

Sustainable Marketing Strategies with Respect to Brand Preference of Rural Consumers in India

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Abstract

The Indian rural market in present century witnessed with its vast size offers a huge opportunity with millions of households and the rural population is nearly three times the urban. Multinational corporations view emerging markets such as India as prime opportunities for growth as the rural markets are growing twice as fast as the urban markets. It is uneconomical to access a large number of small villages with a very low population density spread over a large geographic area. The paper studies the changing paradigm of the Indian rural markets and suggests some ways in sustainable development in rural marketing. Factors such as limited physical access, low density of shops, limited storage facilities, need for a large number of intermediaries in the distribution channel to reach the end customers, and low capacity of intermediaries to invest in business make the tasks of reaching rural consumers very complex.

The study is based on consumer survey to find out the awareness and preference particularly by the rural respondents. The sampling procedure adopted was random sampling out of 100 village consumers selected on the basis of priority. Purposive sampling techniques are adapted to collect primary data. The consumers are divided into three categories on the basis Income, Age and Gender. A new rural marketing mix is suggested with special emphasis on the marketing communication mix. Modern marketing strategies are now equated with sustainable marketing to make development in rural India and get new opportunities and challenges. The extent literature on rural marketing has uncritically used the same theories, models, concepts and framework as have been used in the marketing discipline.

Keywords: Sustainable Marketing, Rural Market, Brand Preference, Rural Consumers.

1. Introduction:

Before a decade, foreign consumer products were insufficient in India and only available to the well off. Import restrictions prohibited or severely caught up foreign consumer goods from entrance to India. With the economic liberalization that ensued, foreign brands are now prevalent across India. Today, multinational corporations view emerging markets such as India as prime opportunities for growth as the rural markets are growing twice as fast as the urban markets. With a rural population equal to just less than 2.5 times the population of the entire United States as of the 2000 census, the potential consumer base is astounding (Luce, 2002). But generally speaking, success in India's rural markets for multinational corporations has been mediocre at best. It is from these struggles and failures, however, that multinational corporations seeking to enter the rural Indian market can learn how to do so more wisely.

The study is confined only to Ganjam district of Odisha. It is believed that the findings in this region are fairly representative of the other parts of the district. Since the lifestyle and other parameters are not much different from what exist in the area of survey. The socio-economic and political changes contributed to a great extent of changes in the lifestyles of countryside people who patronized branded products. In Odisha the rapid growth of Management and Degree colleges are bringing education to the doorsteps of rural people, greatly contributing to shift towards branded products. The Government policies to promote education in rural areas enhanced their brand awareness due to the presence of at least one higher education pursuing student in their family. Finally this paper seeks to find out the

important factors responsible to establish customer relationship by creating communicating and delivering values to the rural customers.

2. Objectives of the Paper:

The main objectives of the present paper are to describe a conceptual framework of sustainable marketing involving both marketers and rural consumers. Since present paper is an attempt to investigate the effect of sustainable marketing efforts to create product preference from the perspective of the customers as well as the marketers of a developing economy like India, it has following objectives:

1. To access the impact of sustainable marketing towards product preference of rural consumers;
2. To know the factors responsible for preferring branded products in rural consumers.

3. Review of Literature on Sustainable Marketing:

India has caught the eye of multinational corporations across the globe as a place of opportunity for exploring new markets as population already in excess of one billion people. India has major portions of their population considered wealthy or middle class by Western standards, a much greater percentage of India's population is low income. As a result, they spend money, live, and use products differently than the countries where most multinational corporations originate (Pralhad & Lieberthal, 2003). Understanding the characteristics that make the people and the market in rural India unique can help corporations to enter this market with success. As rural areas, in particular, demonstrate these differences and the key characteristics define the term rural, determine the amount and flow of income, and determine the types of products and packages that are typically used in rural India.

Seventy percent of India's population, or approximately 700 million people, live in rural areas (Moorthi, 2002). Kripalani, (2002) stated that most rural homes have minimal storage space and no refrigeration and very few people own or have access to cars. As a result, rural Indian purchasing habits tend to be of an "earn today, spend today" mentality rather than buying in bulk, rural Indians tend to buy what they need for short segments of time (Dawar and Chattopadhyay, 2002). These factors result in consumers buying products locally, as well as on a daily basis. In addition to the fact that income levels are low, rural incomes also vary greatly depending on the monsoons. When a monsoon hits, this devastates the livelihood of most rural consumers because they are dependent on agricultural work for income. Corporations are also directly affected because this makes it difficult to predict demand (Kanaan, 2001). Before a company considers entering the rural market, understanding the types of products and packages that rural Indians typically use is crucial. For example, urban Indian consumers would typically use toothpaste for brushing their teeth, while most rural Indians prefer using tooth powder (Balu 2001). As a company seeking to enter India's market with an oral care product, this would be an important fact to know and consider during both the product and package development stages. By taking into account the low disposable incomes and the unique product and package needs of this market, consumer products that are designed and packaged for this market have great potential. Another key aspect to consider is how and where to produce and package the product. There are several options when a company is attempting to strategically aligning with industry. Companies can partner with an existing Indian company, buy out a local Indian manufacturer of a similar product, or strictly import products into India while keeping manufacturing facilities elsewhere (Luce, 2002).

