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# A STUDY INTO THE INFLUENCE OF CULTURAL AND SOCIO-ECONOMIC ASPECTS IN MARKETING STRATEGIC ADAPTATION OF FMCG COMPANIES IN INDIA WITH A SPECIAL FOCUS ON THE POST-ECONOMIC LIBERALISATION PERIOD

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The gigantic size of the Indian market has lured many consumer goods companies into the country, especially after economic liberalisation. Among them some have been immensely successful, while others have suffered tremendous losses. A close-look at the strategies adopted by the successful companies reveals their earnest efforts to adapt to the local socio-cultural values and practices. The following article is a humble attempt at highlighting the socio-cultural adaptation in the marketing strategies of foreign FMCG corporations drawing instances from post-liberalisation era.

**Keywords:** Economic liberalization, Customer satisfaction, Multi-national companies, Brands, Marketing strategy, Sachets, Kiranas, Promotion

## INTRODUCTION

The purpose of any business organization at any point in time in its life is to do business, with its customers. Hence, it is given, that customer satisfaction holds the key to the survival and prosperity of the business enterprises. In India, before economic liberalization took place in 1991, the marketing environment did not augur competition with the dominant public sector ensuring protection for the domestic industries. While there was a general feeling of mistrust

about the private sector, the existent mesh of regulations were prohibitive for foreign business ventures, not to mention the punishing levels of taxation on imported goods. So the consumers had to remain 'satisfied' with the goods and services churned out by the home-grown players which were more often than not, absolutely not in sync with their preferences. Customer satisfaction vis-à-vis delivery of incremental value although much easier to achieve omit than it is now—remained more or less confined in the

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books for academic consumption barring very few real-life examples. And then 1991 happened.

## OBJECTIVE OF THIS STUDY

The objective of this paper is to study the influence of cultural and socio-economic aspects of India on the marketing strategies of foreign multinationals in the FMCG sector who have been successful in doing business in India.

## METHODOLOGY

This current study has been exploratory in nature where pertinent information has been gathered from an intensive study of leading financial newspapers like The Economic Times, Business line, The Financial Express and Business Standard. Moreover host of research based articles from academic journals and magazines have been consulted and relevant websites visited. Thereafter an attempt has been made to enmesh the insights gained from the above into the body of the article.

## ECONOMIC LIBERALISATION AND THEREAFTER

An acute balance-of-payment crisis and rising budget deficit led to the dismantling of trade barriers, and opened the doors of the Indian economy to the world. Indoors, licensing was abolished for all industries except eighteen of them, initially (Kapila Uma, 2000-2001). Although

some steps to liberalize the trade policies were taken by the government in mid 1980s (Williamson, 2006) the revolutionary measures came to light on 24<sup>th</sup> July, 1991 Thus began the era of deregulation, divestment and free trade and the prevalent concept of 'consumer satisfaction' was turned on its head.

From the point of view of the society, the economic liberalization process vis-à-vis establishment and expansion of industrial units improved the overall levels of employment in the country. The scope of career advancement in the home-ground led to the return of many prodigal children and gave birth to a community of CEOs and other senior professionals in their 30s and early 40s. The middle-class flourished largely due to the surge in employment opportunities while the rural people progressively benefited from welfare measures doled out by the government (land reforms, NREGA, farm-loan waiver, rise in the minimum support prices of crops and so on).

All these led to higher standard of living and even higher aspirations. Just as at one end, luxury malls appeared on the Indian shopping landscape,<sup>1</sup> similarly at the other end people graduated from sand to soap for washing hands.<sup>2</sup> With the level of education as well as per capita income of the countrymen on the ascendance, there was a general gravitation towards material comforts at all levels in contrast to the austere lifestyles of yesteryears.<sup>3</sup>

<sup>1</sup> It is noteworthy here, luxury brand market is currently estimated at \$4.5-\$5 bn in India which is now the home for international luxury brands such as Cartier, Tiffany, Gucci, Christian Dior and many others which are abundantly displayed in upscale shopping malls.

<sup>2</sup> According to a recent study on rural marketing by the Confederation of Indian Industry (CII), there has been a paradigm shift in the consumption trend in rural areas with the focus shifting from price-driven to quality-driven products. Close to 13 percent of the total income of rural consumers was spent on FMCG, second only to food at 35 percent, the CII study said. Rural market accounts for almost 57 percent of the total FMCG industry in the country worth \$16.03 billion as on August 2008. Further, rural India was relatively insulated from the crippling blow of the global slowdown from 2007 to 2010 which had affected the consumption growth of urban middle class, the study pointed out. HUL and Dabur have claimed that 50% of their revenues are earned in the rural market.

