

Pervasive Strategies for Scattered Bottom of the Period Market in India

Dr. Naveen Kumar Bandari,
Post Doctoral Research Fellow,
Graduate School of Business & Leadership University of Kwzulu–Natal,
Westville, Durban, South Africa,
E-mail: Bandarin@ukzn.ac.za

Prof. S. Migiros,
Dean and Head,
Graduate School of Business & Leadership University of Kwzulu–Natal,
Westville, Durban, South Africa
E-mail: Migiros@ukzn.ac.za

Abstract

The bottom of the economic pyramid is still an unexplored layer of the society with latent potential for the indigenous and global markets. India being the second largest populated in the world it always depicts its diversity in unity. Diversified economies and cultures under one umbrella offers great scope to explore and capture in new markets and marketability. With the dimension 'Bottom of the Pyramid' explored by late Professor of the University of Michigan, C. K. Prahalad, in his book "The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits", world started looking at the bottom layer of the society in a new economic perspective. The emerging economies like China, India, and other Pan Asian and African markets needs a different approach where 2/3rd of the world population are residing in rural and urban slums with low income level and with less purchasing power at Bottom of the pyramid (B.O.P). Bottom of the pyramid is attracting the attention of all major global players as the world BOP market size is so large with 4 billion consumer base which account about 70% of the world population with huge purchasing power which represents 2/3rd of the global consumers and huge untapped purchasing power. Though the bottom of the period seems to be unique in its nature in terms of purchasing power, it is indeed diversified and heterogeneous in its behavioral patterns. To explore this market one has to come out with a customized offering with personalized strategy for every individual in the layer. These B.O.P consumers need to be approached differently with new marketing mix of 4 A's affordability, accessibility, availability, and acceptability. This creates ample opportunities to the corporate players for their development, growth and sustainability. The present article is an attempt to critically review the concept and practical difficulties of implementing marketing strategies to target B.O.P market.

Key words: *Bottom of the period, strategic approach, challenges, corporate, accessibility, availability, and acceptability.*

1. Introduction

The poverty is an economic, social, cultural and political phenomenon. The approach, rooted in the 'bottom of the pyramid' concept by C.K.Prahalad, departs from traditional ideology by conceptualizing the poor as not helpless, but rather, as individuals that, given the necessary tools, are empowered to improve their own lives (Mary Louise Gifford, 2010). The marketing strategies and practices which got success in old economies proves to be obsolete with emerging new world order as China, India and Pan-African markets taking lead with promising growth rates and 2/3rd of global consumer base. The marketing sutras & mantras of eagerly awaiting entrants into B.O.P markets have to be renovated to give hybrid solutions to B.O.P consumer unfulfilled needs, desires and aspirations according to their specifications. The successful products/brands of developed nations may not serve the purpose of B.O.P consumers; the need of the hour for old conglomerate is come out with creative marketing strategies and practices for their products/brands longevity & sustainability with sufficient market pie. In India, the middle level and roof level strata of economic pyramid markets are enjoying the fruits of marketability and globalization as there is the presence of large firms and MNCs with their quality branded products, but this market size represents only 20% to 30% of total Indian market, so it is the challenge to the firms to get attract the remaining large strata of B.O.P.

Catering the BOP consumer is not mere a corporate responsibility of the organisation but it is rather a mutually exclusive win-win situation for the both. Social innovations that come in this direction has unleashed huge potential and also triggered the growth of the organizations. This also gave scope for big global players but also provided opportunities for the small entrepreneurs to enter the market. The scenario completely changed when the focus is on larger populations, for example the cost of ownership of a SIM card is low. No wonder there are over 900 Million mobile users in India. According to a Times of India article, India has 70 subscriptions per 100 people, of which 96% are prepaid, while 53% of households own a mobile phone and India's price per minute use is the lowest possible at 10 paise. Mobile phones have created an opportunity for entrepreneurs to setup dealerships and sell SIM cards by offering competitive discounts. At a time Rs. 3 per minute for STD and Rs. 2 per minute for local calls are no longer valid today. Call rates in India for local circles, i.e. Uninor to Uninor is even 2 paise per minute. Like this there are many innovations have come to address the rural market needs such as Godrej's 'Aadhaar and manthan', HUL 'Project Shakti', HUL's 'Shaktimaans-To-Power-Rural-Reach', DSCL 'HARYALI Stores', ITC 'E-Choupal' M & M 'Shubh Labh Stores', Reliance 'Rural Hub', etc. (Seema Shahaji Desai, 2013). All these innovations have catered the needs and addressed the solution in bridging the gap between consumer and market.

