



# FLAUNTE

E-MAGAZINE

**MONSOON EDITION**



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# TRANSFORMING RURAL



*Rural marketing is now a two-way marketing process. There is inflow of products into rural markets for production or consumption and there is also outflow of products to urban areas.*

The rural market has been growing steadily over the past few years and is now even bigger than the urban market. About 70 per cent of India's population lives in villages. More than 800 million people live in villages of India. 'Go rural' is the marketer's new slogan. Indian marketers as well as multinationals, such as Colgate-Palmolive, Godrej and Hindustan Lever have focused on rural markets. Thus, looking at the opportunities, which rural markets offer to the marketers, it can be said that the future is very promising for those who can understand the dynamics of rural markets and exploit them to their best advantage.

## Household type and level of earnings

Rural household type based on major source of income	Rural households (million, 2014)	Avg household income (₹ per annum, 2013-14)	Share of households (%)	Share of income (%)
Pure farm households	46.2	1,61,705	26%	25%
Farm with non-farm income	39.2	1,89,374	22%	25%
Agricultural labour only	17.8	92,230	10%	6%
Non-farm including casual labour	76.2	1,70,872	42%	44%
<b>Total rural households</b>	<b>179.5</b>	<b>1,64,750</b>	<b>100%</b>	<b>100%</b>

Source: ICE 360<sup>o</sup> Survey (October 2014) from People Research on India's Consumer Economy (PRICE)

## **Features of Rural Marketing:**

**The main reason why the companies are focusing on rural market and developing effective strategies is to tap the market potential that can be identified as follows:**

### **1. Large and scattered population:**

According to the 2014 census, 740 million Indians forming 70 per cent of India's population live in rural areas. The rate of increase in rural population is also greater than that of urban population. The rural population is scattered in over 6 lakhs villages. The rural population is highly scattered, but holds a big promise for the marketers.

### **2. Higher purchasing capacity:**

Purchasing power of the rural people is on rise. Marketers have realized the potential of rural markets, and thus are expanding their operations in rural India. In recent years, rural markets have acquired significance in countries like China and India, as the overall growth of the economy has resulted into substantial increase in purchasing power of rural communities.

### **3. Market growth:**

The rural market is growing steadily over the years. Demand for traditional products such as bicycles, mopeds and agricultural inputs; branded products such as toothpaste, tea, soaps and other FMCGs; and consumer durables such as refrigerators, TV and washing machines have also grown over the years.

### **4. Development of infrastructure:**

There is development of infrastructure facilities such as construction of roads and transportation, communication network, rural electrification and public service projects in rural India, which has increased the scope of rural marketing.

### **5. Low standard of living:**

The standard of living of rural areas is low and rural consumers have diverse socio-economic backwardness. This is different in different parts of the country. A consumer in a village area has a low standard of living

because of low literacy, low per capita income, social backwardness and low savings.

## 6. Traditional outlook:

The rural consumer values old customs and traditions. They do not prefer changes. Gradually, the rural population is changing its demand pattern, and there is demand for branded products in villages.

## 7. Marketing mix:

The urban products cannot be dumped on rural population; separate sets of products are designed for rural consumers to suit the rural demands. The marketing mix elements are to be adjusted according to the requirements of the rural consumers.



It is of paramount importance in the Indian marketing environment as rural and urban markets in India are so diverse in nature that urban marketing programmes just cannot be successfully extended to the rural market differs from that of the urban Indian. Further the values aspiration and needs of the rural people hasty differ from that of the urban population.

Buying decisions are highly influenced by social customer's tradition and beliefs in the rural communities. As regards the purchasing power, the urban markets are segmented according to income levels, but in rural areas, the family incomes are grossly underestimated.

## THE CHANGING FACE OF RURAL RETAIL



Small shop with few products

A branded, modern outlet in a village

Rural retail landscape has changed rapidly from small kiosks selling loose and unbranded products to modern retail outlets stocking national brands across product categories. This offers opportunity to marketers to occupy the rural retail shelf space.

Farmers and rural artisans are paid in cash as well in kind & misrepresent their purchasing power. For their reason, a marketer must therefore, make an attempt to understand the rural consumer better before meaning any marketing plans. Rural markets in India have untapped potential. There are several difficulties confronting the effort to fully explore the rural markets. The concept of rural markets in India is still in evolving shape, and the sector pages a variety of challenges. Distribution costs and non-availability of retail output are major problems faced by marketers.

Many successful brands have shown high note of failure in the rural markets because the marketers try to extend marketing plans that they use in urban areas. The unique consumption pattern, tastes, and need of the rural consumers should be analysed at the product planning stage so that they match the needs of the rural people.

**THE BILLS OF BILLS**

***GST* – all you need to know**

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The Goods and Service Tax Bill or GST Bill would be a Value added Tax (VAT) to be implemented in India from April 2016. and is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all indirect taxes levied on goods and services by the Indian Central and State governments. GST is a comprehensive value added tax on goods and services. It is levied and collected on value addition at each stage of sale or purchase of goods or supply of services based on input tax credit method but without State boundaries. Exports will be zero-rated and imports will be levied the same taxes as domestic goods and services adhering to the destination principle.



Amalgamating a large number of Central and State taxes into a single tax, it would mitigate cascading or double taxation in a major way and pave the way for a common national market.