<sup>3</sup> People have started earning from a relatively young age much like their western counterparts. Again the family size of Indians is on the decline. All these have contributed to the younger generation in the family to be a pampered lot. Nuclear families with both the husband and wife earning handsomely as well as earning members across generations in the same family are commonplace now. The demographic dividend has borne fruit.

With the end of license-raj and lifting of restrictions on foreign-equity participation, many reputed MNCs arrived on the Indian shore. And all on a sudden the domestic players were jerked up from their peaceful reverie to find competition heating up in all quarters. This phenomenon was markedly observed in the case of consumer goods sector. A battle for market-share ensued and as its pace gained fever-pitch in this, perhaps, the world's second largest market,<sup>4</sup> the firms left no stone un-turned to gain the propinquity of customers.

### **FMCG SECTOR IN THE WHIRLPOOL OF REALITY**

Focusing specifically on the Fast Moving Consumer Goods (FMCG), it is observed that there was a virtual shake-up of this sector post 1991. Gone were the days when an international (read foreign) brand was highly coveted and very rare, and was unquestionably perfect. With so many brands flooding the market, the question now boiled down to whether "it suits my skin, hair, palate and budget?" So as it is said, there was no diplomatic immunity for these international names that were eager to stake claim in the Indian market. They had to strive hard, if not harder, to acquaint themselves with the nuances of the country's evolving demography, culture and socio-economic environment. Resultantly, there were as many stories of failures as were of top-notch successes. Those who could adapt to the celebrated diversity (geographical, demographical, social, cultural, economic, etc.) of India – reaped rich dividends; while others returned empty-handed.

It is in this context, that this article has been written. A broad discussion of the 4Ps marketing strategies have been made in the following, which clearly vindicate the influence of evolving cultural and socio-economic milieu. Examples have been primarily drawn from the stable of successful multi-national companies, because here the strategic adaptation is clearly manifest.

### **INFLUENCE OF CULTURE AND SOCIO-ECONOMIC ASPECTS ON THE MARKETING STRATEGIC ADAPTATION OF FOREIGN FMCG MULTINATIONALS ANALYSED THROUGH 4PS**

**Product:** There have been earnest attempts to tailor the product – the basic value-offering, to suit the needs of the consumer, however divergent that may be. Consequently, the consumers have been segmented using several bases (geography, relevant elements of demography like age, income, family size, occupation and so on) to glean pertinent information that would help deliver the most appropriate goods. Products under an umbrella brand, all being functionally different themselves, serve the unique needs of batches of customers.

The young earners are a confident lot who believe in working hard and playing hard. Simultaneously there is rising consciousness about the benefits of healthy lifestyles which naturally spans nutrition and personal grooming. People want their products to deliver – food items to be great on taste, high on nutrition and low on calories; detergents to remove stains, wash

<sup>4</sup> Today India represents the second biggest market in the world, going by its billion-plus population (Annexure I) and rising purchasing power. About 70% Indians live in the villages and they constitute 12% of the world's consumers. As per experts, our country's population is set to surpass that of China's in not too distant a future.

cleaner, retain colour and be soft on skin; soaps to make skin smoother, spot-free and fairer (a traditional passion)..... and the list goes on.

While making food products nutritive as per acceptable norms is the lesser devil, delivering on taste to every Indian is an awesome proposition since there exists a sharp difference in the tastes and preferences of consumers settled in different regions. When Maggi Instant Noodles, from the house of Nestle, arrived in the Indian market about 25 years ago, snack-food was either street food or an elaborate affair at home. Maggi started out with two variants in its taste-maker – chicken and masala, but constantly innovated and reinvented itself throughout its journey. The brand understood the universality of ‘roti-sabzi’ in Indian cuisine and brought out the ‘Vegetable-Atta Noodles’ to respond to the needs of the health conscious Indians. (The nutrition provided by the standard 90 gm pack of Vegetable-Atta Noodles corresponded to two rotis and serving of seasonal vegetables—the standard breakfast menu cutting across different economic classes of Indian families). In the process it eliminated the chore of making breakfast, before a mad dash to the office. Maggi also introduced sambar masala, rice noodles and so on from time to time and even introduced the ‘pazzta’ range. In a country where tastes differ at every junction, Maggi achieved the distinction of being a generic snack-food brand. Again, when McDonald’s made its grand entry on the Indian soil, vegetables, least of all potatoes (except the wafers) did not feature prominently on its menu. But shortly thereafter, plenty of vegetarian fare (not to speak of Mc Tikki, McAloo) occupied pride of place, given the affinity of Indians for that

