

TARAhAat: Achieving Connectivity for the Poor Case Study

Background and Context

This project, named "TARAhAat" after the all-purpose haat (meaning a village bazaar), comprises a commercially viable model for bringing relevant information, products and services via the Internet to the unserved rural market of India from which an estimated 50% of the national income is derived.

The Development Alternatives Group promotes TARAhAat, and its early alliance partners include Hughes Escorts Communication, KLG System, jaldi.com, James Martin, Hewlett Packard, Oracle, and the Global Development Gateway (sponsored by the World Bank and the Gates Foundation). Excelsior Ventures Management LLC and James Martin & Co are providing initial equity capital together with management and operational resources.

The DA Group has a staff of more than 400, including 150 professionals with postgraduate degrees in engineering, sociology, marketing, and management. TARAhAat is fortunate to have the entire staff of the DA Group available for the design, implementation and operating management of the portal and its associated services.

The Management Team brings together unusual strengths in rural innovation and delivery systems, IT, marketing and economic development. The CEO is Ashok Khosla, who was earlier a director in the Government of India and in the United Nations. Dr. Khosla was educated at Cambridge and Harvard Universities and is currently President of Development Alternatives and its marketing wing, TARA. The COO is Rakesh Khanna, Director Business Development Unit of DA. Mr. Khanna obtained a B.Tech in Electrical Engineering from the Indian Institute of Technology and has more than 30 years of experience in marketing and general management in multinational corporations. The directors include Dr. Arun Kumar and Mr. George Varughese, Vice Presidents of Development Alternatives and Air Vice Marshal S. Sahni, Vice President of TARA.

Project Description

TARAhAat combines a mother portal, TARAhAat.com, supported by franchised networks of village cybercafes and delivery systems to provide a full range of services its clients. The subsidiary units include:

- TARAdhaba - will provide the villager connectivity and access to a new world.
- TARAbazaar - will provide access to products and services needed by rural households, farmers, and industries.
- TARAvan - will deliver goods ordered.
- TARAdak - will connect the rural families to the daughter married far off and to the son posted on the front.
- TARAguru - a decentralized university will provide mentoring and consultancy to village-based mini- enterprises.
- TARAscouts / TARAreporter - will collect relevant information for the portal.
- TARAvendor - will run the store that will cater to products available at Tarabazaar.
- TARAcad - will enable the villager to order goods and services on credit.

In the absence of efficient infrastructure for transport and communication, information is hard to come by and market options are not clearly or widely known. Even if something is available, somewhere, information on where and when and for how much, is not - in effect making it

inaccessible. There is no instrument more effective than the Internet for bringing both jobs and information to the rural economy - bringing the buyer and seller together and creating an efficient marketplace.

The look and feel of TARAhaat is carefully designed to attract and retain users of all kinds: farmers, traders, housewives, senior citizens, and children. The primary interface will be both graphic (using specially-designed pictures and icons that are attractive, colorful and animated) and voice-based to ensure that everyone, regardless of their level of literacy, can quickly learn to take advantage of the system. Input will be by mouse click and, for the more literate, from the keyboard. Simple voice recognition software will in due course allow ordinary commands to be given to the computer. Use of headphones will enable users to receive voice mail messages or other information with privacy never before available in village life. In the pilots, to be conducted in MP and UP, the text will be available in Hindi and English. During the rollout, other languages will be added, according to the needs of each region.

The cherry-picking strategy of Indian ISP's has so far left the large rural market almost entirely without Internet connectivity. Where local connectivity is not available, TARAhaat will provide access via C-band satellite. Very Small Aperture Satellite Dishes (VSAT) will be installed at strategic locations in the test area and will function as POPs - especially in those areas where a local telephone service exists. In due course, when GOI allows Ku-band service and as other satellite technologies are deployed, TARAhaat will migrate to the optimal low cost access solution. As part of the beta pilot, Hughes Escorts has committed to provide 5 dishes to be set up at selected locations in the test area.

Payment for the different types of transaction made possible by TARAhaat will be largely by cash (which research over the past 20 years shows to be more easily- though somewhat seasonally - available in rural and peri-urban areas than is commonly supposed). However, the TARAcad, which provides a highly prized photo ID to each villager, will in time become a local credit card, particularly in dealings with the TARAdhaba and TARAvan. As the TARAhaat network expands, the TARAcad can become a more widely used method of payment for goods, services and financial transactions, potentially evolving into a SmartCard with medical and other records resident on it.

