



## **A case study on Rural Marketing Strategies of MNCs using 6E framework in India and Indonesia**

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### **ABSTRACT**

Multinational Companies in a bid to increase their revenue and profit are now eyeing the emerging markets. Considering the saturation in the urban market they are now targeting the consumers in rural markets of emerging economies. Lowering price by reducing the volume, customization, mass production are the strategies of the past, these companies have now come up with innovative strategies wherein they involve the rural population so that they help them in reaching to the customers in the remotest part of the country.

This case study is an attempt to study the strategies used by the companies to reach the rural population and arrive at a framework used by the companies in India and Indonesia. The information is collected from the secondary sources to compile and analyze the strategies of leading MNCs to increasing their share in the emerging economies.

**Keywords: MNC, Emerging markets, India, Indonesia,**

### **Introduction**

C.K. Prahalad in his book, "The Fortune at the Bottom of the Pyramid," highlighted the fact that companies can earn huge profits if they start selling products to the customers at the "Bottom of the Pyramid". Selling products to this segment of consumers seemed very lucrative to the companies as it represented the large percentage of the total population.

Considering the huge potential companies aggressively started targeting customers in the rural parts of most of the emerging economies like India, China, Brazil, Russia, Mexico, Indonesia, Turkey etc. In India as per 2011 census rural population comprised of nearly 68.84% population of the country, whereas similar figure for Indonesia is 46%.

While reaching out to the customers, companies faced unique challenges related to low income levels, illiteracy, distribution channels, transportation logistics, reaching out to the customer who are dispersed over a wide geographic area, lack of communication, language problems, poor media etc. Still some of the companies were successful in their endeavour as they realized the fact that to reach out to these consumers companies have to re-invent their strategies to address the needs of rural consumers on major issues like accessibility and affordability.

Even though lack of education and financial resources are some of the constraints to reach out to the consumers in rural market but positive features are that these consumers are that these consumers are time rich; their attention span is not crowded; intra-community influences are very strong; they are starved for entertainment, it is an untapped market, their exposure to technology and new products or services is very limited. Companies, which understood these factors and accordingly modified their business models, tasted success in the rural markets.



## Methodology

Business strategies of several organizations in India and Indonesia were compiled from various secondary sources like newspapers, business magazines, companies' websites, books and journals and were analyzed to arrive at a framework being used by companies to reach out to the consumers in the rural market.

### Successful strategies of MNCs to reach out to the rural consumers

Successful case studies of leading MNCs were compiled from various secondary sources and after careful analysis it was observed that these companies use the 6E framework to target the consumers in the rural market.

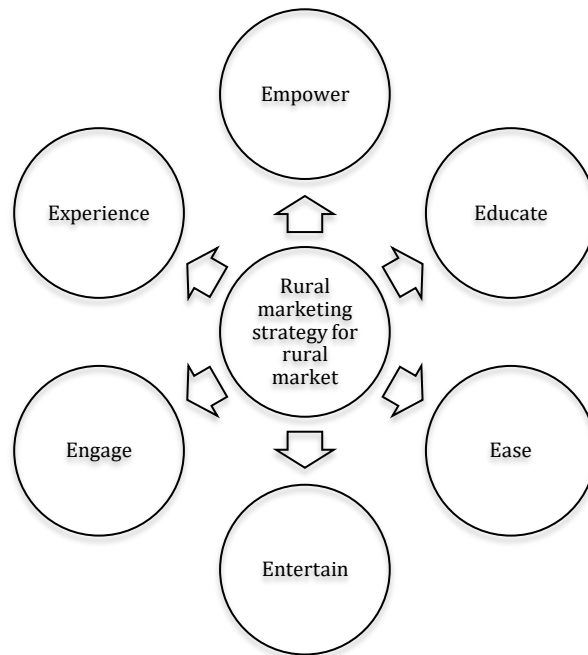


Figure 1: 6E framework of rural marketing

Each of the element of the 6E framework are elaborated below with relevant examples.

#### Empower

One of the problems faced by companies to reach to the consumers in the rural market is the fact that these consumers have less spending power as compared to the consumers in the urban part of the country. To tackle this problem most of the companies designed strategies to empower the consumers, thereby creating opportunities for them to earn and become part of the company's business strategy in one way or the other.

#### HUL's Project Shakti

To empower the women, work force, Hindustan Unilever Limited (HUL) launched the "Project Shakti". As part of this initiative HUL partnered with women Self Help Groups (SHG) which were set up by the government and NGO's to empower women through collective savings and entrepreneurship.

