



# Global Brands Making Foray in Rural India

By Arpita Khare

The popular image the world has of an Indian rural consumer is one who has limited education and exposure of products and services. Yet, Indian rural markets are much more complex and represent a tremendous marketing challenge and opportunity for multinational firms.

## Insight into the Spending of Rural India

Burgeoning with affluent farmers in Karnataka, Punjab, and other areas, rural marketing thrives on personal selling, word of mouth and price. With 128 million households; India's rural population is nearly three times the urban population and accounts for 70 percent of toilet soap consumption and

38 percent of two-wheelers purchased.

According to MART, a New Delhi-based research organization that offers rural solutions to the corporate world, rural India buys 46 percent of all soft drinks sold, 49 percent of motorcycles and 59 percent of cigarettes. This trend is not limited just utilitarian products. For example, 11 percent of rural women use lipstick.

India's National Council of Applied Economic Research (NCAER) emphasizes that rural households form 71.7 percent of the total households in the country. Soft drink giant Coca-Cola is growing at nearly 40 percent in rural markets, compared with 24 percent in urban areas. Furthermore, Hansa Research, reported the penetration of consumer durables has increased sharply in India's

villages between 2000 and 2005. For example, color television sales are up 200 percent and motorcycles 77 percent. In absolute numbers, however, the penetration is still low. Coke, for instance, only reaches near 25 percent of the rural market. This means the upside potential is vast for companies that develop effective rural marketing strategies.

Like Russia, Brazil, Mexico and China, India is also experiencing an awakening of its middle class. The implications of this trend are consistent with a growing awareness and interest among the rural population toward quality products. Earlier, a villager was satisfied with the public transportation, today's villager aspires for two-wheeler for making his life convenient. Spending on personal grooming and durables has



risen in past few years in the smaller towns and villages of the country; while liberalization has led to decline in the prices of many products like deodorants, cold drinks and detergents.

Consumer durables such as LG Electronics India, targeted the Indian rural customer with launch of new products such as 'Sampoorna' brand of television sets and it has opened more offices in rural India than in the urban parts of the country. The top management understood that as the rural market awakens to new technologies, the consumer durable market was bound to undergo a transformation.

LG is not the only MNC vouching the changing trends by growth of its sales in the rural parts, Mirc Electronics has also launched a program called 'Operation Vistaar' and has introduced low priced television brands for rural households. Samsung has targeted the villages by organizing road shows and have focused the semi-urban and rural consumer for their various product ranges.

Associated Chambers of Commerce and Industry of India, predicts that Fast Moving Consumer Goods sector will witness more than 50 percent growth in rural and semi-urban India by 2010. They note that demand for products such as toothpaste, instant coffee and deodorants in the nation's villages and small towns will increase by 60 percent by 2012. In a country with 235 million farmers and where agriculture accounts for a fifth of the \$775 billion economy, initiatives are underway by Hindustan Unilever, P& G, Coca Cola, PepsiCo and Nestle to increase marketing spent to develop distribution infrastructure in the heart of rural India as well.

Companies are planning their distribution strategies to reach the interiors of the country. Kolkata-based ITC Limited, which diversified its agricultural business in recent years to sell cookies, garments, incense sticks and matches, is setting up retail stores called 'Choupal Fresh' to sell fresh fruits and vegetables. It

also plans to expand the number of its rural supermarkets called Choupal Sagers to 700 by 2013 from 11 currently. Hindustan Unilever Limited, the Mumbai-based local unit of Unilever, sells its products through 6.3 million shops, reaching eight out of ten households in India.