TARAhaat is being launched with limited financial capital from its promoters, TARA and Development Alternatives. As it grows, additional funds will be raised from public financial sources and private investors. Overall, 50% of the equity capital of TARAhaat.com is expected to belong to a not-for-profit foundation, the Sustainable Livelihoods Foundation. The objectives of the Foundation are to support science, policy advocacy and action through citizen groups to accelerate the processes of sustainable national development. The remaining equity will be used for raising the cash resources needed to expand operations and to provide incentives to staff and franchises (ESOP), necessary to build a global enterprise of this magnitude.

For TARAhaat to become a successful and rapidly growing venture, each partner responsible for information or product flows must make a profit. The value chain throughout the business model has therefore been carefully designed to result in the highest possible revenue stream for each distinct activity and actor. Business plans for each player in the TARAhaat network show that, provided the range of services made available is properly chosen, significant profits can be generated at each step in the information chain.

Revenues to TARAhaat will come from payments received for services, commissions on sales, fees for advertising and entertainment, royalties and other sources of earnings. All these will be structured to maximise the incentives for each participant in the TARAhaat network: the user, the TARAdhaba, the TARAvan, the TARAscout, the TARAguru and TARAhaat.com and its shareholders. Overseas franchises and consultancies in other developing countries will provide revenues in the future.

The economics of the TARAdhaba franchise are critical to the success of the network. The main costs of running a TARAdhaba are: loan servicing, staffing, utilities and royalties to TARAhaat. Preliminary business plans show that the break-even for a TARAdhaba with two terminals is around Rs. 600 (\$15) per day, or Rs. 20,000 (\$450) per month. The revenues to cover this must come from several streams. The owner will charge each user for the time spent at the terminal. (In the cybercafes found in cities all over India, the current charges range from Rs. 50 to 100 -- \$ 1 to 2 -- per hour). In addition, the TARAdhaba will charge a brokerage fee for certain kinds of transactions and information delivery. Other revenue sources include displaying ads from local businesses and professionals, downloading educational materials and

accessing official information, application forms, etc. TARAhaat's revenues come from the wide range of services it provides to its end-clients, the villagers; its franchises in the form of royalties and service fees; its advertisers; its vendors and its other business partners, all of whom will benefit by the growing market for their products and services made possible by TARAhaat. Alliance partners, who collaborate and contribute to building up TARAhaat in the initial stages of its development, will continue to have a special relationship, including the use of the network for their own marketing purposes on special terms.

The sister portal, TARAbazaar, which will provide C2C services connecting urban or overseas customers directly to rural craftspeople will also produce opportunities for income flows, not only to the village, but also to TARAhaat.

Additional sources and opportunities for generating income will continue to be identified and explored when TARAhaat goes into operation. The rural economy is as yet so untouched and so full of potential that a whole range of new and unforeseen financial flows can be generated by a catalytic intervention of this type. Even the small percentage that accrues to TARAhaat of the economic gains thus generated will provide resources for further growth of the network. Beyond a certain point, Metcalfe's Law shows that continuing growth becomes a self-reinforcing process.

To ensure that TARAhaat is successful and its services reach the large majority of villages throughout India over the next four to five years, the initial implementation has been carried out in three carefully designed phases. After preliminary design work, mainly of the portal and the selected content fields, the alpha test took place (from May 2000) almost entirely in the field, in Jhansi District in the State of Uttar Pradesh (UP) and Tikamgarh District in Madhya Pradesh (MP). A fully functional pilot was then carried out in selected villages with a view to test the technology and to understand the requirements of the local people.

The subsequent beta test permitted a wider and more rigorous experiment involving several representative locations in different parts of India to refine the TARAhaat approach. The beta phase also provided data for longer-term processes to fine-tune the access, content and fulfillment components of the model.

Obstacles

TARAraths (TARAvans) will solve the problem of physical delivery of goods and services where courier services do not yet exist, which is the case for most villages in India. An order placed through TARAhaat.com will be passed on to TARAvendors (suppliers, dealers or agents of TARA-approved products) and to the local TARAvan franchise, which will pickup, deliver the items ordered and collect the payment.