2. Literature Review

Behind every disguised problem there lies an opportunity. An unsolved problem in these emerging markets therefore presents a massive opportunity for the developed markets

(Chakravarthy & Coughlan, 2012). C.K. Prahalad, Allen L. Hammond, and Stuart L.Hart have identified a lucrative multi-trillion dollar opportunity for enterprises and multinational companies of the developed world in these neglected and underdeveloped poor markets (Tiwari & Herstatt, 2012). A successful venture would not only produce economic gains, but it also solves the long-standing issue of poverty by responsibly using social inclusion to uplift millions out of poverty (Hall, Matos, Sheehan, & Silvestre, 2012). MNCs from developed countries are becoming increasingly interested in this “fortune at the Bottom of the Pyramid” as Prahalad (2004) has described it. The cultural, administrative, geographic and economic (CAGE) distances between Western MNCs and BOP markets in developing countries are wide, which makes it challenging for Western MNCs to enter such markets. (Justina Voveryte 2012). First, the BOP is a large market and the needs to be addressed are basic yet particular. Due to reasons of affordability, acceptability, availability and awareness, MNCs must develop new approaches to target BOP markets, approaches that are different from the traditional developed country markets of MNCs. (Justina Voveryte 2012). Not only do BOP populations have specific needs, they may also be affected by irrational behaviors in consumption. Karnani (2009) believes that the poor are not always rational when it comes to economic decision-making. The poor might spend their income on unhealthy products such as alcohol and tobacco instead of purchasing more food for their families or education of their children. Thus, the assumptions of rational consumption may not be applicable to certain BOP populations.

3. Nature of Indian Bottom of the Pyramid

The Indian B.O.P is scattered into two categories both rural and urban. The population of the nations consists of 70% who are living in poverty. These are dependent on the agriculture and occupation based in rural areas where as those work in the unorganized sectors in urban areas also falls under the same category. The consumers of the B.O.P. are characterised by low literacy rate or illiterate and earnings of these people are between Inr 35-150 in rural areas and between Inr 50-300 in urban areas. The living conditions of these people are poor and in most of the cases it is miserable. There is money at B.O.P. which accounts five trillion dollars in terms of Purchasing Power Parity [PPP]. Prahalad and Hart (2002) state that the BOP presents a huge opportunity for businesses, especially multinational companies as there is a possibility of converting the BOP market into a profitable venture capitalising on potential customers joining commercial markets for the first time. Because this untapped market represents two-thirds of the world population, it would account for a multitrillion dollar industry. Prahalad claims that this figure is as high as \$13 trillion (Karnani, 2007). Even by conservative measures it is estimated at \$5 trillion (Subrahmanyam & Gomez-Arias, 2008). The B.O.P. consumers are also brand conscious and extremely value conscious by necessity. Indian consumers recognise that a brand adds value to a product (Rao, 1998). Urban and rural markets are similar in brand awareness and associating established brands

with quality, but in better developed states there is a distinct preference for foreign brands (Rao, 2000), which is associated with. Access to B.O.P. markets may not be difficult as 70 – 80 % of Indian households are connected with TV, Mobile or WLL phones which make the accessibility very easy. B.O.P consumer needs new goods and services which are suitable to their needs and specifications that opens avenues for new offerings or the new ways of offering the same. In a survey of 32 villages, (Kumar & Bishnoi 2007) found that rural consumers are willing to buy a variety of products and brands if their prices are lowered in the future. B.O.P. consumers accept advanced technology without any hesitations if they fall in his need category.