HUL wanted to reach deep into rural India where villages have less than 2,000 residents, but HUL's standard distribution network could not do so in a cost-effective manner. So HUL joined hands with several SHGs across the county. Under Project Shakti, HUL delivered products to individual women (called Shakti Ammas) who then sold these products to the local consumers and retailers, thereby receiving cash on delivery.

By 2015, 70,000 sales agents were serving 165,000 communities and HUL had even supplied them with smartphone apps to help them manage their inventory and other business matters. This strategy is a win-win game for both HUL and their sales force in the rural market. On one hand it helped the company to build inroads in the rural market while on the other hand it helped the women to earn their living.

### **Coca-Cola's 5by20**

The 5by20 Initiative is The Coca-Cola Company's global commitment to enable the economic empowerment of 5 million women entrepreneurs across Coca-Cola's value chain by 2020. The Initiative addresses the most common barriers women face such as limited access to capital, and insufficient financial training. The objective of the program is that these empowered women should eventually be able to start independent businesses and be a part of Coca-Cola's value chain as retailers.

The 5by20 Initiative offers training courses for women so that they acquire necessary business skills and at the same time get connected with peers or mentors who help them to run their business successfully. To reach their intended target of 5 million women across the value chain, Coca-Cola collaborated with numerous governments, civil society and local businesses.

Indonesia is one of the largest countries to implement the 5by20 Initiative. In its efforts to bridge the technological gap and employ innovative strategies, Coca-Cola and its partners implemented innovative e-Learning strategies to take advantage of the large number of smartphone users in the country that accounts for nearly 40% of total mobile phone users as of 2015.

SMS text messages, Mobile Apps and Mobile Web-links were extensively used to educate and train women entrepreneurs through simple, easy to follow, training modules. This innovative e-Learning technique helped the women to stay at their place of work and easily receive information on their phones on how to start a business, maintain finances, and engage customers.

In rural and semi-urban areas of India, women generally end up becoming financially dependent on men. This is primarily because their contributions to the family's income or the local economy are not acknowledged. The 5by20 initiative was very beneficial for the women in India as well. Some of the innovative strategies used by the companies are:

eKOCool Solar Cooler initiative, of the company helped women retailers sell chilled beverages without ice or electricity.

'Splash Bar' is one more such inspiring story. Selling tiny 'shots' of Coca-Cola worth Rs. 3 at mobile kiosks have created entrepreneurs out of the women of some villages.

### **Engagement**

Customer engagement is another strategy used by the companies whereby they engage the customers either to create awareness or to demonstrate the product benefits and features to the consumers.

Sprite, launched a Dangdut Idol competition, engaging the rural population using a form of Indonesian traditional dance. Localised marketing programmes like these helped improve Sprite's market share, which is greater than Coca-Cola's in Indonesia. Biskuat, another Indonesian company also took initiatives like Biskuat Akademi Juara - a nationwide event that coaches, trains and inspires the next generation of champions and gives them a chance to achieve their aspirations.

### **Educate**

Educating the customers about the product features and the accruing benefits is also used by some of the companies to win hearts of their rural consumers.

### **Indonesia Sehat**

"Indonesia Sehat" is the campaign started by Unilever in 2004. As part of this program Unilever Indonesia with the support of Unilever Indonesia Foundation and all program partners implemented an educational program; developing awareness and knowledge of health and hygiene.

According to a research by National Research of Indonesia Basic Health of the Ministry of Health in 2013, only 32.3% of Indonesian practiced a correct healthy hygiene behavior. Moreover, 20 provinces had health hygiene rate below the Indonesia average national rate.

Through the implementation of Indonesia Sehat, Unilever Indonesia contributed to the integrated efforts led by the government of the Republic of Indonesia on the improvement of health hygiene status of the Indonesia.

In 2015, Unilever Indonesia Foundation continued its endeavor through two main programs.

### **School health program**

As part of the program UIF deployed health champions, who play an important role as peer educators to reinforce the key messages by example and encouragement. At the primary school level, these health champions are known as 'little doctors', while at the secondary level, they are called 'youth ambassadors'.

The key messages are strongly associated with and supported by the brands, and include hand washing with soap (Lifebuoy); brushing teeth day and night (Pepsodent); using the toilet properly at school and at home (Domestos); drinking safe water (Pureit); and having a nutritious breakfast before going to school (Blue Band). Approximately 1.6 million primary school students were reached through integrated health hygiene education in 2015.