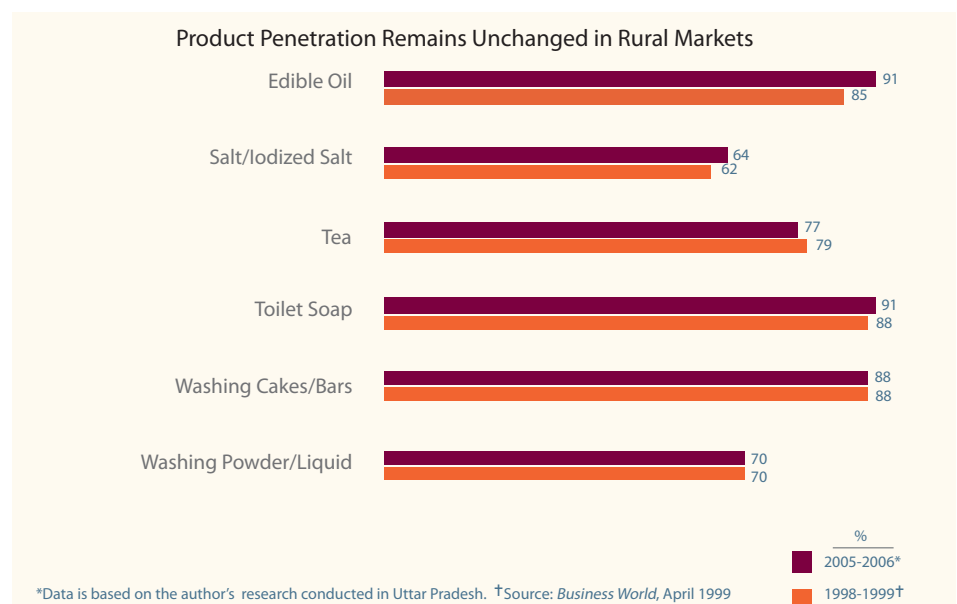
According to the National Council for Applied Economic Research (NCAER), affluent farmers are investing in the education of their children. The state of Kerala has benefited immensely from remittances of those who have sought work in the Middle East while children from rural areas migrate to urban centers in search of employment opportunities. Also, notable demographic changes are occurring with increases in education among women. In the villages, education is recognized as essential for women and is bound to create a new culture and greater understanding about the world.

Research shows that Coca-Cola uses a combination of television, cinema and radio to reach 53.6 percent of rural households. It has doubled its advertising expenditures on Doordarshan (Indian National Television Network), which reaches 41 percent of rural households. It also uses banners, posters to tap the rural market. As price is a key issue in the rural areas, Coca-Cola advertising stresses on 'magical'

price point. The Cola majors like PepsiCo and Coca Cola have been successful in penetrating the rural markets and creating brand awareness.

Designing advertising and promotional strategies for the rural market pose immense challenge. Many companies in the durables segment use local language to make the product features understood by the locals. The advertising media selected varies from the use of wall writings to banners and posters across the villages, to the use of vans displaying the products and radios.

Research highlights the vastness of India's 627,000 villages, which are spread over 3.2 million square kilometers. Nearly 700 million Indians may live in rural areas. The poor state of roads pose a challenge to regularly make products available in the far-flung villages. It is herculean task to reach at least 13,113 villages with a population of more than 5,000. Marketers must trade off the distribution cost with incremental market penetration. Looking at the vastness of Indian rural markets, it would be pertinent to add that undoubtedly, Indian markets promise a huge growth potential. When comparison is drawn between Indian rural market and other global markets on the basis of size, it may be understood that no developing country promises such immense opportunity. The Rural Indian landscape comprises of a population lapping at branded products, which is thrice the size



of the Mexican market, nearly five times the size of the Russian market. Globally it presents a marketer with a challenge and opportunity to cater to this class of consumers.

According to C. K. Prahalad there are cases when large firms and multinational corporations have undermined the efforts of the poor to build their livelihoods. To involve the poor in the benefits of globalization means creating active engagement for them and providing access to products and services that represent global quality standards. Rural consumers need to be exposed to the range and variety of opportunities provided by globalization.

The heavy spending patterns by rural consumer is witnessed in the past few years in product categories such as mobile connections, 'Kissan' credit cards, investments in insurance schemes and policies, bikes and television sets. The increased penetration of the television and cable networks in village households is also responsible for making the village consumer aware about the alternatives available in the market.

The younger population is greatly influenced by the urban youths in its choice of clothing and durables. Of two million BSNL mobile connections, 50 percent are in small towns/villages. According to Business World, reduction in telecom tariffs makes it possible for India to enjoy the lowest call rates in the world at two cents per minute, compared to 33 cents in Japan, 11 cents in Brazil, and 24 cents in Australia. India's mobile phone user base has exploded to 105 million today from 5 million in 2001 consequently driving the price of handsets.

### **Marketing in the Tough Indian Rural Terrain**

Rural India is a new world of experience for marketers. The largest FMCG (fast moving consumer goods) Company Unilever India, earns more than half of its annual revenue from rural markets. The same pattern is visible for companies

manufacturing wrist watches, soaps, television sets, tea, and cassettes.

