

Soybeans: E-tailing of Agro-product

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Abstract: This paper estimates the impact of e-tailing in the rural areas of Madhya Pradesh after the introduction of e-tailing by ITC India Pvt. Ltd for procurement of Soya products. The successful implementation of this programme resulted in increased of Soy price for the farmers and better quality for the procurers and also obliterating the middlemen in the process. This paper will try to understand the impact of the new paradigm shift in the procurement of agro products in India through e-tailing. Beginning in October 2000, the e-tailing has successfully changed the pattern of seller and buyer relations in the Soy farming in the Indian state of Madhya Pradesh.

Keywords: e-tailing, multi-channel, e-choupal, soy farming, strategy

I. Introduction

If you have exchanged any of your toy with your friend's toy, you have bartered. Bartering is trade of goods or services with another person when there is no money involved. In early civilization, people usually rely on this kind of exchange though it was not necessarily something on which our economy or society completely relied upon. Many complications in bartering later determined which conclude the idea to limit bartering to family and friends initially and it mitigate finally.

Money came into market and internet has changed the way of shopping medium. Now-a-days e-tailing or e-commerce in India is experiencing a high growth which successfully changing the transaction media. Electronic retailing, or e-tailing, can include business-to-business and business-to-consumer sales. People can shop from anywhere online comfortably according to their choices. Online retailing is normally referred to as e-tailing. The e-commerce industry in India has come a long way since its early days. Now e-tailing is successfully increasing its presence all over the country. In the earlier phase e-tailing in India was limited to few urban spaces but now e-tailing has expanded to Tier II and Tier III cities. It is expected that very soon e-tailing will make its presence in the rural India as well. E-tailing is divided into three categories:

- Pure online players
- Click-and-mortar retailers
- Retailers who replace the physical store with a wholly-online operation.

Steps involved in e-tailing:

The shopping process through internet happens generally in five steps-

- a) **Customer visit:** The customer access the website of the e-tailor through his/her laptops, desktop, mobiles etc. This visit would create some opportunities to the sale. The arrangement of the products, site simplicity and other factors decide the first impression of the customer.
- b) **Choice of the product:** After visiting the site, he/she would choose the products according to their own preferences and desires. The images, details of the product, price, availability, delivery time span and product reviews helps customers to choose their product.
- c) **Payment Online:** Once the customer chooses product, the next step would be the process of data exchange. E-tailers give unique user account to the customers for safer transaction. Payments would be done online through credit cards, debit cards, visa cards or through cash on delivery where cash to be paid when the product delivered to the customer.
- d) **Product Delivery:** When the order is placed with the e-tailers, the next process is to check the efficiency of the supply chain. Product is to be delivered to the customers only on the availability of the product in the inventory nearest to the customer's delivery address. Then shipment of the product takes place. Different methods are used in the shipment process. Some e-tailers create a platform through their website where business takes place between customer and the clients of e-tailers. E-tailers would take commission on each product sold. Some e-tailers create website and display products according to demand in the market. In this case e-tailers have to take care of every inventory expenses, procurement and disbursement cycle.
- e) **Customer Feedback:** Once the product is delivered, the next and the most important step is the customer satisfaction. It is the feedback and customer satisfaction of the product that makes e-tailing more

efficient. This experience of online shopping of the customer would be accessed by giving good customer services and to correct the problems to be faced by customers. Wrong product, damaged products, late delivery etc are some of the complaints of the customers should be sort out by the e-tailers.

E-tailing in agro-products and impact of ICT in the agricultural field in Indian context

In the age of digital revolution e-tailing has become the new mode of agri business in India. Information and communication has become a prominent tool of business and cooperation in the last twenty years. It has expanded to the rural consumers and is transforming the life of rural people. ICT has enabled the farmers to sell and buy with and understanding of the international markets. The leading players in the field are agro –Input companies and non govt. organisations, who have introduced their web based initiatives at a large scale. Some of the initiatives are explained below.

