

"We want to be the Hindustan Lever¹ of the Indian beverage business."

- Sanjeev Gupta, Deputy President - Coca-Cola India in May 2002.²

"The rural market is a significant part of our marketing strategy which enables us to help the consumer link with our product."

- Sanjeev Gupta, Marketing Director - Cola-Cola India, in August 1995.³

Coca Cola India's Thirst for the Rural Market: 'Thanda' Goes Rural

In early 2002, Coca-Cola India (CCI) launched a new advertisement campaign featuring leading bollywood actor - Aamir Khan. The advertisement with the tag line - *'Thanda Matlab Coca-Cola⁴'* was targeted at rural and semi-urban consumers. According to company sources, the idea was to position Coca-Cola as a generic brand for cold drinks. The campaign was launched to support CCI's rural marketing initiatives.

CCI began focusing on the rural market in the early 2000s in order to increase volumes. This decision was not surprising, given the huge size of the untapped rural market in India.

With flat sales in the urban areas, it was clear that CCI would have to shift its focus to the rural market. Nantoo Banerjee, spokeswoman - CCI, said, "The real market in India is in the rural areas. If you can crack it, there is tremendous potential."⁵

However, the poor rural infrastructure and consumption habits that are very different from those of urban people were two major obstacles to cracking the rural market for CCI. Because of the erratic power supply most grocers in rural areas did not stock cold drinks. Also, people in rural areas had a preference for traditional cold beverages such as 'lassi'⁶ and lemon juice. Further, the price of the beverage was also a major factor for the rural consumer.

CCI's Rural Marketing Strategy

CCI's rural marketing strategy was based on three A's - Availability, Affordability and Acceptability. The first 'A' - Availability emphasized on the availability of the product to the customer; the second 'A' - Affordability focused on product pricing, and the third 'A' - Acceptability focused on convincing the customer to buy the product.

¹ Indian arm of FMCG major Unilever. HLL was credited with pioneering rural market initiatives in India with its Project Bharat (1988) and Project Shakti (2002). The company boasts of the largest rural distribution network and presence in India.

² Kripalani, Manjeet, Rural India, Have a Coke, BusinessWeek, May 27, 2002.

³ Guha Ray, Shantanu, The Great Rural Bazaar, www.rediff.com, August 28, 1995.

⁴ Cool drink means - Coca Cola.

⁵ Bailay, Rasul, Small Packets, Big Business, Far Eastern Economic Review, January 23, 2003.

⁶ Lassi is a homemade drink made by blending thick curd with sugar or salt.

Availability

Once CCI entered the rural market, it focused on strengthening its distribution network there. It realized that the centralized distribution system used by the company in the urban areas would not be suitable for rural areas. In the centralized distribution system, the product was transported directly from the bottling plants to retailers.

However, CCI realized that this distribution system would not work in rural markets, as taking stock directly from bottling plants to retail stores would be very costly due to the long distances to be covered. The company instead opted for a hub and spoke distribution system.

Under the hub and spoke distribution system, stock was transported from the bottling plants to hubs and then from hubs, the stock was transported to spokes which were situated in small towns. These spokes fed the retailers catering to the demand in rural areas.

CCI not only changed its distribution model, it also changed the type of vehicles used for transportation. The company used large trucks for transporting stock from bottling plants to hubs and medium commercial vehicles transported the stock from the hubs to spokes.

For transporting stock from spokes to village retailers the company utilized auto rickshaws and cycles.

Commenting on the transportation of stock in rural markets, a company spokesperson said, "We use all possible means of transport that range from trucks, auto rickshaws, cycle rickshaws and hand carts to even camel carts in Rajasthan and mules in the hilly areas, to cart our products from the nearest hub."⁷ In late 2002, CCI made an additional investment of Rs 7 million (Rs 5 million from the company and Rs 2 million from the company's bottlers) to meet rural demand.

By March 2003, the company had added 25 production lines and doubled its glass and PET bottle capacity⁸. Further it also distributed around 2,00,000 refrigerators to its rural retailers. It also purchased 5,000 new trucks and auto rickshaws for boosting its rural distribution. Through its rural distribution initiatives, CCI was able to increase its presence in rural areas from a coverage of 81,383 villages in 2001 to 1,58,342 villages in August 2003. Apart from strengthening its distribution network, CCI also focused on pricing in rural market.

Affordability

A survey conducted by CCI in 2001 revealed that 300 ml bottles were not popular with rural and semi-urban residents where two persons often shared a 300 ml bottle. It was also found that the price of Rs10/- per bottle was considered too high by rural consumers. For these reasons, CCI decided to make some changes in the size of its bottles and pricing to win over consumers in the rural market.

In 2002, CCI launched 200 ml bottles (*Chota Coke*)⁹ priced at Rs 5. CCI announced that it would push the 200 ml bottles more in rural areas, as the rural market was very price-

⁷ Shashidhar, Ajit, *Colas' Countryside Crusade*, The Hindu Business Line - Catalyst, July 3, 2003.

⁸ Apart from the rural markets, CCI also began to focus on the home segment, by introducing - 1 litre, 1.5 and 2 litre PET bottles.

⁹ Small Coke

sensitive. It was widely felt that the 200 ml bottles priced at Rs. 5 would increase the rate of consumption in rural India. Reports put the annual per capita consumption of bottled beverages in rural areas at one bottle as compared to 6 bottles in urban areas.

