Rs. 5,000 and Rs. 20,000 monthly. The RUDI model is organized to create short supply chains between rural producers and consumers by eliminating middlemen thus generating higher incomes for small farmers and employment opportunities for rural women in packaging and distribution; and providing good quality, basic products to rural customers at their doorstep at reasonable prices. Since 2004, the total turnover of RUDI Multi Trading Company Limited is Rs. 25 crore.

Shakti Amma Model (Project Shakti)

To penetrate rural markets with low density of population,

Hindustan Unilever Limited (HUL) conceived Project Shakti. This project was started in 2001 with the aim of increasing the company's rural distribution reach as well as providing rural women with income-generating opportunities (Shashidhar, 2013). This is a case where the social goals are helping achieve business goals. The recruitment of a Shakti Entrepreneur or Shakti Amma (SA) begins with the executives of HUL identifying the uncovered village. The representative of the company meets the panchayat and the village head and identify the woman who they believe will be suitable as a SA. After training she is asked to invest Rs. 20,000 for buying HUL products to resell. The products are then sold door-to-door or through petty shops at home. On an average a Shakti Amma makes a 10% margin on the products she sells.

An initiative which helps support Project Shakti is the Shakti Vani programme. Under this programme, trained communicators visit schools and village congregations to drive messages on sanitation, good hygiene practices and women empowerment. This serves as a rural communication vehicle and helps the SA in their sales. The main advantage of the Shakti programme for HUL is having more feet on the ground. Shakti Ammas are able to reach far flung areas, which were economically unviable for the company to tap on its own, besides being a brand ambassador for the company. Moreover, the company has ready consumers in the SAs who become users of the products besides selling them.

Table 1. Shakti Amma Model vs. RUDI Model

S No.	Parameter	Shakti Amma Model	RUDI Model
1.	Year of launch	2001	2004
2.	Pilot Project (State,Year)	Andhra Pradesh, 2000	Gujarat, 1999
3.	Number of women (as on 2014)	65,000	
4.	Door delivery by	By Shakti amma or Shaktimaan(30,000)	RUDIben
5.	Products	FMCG(of HUL)	Agri-produce(of Small and Marginal farmers)
6.	Nature of exchange	Urban to rural(U2R)	Rural to rural(R2R)
7.	Income for women per month	INR 700-1000	INR 2000-5000
8.	Main focus	Small villages with less than 2000 people	All types of villages
9.	Main process	Stocking, promoting and sales	Procurement of commodity, processing, packaging, distribution and sale
10.	Unique feature of model	Self-sustaining model with an emphasis on creating rural women micro-entrepreneurs.	Focus on intra -rural market with short supply chain and year-round employment for rural women

The above table is a comparison between Shakti Amma Model and RUDI Model. From the table it is evident that RUDI model is able to address the needs of more stakeholders in rural areas than Shakti Amma Model. Women who are a part of RUDI model are also earning better livelihood than women who are a part of Shakti Amma Model.

Conclusion

SEWA members have set-up their own agri business company RUDI which has set-up its own Rural Distribution Network. Through this network the agri business company directly procures from about 125000 small and marginal farmers and sells the produce locally through a cadre of barefoot saleswomen called RUDI bens. The company has launched its own brand RUDI, the rural small and marginal farmers themselves are the shareholders of the company and thus the owners as well. Thus RUDI helps in increasing the employment opportunities, livelihood, and market opportunity for the poor women members of SEWA.

This is done in the following ways; it procures agri commodities from the rural producers providing them direct and assured market for their products, provides employment to the women in processing activities at the processing centers and as RUDI sales women (RUDIben). RUDI contributes to the strengthening local economy by engaging unemployed women in the value adding and distribution activities of farm produce and thereby making the intra-rural(R2R) exchanges more organized. Mainstreaming agri-business through direct procurement and marketing under 'RUDI' brand can strengthen intra-rural economy. RUDI is not only a name but it is also a symbol of our women's strength, determination and dedication.

The company operates with a unique short, supply chain model of procurement, processing, packaging and distribution of RUDI products through rural self-help groups of women, creating employment opportunities for rural women. RUDI reaches 25,000 farmers and a total of 70 million households. The successful approach has allowed RUDI, a for-profit company, to expand its operations to 14 districts of Gujarat, in 6 states of India, as well as within Afghanistan.

Comparison of Shakti Amma Model of HUL and RUDI Model shows that RUDI model is more robust in empowering rural producers and consumers. RUDI model has proven that 'Doing Good' (social contribution) and

'Doing Well' (profit making) can be achieved simultaneously. The RUDI model which has achieved double bottom line can be augmented to achieve triple bottom line if they focus on procurement and distribution of organic agri-produce.

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