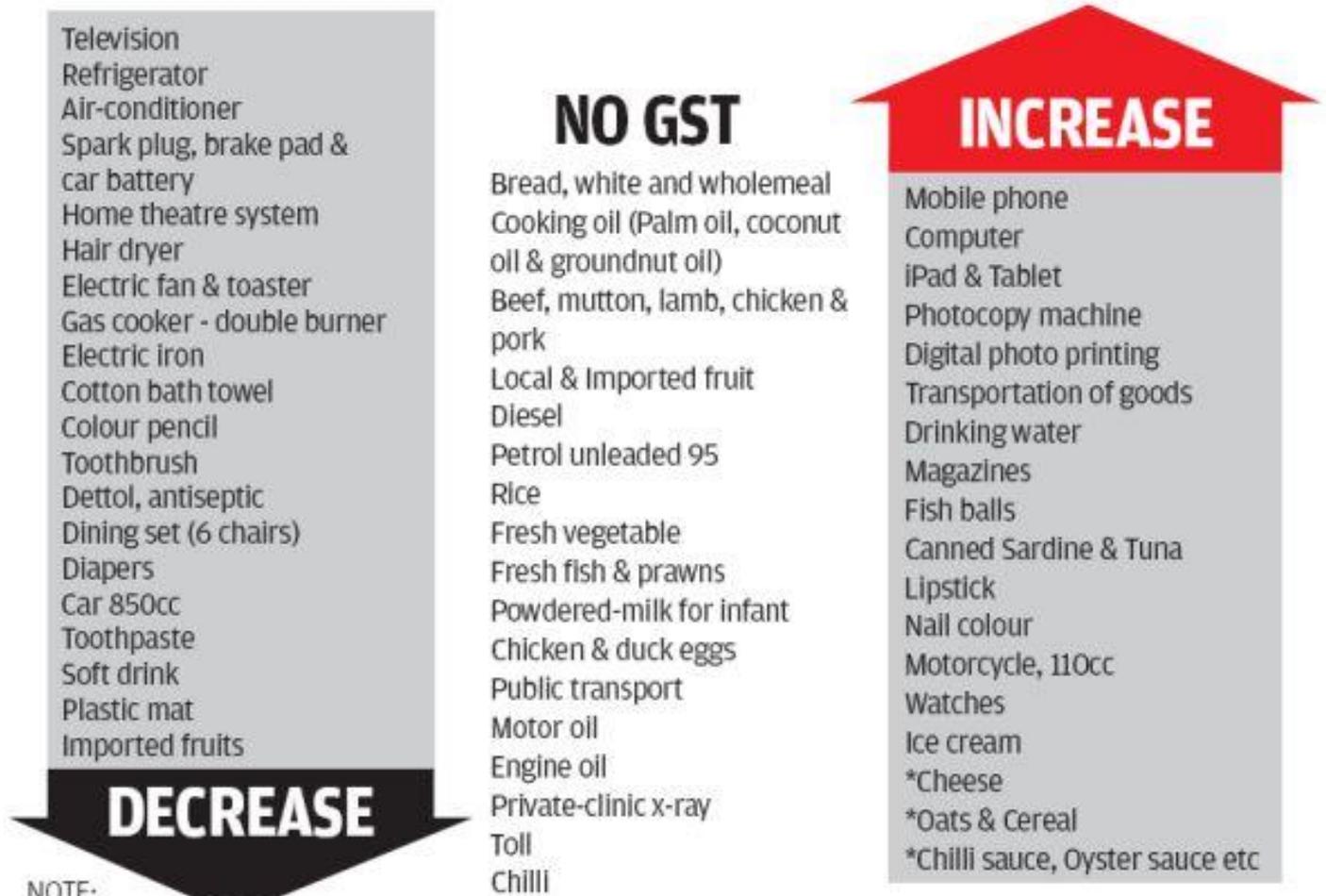
From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 25%-30%.

Introduction of GST would also make Indian products competitive in the domestic and international markets.



and over 30 categories of exemptions. In China, GST applies only to goods and the provision of repairs, replacement and processing services. It is only recoverable on goods used in the production process, and GST on fixed assets is not recoverable.

## Expected price movement for selected items upon implementation of GST (6%)



NOTE:

 **Decrease:** Tax reduced from 10% to 6% with the GST. Imported fruits reduced from 5% to tax free.

 **Increase:** Items were tax free before GST. \*5% tax before GST

Source: Customs Department

There is a separate business tax in the form of VAT. For example, when the GST was introduced in New Zealand in 1986 yielded revenues that were 45 percent higher than anticipated, in large part due to improved compliance. It is more neutral and efficient structure could yield significant dividends to the economy in increased output and productivity. The GST in Canada replaced the federal manufacturers' sales tax which was then levied at the rate of 60 per cent and was similar in design and structure as the CENVAT in India. It is estimated that this replacement resulted in an increase in potential GDP by 24 per cent, consisting of 12.4 per cent

increase in national income from higher factor productivity and 50 per cent increase from a larger capital stock (due to elimination of tax cascading). The Canadian experience is suggestive of the potential benefits to the Indian economy. This means gains of about US\$15 billion annually. This is indeed a staggering sum and suggests the need for energetic action to usher the GST regime at an early date. GST rates of some countries are given below.