### **Ease / Demonstrate**

Explain and demonstrate the ease-of-use. Demonstrate, demonstrate and demonstrate. Even when the rural consumers get excited about the benefits of certain products they struggle with the complexities of usage. Everything from how to use a mobile phone to an ATM, even detergent powder, has to be demonstrated to them. They have the time and the attention span; therefore companies create interesting audio-visual capsules or long TVCs and use mobile vans to reach them in order to explain and demonstrate.

### **Entertainment**

The consumers in rural part of the country are time rich and devoid of entertainment therefore providing entertainment to them while promoting their product are also some of the strategies used by companies like Unilever.

In India, Hindustan Unilever used mobile technology to create audio entertainment for rural areas, adapting a common practice among frugal cellphone users – the missed call. To conserve talk time, mobile phone users dial a number, then hang up before they are charged, although the other person can see who called. It's a way of letting someone know you want to reach them. In 2011, HUL exploited the practice in a pilot promotion for its Active Wheel detergent in some of India's poorest and most rural areas. People were asked to call a number that cut off after two rings, so it cost them nothing. An automatic free callback provided some comic dialogue from Bollywood star Salman Khan and ads for Wheel. In four months, HUL got 16 million calls and Wheel sales tripled in the region. By 2015, it had grown to 35 million subscribers and was adding 25,000 a day.

Yet another initiative of HUL was "Palanquin of Happiness (Khushiyon ki Doli)" in 2010 and reached more than 10 million consumers directly in more than 28,000 villages across these three states in India.



In 2011, HUL extended this initiative to five states – West Bengal, Bihar, Maharashtra, Andhra Pradesh and Uttar Pradesh, thereby covering around 70,000 villages, 25 million consumers and 4 lakh retailers.

The main objective of the campaign is to reach out to media dark villages and connect with the direct users (women), with HUL brand.

The campaign follows a three-step process, starting with awareness, moving on to consumer engagement and finally retail contact.

The first step of spreading awareness is achieved through a team of promoters who head to each village and invite the villagers to a point what is known as 'Mohallas'. At the meeting point 'Mohallas' make them aware of the company, its products, their benefits & healthy & hygiene habits.

In every village, there are about 4-5 teams who conduct these events in local language / dialect for small focused groups so that it allows for greater engagement and involvement for the consumers. During this activity, brands are introduced with the help of TVCs & short AV's that are played continuously.

The promoters by way of 'live' demonstrations bring alive the hygiene benefits of using such brands, which in turn shall improve the quality of their daily life. To increase the 'fun' element and enhance involvement, promoters also conduct simple quizzes and games around the brands and daily hygiene habits. As part of this activation, company offer schemes both for the participating consumers and also local retailers for generating trial among consumers, this helped in enhancing availability at village retail point.

Post the mohalla activity, the promoters go from home to home and conduct consumer home visits to generate trial where they offer attractive promotions / purchase schemes to the consumers. Similarly, there is another team, which visits all the shops in the village, which ensures improved availability and visibility of our brands.

### **Experience**

Dabur conducted a lot of activities for creating its image in the rural market. The company targets local melas and weekly haats (markets) to promote its products. In a unique branding and sampling initiative the company set up a 22-foot size pudin hara bottle and created a "thandak zone" with the help of mist fans around the bottle and provided a experience for the villagers during Nauchandi Mela, held every year in Uttar Pradesh. Company also distributed its products sample to the villagers. This



strategy not only helped Dabur to create an awareness about their products but it also experienced phenomenal response from the villagers that within 11 days of mela the footfall for their product was over 1 lakh.

Coke also used the similar strategy rather than relying on the traditional distribution channel, Coke used alternative options. The company identified 47,000 haats (weekly markets) & 25,000 melas (fairs) held annually in various parts of the country. This strategy helped Coke in getting access to the rural market, in 2002 Coke claimed the 80 per cent of its new drinkers came from rural India.

### **Conclusion**

Although the challenges for companies to enter into rural market in emerging economies are great, the opportunities are even greater. Consumers in rural emerging markets have traditionally not been included in the formal market economy therefore need of the hour is that the companies should focus on developing innovative strategies for these consumers, offer high-quality and trustworthy goods and services and beyond that engage rural consumers in

their business model thereby empowering and educating them which eventually will result in more spending power of the consumers and more profits for the companies.

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