The first and best option for aligning with the Indian industry is for the multinational to partner with an Indian company that is already successfully producing and selling a similar type of product. In doing so, the new company can take advantage of the manufacturing facilities and distribution networks that are already in place rather than having to start from scratch. Hindustan Unilever (HUL) is a multinational corporation that has found success with this method of aligning with industry. By partnering with local entrepreneurs who own and manage their own plants, HUL is able to manufacture their products with minimal amounts of fixed capital. In these partnerships, the entrepreneurs agree to devote their plant's capacity to manufacturing only HUL products (Pralhad and Liebethal, 2003).

A second alternative for aligning a new industry to enter India's rural market is to buy out a local Indian manufacturer. As with partnering, buying out a local manufacturer gives a company the ability to capitalize on existing

manufacturing facilities and distribution networks. The disadvantage is that Indian consumers may view this negatively. Coca-Cola is an example of a Multinational Corporation that tried buying out a local distributor. In 1992, Coca-Cola made its second appearance to the Indian market. In an attempt to eliminate its biggest competitor, Coca-Cola acquired Thumbs Up, the local market leader in cola. When Coca-Cola tried to exchange its own brand on the regular Thumbs Up distribution network, Indian consumers looked unfavorably upon Coca-Cola. The company has been struggling ever since (Luce, 2002).

Distribution networks in emerging markets tend to be very unique and often times disjointed (Dawar and Chattopadhyay, 2002). India is no exception. Before a multinational corporation even considers entering India's rural market, it is important to first get an understanding of the current distribution system characteristics as well as the ways that the system is likely to change over time (Prahalad and Lieberthal, 2003). In doing so, a company can assess whether or not accurate and timely product distribution can be achieved without first investing in the distribution networks. Some of the characteristics unique to rural India's distribution networks include the modes of transportation used as well as the point of sale. Despite the challenges of the rural Indian distribution environment, there have been distribution successes from multinational corporations.

Over three million retail outlets in India are reached by companies that produce packaged goods. Methods of transportation used include camels, bulldrawn carts, bicycles, trucks, and trains (Prahalad and Lieberthal, 2003). In addition, poor roads and unreliable electricity are two additional obstacles common to the distribution networks in rural communities (Kripalani, 2002).

Though glass bottles are popular in India, breakage can be a serious problem when the glass is carried over bumpy roads in the back of a truck (Prahalad and Lieberthal, 2003). Companies must be prepared to design packages for their products that will be capable of withstanding these types of conditions.

The retail establishment where most rural consumers purchase their day-to-day goods is at a kirana or street shop. These small open stalls line the streets and are approximately the size of a living room. Consumers purchase everything from bananas to razors at a kirana. With over 2.5 million kiranas throughout India's rural towns and villages, keeping store shelves stocked is one of the main challenges to consumer goods manufacturers (Bullis, 1997). In order to reach these local shops and establish a brand presence in them, companies need substantial amounts of working capital and a large committed sales force (Dawar and Chattopadhyay, 2002). In spite of all the distribution challenges, there have been several multinational corporations that have experienced great successes in tackling the distribution networks. Hindustan Unilever has been able to build a distribution network in India that directly serves 800,000 stores and uses wholesalers and distributors to reach another 3.5 million outlets (Dawar and Chattopadhyay, 2002). Not only does this help HUL move products from manufacturing facilities to retail outlets, it also provides a large deterrent to potential competitors. In addition to the distribution networks that reach local stores in India, HUL began using an experimental concept called Shakti distributors. They implemented this tactic in 2000 to get their products into some of the most remote rural areas (Balu, 2001). It is similar to the way Amway and Mary Kay distribute products in the U.S. Shakti distributors are rural Indian women who partner with HUL to receive training in micro-business skills, which includes a Personal Digital Assistant (PDA) to access product prices. They purchase HUL products at cost and sell them to their villages for a profit. This unique method of distribution gets products beyond the typical reach of HUL's distribution networks (Merchant, 2003).

When approaching the task of designing a package for the rural Indian market, all of the aforementioned factors must be considered. Multinational corporations that have been successful with marketing and packaging consumer products for rural India have taken time to research the target market. They built an insightful and unbiased understanding of the characteristics that make it unique (Prahalad & Lieberthal, 2003).