COUNTRY NAME	GST Rate
Denmark	25%
Sweden	25%
France	19.6%
Germany	19%
Pakistan	18%
New Zealand	15%

# GST and how it works

Compiled by WONG WEI-SHEN

### Taxing the untaxed

The Government says consumers are paying a lot more under the SST (Sales and Service Tax)

Sales tax at 10%	GST at 6%
<p><b>Govt tax revenue: RM10</b></p> <p><b>MANUFACTURER</b> Cost: RM100 + Tax: 10% (RM10) = RM110</p>	<p><b>Govt tax revenue: RM6</b></p> <p><b>MANUFACTURER</b> Cost: RM100 GST: RM6</p>
<p><b>Govt tax revenue: None</b></p> <p><b>WHOLESALER</b> Cost: RM110 + RM22 (20% profit margin) = RM132</p>	<p><b>Govt tax revenue: RM1.20</b></p> <p><b>WHOLESALER</b> Cost: RM100 + RM20 (20% profit margin) GST: RM7.20</p>
<p><b>Govt tax revenue: None</b></p> <p><b>RETAILER</b> Purchase cost: RM132 + RM39.60 (30% profit margin) = RM171.60</p>	<p><b>Govt tax revenue: RM2.16</b></p> <p><b>RETAILER</b> Purchase cost: RM120 + RM36 (30% profit margin) Cost: RM156 GST: RM9.36</p>
<p><b>Govt tax revenue loss: RM5.60</b></p> <p><b>CONSUMER</b> Final price: RM171.60</p>	<p><b>Govt tax revenue loss: None</b></p> <p><b>CONSUMER</b> Final price: RM165.36</p>

**Standard-rated (6%):** Manufacturer (Claims back GST) → Wholesaler (Claims back GST) → Retailer (Claims back GST) → Consumer (GST rate paid is 6%)

**Zero-rated (0%):** Manufacturer (Claims back GST) → Wholesaler (Claims back GST) → Retailer (Claims back GST) → Consumer (GST rate paid is 0%)

**Exempted:** Supplier (Claims back GST) → Retailer (GST unclaimable) → Consumer (No GST)

### A broader tax base will boost government revenue and help reduce a persistent budget deficit

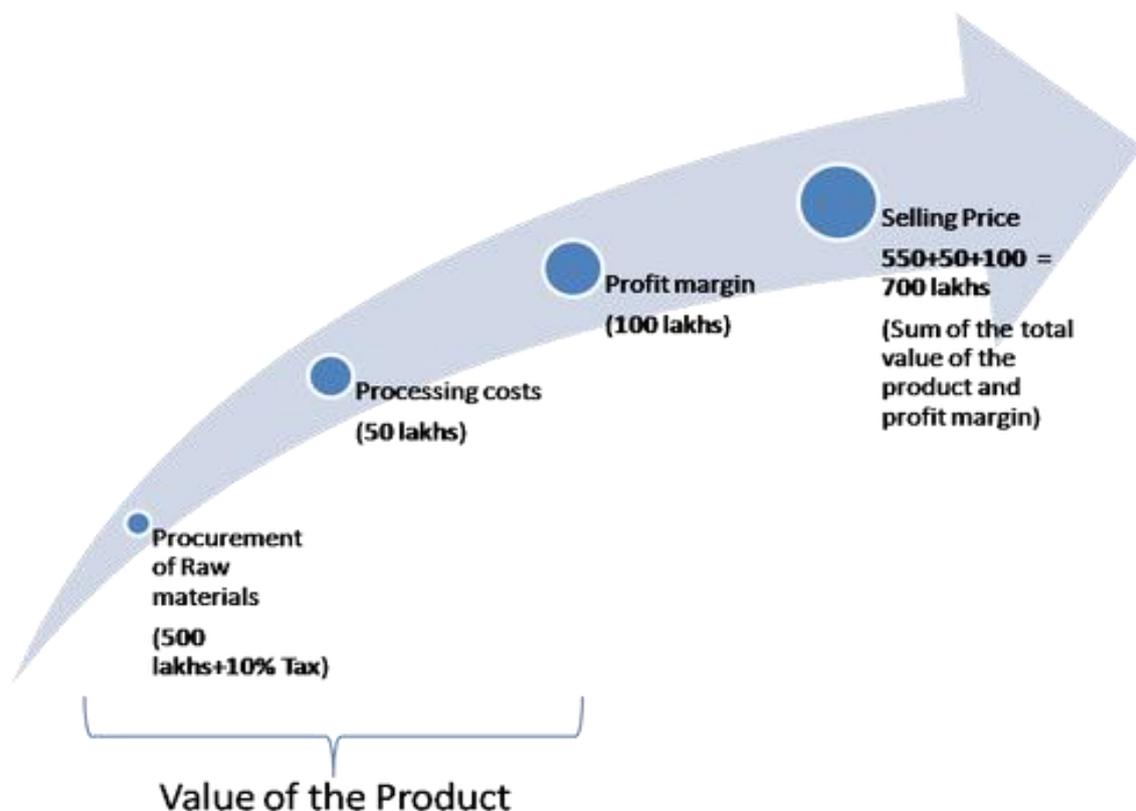
Year	Government Revenue RM (mil)	Budget Deficit %
2003	~80	~-4.5
2004	~100	~-4.0
2005	~110	~-3.5
2006	~120	~-3.0
2007	~130	~-2.5
2008	~140	~-2.0
2009	~150	~-1.5
2010	~160	~-1.0
2011	~170	~-0.5
2012	~180	~-0.2
2013	~190	~-0.1

Source: Ministry of Finance

**The GST framework could easily be one of the most important tax reforms to be tabled for discussion in the parliament.** It does bring with it some problems, like division of taxation powers between the central government and states. Not surprisingly, the Finance ministry has already missed three of its deadlines to come out with an acceptable framework. In fact, most of the proposals aren't even in the beta stage yet. But, most administrators and more importantly, producers believe it would make the tax procedures more fair, transparent and efficient.