While this economic potential is consistent across rural markets in India, how global brands reach various segments of these markets may vary from state to state. Furthermore, even though the spread of telecommunication networks and education has made the villagers better versed with the urban lifestyle; their aspirations and culture remain different. Companies are faced with diversity in languages and geographies, making it necessary for



rural and region specific strategies (e.g., a farmer from Punjab may be more progressive than his counterpart in Bihar).

In a country like India, with cultural and language disparities existing even within a state, designing advertisements for the rural markets can be an expensive endeavour. The language and the context of the advertising should be relevant to the consumers' lifestyle and beliefs. The message and media selected thus have to be compatible with the consumers' reference and background. Companies such as Dabur distribute religious texts or calendars with religious themes with its products.

In other instances, companies train and educate the consumers about the product usage and its relevance. Their marketing efforts are targeted towards creating brand awareness amongst the opinion leaders in the community which leads to others in the villages slowly

adopting the product. In the villages, visibility about a brand and how to use it is instrumental in generating sales. Being skeptical by nature about new innovations, rural consumers go more by word of mouth. Therefore, to market its jeans, Arvind Mills' promotional effort included teaching tailors in villages to stitch the jeans. As the tailors are opinion leaders for clothing, they became votaries for jeans and for the 'Ruf & Tuf' brand. Many marketers provide demonstrations about the durable products to overcome

consumers' misconceptions. For example, automobile company Hindustan Motors demonstrates the utility of its vehicle on the dirt tracks to rural consumers. Eicher Tractors organizes tug-of-war contests between its own tractors and those of rival companies at the colorful Pushkar fair at Rajasthan.

Another interesting trend was found by Naryan Krishnamurthy in his research, which indicates a number of successful brands in rural markets have brand names or symbols with numbers or animals. These include: 555 soap, Monkey brand toothpaste, Gemini tea (with an elephant), Cheetah fight matches or Sheeru (tiger) beedi. The associations of symbols with these brands help recollection.

While rural India buys products more often (mostly weekly) and in less expensive small packs, brand awareness is distinctively poor. Brands compete with

each other on ready supply. Therefore, it is not quality that draws a rural consumer to the product but availability. The brands that are most popular may be brands that have no market presence in the elite markets. The reason for this is that consumption patterns, tastes, and needs of the rural consumers are entirely different from urban consumers. Hindustan Unilever found the retailers in villages were cutting its large 100gm soap into smaller pieces and selling them individually. So in response, it introduced small 75gm soap, a low unit price strategy. In a country like India where prices play a big role in purchase decision, this strategy has increased product penetration into the interiors of the country by encouraging trial purchases.

In the rural setup purchase process a social component is involved that includes different family and community members. Rural youth are more conversant with newer product ranges and price differentials. More so, as many educated villagers have migrated to cities, they now play a pivotal role in influencing in the purchase decisions. According to Joshi, the rural population seeks information about the product availability and usage from each other; the social interactions are a major influencing factor. For example, in the villages the common washing area makes purchases like toilet soap and toothpaste are known to all, which are usually private in urban households. It also adds to the status of the villager to brush his teeth with toothpaste or use a detergent to wash clothes.

### Global Brands Reaching to Indian Rural Consumers

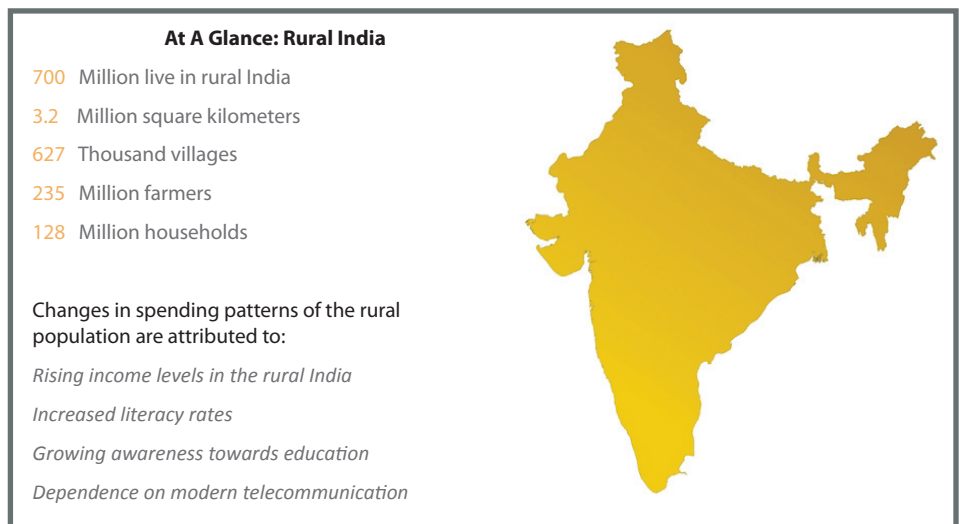
Occupation in rural India include farmers, shopkeepers or traders, teachers, people working in banks and other offices but living in villages. Land-owning farmers comprise of one-third of the population and their consumption habits are dissimilar to those of the shopkeepers and people employed in offices and teachers. This group is the major consumer of durables.

