“Marketing to the subsistence consumer: a comparative analysis”

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Marketing to the subsistence consumer: a comparative analysis

Abstract

The emerging market marketplace is dominated by segments of subsistence, bottom-of-the-pyramid consumers. While much of the marketing literature has focused on subsistence consumers in high-income countries, few attempts were made to differentiate between subsistence consumers in high-income countries and those in developing economies. The present study offers a comparative analysis of subsistence consumers in high-income countries and in low- and middle-income countries, and offers insights into the manner in which marketers are able to influence consumers. Specifically, the study suggests that, in high-income countries, subsistence consumers are directly influenced by marketing information and brand reputation, whereas, in low- and middle-income countries, market information is imparted to bottom-of-the-pyramid consumers indirectly, through interpersonal influences that involve the negotiation context and social network endorsement.

Keywords: subsistence consumers, bottom-of-the-pyramid consumers, low-income-country consumers, middle-income-country consumers, interpersonal influence, direct market influence.
JEL Classification: M1, M3.

Introduction

To date, studies have primarily focused on consumers in advanced economies, with more attention paid to emerging-market economies, particularly those in transition economies. Little attention to date has been paid to subsistence, bottom-of-the-pyramid consumers in general. Whereas in high-income countries, subsistence consumers constitute a minority, in low- and middle-income countries, they constitute a substantial market segment, and, in some regions, a dominant market segment.

One aspect that is particularly important for marketers to understand is how the subsistence consumer reacts to market information. The present study proposes to offer a comparative analysis of subsistence consumers in high-income countries and in the developing economies of low- and middle-income countries and to explain how the two groups of consumers are influenced by market information.

1. Literature review

1.1. Limited focus on subsistence consumers in low- and middle-income countries. While a number of studies have focused on consumers in emerging markets, most of the consumer behavior research has focused on high-income countries. Until recently, only a few studies have addressed consumers in subsistence markets – i.e., De Soto (2000), Nwanko (2000), Pralahad (2002), Pralahad and Hart (2002), Mahajan and Banga (2006), Hammond et al. (2007), Viswanathan (2007), Sridharan and Viswanathan, (2008), Viswanathan et al. (2010), Viswanathan, Rosa and Ruth (2010), and Viswanathan et al. (2012) – but there is still little agreement on what drives subsistence consumers (Chikweche and Fletcher, 2010). An important research stream (Viswanathan, 2007; Sridharan and Viswanathan, 2008; Viswanathan, Rosa, and Ruth, 2010) attempted to gain a broad perspective of consumer behavior in subsistence markets, investigating the factors that influence purchase for subsistence consumers (Chikweche and Fletcher, 2010).

1.2. Size of the subsistence segment. In comparison to high-income countries, where poverty is restricted to the underclass, in low- and many middle-income countries, poverty is pervasive, often encompassing large proportions of the population (Viswanathan et al., 2012). In high-income countries, the poor are protected by welfare safety nets and often are employed in low-wage jobs, whereas, in developing countries, the poor are often fully disenfranchized from the formal economy (Norton, Conway and Foster, 2001 and Viswanathan et al., 2012). Finally, in low-income countries, many are employed in microbusinesses that are embedded in the fabric of the local society, thus coping with an informal economy by leveraging their social network (Viswanathan, Rosa and Ruth, 2010).

1.3. Traits of the subsistence segment. The most obvious trait common to all subsistence segments is the lack of material resources. Affordability is one of the greatest challenges posed by this segment. For this reason, many multinational firms have, for decades, fully ignored this market, especially in low- and medium-income countries. Only in the last decade, major consumer-product companies such as Unilever, Procter & Gamble, and Nestlé have made aggressive attempts to serve this segment, offering smaller versions of their multinational brands – using what is referred to as sachet marketing (Pralahad, 2002).

As consumers, subsistence segments have a low level of literacy that has resulted in cognitive and social vulnerabilities in both high-income countries (Adkins and Ozanne, 2005; Hill and Stephen, 1997;

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Viswanathan et al., 2005) and in low- and middle-income countries (Viswanathan and Rosa, 2007; Viswanathan, Gajendiran, Venkatesan, 2008; Viswanathan, Sridharan and Ritchiem, 2010). The subsistence, low-literate consumers were found to exhibit more concrete thinking and to reduce purchase decisions to single attributes such as price (Viswanathan, Gajendiran and Venkatesan, 2008; Viswanathan and Rosa, 2007; Viswanathan, Sridharan and Ritchie, 2010). They have been found to adopt more pictographic thinking, viewing brand names as objects in a scene, and matching patterns in order to identify products accurately (Viswanathan, Sridharan and Ritchie, 2010).