The rural area is a market where large portions of the population are illiterate. So, when packaging consumer products for rural markets, companies must use prominent logo symbols and logo colors to assure that illiterate consumers will be able to recognize the products (Bullis, 1997). Therefore, communicating brand values through the package rather

than with words becomes essential. Emotional Surplus Identity (ESI) is a concept that that uses the shape, color, and content of a package to differentiate a brand in the eye of a consumer. By creating a bond with the consumer through the package, companies are able to establish a relationship that encourages repeat purchases. Loud, bright colors are typically used on packages to differentiate a product from the others on the shelf and to create a lasting impression in a consumer's mind (Srivastava, 2003). Another technique used by multinational corporations has been tailoring products, including changing brand names, to give them a rural image. In the eyes of the consumer, branded products are associated with quality and value. Nirma, the largest selling detergent in the world, found success in the rural Indian market by using unelaborate packaging to position their product as one that cleaned well yet was affordable (Bullis, 1997). While this technique is not the most eye-catching, it allows rural Indian consumers to experience the benefits of a branded product without requiring elaborate or expensive packaging on the part of the multinational corporation.

4. Research Methodology:

The survey was conducted in four villages of Ganjam district of Odisha, based upon structured questionnaire. Questionnaire was designed in the regional language to make the respondents understand the questions clearly. Questions were closed –ended and ranking based. The tools for data collection were the questionnaire. Questionnaires were prepared to capture the opinions and beliefs of the respondents. Apart from demographic details, the respondents were requested to rank the alternatives to the questions. The schedules were conducted simultaneously in the sample areas. The researcher recorded the responses of the respondents. The sampling procedure adopted was random sampling out of 100 village consumers selected on the basis of priority. Purposive sampling techniques are adapted to collect primary data. The consumers are divided into three categories on the basis Income, Age and Gender.

5. Data Analysis and Findings:

Null Hypothesis 1: There would be no significant difference between low and middle income groups and above Middle & High Income segments for brand awareness.

Table: 1

Income wise Segmentation and Brand Preference

Income Groups/ Tests	Mean	Standard Deviation	T test
Low & Mid	65	1.7	0.46
Above Mid & High Income	55	4.58	

Finding 1:

The Survey data reveals that the income effect is almost nil on aware of FMCG products. All income groups namely higher, above Mid, Middle and Lower income groups have not shown any significant difference on aware of products and brands. If not words they have symbols to express about a particular product brand. Package is playing a vital role in choosing and recalling and to find a product by a customer.

Null Hypothesis 2: There would be no significant difference between below the age of 30 years and 30 years and above to have Brand awareness.

Table: 2

Age wise Segmentation and Brand Preference

Age Groups/ Tests	Mean	Standard Deviation	T test
Below the age of 30	68.9	9.29	4.38
30 years & above	60.5	9.85	

Finding 2:

It reveals that the age effect is high on aware of branded products. Below 30 years age group is showing a significant difference on aware of these products. Most of them being educators and having trust on branded products influenced to shift towards branded products. And it is also influencing the 30 years and above age group.

Null Hypothesis 3:

There would be no significant difference between male and female to have a preference for a branded product.

Table: 3**Gender wise Segmentation and Brand Preference**

Gender Groups/ Tests	Mean	Standard Deviation	T test
Male	38.9	7.5	3.029
Female	36	5.95	

Finding 3:

The data reveals that the gender effect is high on preference for a branded product. Male gender segment is showing a significant difference on branded products. Most of them being educators and having knowledge on branded products influenced to shift towards branded products. People are not worried about the price of the product. They are showing interest to spend higher price when they realize that they can afford to spend. Since the usage of branded products of reputed companies which practices sustainable marketing efforts. Finally the research found that there is a significant relationship of rural consumers in terms of gender and age towards brand preference without effecting of income segments.

6. Conclusion:

With an approximate population of 700 million people, the rural Indian market is important for multinational corporations to tap. Although rural Indians need to purchase consumer goods just as their Western counterparts do, rural Indian consumers have a different set of needs that must be met by both package and product. Spending time researching the rural Indian consumer as well as the market before diving in can help to prevent unnecessary struggles and failures. If the opportunity exists, partnering with an existing Indian company upon market entry can provide several key advantages to a company. Understanding the available distribution networks in rural India is crucial to making a successful entry into the rural Indian market. Packages need to be designed to withstand more distribution abuse due to poor roads and more primitive modes of transportation. Finally, when creating a package for rural India, small sizes allow consumers to try new products. It also caters to the fact that most rural Indians have low disposable incomes and little storage space at home. By applying the strategies in terms of sustainable marketing from multinational corporations in the past, the task of entering the rural Indian market should be promising.

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