



Expert Speak

## Marketing to Bharat: Conquering the Tier-II and Tier-III Markets

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*For far too long, brands, local and global, have pandered to the customer in the metropolitan setting. With research showing rising growth in Tier II/III cities in India, are we witnessing a visible shift in marketing strategies? Are brands yet to recognize the potential of Bharat or is marketing to Tier II/III cities already underway? Giraj Sharma, Founder-Director of BehindTheMoon Consultants, a boutique marketing and sales consultancy, discusses how brands can leverage opportunities to market to and reach out to consumers in the heartlands of Bharat.*

There is no country as diverse as India—quite the cliché! The food, dialects, and culture undergo a change every fifty kilometres or less, painting India as an ever-changing kaleidoscope—yet another cliché! Such clichés are now starting to appear trite for they tell the obvious as ‘Bharat’<sup>1</sup> merges with India. Authors, poets, and even politicians have often romanticised this heterogeneity but for marketers, it is a nightmarish challenge. A mere decade ago, most marketers were happy focussing their major war zones to urban, Tier-I markets. However, the evolution of Tier-II and Tier-III<sup>2</sup> markets, fuelled by the penetration of the internet, has shattered that comfort zone. Marketers or brand managers can no longer confine themselves to the Tier-I bubble.

## A Reflection of Popular Culture

Over time, much has changed in Tier-II and Tier-III markets. Today, young individuals residing in these towns are well-informed and in tune with global events, just like their counterparts in the metropolitans cities. This transformation is best reflected in the two most popular indulgences of our nation—cinema and cricket.



Cricket, for a long time, was perceived to be a metro-centric sport. The nuanced nature of the game and the metropolitan background of majority of its players

<sup>1</sup> ‘Bharat’ is one of the many names used for the country India. In marketing parlance, the term has been used to refer to the market segment of consumers residing beyond metropolitan cities, in rural and semi-urban regions. Marketers and journalists also often use the term to refer to the cohort of people who dominantly use regional Indian languages, as compared to the category of people who use English. Please note that this usage is relevant to marketers and in the context of the marketing discipline and in no way related to the discussion surrounding the change in India’s name to Bharat, which was initiated at the time of publishing this article.

<sup>2</sup> According to the Reserve Bank of India, cities and towns in India are classified on the basis of population (basis Census 2001) as Tier I, Tier II, Tier III, etc. Tier-I cities are those with a population between 100,000 and above; Tier-II cities are those with a population between 50,000 and 100,000; Tier-III cities are those with a population between 20,000 to 50,000; and Tier-IV cities are those with a population between 10,000 and 20,000.

was considered too elitist to attract audiences in Tier-II, Tier-III cities. However, today, the game has penetrated into Tier-II and Tier-III locales and how! We have talents like Shubman Gill who was born in Fazilka (Punjab, India), Rishabh Pant who was born in Roorkee (Uttarakhand, India), pace star Mohammed Shami who was born in Amroha (Uttar Pradesh, India), and the vice-captain Ajinkya Rahane who was born in Ashwi Khurd in Ahmednagar (Maharashtra, India), representing the country.

As for cinema, a plethora of stories deeply rooted in Bharat have found success, with films like *Kathal*, *Chhalaang*, *Badhai Do*, *Virupaksha*, *Pushpa*, and *Minnal Murali*. Even on OTT<sup>3</sup> platforms, one can notice that much of the programming—be it the content, settings, delivery style, or protagonists—has its roots firmly grounded in Bharat. OTT series like *Mirzapur*, *Khakee: The Bihar Chapter*, *Panchayat*, or *Paatal Lok*, engross audiences and are binge-watched not just in Tier-II and Tier-III cities, but across the board. Suddenly, the Bharat of Tier-II and Tier-III is being perceived as 'cool.'

## Driven by E-Commerce

The widespread reach of internet and low cost of data carriage has empowered the consumers in non-metro towns like never before. For example, consider the household spending in Tier-I versus Tier-II cities. Today, there is not much difference between average household spending between the two. Rather, it might be surprising that the average annual household spending of some Tier-II cities is actually higher than the Tier-I.<sup>4</sup> One can attribute this to larger household sizes, but then, that would be looking at the picture too simplistically. People in Tier-II and Tier-III cities are changing in character and attitude and that has resulted in a novel set of items that have quickly moved from being 'luxuries' to 'necessities.'