ITC'S e-choupal

ITC launched three web based initiatives (e-chaupals) in the year 2001:

1. www.aquachoupal.com in Andhra Pradesh for shrimp farmers.
2. www.soyachoupal.com in Madhya Pradesh for soya farmers.
3. www.plantersnet.com in Karnataka for coffee farmers.

TARAhaat

TARAhaat information and marketing services Ltd.(TARAhaat), promoted by development alternatives group (an alliance between Huges Escorts communication, Hewlett Packard, Oracle, KLG system, Jaldi.Com, Global development gateway(sponsored by world bank and Gates foundation), Excelsior ventures management, LLC and James Martin(One of the world's leading NGO), is an organisation that focuses taking the benefits of technology to the rural population.

Programmes run by TAARAhaat are as given under:

In the field of literacy (TARAakshar)

In the field of education (TAARAgyan)

There are other significant players in this field but paper will majorly concentrate upon successful implementation of E-tailing in the rural India by ITC Pvt. Ltd in the field of Soy farming in the Indian state of MP.

The nature of Agri business In India and other developing countries.

In India especially in the production of cash crops farmers are simultaneously exploited by the middleman, lack of reliable price information, high transportation and storage costs. As the products are seasonal and perishable and storage facility very limited the farmers have to sell their products at the available prices offered by the middleman. In the process even the final buyer suffers as the quality of the product is compromised by the intermediaries as they try to maximise their profit by mixing all kind of produces and selling it at the highest price in the high quality segment.

The case of SOYBEANS -An agriproduct produced in the central India

Due to direct intervention of the Indian Govt in the procurement of cash crops there has emerged a mixed form of cash crop procurement. This mixed form on the one hand depends upon the old practice of Mandis with traditional traders called ADHTIYIAS who are wholesale traders, while the infrastructure is provided by the govt in the form of road shops and govt officers for the smooth operation of these mandis. In these Mandis farmers sell their produce to the wholesale traders while traders in turn sell the product to processing companies. The selling and buying is done through an open cry where a govt official visually inspects the quality and sets the initial bid. The traders subsequently bid upwards. This process of selling and buying though gives some protection to the farmers against total monopoly of the traders but suffers majorly by three lacunas.

1. The farmer's share of profit is reduced due to unavailability of alternative method of selling and trader's complicity and monopoly over the market.
2. The traders are well informed about the prices prevailing in the different markets.
3. The traders are also well informed about the price offered by the processors.

On the other hand the farmers and processors both loose in this process as farmers have no information mechanism to know the prices prevalent in the market and processors have no control over the traders.

This unique situation if anyway is altered by some alternative mechanism where the farmers have real time information of the prevalent prices and market conditions before the sale and the processors and farmers have direct interactions among themselves where they can sell and buy without sharing their profits with an

intermediary, it will have direct effect on the prices received by the farmers as firstly they can bargain to sell their product on the prevalent market price and secondly they don't have share their profit with intermediary. The processor will also have a direct dealing with the farmers where the processor can choose single seller offering the high quality product without any mix. Furthermore the pattern of crop production will also substantially change as an increase in return can induce farmers to re-optimize their decisions regarding land allocation towards alternative crops

Soyabean e-tailing in India -The ITC e-choupal:

A large buyer of soybeans, ITC Limited in October 2000, decided to eliminate intermediaries to gain control over the quality of soybean as well as lower its transaction costs through the implementation of a unique e-choupal intervention in the state of Madhya Pradesh.

The E-tailing for the Soya product was not an easy task as e-tailing had to work as a facilitator and an alternative rather than a monopoly and exclusive market for the farmers. Therefore ITC executed the task in two ways:

1. Establishment of internet kiosks in the villages thus enabling the farmers to check prices of the products as offered in the mandis as well as the prices offered by the ITC in the real time on daily basis.
2. The ITC also established hubs or centres for scientific testing and weighting of the products. These centres also provided for quality checks and immediate on spot buying by the processor.