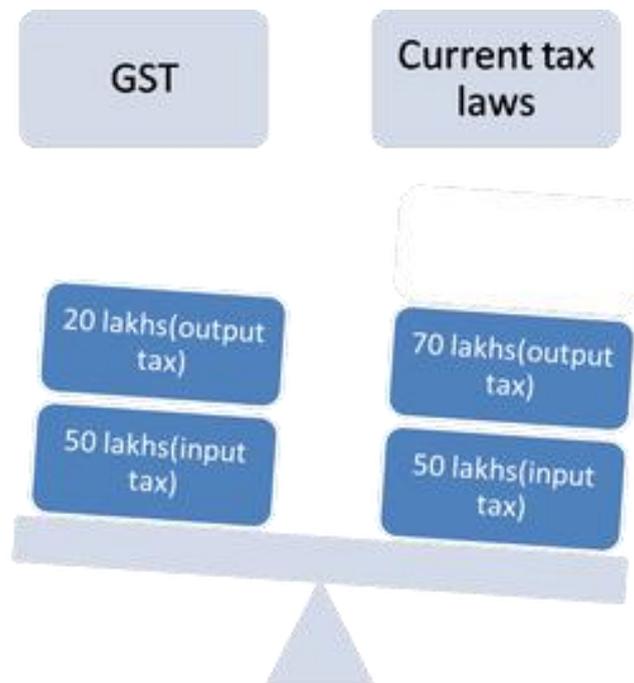
An ideal tax system collects taxes at various stages of production, supply and retail. It is based on the value that the producers, suppliers and retailers individually add to the product. However, the current tax regime is unfairly skewed against most producers. Let's outline and simplify the current system of taxes and also we need to understand how it operates:

Assume there is a soap manufacturer that procures raw materials at 500 lakhs per batch. The manufacturer keeps his operating profits at 100 lakhs and encumbers a processing cost of 50 lakhs.



If we calculate the total tax that the producer has to pay in this case, it would be **120 lakhs** (50 lakhs on procurement and 70 lakhs on sales). Now if you have a GST framework in place, the total tax that the producer pays is **70 lakhs**. How?

The producer had initially paid an input tax of 50 lakhs. Now when he goes on to sell his batch for 700 lakhs, he gets a tax credit of 50 lakhs. Thus, he pays 20 lakhs in the form of taxes for the final transaction. This adds up to just **70 lakhs** for the producer. The GST hence, reduces the tax burden on producers. The biggest benefit of such a system is that it would contain various indirect taxes currently levied on various participants in the supply chain. Reducing such taxes would lower the overall production cost and increase the output of the economy .



**That sounds great, but, why GST when we already have VAT? Isn't the VAT framework similar to that of GST?**

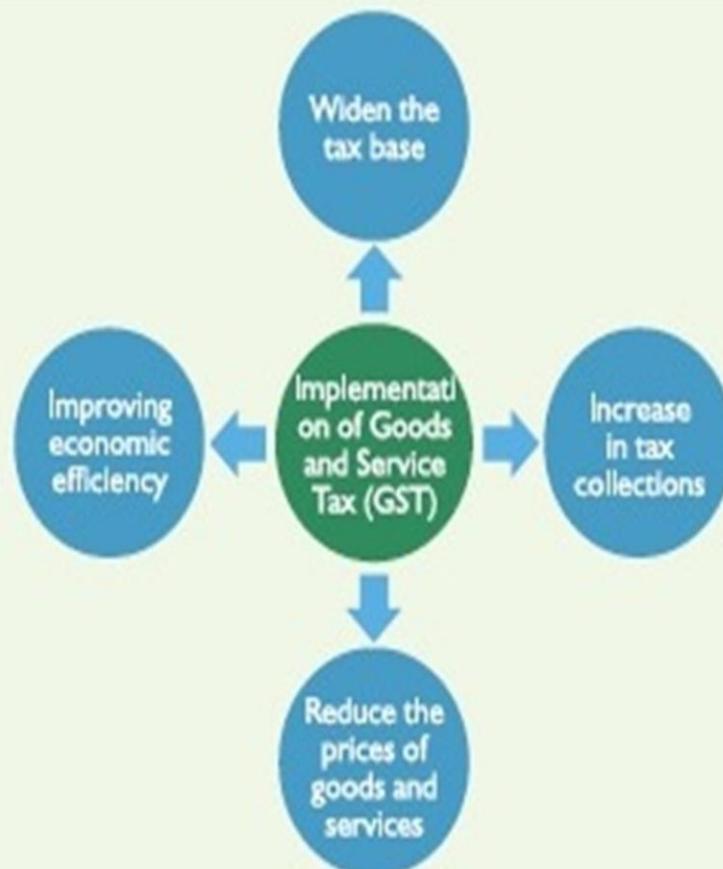
VAT regulations and rates generally vary across states. There is a tendency, as has been observed, that states may resort to undercutting of rates to attract more investors. This generally leads to a loss of revenue to both the state and centre. GST would introduce uniform taxation laws across states and different sectors. The taxes would be divided between the state and centre, based on a formula that would be acceptable to both. Also, it would be easier to supply goods and services uniformly across the country, as no additional taxes would have to be paid across different states.

