Rural Brand Preference Determinants in India

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Introduction

In the last few years, spending patterns have been changing in both rural and urban India. Discretionary incomes have started going into mobile phones, televisions, white goods and motorcycles. However, FMCG brands penetration in India, particularly in rural India, is so low that the potential for growth remains huge.

The Rural market has been growing steadily since the 1980s. Rural markets are vital for the growth of most companies. For instance, more than half of HLL's annual turnover of Rs.9,954 crore comes from rural markets. *But despite the high rural share, the rural penetration rates are low*, thus offering tremendous potential for growth. The proposed agricultural reforms in the Tenth Plan, easy availability of agriculture credit, the Rs. 60,000 crore village road programs, introduced recently to connect 1.9 lakh villages, and improved communication network is likely to give a huge fillip to the rural economy and incomes, resulting in higher penetration as also increased consumption rates in the coming years.

"These villages and small towns, which were once inconsequential dots on maps, are now getting the attention of global marketing giants and media planners. Thanks to globalization, economic liberalization, IT revolution, Indian diasporas, female power, and improving infrastructure, middle class rural India today has more disposable income than urban India. Rural marketing is gaining new heights in addition to rural advertising." (Bhatia, T.K; 2000)

There are many challenges that companies face in tackling rural markets, some of the more critical being: understanding rural consumers, reaching products and services to remote rural locations and communicating with vastly heterogeneous rural audiences. Rural customers are fundamentally different from their urban counterparts, and different rural geographies display considerable heterogeneity, calling for rural- specific and region specific strategies. In an urban family, the entire family is involved in making a purchase, however in the village community women have very little contact with the market, the male makes the purchase decision, and community decision-making is quite common in a village, because of strong caste and social structures and low literacy levels.

The demand for rural credit is estimated at Rs. 143,000 crore. For banks, the challenge is not in disbursement but in loan recoveries because of uncertainties in Agri Sector. Therefore, it seems that gap between demand of credit and supply may be a challenge from Rural Marketing point of view.

Methodology

This study was done in two Indian states with the objective of exploring the dynamics of branding in rural India. The study was done through sample survey using structured questionnaire. The sample size for the study was 354.

Data Collection

Data was collected with the help of structured questionnaire. The sample size taken for study was 354. The data was collected in mid 2004 for four weeks.

The key variables taken for study were

1. Preference for FMCG Brand
2. Preference for Durable Brand
3. Preference for Agro Input Brand

Preference was measured on 5 point likert scale. Ratings on various dimensions of brand preference were also collected. The various dimensions of Brand Preference are following:

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Sr. No.	Statements
1	Branded products have **good quality**
2	Branded products are very **costly**
3	Branded products have all the essential **product features**
4	Branded products give **value for money**
5	Branded products are more **easily available**
6	Branded products **last longer**
7	Branded products incorporate **latest technology**
8	Branded products are **maintenance free**
9	Branded products offer **more variety / range**
10	Branded products is **easy to use**
11	Branded products are **reliable**
12	Branded products are **trustworthy**
13	Branded products give me **prestige**
14	Branded products are **stylistic**
15	Branded products have a **better finish and are good looking**
16	Use of branded products are **recommended by my kind of people**
17	Purchasing branded products is **risk free**
18	Branded products **perform as expected**
19	I purchase only those brands which I have been **purchasing since long**
20	Branded products are **not for people like me**
21	Branded products provide **distinction**
22	Branded products are **for rural people**
23	Branded products are **for urban people**
24	Branded products offer good **after sales service**
25	Branded products are **easy to use**
26	Branded products are **aesthetics / lifestyle**
27	There is **not much to differentiate** between branded and unbranded products
28	Unbranded products also have **warranty**
29	I get to **know** of new branded products through **friends / relatives / family members**
30	I get to **know** of new branded products through **shop-keepers**
31	I **buy** products that are recommended by **friends / relatives / family members**
32	I **buy** products that are recommended by **shop-keepers**
33	Branded products are easily **available** now-a-days

Results

Multiple Regression Analysis was done to analyze the data. For regression, brand preference for 3 categories – FMCG, Durables and Agro Inputs were taken as dependent variables for 3 separate set of regression analysis.

As seen in Table 1, preference for a FMCG (Fast moving consumer goods) brand in rural India is being significantly determined by Good Quality (Beta = 0.301), Value for money (Beta = 0.219) and recommended by my kind of people (Beta=0.188).

As seen in Table 2, preference for a Consumer durable brand in rural India is being significantly determined positively by Better finish and good looks (Beta = 0.261), Information through shop keepers (Beta = 0.236) and negatively by warranty for Unbranded products (Beta=-0.150).

As seen in Table 3, preference for an Agro Input brand in rural India is being significantly determined only by value for money (Beta = 0.273).