Finally, low literacy deeply affects consumers' ability to interact in the marketplace. In fact, the stigma deriving from low literacy is thought likely to influence every aspect of subsistence consumers' marketplace interaction (Adkins and Ozanne, 2005; Hill and Stephen, 1997; Viswanathan et al., 2008a; Viswanathan and Rosa, 2007; and Viswanathan, Gajendiran and Venkatesan, 2008). These consumers often lack the confidence or skills needed to make good decisions (Hill, 2002; Viswanathan, Sridharan and Ritchie, 2010). Moreover, they are not aware of their rights as consumers (Thorelli, 1981), precluding them from planning purchases, checking prices and other information to determine product quality, and shopping around for better deals (Viswanathan and Rosa, 2007; Viswanathan, Sridharan and Ritchie, 2010).

Table 1 presents the similarities between subsistence consumers in high-income countries and those in the developing economies of low- and middle-income countries with regard to material resources, literacy and information processing. Table 2 outlines the differences between subsistence consumers in high-income countries and in the developing economies of low- and middle-income countries in terms of segment size, influence, institutional reliance, trust basis and market-place visibility.

Table 1. Similarities between high- and low- and middle-income subsistence markets

Lack of material resources	
Low literacy	
Concrete thinking, reducing decisions to single attributes, such as price	
Pictographic thinking	
Lack of decision-making confidence	
Lack of awareness of rights as consumers	
Less information seeking and comparison prior to purchase	
Sources:	
High-income countries	Low- and middle-income countries
Adkins and Ozanne, 2005	Viswanathan and Rosa, 2007
Hill and Stephen, 1997	Viswanathan, Gajendiran and Venkatesan, 2008
Viswanathan et al., 2005	Viswanathan, Sridharan and Ritchie, 2008

Source: Thorelli, 1981.

Table 2. Differences between high- and low- and middle-income subsistence markets

High-income countries	Low-/middle-income countries	
Segment size	Small proportion of the population	Large proportion of the population
Influence	Market-supplied information (i.e., advertising)	Context (negotiated price, quantity)
Institutional reliance	High (consumers rely on government to monitor sellers, products sold)	Low (no trust in government to protect consumer)
Trust basis	Brand reputation	Endorsement by social network
Marketplace visibility	Part of the formal economy	Invisible in the formal economy

Sources: Viswanathan (2007), Sridharan and Viswanathan (2008), Viswanathan, Rosa and Ruth (2010), Chikweche and Fletcher (2010), Viswanathan, Sridharan and Ritchie (2010), Viswanathan, Sridharan, Ritchie, Venugopal and Jung (2012).

2. Market influence

2.1. Direct market influence. Bottom-of-the-pyramid consumers in high-income countries rely on market-supplied information, disseminated by advertizers and other marketing practitioners, and on brand reputation to make their purchase decisions. Their decision to rely on market-supplied information is primarily predicated on trust in government: as previously discussed, consumers rely on the government to monitor sellers, their claims and the products they sell. In high-income countries, consumers accept marketplace information as evidence about product performance and market reality. It is thus believed that, in high-income countries, bottom-of-the-pyramid consumers experience direct market influence.

2.2. Indirect, interpersonal market-related influence. According to Deutsch and Gerard (1955), informational influence occurs when individuals accept information from others as evidence about

reality. In low- and middle-income countries, market information is not readily trusted. In many countries in this economic development spectrum, local and national governing bodies are viewed as corrupt and motives behind disseminated information are frequently questioned (Windsor, 2014).

Here, as the literature review indicates, institutional reliance is low, with little trust in the government to protect consumers' interests in the marketplace. For these consumers, decision-making is based on context, with price and quantity negotiated, and with product quality ascertained through endorsement from one's social network. Purchase decisions are thus based on interpersonal social influences (Venkatesan, 1966; Stafford, 1966). Interpersonal influence theory suggests that the influence can be informational or normative (Lascu, Bearden and Rose, 1995; Bearden, Netemeyer and Teel, 1989; Deutsch and Gerard, 1955; Hoffmann and Broekhuizen, 2009).

Informational influence is "an influence to accept information obtained from another as evidence about reality," and normative influence is "an influence to conform to the positive expectations of another" (Deutsch and Gerard, 1955, p. 629). Informational influence takes place through learning from others, passively or actively seeking information from them and helping them form accurate assessments (Bearden, Netemeyer and Teel, 1989; Hoffmann and Broekhuizen, 2009). Highly credible individuals with product knowledge and expertise serve as information sources (Bearden and Etzel, 1982; Childers and Rao, 1992).

