

ITC eChoupal

Innovation Case Study

The DeSai Group

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ITC e-choupal

Changing the procurement system



Background:

ITC is a leading Indian company with revenues close to USD 7 Billion (2010). Its International Business Division was created in 1990 for trading in agricultural commodities. The concept of eChoupal was introduced in June 2000 as an initiative to improve the supply chain by linking directly with farmers for procurement. It was also designed to play the role of a social gathering place, for the exchange of information as well as a place for e-commerce transactions. What started initially as a way to modify the procurement process for crops like soy, and wheat, has now turned into a lucrative distribution and product development channel for ITC. The e-Choupals are operated by a *sanchalak* (operator), who also doubles up as an ITC salesman. A farmer can visit the kiosk and show a sample of his produce to the sanchalak, who gives him a quote. If the farmer finds the quote attractive, he can take the produce to an ITC collection centre and receive payment within two hours. The e-Choupal also provides other information to the farmer, including crop-prices, weather and knowledge on scientific farming techniques.

Why is it Innovative

1. The eChoupal provided several economics benefits to ITC as well as the customer. Web-enabled real time data on crop prices provide the farmer with the market prices for their produce. ITC gains as intermediaries are removed, and transportation costs decrease.
2. The intermediaries were not removed from the value-chain, instead they were made as *samyojaks* (coordinators) who assist ITC in setting up new e-choupals. They also handle the physical transportation of the goods and earn a commission on it.
3. By providing information on weather and scientific farming methods, and the supply of high quality farm inputs, ITC enabled the farmers to improve their efficiency and quality of their output. This also provided indirect benefits to the company reducing the risk in several areas of the supply chain
4. eChoupal also provided ITC with an effective marketing vehicle. ITC gives “Bonus points” for produce which are much higher than quality norm. This can be exchanged for other ITC products. ITC also uses e-Choupal as a medium to advertise consumer products.



Details and Stats

1. Launched in 2000, e-Choupal's services now reach four million villagers growing a range of crops including soybean, coffee, maize, wheat, rice, pulses and shrimp in over 40,000 villages across 10 states.
2. Farmers using e-Choupal on an average receive 2.5% higher prices than the traditional mandi system.

References

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2. Bhatnagar S. et al, "e-Choupal ITC's Rural Networking Projeet", World Bank,
3. ITC e-choupal website: <http://www.echoupal.com/>

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