Discussion

Results clearly indicate that if any FMCG brand (National or Global) has to get established in rural markets of India, a very fast growing market in terms of size, they have to differentiate themselves on quality, value for money and sense of belongingness with consumer.

Similarly, if any consumer durable brand (National or Global) has to get established in rural markets of India, they have to differentiate themselves on Aesthetics, warranty conditions and recommendations from Shopkeepers.

And, if any agro input brand (National or Global) has to get established in rural markets of India, they have to differentiate themselves only on VFM, as of now. So there is long way to go in this market. Currently, no quality factors seem to be determining brand preference.

The reasons for rural branding being determined only by few limited attributes are manifold. However, the most important factor is lack of technology, innovation and so lack of rural development (Venkatesh, G; 2004). Lack of rural development means lack of infrastructure, and so lack of distribution facilities. This is very well recognized factor and probably responsible for lack of interest on the part of marketing companies. Till date, reach to rural population has been limited. Television penetration within rural population is still low. Moreover, even where the ownership of TV exists, lack of electricity or limited access to electricity has been a problem. So reach of media has been low. Due to low literacy level, reach of print media is also low. So, radio, outdoor, cinema etc. and other localized advertising activities only have to be relied upon. Needless to say, that these media have their own limitations.

Now, we firmly believe that treating poor as our customers is key to development (Prahalad, C.K; 2004). Earlier, the very same rural population including small towns was neglected as it did not have enough purchasing power to be called as key markets. However, now paying attention to this population seems to have become mandatory for category growth and market expansion. This leads to questioning whether Indian Rural population purchases products or brands. Probably this question needs to be answered in the context of category.

In the fast moving consumer goods category, the quality perceptions have already started emerging along with VFM. Sense of identity or status – “My Kind of People” has already started emerging. Therefore brand is being signified by quality and aspirations along with VFM. It leads to further questioning like what is the benchmark for quality perceptions. As a FMCG consumer or prosumer, are my quality perceptions being formed by my visits to Urban India or through media exposure or actual trial or combination of all these?

In the consumer durable category, does aesthetics determine brand preference? It may be that despite offering warranty (service), local or “unbranded” products may not offer the kind of finish and looks which a national or international brand would otherwise offer. Assumption of technology also may underlie the perceptions of aesthetics; however it may not have been put explicitly by rural Indian customers. However, brand does not connote reliability or trust in a significant fashion. Trust emerges through shopkeepers’ recommendation. At the same time, performance perceptions also do not seem to determine brand preference. Unlike FMCG, here quality perceptions do no seem to determine brand preference. This is probably explainable in terms of lack of trial. Therefore, possibly, the key task to create brand preference for a consumer durable is to know how to remove purchase barriers.

However, in the agro input category, nothing seems to be determining brand preference significantly, except value for money. One wonders why in a consumption which is directly related to livelihood, no quality or any other product parameters are emerging. Does a rural customer not have any faith in branded products for agro-inputs? Has supply of branded agro products been an issue? Or has performance of branded agro products been an issue? Or are agri-practices followed by a farmer responsible for it ? It has been observed that many a times lack of agri-productivity is due to faulty agri-practice, or due to practices which are not in consonance with agri-inputs. Whatever the case may be, probably the challenge becomes to create quality perceptions through controlled trial. If needed, do we need to change our agri-practices and how it can be done?

Table 1: Determinants of A FMCG Brand In Rural India

n= 354
Method = Enter

Dependent Variable	**R**	**R Square**	**Adjusted R square**
FMCG Preference - I prefer to purchase branded products in the FMCG category like bathing soaps, shampoo, facial cream, talcum powder etc.	0.744	0.554	0.485

	Standardized Coefficients Beta	**Sig.**
Branded products have good quality	0.301	0.000
Branded products give Value for money	0.219	0.001
Usage of Branded Product is recommended by my kind of people	0.188	0.004

Table 2 : Determinants of A Consumer Durable Brand In Rural India

n= 354
Method = Enter

Dependent Variable	**R**	**R Square**	**Adjusted R square**
Durable Preference – I prefer to purchase branded products in the durable like TV, transistor etc.	0.738	0.544	0.474

	Standardized Coefficients Beta	**Sig.**
Branded Products have better finish and are good looking	0.261	0.001
Unbranded Products also have warranty	- 0.150	0.005
I get to know of new branded products through shop-keepers	0.236	0.000

Table 3 : Determinants of An Agro Input Brand In Rural India

n= 354
Method = Enter

Dependent Variable	**R**	**R Square**	**Adjusted R square**
Agricultural Input Preference - I prefer to purchase branded products in the agro input category like seeds, pesticide etc.	0.578	0.334	0.230*

** Low Adjusted R square*

	Standardized Coefficients Beta	**Sig.**
Branded products give value for money	0.273	0.001

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