**Currently, no tax credits are provided for interstate transactions.**

So do we as consumers get goods at a cheaper price? Probably not, and it is here that the GST has been attacked by the opposition. Since taxes

are distributed across the chain, the consumer prices are likely to rise to maintain the current tax revenue levels. The government has justified this by saying it would provide tax cuts across various brackets. This isn't entirely satisfactory. First, the taxpaying population isn't too significant a number to begin with and second, the tax payer is likely to get a meager tax cut for the GST he would pay for all the goods or services he purchases.

**GST is clearly a long term strategy;** it would lead to a higher output, more employment opportunities, and economic inclusion. Initially however, it is likely cause high inflation rates, administrative costs, and face stiff oppositions from states due to loss of autonomy.



# **STARTING UP WITH THE START-UPS**

Technology, in both its evolutionary form and in its revolutionary form, has changed our lives drastically. In recent times, some of the products and services that have transformed the way we live, such as Tablets, smart phones, the Internet, social media etc., have been a result of revolutionary innovation. Great innovation led by visionary leaders has made this possible. The changes have been adopted rapidly, and most of us cannot really remember what it was like before we had these products and services even though they have seeped into our lives only recently. There are some products, or we can say by-products, of these revolutionary organizations that impact lives in a more non-obvious evolutionary way.



We all well understand that a startup is always about an idea of how to impact a customer. But, this is just where it all begins. What we don't always give credit to is how start-ups have a far-reaching ripple effect on the socio-economic fabric of the demography in which they operate. I got interested in exploring this ripple effect, and all the changes that some start-ups have brought in the cities, in their industries, in the global markets they operate in. And the changes have they brought in the socio-economic fabric of the societies in which they operate – the impact that they have created beyond their customers. The questions to ponder

around policy and progressive government to encourage startups are not discussed enough. India should have this on its agenda and perhaps Venture capitalists who fund startups should measure their success also by the greater impact metrics beyond returns.

Apart from delivering value to their customers, start-ups have a direct impact on the cities they make their homes. Infosys has impacted Bangalore and Alibaba has changed Hangzhou. What Google has done to Mountain View and how Microsoft transformed Redmond are case studies in themselves.

When these start-ups grew, they directly impacted growth of their cities as well. Employment opportunities for youth increased and new employment patterns came into picture. Demand and employment opportunities for engineers saw a steep rise. Local youth had new opportunities to pursue, and experienced talent started moving to these cities in pursuit of a challenging and high-growth career.

### Employees (in year X and today)

Apple	11, 290+ (in 1994) & 11,700+ (in 2004)	98,000
Infosys	35, 000+ (in 2004)	1,60,400+
Alibaba	50 (in 2000) and 150 (in 2008)	26,845
Google	800+ (in 2004)	55,000+
Microsoft	56,000+ (in 2004)	1,28,000+

As demand for highly talented youth increased in these cities, they saw a surge in inflow of recent graduates. As more and more college graduates started settling down in these cities, lifestyle patterns and culture also saw a wave of change.

These startups not only created new industries and came up with more revolutionary technology over time, but also created a stream of millionaires in the city. When these startups went public, they became

engines of creation not just for themselves, but for their employees and their shareholders.

### Market cap at IPO and today (approx)

Apple 1980	1.6 billion	626 billion
Infosys 1993	318 million	36 billion
Google 2004	23 billion	374 billion
Microsoft 1986	500 million	384 billion

Apple created 300 millionaires instantly as it went public. In 2007, 1000 Google employees were worth more than \$5 million. While the exact number is not known, it can be reasonably assumed that Microsoft had created approximately 10,000 Microsoft millionaires by the year 2000. Narayan Murthy, who co-founded Infosys, ushered in a new era of wealth creation among its middle-class employees in India. Infosys was one of the first companies in India to offer its employees ESOPs (employee stock ownership plans) and made millionaires of them. In 2000, Infosys had almost 2,000 rupee-millionaires on its staff and over 200 dollar-millionaires. According to securities filings, current and former Alibaba employees (non-founders) hold 26.7 per cent of the company, xxxBillion in value.



Alibaba has single-handedly changed the trade scenario for small and medium businesses in China, a country with innumerable internal barriers to trade. The ease and confidence with which these SMBs can buy and sell goods has increased many folds in the last decade.

Microsoft had created a new computing and industry revolution itself when it started scaling up. For most of the technologists and people in their 20s and early 30s today, the first operating system was Windows. Regardless of the fact that many hackers and technologist may gravitate towards other technologies later in their life, Windows as an operating system proved to be the alphabet using which people fed their inane curiosity of learning computers and got their first exposure to technology. It was the tool for beginners that helped shape the minds who are, today, a part of the technology revolution we see in the Silicon Valley and the world around us. Had it been a different world, it would have been next to impossible to see people use technology and not be intimidated by it.

It was not only about creating the next generation of technologists & future engineers by putting a computer in every house, but was also creating a new industry – the software industry. Due to its widespread use, a good amount of software built around the world is built keeping Windows OS in mind, thus making sure maximum number of people can benefit by it.