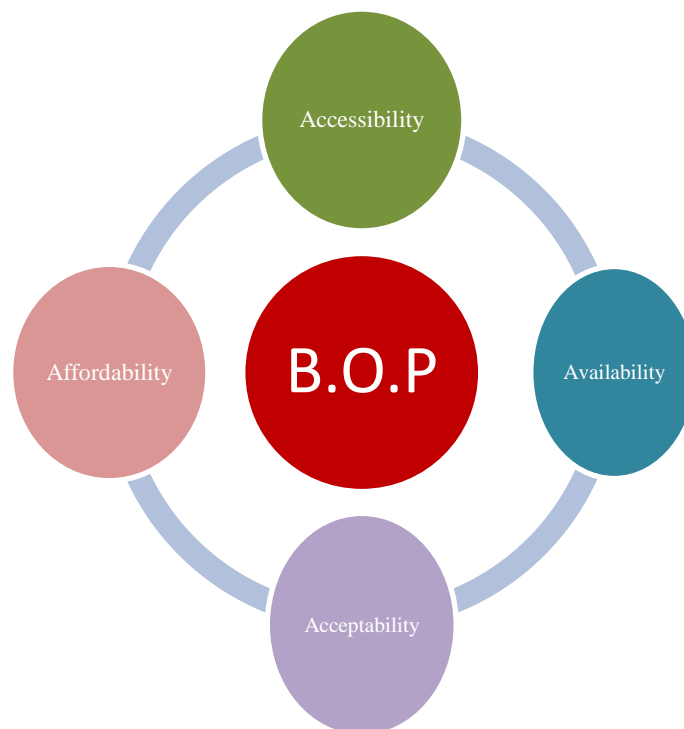
4. Strategic Approach

A country strategy is not enough to address the need of local responsiveness because the BOP segment of a given country follows different rules and logics from the top of the pyramid segment (London and Hart, 2004). One-size-fits-all strategies are bound to fail as local weaknesses are not dealt with. Firms should rather try to gain a deep understanding of the particular social context in order to achieve social embeddedness. Perrot (2009) also insists on the concept of social embeddedness as well as the need for firms to develop absorptive capacity in order to benefit from the knowledge of their unconventional partners. Hart and London (2005) urge firms targeting the BOP to develop what they call native capability, a notion of local embeddedness which allows firms to gain competitive advantage through deeper knowledge of the local context. The idea is to try to become more indigenous in order to better respond to local needs. This native capability is built up through two-way information flow, flying under the radar of central government and collaborating with unconventional partner. Therefore, substantial differences exist in the conditions and contexts that BOP markets in developing countries offer across countries and regions. When defining a BOP strategy, a firm has to take into account these differences and provide a tailored solution. (Justina Voveryte 2012). The first factor for the success of a BOP approach lies in the capacity of a firm to offer a unique and customized product, process or solution. This empowerment model (Wille and Barham, 2009) is based on the idea that products should be adapted to fit the needs and requirements of the BOP segment. This design with the poor in mind (Yunus, 2007) approach requires a bottom-of-the-pyramid-up design not only for products but also for corresponding business processes to respond to particular needs. London and Hart (2004) advise firms targeting the BOP to go beyond local responsiveness and co-invent solutions with local partners. Due to the particularity of the BOP segment, firms have to rethink and innovate to create life-enhancing offerings (Hammond, Kramer et al., 2007). A customized product would not only improve the success of a BOP approach in financial terms but also through an increased social impact. Moreover, most research and reports on BOP initiatives mention the need for collaboration with nontraditional and unconventional partners. In most cases, local NGOs, local entrepreneurs, development agencies and local governments can be considered for such partnerships. The idea

behind this advice is mainly to make up for the lack of information, inadequate infrastructure and informality linked to BOP markets. Local partners such as NGOs provide knowledge on the market and understanding of the local context (London & Hart, 2004). The Growing Inclusive Markets Initiative of the UNDP insists on this partnership due to the benefits of combining resources and capabilities. This partnership model (Wille and Barham, 2009) where the firm enters into a joint venture with the BOP community provides complementarity for the firm and therefore allows the latter to operate in such uncertain conditions. Therefore, constructing a multi stakeholder solution (Perrot, 2009) is the key to the success of a locally adapted B.O.P approach.

5. 4A Model Approach

To explore the B.O.P. consumer market, one has to create a strategy that is localized and focused towards mutual benefits. Poor and with low level of income, the B.O.P. consumer has to be approached strategically with new marketing mix of 4 A's [Affordability, Accessibility, Availability and Acceptability].



Source: Jamie Anderson, Niels Billou, "Serving the World's Poor: Innovation at the Base of the Economic Pyramid," Journal of Business strategy, Vol.28.No.2; A.T.Kearney analysis.

5.1. Affordability: The first important marketing principle is to ensure Affordability of the product and services as the B.O.P. is characterized by low and uncertain incomes but the consumption patterns does include various products in their daily lives. So there is a stronger need to develop products and product forms that would better suit to the wallet of the B.O.P consumer.

5.2. Accessibility: strategies should ensure the right access to the B.O.P consumer through all the means and technologies which are at his proximity in dissemination of information with

conventional and non conventional media mix. Players should also take the necessary measures to generate consumer awareness and educate the consumer in brand recognition so as to stand close to the need and purchase decision.

5.3. Availability: The challenge for the marketer is to ensure the availability of the product as the B.O.P. market is spread over vast geographical area and therefore distribution efficiency is critical factor in serving the B.O.P. consumers. Distribution patterns for the products and services must be taken into account where poor live and work and there should geographical intensity of distribution to deliver the goods at all the times.

5.4. Acceptability: The product offering must suit to the needs and specifications of the B.O.P. consumers and should be redesigned to cater the needs, demands and specifications of the B.O.P. market through innovative designs of products and product forms and through off beat marketing practices.

6. Conclusion

Though there is debate on quantifying the consumer of the bottom of the pyramid, it is clearly understood that there is huge potential. The identification of the needs of the consumer at the bottom of the period has become the main focus of every organisation. It is undeniable that penetrating into this layer is not an easy choice. Innovative strategy that is tailored to the every individual needs will certainly enhance the effective implementation. The product life cycle and organization life cycle are still into the introduction or growth stages only in B.O.P markets. For a developing economy like India it might not take much time to see that day where the top of the pyramid would saturate as the economy is evolving rapidly. It is desirable to focus on those strategies which is categorical in nature and can address the needs of the affluent and poor.

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