particular vegetable and the criticality of garnering the patronage of comfortably-off Indians, who are largely vegetarians. L’Oreal, the French cosmetics major, captured the hair-colour market through its Nutrisse range routing out competition from giants like HUL<sup>5</sup> on the strength of a smoother finish, as well as the customized colour tones (developed keeping in mind the dark skin and hair of Indians).

The Indian FMCG companies have taken this strategy a step further. Based on the feedback of regional tastes, ITC’s Aashirvaad brand of Atta blended different grades of wheat and came up with Aashirvaad Select for the northern, Aashirvaad MP Chakki for the western and Aashirvaad for the eastern zone of India. In the process it toppled HUL’s Annapurna -the erstwhile market leader, within five years of its launch. Sunsilk shampoo from HUL identified major problems of Indian hair and accordingly offered specific variants from its ‘Hair Expert’ and now ‘Co-Creations’ range to solve them- no wonder then, that the brand has held on to the top spot in the fiercely competitive mass-shampoo market for a long time now.

This mass customization technique is a way to go closer to the customer - to bridge the gap even further. But successful brands have never lost their pace with their customers, sometimes walking together, sometimes a little ahead but always in sync. In-depth market research and profound consumer insight have enabled them to keep abreast of the times. When the Lifebuoy soap from HUL underwent a huge make-over in the early 2000s, it brought into the table variants like skincare, hand sanitizers, swine-flu disinfectant and even products exclusively for

<sup>5</sup> Hindustan Unilever (HUL), despite being a subsidiary of an MNC is considered to be more Indian than foreign, in the way it manages its operations.

men. This was a sharp departure from the one and only red carboic soap variant that had enabled it to become a heritage brand in the first place. The reason for such make-over was that Lifebuoy's market share had slid from 15.4% in 1997 to 12.5% in 2001 (Case Studies on Marketing Strategy, 2007). Even in the rural areas which were the mainstay of Lifebuoy, market shares had dipped. Consumers wanted 'something different' from the brand. The aspirational consumers of today did not want to be associated with this 'cheap soap for the poor people'. Apart from being mindful of the hygiene needs, consumers wanted their soap to take care of the relatively sophisticated needs of skin-care and so on. Lifebuoy delivered, shifted its positioning and gained lost ground.

Packaging is as much a part of the product as it is of promotion. During prominent Indian festivals (say, Durgapujo, Diwali, Id, Rakhi, Onam, X-Mass, etc.) marketing of gift packs of popular FMCG items from the respective companies (Britannia's assortment of cookies, Cadbury's chocolates etc) carrying celebratory messages is rapidly gaining ground. Not only they have the assurance of quality from the brand, but also being ready-made is a source of great convenience for the today's time-pressed consumer.

Companies are also finding new ways to make their product more relevant to their customers. Hence tea is powered with anti-oxidants and vitamins (Red Label, 3 Roses, Sehatmand under the Brooke Bond brand and biscuits are fortified with iron (Tiger biscuits from Britannia)

A point worth mentioning here is that today there are quite a few customers who are willing to pay a premium for eco-friendly products.

**Price:** 'If wishes were horses, beggars could ride them.' Price is still the deterrent in the

consumption of brands in our country. People instinctively associate brands with high prices. Low- priced packs (sachets) from reputed brands bridges the gap between wishes and horses er, brands. One of the biggest socio-economic impacts on the pricing strategy of FMCG companies is 'The Great Sachet Revolution' of the contemporary times.

Originally unleashed for the rural poor, to induct them into the branded world (and open up the rural market for these FMCG companies), or provide convenience while traveling, sachets today garner the largest amount of revenue for the company.