In very early days of Microsoft, more emphasis was paid to the hardware, and software was just something bundled with it. It started selling software licenses as individual entities, which further propagated this practice. This showed a new ray of hope to developers who could now sell their software individually without lining up to big corporations for support and begging them to bundle it with their devices. This led to creation of a different economy where software became the champion of technology delivery model for newer companies. Microsoft not only

impacted the whole computing industry, but also created a new software industry that would go on to rule the world of technology.

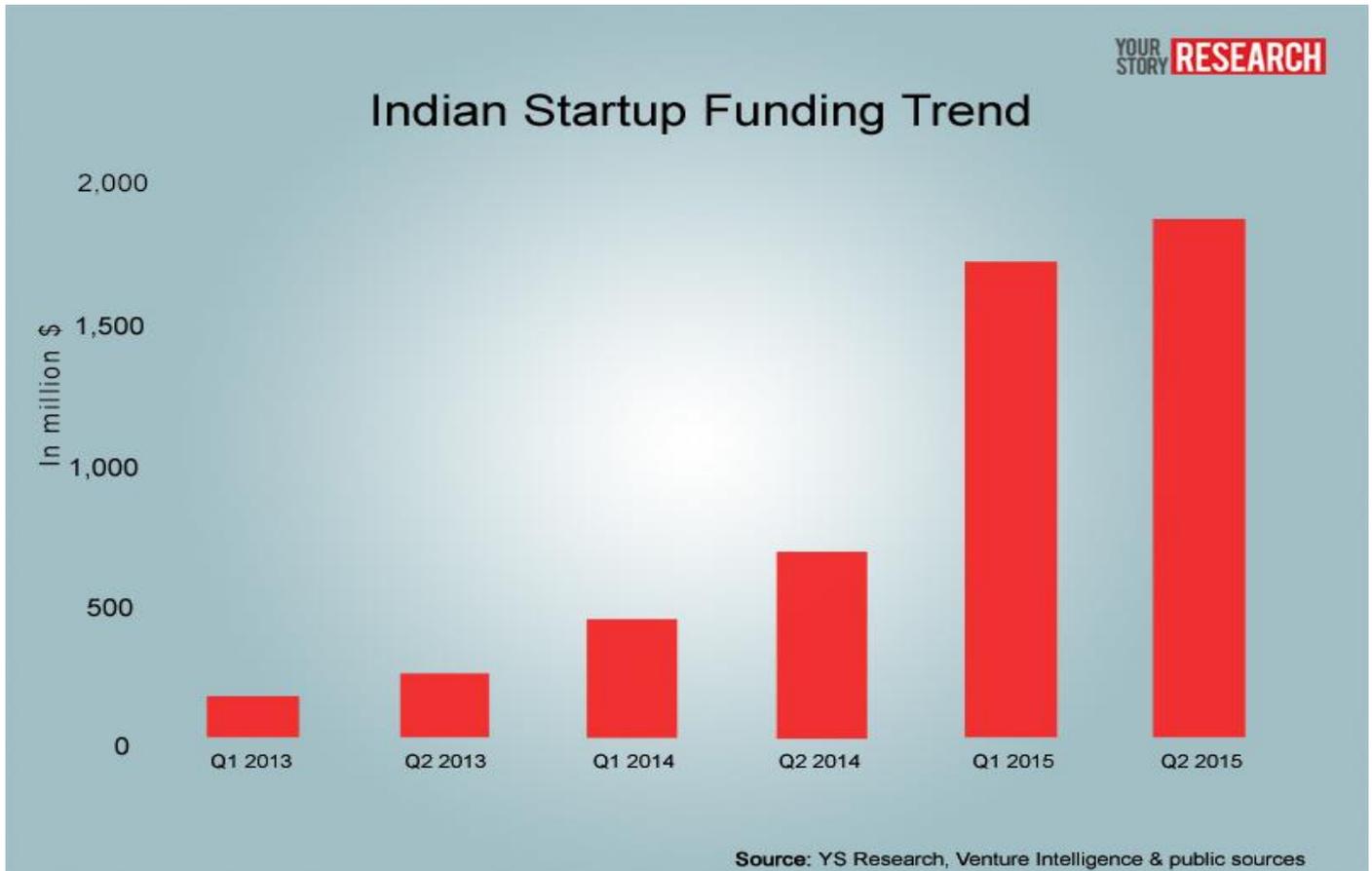
After gifting the world a new industry, which would thrive in the coming years, Bill Gates wanted to give back to society as well. He started the Bill and Melinda Gates Foundation in 2000. Today, it is the largest private foundations in the world. It had an endowment of ~38 billion by last year. The foundation is extremely active and works for improving global health, policy & advocacy, runs multiple development programs and also has a concentrated US Program.

Shortly before Google went for an IPO in 2004, Larry Page and Sergey Brin, made giving back a company priority and proclaimed in their letter to potential investors a commitment to “make the world a better place” by dedicating 1 percent of Google’s profits, 1 percent of its equity and significant employee time toward philanthropic aims. Though Google faced criticism in its early days of giving back to the society on multiple grounds, it gave away \$105 million in grants during 2012, plus \$1 billion more in product donations to non-profits.