The 200 ml bottles priced at Rs. 5 would also make CCI competitive against local brands in the unorganized sector. It was reported that in the states of Rajasthan and Gujarat the local cola brands such as *Choice* and *Tikli* cost only half the price offered by CCI, which gave them the advantage in garnering the major market share before CCI came out with *Chota Coke*. CCI also targeted the rural consumer aggressively in its marketing campaigns, which were aimed at increasing awareness of its brands in rural areas.

Acceptability

The initiatives of CCI in distribution and pricing were supported by extensive marketing in the mass media as well as through outdoor advertising. The company put up hoardings in villages and painted the name Coca Cola on the compounds of the residences in the villages. Further, CCI also participated in the weekly mandies¹⁰ by setting up temporary retail outlets, and also took part in the annual haats¹¹ and fairs - major sources of business activity and entertainment in rural India.

CCI also launched television commercials (TVCs) targeted at rural consumers. In order to reach more rural consumers, CCI increased its ad-spend on Doordarshan.¹² The company ensured that all its rural marketing initiatives were well-supported by TVCs. When CCI launched Chota Coke in 2002 priced at Rs. 5, it bought out a commercial featuring Bollywood actor Aamir Khan to communicate the message of the price cut and the launch of 200 ml bottles to the rural consumers. The commercial was shot in a rural setting.

In the summer of 2003, CCI came up with a new commercial featuring Aamir Khan, to further strengthen the Coca-Cola brand image among rural consumers. The commercial aimed at making coke a generic name for '*Thanda.*' Of the reason for picking up the word 'Thanda', Prasoon Joshi, national creative director - McCann Erickson, the creator of the commercial, said, "Thanda is a very North India-centric phenomenon.

Go to any restaurant in the north, and attendants would promptly ask, 'thanda ya garam?' 'Thanda' usually means lassi or nimbu pani, 'garam' is essentially tea. Because the character, in itself, represented a culture, we wanted to equate Coke with 'Thanda', since 'Thanda' too is part of the popular dialect of the north. Thus making 'Thanda' generic for Coca-Cola. With the long-playing possibilities of the 'Thanda' idea becoming evident, 'Thanda' became the central idea.

Once we decided to work on that idea, the creative mind just opened up."¹³ Between March and September 2003, CCI launched three commercials with the '*Thanda Matlab Coca-Cola*' tag line. All the three commercials aimed to make rural and semi-urban consumers connect with Coca-cola. The first ad featured Aamir Khan as a '*tapori*' (street smart); in the ad he makes the association between Coca-Cola and the word '*Thanda.*'

¹⁰ Weekly fairs where villagers gather and sell their produce

¹¹ Annual exhibitions, conducted during festival season.

¹² State-owned broadcaster in India. According to reports it reaches around 70 million homes.

¹³ Shartrujeet .N, Vaid Dixit, Sumita, 'Thanda III' – Coke Scores on Naturalness, www.agencyfaqs.com, September 30, 2002

The second commercial in the series featured Aamir Khan as a '*Hyderabadi shop-keeper*'; here again he equates the word '*Thanda*' with Coca-Cola. The third commercial featured Aamir Khan as a '*Punjabi farmer*' who offers Coca Cola to ladies asking for Thanda. The three commercials showed progression in associating 'Coke' with 'Thanda' in a rural/semi-urban context.

In the first commercial the connection of Coke with Thanda was made, in the second one there was a subtle difference, with the shopkeeper asking customers to ask for Thanda instead of Coke, and the third commercial showed that when one asked for Thanda, one would get Coke. Analysts said that all the three commercials succeeded in make rural consumers connect to Coke and increased awareness of the brand among them. Along with TVCs, CCI also launched print advertisements in several regional newspapers.

Future Prospects

CCI claimed all its marketing initiatives were very successful, and as a result, its rural penetration increased from 9% in 2001 to 25% in 2003. CCI also said that volumes from rural markets had increased to 35% in 2003. The company said that it would focus on adding more villages to its distribution network.

For the year 2003, CCI had a target of reaching 0.1 million more villages. Analysts pointed out that stiff competition from archrival PepsiCo would make it increasingly difficult for CCI to garner more market share.

PepsiCo too had started focusing on the rural market, due to the flat volumes in urban areas. Like CCI, PepsiCo too launched 200 ml bottles priced at Rs. 5. Going one step ahead, PepsiCo slashed the price of its 300 ml bottles to Rs 6/- to boost volumes in urban areas.

In early 2003, CCI announced that it was dropping plans to venture into other beverage businesses. Company sources said that increasing volumes of cola drinks had made the company rethink its plans of launching juice and milk-based beverages. In 2002, CCI had announced plans to launch beverages such as nimbu paani (lemon juice), fruit juice, cold coffee, and iced tea in collaboration with Nestle India.¹⁴

Though CCI was upbeat on account of its early success in its drive to capture the rural market, the question was whether the company would be able to take this success further. A major media setback occurred in August 2003, when the Delhi-based Center for Science and Environment announced that it had found high pesticide content in soft drinks manufactured and sold by both cola majors¹⁵.

Around same time BBC Radio in its program - 'Face the Facts' alleged that Coke's plant in Kerala was making excessive use of groundwater resources in the region and was also contaminating the groundwater through discharge of toxic elements, thereby harming the land, water resources and also the food chain in the region.

¹⁴ Wholly owned Indian subsidiary of Swiss FMCG major Nestle.

¹⁵ In the light of the allegations, Government of India constituted a Joint Parliamentary Committee headed by Sharad Pawar to investigate the issue.

Though CCI refuted these allegations, the company reportedly experienced a considerable decline in sales after August 2003. With many social and political groups becoming active against the cola companies in rural areas, it remains to be seen whether CCI will be able to quench its thirst for the rural market.

Source: <http://www.icmrindia.org>