The convenience brought by technology has fundamentally reshaped the entire retail landscape.

<sup>3</sup> OTT or over-the-top media services refer to media services offered to people via the internet. The term is most commonly used to mean video-on-demand services, including films and television content delivered through websites or mobile applications.

<sup>4</sup> Dawer, Ina. 2021. Unlocking growth in the fast-changing Tier II cities in India – 2021. *Euromonitor International*. <https://www.euromonitor.com/article/unlocking-growth-in-the-fast-changing-tier-ii-cities-in-india>

Tier-II to Tier-IV cities have now surpassed their Tier-I counterparts in the realm of online shopping. Consumers from Tier-II cities and beyond have been found to spend an average of 2 hours and 25 minutes per week shopping online, spending approximately 16% of their income on e-commerce purchases, as per a recent study by CyberMedia Research (CMR).<sup>5</sup> Apart from the mere convenience and comfort of online shopping, it is the wide range of choices provided by e-commerce platforms that has truly empowered young consumers in Tier-II, Tier-III cities to embrace online shopping with more enthusiasm.

This trend is not confined to the e-commerce realm alone. Even in brick-and-mortar, the Tier-II and Tier-III cities are showing trends that reflect a real shift of the demand axis in favour of these towns. For instance, the branded consumer durables<sup>6</sup> market in India has witnessed a record spike in Tier-II cities leaving Tier-I cities behind. During the festive season of 2021, the demand in Tier-II cities was 1.5 times that of Tier-I cities, and by 2022, it had nearly doubled. Air conditioners experienced demand spikes as high as 2.5 times in Tier-II and Tier-III cities compared to Tier-I cities, while washing machines and refrigerators recorded 2 times and 1.8 times the demand, respectively.<sup>7</sup>

## The Boost from the Pandemic

The pandemic has also played a pivotal role in revitalising the Tier-II and Tier-III cities. The enforced implementation of remote work, also known as work-from-home (WFH), compelled many young metro-based professionals to return to their hometowns, which, in many cases, happened to be these small towns. The



employers soon realised the benefit of having a section of their employees working from home. It resulted in reduced operational expenditures such as office rentals, utility bills, and costs associated with facilities like canteens and transportation. The employees embraced WFH with equal enthusiasm as it drastically reduced their fuel expenses and food bills. It alleviated the burden of paying exorbitant rents in metropolitan cities, leaving them with higher disposable incomes.

Additionally, they missed nothing of their life in the big cities. Their regular dose of entertainment through the likes of Netflix, favourite brands in shopping malls, and the cafes and pubs for socialising with friends, were all available in the Tier-II, Tier-III cities they came back to. The consumer spending in these cities picked up, resulting in a positive domino effect on their overall economic situation.

This further extended to the real-estate market. With tech firms and several other companies across sectors becoming location agnostic, housing projects in Tier-II and Tier-III towns attracted more buyers and investments. This incentivised the local and national real-estate developers to focus more on Tier-II, Tier-III towns which suddenly boasted a very high potential.

## **Not a Cakewalk for Marketers**

Adding to these progressions, the government is further promoting infrastructural developments across Tier-II and Tier-III cities. The Union Budget 2023-24 introduced a provision for the setting up of an Urban Infrastructure Development Fund (UIDF), to supplement efforts of the State Governments and Union Territories for urban infrastructure development work implemented through various public and state agencies, municipal corporations, and urban local bodies in these cities.

While the potential of these cities exists and is growing rapidly, marketers cannot expect to reap the benefits merely by duplicating strategies that have succeeded in the metropolitan cities. What the consumers demonstrate in these Tier-II, Tier-III markets is a phenomenon that some savvy marketers term as 'masstige', a

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<sup>5</sup> Gupta, A. 2023, June 27. Tier-2 city consumers spend 16% of income shopping online: CMR study. *Business Standard*. [https://www.business-standard.com/economy/news/tier-2-city-consumers-spend-16-of-income-shopping-online-cmr-study-123062700146\\_1.html](https://www.business-standard.com/economy/news/tier-2-city-consumers-spend-16-of-income-shopping-online-cmr-study-123062700146_1.html)

<sup>6</sup> The consumer durables segment refers to products which are 'durable' or need not be replaced for at least three years. This includes household appliances such as air conditioners, washing machines, television, etc.