Google was the Bay Area’s top corporate philanthropist in 2010 and 2011, giving more than \$20 million to local charities both years. According to the Chronicle of Philanthropy, it was the 12th-largest U.S. corporate cash donor in 2011 and 2012. Approximately \$50 million of these funds were directed toward disaster relief, university research and community organisations in Silicon Valley, with \$23 million dedicated to Google’s Global Impact Awards.

s India’s vibrant entrepreneurial ecosystem is emerging, it would do well to understand the role of startups and create support for them to succeed. As we see some of the Indian startup founders turning angel investors to support and encourage new innovation in India, we will surely see the ripple effect of their efforts in the long run. Governments should be well prepared to create a culture of start-ups to impact their cities, countries and citizens.

How can we and our governments help support the start-up growth? I believe efforts should be made in helping start-ups with tax clarity, incubation, affordability and licensing. It could also be by providing start up capital, resources to broaden awareness, inspiration and more and more meeting space for the newest innovators & tomorrow's business leaders.



**INDIAN ORIGIN CEO's**  
**Of INTERNATIONAL GIANTS**



Sundar Pichai is the latest to join the elite club of Indian executives heading global technology companies. The 43-year-old head of Google was born in Chennai, Tamil Nadu and pursued education at IIT Kharagpur (B Tech), Stanford (MS) and Wharton (MBA); at Wharton, he was named a Siebel Scholar and Palmer Scholar. He is responsible for the launch of the dominant Chrome web browser, and was previously the product head for Android, Chrome, Maps, and other popular Google products.



After a 22-year stint with Microsoft, Nadella was appointed as the chief executive officer of the company in February 2014. He previously held the position of executive vice president of Microsoft's Cloud and Enterprise group. The Hyderabad-born 47-year-old has a BE from Manipal Institute of Technology, MS from University of Wisconsin–Milwaukee, and MBA from University of Chicago Booth School of Business.



Rajeev Suri joined Nokia in 1995 and held various positions before being appointed the president and CEO in April 2014. Suri's ascendancy to Nokia CEO's position came after Microsoft acquired Nokia's mobile phone business. Previously, he was the head of the company's India services division. Like Satya Nadella, the Bhopal-born Suri also holds a B Tech from Manipal Institute of Technology, but holds no post graduate degrees.



Born in Hyderabad, Shantanu Narayen joined Adobe in 1998 as the senior vice president of worldwide product research and became the CEO in 2005. He holds a Bachelor in Science from Osmania University, an MBA from University of California, Berkley, and an MS from Bowling Green State University which is situated in OHIO, United States Of America. Narayen was named to the board of US's Management Advisory Board by president Barack Obama; he also serves on the board of Dell, as well as the advisory board of Haas School of Business.



Sanjay Jha took over as CEO of Global Foundries, a semiconductor foundry that produces chips for giants like AMD, Broadcom, Qualcomm, and STMicroelectronics, in January 2014; before that he had served as the CEO of Motorola Mobility and also the COO of Qualcomm. Jha was born in Bhagalpur, Bihar and holds a BS from University of Liverpool and PhD from University of Strathclyde.



The SanDisk logo, featuring the word "SanDisk" in a bold, red, sans-serif font with a registered trademark symbol (®) to the upper right.

Sanjay Mehrotra co-founded flash memory storage company SanDisk in 1988 and has been its CEO since January 2011. He pursued bachelors and masters degrees at University of California, Berkley, and also went to Stanford for executive programme. Mehrotra holds several patents to his name.



 The SoftBank logo consists of two horizontal yellow bars of equal length, stacked vertically.
 

# SoftBank

Nikesh Arora is the CEO of Softbank Internet & Media Inc, a newly-formed subsidiary of Japanese telecom giant Softbank. He is also the president and COO of Softbank Corp. With an annual package of \$135 million, Arora is the third-highest paid executive in the world. Before joining Softbank, Arora was the chief business officer at Google. He holds a BTech from IT-BHU (now IIT-Varanasi), and an MBA from North-eastern University; he also holds a chief financial analyst (CFA) certificate.



# Cognizant

Among the youngest CEOs in the software services sector, Francisco D'Souza is a co-founder of Cognizant and took over the reins as CEO in 2007. D'Souza was born in Kenya, where his father was serving as a diplomat with the Indian Foreign Services (IFS) under Govt. Of India. He holds a BBA from University of East Asia, Macau and an MBA from Carnegie Mellon University, Pittsburgh; D'Souza also serves on the board of General Electric as an independent director.

**GOOGLE'S NEW ABC..... STRATEGY**

**'ALPHABET'**

**Alphabet Inc.** is a holding company that is intended to become a conglomerate that will directly own several companies that were owned by or tied to Google, including Google itself, and in the process it will adopt the ticker symbols of "GOOG" and "GOOGL". The company will be based in California and be headed by Google's co-founders, Larry Page and Sergey Brin, with Page serving as CEO while Brin serves as President. Alphabet's portfolio will spread through a wide spectrum of industries including technology, the life sciences, investment capital, and research. Some of its subsidiaries will include Google Inc., Calico, Google Ventures, Google Capital, Google X, and Nest Labs. Following the restructuring Page will become CEO of Alphabet and Sundar Pichai will take his position as CEO at Google. The establishment of Alphabet as a conglomerate of Google companies came after the company's executives felt that Google had to become "cleaner and more accountable" while allowing greater control of companies whose core business was unrelated to it.