Given that market-related uncertainty is attenuated by information from credible sources (Bearden and Etzel, 1982), it is believed that, in low- and middle-income countries, bottom-of-the-pyramid consumers experience indirect, interpersonal market-related influence. These assumptions are illustrated in Figure 1, which presents a model of influence at the bottom-of-the-pyramid, whereby direct market influence is exerted on high-income country consumers through brand information shared by brand sponsors and the brand's reputation, whereas, for low- and middle-income countries, market information is imparted to bottom-of-the-pyramid consumers indirectly, through interpersonal influences that involve the negotiation context and social network endorsement.

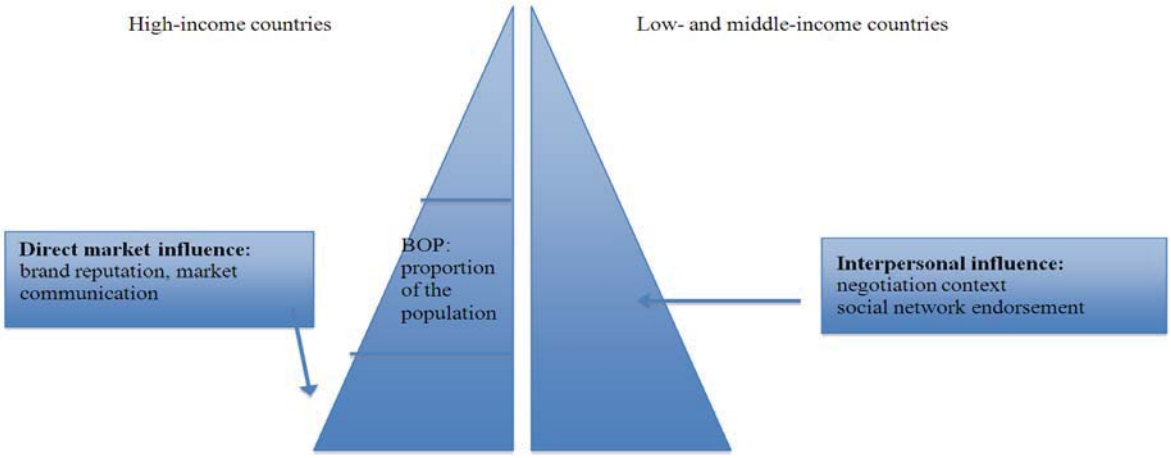

Fig. 1. Market influences: high- vs. low- and middle-income countries

Conclusion

This study constitutes an attempt to reconcile the marketing literature on the bottom-of-the-pyramid, subsistence consumers in high-income countries and those in the developing economies of low- and middle-income countries and attempts to offer an explanation on how they might differ in terms of their susceptibility to influence. Specifically, subsistence consumers in high-income countries are thought to be susceptible to direct market influences, whereas subsistence consumers in low- and middle-income countries are more likely to be susceptible to interpersonal informational influence.

This finding is important for multinational companies that are attempting to standardize their strategies worldwide. Their marketing communications tend to hold some weight with subsistence consumers in high-income countries and are sufficient in, for instance, initiating product trial. In low- and medium-income countries, where government oversight of marketing activity is sporadic and not consistently reliable, these same multinationals must tap into consumer networks and work with retailers to deliver their message, as subsistence consumers are more likely to yield to social network endorsement.

This comparison provided in this article constitutes only a departure point in a comparative analysis of subsistence consumers in countries of different levels of development. Future research on this topic will benefit from incorporating macro-level dimensions that are likely to influence consumption, such as housing, infrastructure development, and local government policies as determinants of

consumption, for example, in addition to interpersonal and direct market influences. Studies could also compare, at the micro-level, dimensions such as aspirational consumption determinants, social comparison, and locus of control, in relation to interpersonal and direct market influences.

Previous research identified numerous factors that influence consumption in subsistence markets, such as physiological needs, uncertainty of product availability, personal influences (peer, family), product traits, price, promotion and convenience (Chikweche and Fletcher, 2010). These factors can also be compared across levels of economic development: how do subsistence consumers in low- and middle-income countries differ from those in high-income countries? Does a welfare net have an influence in consumption? Alternatively, does a reliable social network, such as those attributed to emerging markets, influence consumption and consumption aspirations for bottom-of-the-pyramid consumers?

Finally, future research should take this comparison yet another step further and investigate these differences at the consumer level. For example, studies might engage in a comparative investigation of influences of literacy on consumer decision-making in high-income countries and those in the developing economies of low- and middle-income countries. Multinational companies dominate the emerging market landscape with billboards, pictorially appealing to subsistence consumers, whereas such billboards targeting subsistence consumers in high-income countries are not as prevalent. The academic literature does not offer any insights into this choice of strategy. Academic research could attempt to gain more insights from the different approaches of marketing practitioners by understanding the factors influencing consumption at the bottom-of-the-pyramid at different levels of economic development and in different cultural environments.

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