Sachets also prevent downtrading to a considerable extent. Consumers who originally use a branded product (say packaged tea) downtrade to local or indigenous product (loose tea) in times of financial stringency (commonly the end of the month). If low-unit packs of the same brand were readily available to this customer he would never compromise on the loyalty of the brand he is habituated to. If the greatest patrons of the FMCG companies in the country are the middle class (mostly constituted by fixed salary earners), then this surely is one of the key concerns. Responding to this socio-economic need, almost all products in the FMCG category - from sauces to fairness creams – have been made available in sachets. Again, in this age when looking good has topped the charts for the overwhelming majority, it has thrown up a tremendous opportunity for the cosmetics companies. Modi-Revlon, Lakme's Elle18 have been the forerunners in bringing to the market colour cosmetics in mini packages (8 ml bottles instead of 15 ml bottles). This move has especially benefited the adolescents and high teens whose make-up kit takes after the rainbow in the western sky.

**Place:** Shopping for the FMCG is as popular in the kiranas as in the modern retail formats, albeit for different reasons. The modern retail formats for FMCG are mainly the supermarkets, departmental stores, Food Bazaar, Big Bazaar, KB's Fair Price shops, Arambagh's Food Mart, Nilgiris, Reliance Retail, Aditya Birla Retail's More, Spencer's and so on. They provide plethora of facilities to connect with the modern-day shopper like use of plastic money, pre-weighed packs, toilets, caring for little children when the mother is busy shopping, cafeteria, free home delivery and above all the right ambience. Thanks to these modern retail formats shopping for groceries has become an extension of life's pleasure activities or even a family outing (The Economic Times, 2001).<sup>6</sup>

However, it is through the kirana stores that branded FMCG items from international powerhouses have reached remote, little-known hamlets. The kiranas have been the harbinger of a silent metamorphosis of the rural mind-set through induction of these folks into the branded market. An ORG-MARG survey showed that for 18 product categories, branded items constitute 80% of total sales in rural areas. Not necessarily they were all national brands even regional or locally manufactured brands counted (Bhattacharyya, 2007). 53% of FMCG sales in India takes place to rural customers (NCAER Report, 2002). Rural market is expected to account for 57% of total FMCG sales in India by the end of this year ([www.livemint.com](http://www.livemint.com)). Apart from the direct efforts undertaken by the relevant companies, the contribution of the kiranas in these statistics is substantial. Currently, traditional retail, both grocers and chemists, constitute over

95% of FMCG sales in the country (The Economic Times, 2010). It is hardly surprising therefore that top FMCG companies of our country like HUL, Procter & Gamble, Marico and Godrej have begun adopting kiranas (The Economic Times, 2010).

**Promotion:** Deluge of brands → Cut-throat competition → Survival of the fittest

Who is the 'fittest' we wonder? The one who is promoted better, or, the one whose quality of goods is better?

Well, how many times have we heard in the past that a film was really good but failed at the box-office because it was not promoted well?

Coming back to FMCG, almost all products from the reputed brands conform to the strictest parameters of quality. Within a particular product category (say, popular category of toilet soaps) the differences lie mostly in either packaging or perfume or colour (not earth-shattering by any standards) Other than the company's goodwill or the brand's heritage, what really sets them apart is their respective promotional strategy.

The promotional strategies have reflected the issues, feelings and values of the generation and for the long-standing brands, constantly evolved with the changing times. If advertisement is considered as the largest vehicle of promotion, then the changing context of 'Lux' beauty soap advertisements may be regarded as a good example among many, of such cultural and social adaptation. Indians conform to the tradition of worshipping film stars and Lux, almost since its arrival in the Indian market, has been positioned as the beauty soap of choice of the film stars. Almost all the leading ladies of 'Bollywood', from

<sup>6</sup> As per Nielsen Shop Census Study modern retail dropped prices by more, or increased them by less for more product categories (29 out of 47) than the traditional retailers, or kiranas (18 out of 47) between the last quarter of 2009 (Oct-Dec) and the first quarter of 2010 (Jan-Mar) The data was collected from 16000 stores (11000 urban and 5000 rural in both modern and traditional retail) in 462 towns and 1427 villages.