The impact of e-tailing on the Soy farmers of MP

1. The availability of crucial information regarding price of the product to farmers due to the presence of kiosks in the villages reduced the trader's monopoly power which was instrumental in increasing the prices of the agricultural output.
2. **competition effect** Due to direct buying by ITC, the pressure of the price in the mandi area increases which diverts apart of the sales from the mandis, leading to an increase in price pressure. On the other hand, scientific testing of quality performed at the ITC hubs might induce farmers to self-select, putting a downward pressure on the price offered in the mandis, which may be called the **composition effect**. Therefore the availability of a hub in the market exerts two opposing forces.
3. The planting decision of the farmers may also be getting influenced due to increase in price and the reduction in dispersion.

The impact of e-tailing on the processor or the wholesale buyer

For any venture to be successful the percentage of that venture in the total business is very important. The ITC due to the new intervention in the market through the e-choupal was able to judge the quality of soybean that it purchases directly from the farmers at different prices. By the end of 2004, in districts that had ITC hubs and kiosks, 4.08 percent of the annual soy production was sold directly to ITC, therefore making the intervention sustainable because it is profitable for the private company to implement it, and profitable for the farmers to use it. This is an important reason why many of the efforts undertaken by governments and NGOs to remove intermediaries or provide information services to rural producers in developing countries have not met with the same success.

II. Literature Review

According to Turban, e-tailing is defined as retailing conducted online, over the internet.

Wang has provided a broad definition of e-tailing by defining it as the selling of goods and services to the consumer market via the internet.

Zeithaml defines that the success of e-tailing depends on the efficient web site design, effective shopping and prompt delivery. The other e-store services are delivered on real time, return and replacement process, period of filling out online orders form, speed of response time to e-customers queries.

Ratchford have told that through Internet, consumers can gather information about merchandise and they compare a product across suppliers at a low cost.

According to Bill Gates "Internet will extend electronic marketplace and make it the ultimate go-between, the universal middleman."

Objectives of the study

- To draw out the driving factors for growth and the policy instruments of the e-tailing in Indian Agriculture.
- To elucidate the challenges and potential strategic role of e-tailing with special reference to agro products.

III. Research Methodology

The research is largely based on secondary literature. Initially, literature pertaining to conceptualising e-tailing has been referred and from that literature, a working definition of e-tailing along with its distinctive features has been outlined. Regarding the scope of e-tailing in Indian agriculture, data has been taken from various official websites pertaining to e-tailing such as ITCportal.com.

IV. Conclusion: The Effects Of E-Tailing Intervention In The Soya Product

The positive effects of the Job creation in Soy farming:

The hubs are managed by the ITC's former commission agents, some of whom have been integrated with the ITC e-tailing.

As the computer equipment is typically placed in a farmer's house, who gets 0.5 percent of the value of each transaction that is made through the kiosk at the ITC hub, thereby giving them the Incentive to spread price information widely to other farmers and also earn extra remunerations and profit by running the ITC hubs.

Hubs are basically warehouses that are established in towns. The hubs include the processing plants leased by ITC. Hubs represent a centre of contact between farmers and the ITC.

A new alternative market:

The ITC e-endeavour has provided the farmers with a new alternative where the farmer can pick and choose between various options of directly selling the product to the govt on MSP (minimum support price), sell the products in the mandis to the Adahitias or opt for the ITC hubs. These several options empower the farmers to pick and choose and also save them from any type of exploitation from the monopoly market.

Profit to the processing Industry:

The e-tailing provides for a better procurement market to the processors. Earlier when the processors were only dependent upon the mandis then due to the middleman monopoly they were getting the product on the higher prices. The quality of the product was uncertain as many middleman used to sell mixed products in the name of high quality product which effecting the brand name of the processor in the international market. With the introduction of e-tailing, now middleman eliminated and the processor could himself check and ascertain the quantity of the product.

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