Kashyap says rural consumer could buy

from different locations depending on the product and the need. For example, a study on haats indicates that, despite the same product being available in the village shop, 58 percent of the rural consumers visiting the haats preferred to buy these from the haat because of better prices, quality, and variety. But also, modern means of communication are increasingly influencing marketing efforts — though use is still limited. The penetration of mobile phones and motorbikes amongst the villagers shows the growing acceptability of newer innovations amongst rural consumers. Acceptance of the latest products and brands reflects the migration of many villagers to cities in pursuit of higher education who then communicate their product purchase decisions in the village community. Such tempting is the pie of the rural market that companies such as Colgate Palmolive, Marico, Hindustan Unilever, P& G, Coca Cola, and PepsiCo are all devising strategies that would enable them to gain a foothold in the rural market.

the consumer about the relevance of the brand or product in his lifestyle. As in the villages the rural consumer goes more by word of mouth than advertising of the product, the retailer's inputs play an important role in purchase decision. The illiteracy and low education prevents the consumer from asking about a particular brand. For the retailer it is convenient to sell a product that fetches him more returns, so he convinces the consumer accordingly. However, with more media proliferation in villages and growing importance of marketing in rural sectors, rural consumer is becoming conscious about his preferences in various product categories.

Advertising should also be tailor-made to suit the specific requirements of the rural consumers. Companies are spending huge amounts of money to extend their reach in the rural markets. The fast changing demographics of the rural population is bringing about a change not only in their consumption patterns and attitudes.



Velayudhan points out towards careful assessment of product-market selection decisions in rural markets, while studying the capabilities of distribution and the cost. Acceptance of shampoos, soaps, soft drinks, detergents and mobile phones in the rural markets has led to revolution in packaging and pricing of products. As rural consumer's brand awareness is very limited, the retailer plays a vital role in convincing

Many companies are involving consumers in the distribution networks of the companies and making them a part of the selling process. Hindustan Unilever reaches a hundred thousand small villages, touching the lives of over 100 million rural Indians. It also provides training to underprivileged women from small villages. Hindustan Unilever has a substantial presence in over 1500 towns

us covering 80 per cent of the urban population.

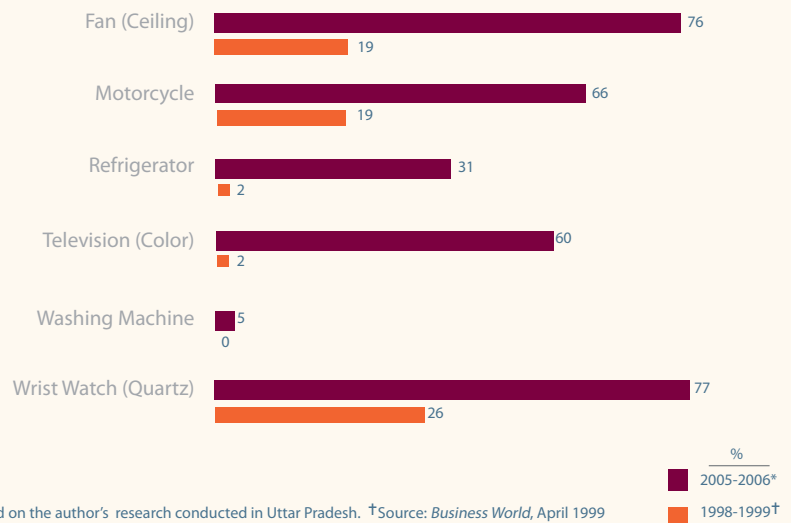
Economic changes in the country also made consumers more experimental in their tastes and women were becoming more empowered to play a major role in purchase decisions.