Leela Chitnis to Priyanka Chopra have featured in Lux advertisements. The endorsement of 'Lux' as their beauty secret however seemed increasingly conjured to the enlightened present-day audience. Quick on the uptake, HUL released the 'Bring out the star in you' series of advertisements for 'Lux' where the film star is still there, not as her gorgeous self in a fantasy world, but rather as an alter ego/projection of the protagonist (a regular girl); the essence being that every woman in her own way leading her normal life can be glamorous and be her very own Priyanka Chopra. This idea of accepting oneself confidently and gradually building up on one's strength do touch the chord (and more statistically grab the eyeballs) of this generation. Move over beauty soaps- women have been featured prominently in the role of decision-makers in advertisements for insurance policies, financial instruments, housing loans etc. Not surprising in the times of Ms. Indra Nooyi or Ms. Chanda Kochhar but a sharp deviation nonetheless.

In these times, among diversions-galore and reimbursements being linked directly to effectiveness of an advertisement, when promotional account holders are tearing their hair 'to bring the horse to the water-source' and every trick in the book from humour to tears have been tried umpteen number of times, it is the social issues and cultural references that have won at the end of the day.

Not that tradition has been given a ceremonial farewell; it keeps visiting us in new avatars. We love to star-gaze, we have a chance to meet Abhi-Ash if we buy Lux. We love gold even more, we can find it inside our very own Lux.

Our love for Bollywood stars can only be compared to our love for our cricket stars. And in

the process, endorsement deals are signed where Dhoni's record-breaking fee overtakes that of Tendulkar's.

And that's not all. We can now enjoy our internationally branded potato-wafers (Lay's) in the flavour we concocted in our own kitchen. That's Customer- CoCreation (<http://en.wikipedia.org/wiki/Co-creation>) where ideation (here, suggestion of a flavour or taste) is done by the customer (say, through open competition) and once selected the company takes over from there, before dishing it out on the table. This strategy has elements of mass-customisation and may be on a broader scale commitment to the core stake-holders but draws its inspiration from local tastes and preferences ie local culture.

Another significant socio-cultural development that has impacted promotional strategy, today, is the proximity to the internet. The opportunities offered by social networking sites for creating brand awareness, buying and selling of products/services and development of business network are being increasingly utilized by large number of companies. The success of viral marketing as the electronic form of word-of-mouth communication is the effect of the 'cilicktivism' phenomenon that has engulfed the world today. The FMCG sector is exponentially making use of this platform, the notable examples being Cadbury's Dairy Milk's viral advertising campaign (launched in 2007) and Pepsi's Refresh Project, which was rolled out in January, 2010. (Such is the sway of the social media that Pepsi gave the Super Bowl football matches a pass).

Advertisements in India are overwhelmingly youth-centric, directed almost in entirety to the working-age group. This is in line with the fact that the country's working-age population is one of the largest in the world and will continue to do

so for quite a long time in the future, until the full blooming of the demographic dividend (Annexure II). The advertisements are also designed to harness childrens’ attention (the customers of the future) by leveraging on the substantial TV viewing, net-surfing time of this generation.

**CONCLUSION**

The trail-blazing success of many FMCG MNCs in India has not left any room for doubt that ‘quality goods at prices that please’ may be the cardinal rule in marketing but adaptation to the local socio-cultural norms is equally fundamental. Socio-cultural adaptation of their marketing strategies drawing upon innumerable examples, makes for interesting study. The moot point singularly remains that those companies who chose to pay close attention to the nuances, sentiments, idiosyncrasies of the market they targeted, tasted long-term success in contrast to those who did not.

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**ANNEXURE 1**

<b>All India Population Distribution</b>		
Distribution	Population	Population %
Total	102,7015,247	100
Rural	741,660,293	72.22
Urban	285,354,954	27.78

*Source: National Council for Applied Economic Research (NCAER) (2002)*

## ANNEXURE 2

<b>Population Projections in Millions</b>						
	2001	2006	2011	2016	2021	2026
<b>Total</b>	1027 (100.0)	1112 (100.0)	1193 (100.0)	1269 (100.0)	1340 (100.0)	1400 (100.0)
Below 15 yrs.	365 (35.5)	357 (32.1)	347 (29.1)	340 (26.8)	337 (25.1)	327 (23.3)
15-64yrs	616 (60.0)	699 (62.9)	780 (65.4)	851 (67.1)	908 (67.8)	957 (68.4)
Above 65 yrs.	45 (4.4)	56 (5.0)	66 (5.5)	78 (6.1)	95 (7.1)	116 (8.3)
<b>Note:</b> Figures in parentheses are percentage of total.						
<i>Source: Census of India, 2001, Report of the Technical group on Population Projections, May (2006)</i>						



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