Using migration data to fine-tune marketing strategies to rural Indian communities

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Researchers from National University of Singapore and Stanford University published a new paper in the *Journal of Marketing* that investigates how rural consumers in India shift their expenditures towards branded consumption when they migrate to urban areas.

The study, forthcoming in the *Journal of Marketing*, is titled "The Economic and Social Impacts of Migration on Brand Expenditure: Evidence from Rural India" and is authored by Vishal Narayan and Shreya Kankanhalli.

With COVID-19 disrupting work patterns and increased investment in rural employment, many of India's 450 million internal migrants are returning to their villages. Consumer goods companies view this as an opportunity to grow their presence in rural markets, with migrants serving as unofficial brand ambassadors to home communities. This new study investigates how rural consumers in India shift their expenditures towards branded consumption when they migrate to urban areas.

In many developing economies like India, the majority of rural consumer spending goes to unbranded products that are affordable, albeit less flashy. However, once migrants gain exposure to brands in cities, "they are likely to seek the same brands even when they return to rural areas," Suresh Narayanan, chairman at Nestle India, told The Economic Times.

In line with these insights, the researchers suggest that migration can affect brand expenditures through two major pathways. First, migrants who obtain better economic opportunities might send money or goods in-kind to the sending household. These "economic remittances" can increase the rural families' ability to consume more expensive products that increase their social status in their village.

Second, as migrants become more settled in their new destinations, they can share information on urban lifestyles, aspirations, and behaviors with their families back home. This form of information diffusion, termed "social remittances," can be powerful in overcoming rural households' uncertainty and persuading them towards brands.

The researchers conducted a large-scale field survey of 434 rural families across 30 villages in India and found quantitative evidence supporting both of these pathways. They discovered that economic remittances have a positive and significant impact on household consumption of branded products. This impact is greater for poorer households, for whom brands may be one of the only means of increasing social status.

Moreover, consistent with the idea of social remittances, results show that migration has a significantly greater impact for households that own mobile phones—devices that enable regular communication with the migrant. On the other hand, migration has a much smaller impact for households that own televisions (which substitute for social remittances in exposing households to brands) and those that sent migrants more recently.

A final discovery is that migration has a significantly greater impact on households located in more populous villages where the retail infrastructure is better developed and branded products are available.

These findings have practical implications for brand marketers allocating marketing resources in large developing economies, such as across the 650,000 villages of India.

Conversations with several marketing managers who focus on rural Indian markets confirmed that resource allocation is usually based just on village population and household income. Both of these statistics are available at the village level from census reports. Narayan says that "We demonstrate if managers used migration data for predicting brand expenditure, this would lead to a large improvement in salesforce effort allocation, even when primary data on other household descriptors, such as TV ownership, is available."

The research also applies to the resource allocation problem for door-to-door sales agents in rural communities—a business model that has received attention for increasing female empowerment. Results suggest that when selling to households within a village with similar income levels, these agents can be more successful if they target households who have sent migrants in the distant past and own a TV. Shreya Kankanhalli adds, "To expand on this idea, we create a dashboard that estimates migration effects for 20 identifiable consumer segments in rural India. The dashboard illustrates substantial heterogeneity across households in their propensity to consume brands, implying that the 20 identifiable segments require differing levels and types of sales efforts."

Finally, the research provides insights to stakeholders interested in increasing adoption of branded services in rural areas, such as higher-quality private schools. Managers of rural private schools should consider investing in areas with a high incidence of long-term migration (i.e., migrants who left the village over a year ago) and high levels of remittance receipts. This could mean opening more schools in such areas and/or allocating more teaching and monetary resources to existing schools in such areas.

Meanwhile, for greater inclusion, policymakers could target education subsidies at households not sending migrants or those who have recently sent migrants. Such households are much less likely to send their children to higher-quality private schools.

Migration is a major phenomenon across developing economies. Marketers and policymakers should harness the power of migrants' remittances—both economic and social.

More information: Vishal Narayan et al, EXPRESS: The Economic and Social Impacts of Migration on Brand Expenditure: Evidence from Rural India, *Journal of Marketing* (2021). DOI: 10.1177/00222429211021992

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