### Overcoming Hurdles for Supremacy

There is no doubt that the rural market presents global companies with vast opportunities and challenges. With the large chunk of middle and low income groups residing in the villages, the demand for products is bound to grow. Products are being specifically designed and priced for rural consumption. Significant issues need to be understood by MNCs making investments in rural India:

- Rural India does not represent a homogeneous market. The tastes and preferences of the consumers vary from district to district in the country. With changes in the language and dialect, advertising has to be tailored specifically for different target consumers.
- Networks are not efficient to tackle the distribution demands. Problems exist in reaching the interiors of the country. Initial expenditures to develop distributor networks are immense, because in Roads and communication networks are not efficient to tackle the distribution demands.
- As there is little consumer research regarding the rural markets, companies commit the folly of overestimating the awareness of product usage in the rural market.
- The Indian consumer is traditionally price sensitive and more so in the rural parts. Multinational companies that modify portions and packaging to create a greater value proposition have succeeded in targeting the rural consumer.
- The rural distributor cannot stock a large variety of products because of credit problems. Also as the retailer plays a vital role in the village in convincing the consumer about the usage of the product, it becomes imperative to provide sufficient information and infrastructure support to stock adequate inventory of goods. Major global brands have included villagers in their distribution channels, not only providing employment but also extending the reach in the rural markets.
- While increased penetration of telecommunication has resulted in an increased awareness among villagers, it is still important to understand that a major chunk of rural community is not educated enough to comprehend the technicalities of the product/brand usage.
- A positive phenomenon that is on the rise is that of a tendency to try out new innovations in the durables category. With a massive population between 18-30 years, the disseminators of information are the younger generation in the villages.

Change in Consumption of Durable Products in Rural India



For global companies investing in rural markets, the opportunities are immense. The only word of caution is that advertising and promotion must be tailored specifically to suit the palate of rural consumers. The appeal and creative strategies relevant for urban consumers may prove totally unsuitable for the rural market. In coming years the rural consumer is going to play a dominant role in defining fate of major global FMCG and consumer durable players in the India. 🌐

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Notes:

1. **Marketing Strategies for Rural India:** Balakrishna P. & Sidharth B. (2004). Selling in rural India. *The Hindu Business Line*. Retrieved from <http://www.blonnet.com/2004/02/16/stories/2004021600160900.htm> on May 30, 2007; Bhattacharya S. J. (2005). Building muscle into reach. *Asia Africa Intelligence Wire*; How well do we know rural India? *Mart*. (2005). How well do we know rural India? [www.martrural.com/ruralmkt.htm](http://www.martrural.com/ruralmkt.htm); Sharma, S. (2006). India Consumer Companies May Tap Villages to Grow, Survey Says. Retrieved from <http://www.bloomberg.com/apps/news?pid=20601091&sid=aMwz1LBHtjy&refer=india> on May 30, 2007; Kashyap, P. (2006). *The Rural Marketing Book*. New Delhi: Biztantra Publications; Kashyap, P. (1998). Selling to the sons of the soil. *Strategic Marketing*, 1(4); Krishnamurthy, N. (1999). Signs speak louder. *A & M*; Lakshman, N. (2004). A new, improved HLL? [Rediff.com](http://www.rediff.com/money/2004/apr/17spec1.htm). Retrieved from <http://www.rediff.com/money/2004/apr/17spec1.htm> on June 20, 2006; Marketing to rural India: making the ends meet. (2007). *Knowledge@Wharton*. Retrieved from <http://knowledge.wharton.upenn.edu/india/article.cfm?articleid=4172> on May 30, 2007. in *Knowledge@Wharton*; FMCG sector to grow over 50 pc by 2010. (2005). *The Hindu Business Line*. Retrieved from <http://www.thehindubusinessline.com/bline/2005/07/19/stories/2005071903080400.htm> on May 30, 2007; Veluyudhan, S.K. (1995). Rural marketing: targeting the non-rural consumer. *Response Books*. New Delhi: Sage Publications.

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