Much of the information and intelligence on the TARAhaat.com screen is time-sensitive; it will have to be updated regularly. A network of TARAscouts and alliance partners will continually update the content to keep the portal constantly renewed, fresh and vibrant.

The growth of the TARAhaat network in terms of range of coverage and speed of implementation will benefit from the experience of the ubiquitous "public call offices" (PCOs) which have made the telephone a near-universally available service throughout India. Over the next five years, TARAhaat expects to have covered the bulk of the country, and expanded into neighboring countries in the sub-continent. An agreement has already been reached with the Bangladesh Centre for Advanced Studies of Dhaka to franchise TARAhaat services to local entities in Bangladesh. Similar agreements are at an advanced stage of negotiations with the Sustainable Development Policy Institute in Islamabad, the equivalent Pakistani NGO.

The central feature of the Internet revolution is its speed. One year ago, the field was just beginning to open up in India. Even six months ago, there were few meaningful websites and hardly any ISPs or portals. Today, everyone seems to be going virtual. Large multinationals and unknown start-ups now populate IT Land with numerous URLs, competing for a rapidly growing, though ultimately limited, urban market. The huge rural market is, however, practically invisible in the flood of billboards and full-page advertisements that engulfs the nation's towns and cities.

A few vertical shopping websites already exist, including fabmart.com (for music and books). The more horizontal shopping websites now available include jaldi.com and inkarolbagh.com. Soon to go online are skumars.com and sunlife.com. jaldi.com pioneered the shopping website concept in India and provides a full service from receiving orders for a wide range of products (provisions to appliances) to delivering them at home. skumars.com and sunlife.com propose to provide access through franchised kiosks. All these sites will be fully occupied for years to

come with the urban market, and TARAhaat.com faces little competition, either for clients or for content. Indeed, jaldi.com has been involved in the genesis and design of TARAhaat.com from day one and is a valued strategic alliance partner. Of the major horizontal portals (timesofindia.com, 123india.com, rediff.com, wahindia.com and indya.com), not one tries to cater to rural users. They are entirely geared to the information needs of well-educated and upper-income urbanites. None of them covers the same ground as TARAhaat.

Impact

The impact of TARAhaat will be felt on several different levels: family, agriculture, and youth. For the family this venture provides a window to the world, enabling them to connect locally to international information, health, matrimonial, and mailing services. The farmer benefits are through weather forecasting, procurement services, and sales negotiations. The younger generation benefits through career counseling, entertainment, and educational and career opportunities.

Scaling up

Although the Internet is experiencing explosive growth, with new companies entering new niches of the dotcom market each day, TARAhaat.com faces little real competition in the near future. Its unique combination of mother portal nurturing several vertical and horizontal portals within it, together with franchised kiosks and delivery vans, gives it a head start and considerable first-mover advantage in a market whose existence has so far been noticed by very few.

The financial structure of TARAhaat breaks new ground by providing simultaneously for equity shareholder value and societal stakeholder wealth in a manner that maximises both. It does this by domiciling a large part of its shares in a non-profit foundation whose mission is to support civil society and community based action aimed at accelerating national development. A few businesses and their advertisers are now beginning to recognize the opportunities offered by this market. Despite these efforts, however, the needs of the rural market are so vast that, with present technologies and organizational methods, they will remain unmet for many decades to come.

TARAhaat.com can primarily be characterized as a horizontal portal, but in several domains it will feature strong vertical elements, such as in medical services, commodity trade and distance education. Its central core is built around B2C links, but it is expected quickly to generate growing B2B and C2C traffic. For example, the subsidiary portal TARAbazaar.com will provide urban and overseas consumers with direct (C2C) access to village craftspeople, opening opportunities for direct marketing by millions of individual workers in the rural areas without their having to migrate to the city. Thus, large food processing companies such as Lever, PepsiCo and Dabur will be able to negotiate and monitor direct agreements with individual farmers for the purchase of tomatoes, peanuts or sugar cane. Value addition from timely delivery and savings from disintermediation can generate large revenues for seller, buyer and TARAhaat (which in effect becomes a new, more efficient intermediary).

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