<sup>7</sup> Goel, P. 2022, September 22. Tier-II cities driving demand for consumer durables and electronics this festive season. *ET Retail.com, The Economic Times*. <https://retail.economictimes.indiatimes.com/news/consumer-durables-and-information-technology/consumer-electronics/tier-2-cities-driving-demand-for-consumer-durables-and-electronics-this-festive-season/94372388#:~:text=For%20home%20appliances%2C%20the%20demand%20for%20air%20conditioners,smart%20televisions%20%282.6%20times%29%20over%20tier%201%20cities.>

fusion of the words ‘mass’ and ‘prestige’. This concept signifies that if you possess a prestigious (or premium) product, these markets offer an opportunity to achieve mass appeal due to high aspirations and greater affordability of consumers. Conversely, if your product caters to the mass market, it must incorporate an element of allure (or prestige) to resonate with the well-informed consumers (remember, they too have Google on their smart phones!). It is not without reason that Maruti Suzuki, the automobile giant in India, is moving at break-neck speed to open Nexa<sup>8</sup> stores in these Tier-II, Tier-III cities.

With consumers prioritising aspirations and allure, the buying experience of the consumer has gained equal importance. The customer in a Tier-II and Tier-III city is likely to have more time at hand, making the shopping experience or moment-of-truth (MoT) delivery even more critical. They expect an experience similar to their brethren in metros, if not better. Consider Toyota: their largest store (perhaps largest in Asia) offering a superlative MoT is not situated in a metro but at Kalamassery, Kochi, India. The Decathlon store at Siliguri gives its customers the same experience as the store in the upmarket Khelgaon complex in New Delhi. Sipping latte at Starbucks will feel the same in the outlet at Athwalines, Surat, as in the one in Hitech City, Hyderabad. By now, most Indian marketers are well aware of the dangers of faulting on MoT protocols based on their judgement on a customer’s outlook. We all learnt this at Mahindra’s expense when a farmer walked in to their store in Tumakuru, Karnataka.<sup>9</sup>

## **Taking the Right Approach**

There can be serious repercussions to the ‘similar to that in Metro cities’ approach when expanding to Tier-II and Tier-III cities. There have been cases where enterprises have simply extended their successful and existing metro-city models to the Tier-II, Tier-III cities and failed to garner similar success. A brand that has defied norms and achieved phenomenal success is Meesho. It first targeted the smart-device possessing population by bringing on board some established resellers from Facebook groups and fashion influencers who hailed from these Tier-II, Tier-III cities. This helped establish trust and familiarity with the

<sup>8</sup> Maruti Nexa showrooms are a premium sales channel initiated by Maruti Suzuki in India for their high-end sedan and hatchback cars.

<sup>9</sup> In January 2022, reports surfaced of a farmer in Tumakuru, Karnataka, being humiliated by a customer service executive at a Mahindra dealership. The social media backlash in the wake of the incident led Anand Mahindra, Chairman, Mahindra Group, to issue a personal apology to the farmer and his family.

consumer population. The user experience provided by the online platform also factored in the limited digital expertise and apprehensive nature of consumers in these towns. Today, it is estimated that more than two-thirds of Meesho's business comes from Tier-II, Tier-III cities.<sup>10</sup>



Marketers would do well to remember that we are largely dealing with simple folks who, without a doubt, have exposure to the ways of the world but are still grounded in the good old Indian value system.

They are smart enough to see through the desperate promotions of the likes of 'moment marketing'. We saw this during the pandemic when brands such as Domino's and Godrej, among others, offered discounts as incentives to take the vaccine shots. Such opportunism is not seen in good taste and in the long term, it obviously dilutes the brand equity. These consumers may be residing in small towns, but their knowledge base and worldview is large!

## In Conclusion

Markets across the country are evolving and so should our marketing practices. The consumers in Tier-II-Tier-III cities may not have the cosmopolitan flamboyance as shoppers from the Tier-I cities, but their demands and ability to spend are at par. Thus, marketers need to identify the shift and strategise to reach out to this section which holds immense potential in driving forward the brand markets. For in Bharat lie the opportunities of the future that must be tapped into and taken advantage of.

<sup>10</sup> Sharma, A. (2023, April 24). How Meesho is penetrating tier-II, 3 and 4 cities? *Retail News, ET Retail (indiatimes.com)*. <https://retail.economic-times.indiatimes.com/news/e-commerce/e-tailing/how-this-unicorn-e-tailer-is-penetrating-tier-2-3-and-4-cities/94904698>

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