Alphabet will be created to restructure Google by moving subsidiaries from Google to Alphabet, narrowing Google's scope. In his announcement, Page described the planned holding company as follows:

Alphabet is mostly a collection of companies. The largest of which, of course, is Google. This newer Google is a bit slimmed down, with the companies that are pretty far afield of our main internet products contained in Alphabet instead. Fundamentally, we believe this allows us more management scale, as we can run things independently that aren't much related.

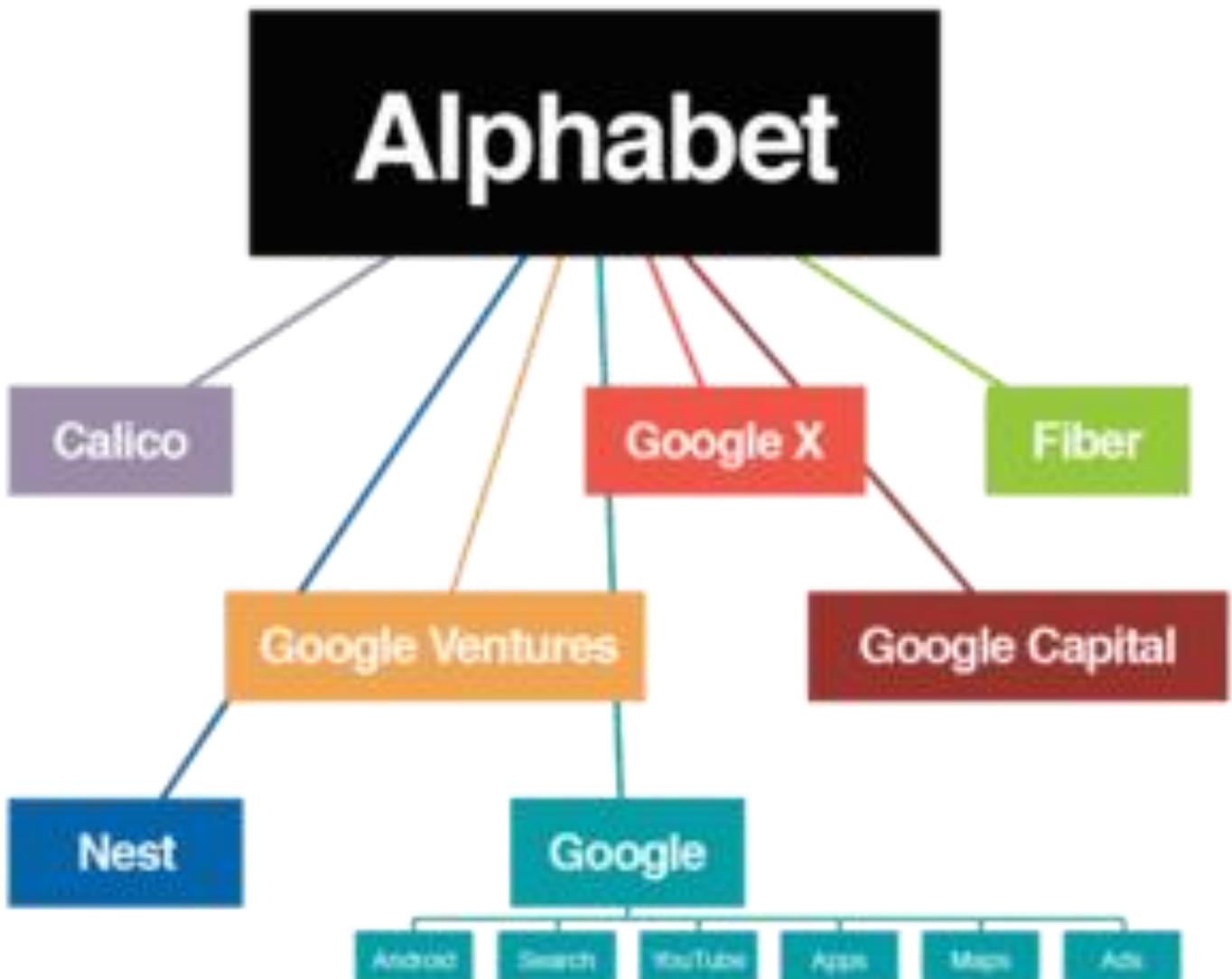
As well as explaining the origin of the company's name:

We liked the name Alphabet because it means a collection of letters that represent language, one of humanity's most important innovations, and is the core of how we index with Google search!

We also like that it means alpha-bet (Alpha is investment return above benchmark)

”

Page says the motivation behind the reorganization is to make Google "cleaner and more accountable." He also said he wanted to improve "the transparency and oversight of what we're doing," and to allow greater control of unrelated companies.



To start the restructuring process, Alphabet will be created as a subsidiary directly owned by Google. The roles of these two companies – one as the owner and the other as the subsidiary – will then be reversed in a two-step switch. First, a dummy subsidiary of Alphabet will be created. Then Google will merge with that dummy subsidiary while converting Google stock to Alphabet stock. The subsidiary after the merge, no longer a dummy, will be named "Google, Inc." Alphabet stock will continue to trade under the symbols "GOOG" and "GOOGL". Under Delaware law, holding company reorganization such as this can be done without a vote of shareholders, as this reorganization will be

For any suggestions & improvement please free to contact by mailing @  
[siddhantbasu1991@gmail.com](mailto:siddhantbasu1991@gmail.com)