“Marketing at the Bottom of the Pyramid: Serving, and in the Service of Low-Income Consumers”

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Marketing at the Bottom of the Pyramid: Serving, and in the Service of Low-Income Consumers

Abstract

Most academic studies in marketing have focused on advanced economies and fast-developing, large emerging markets (Sharma & Lascu, 2018). Until recently, only a few marketing studies have addressed subsistence markets; yet, there are over 4 billion bottom-of-the-pyramid (BOP) consumers living below less than 1.25 dollars a day in underserved areas worldwide (Kaplinsky, 2011; Sharma & Lascu, 2018). The present study attempts to bridge the gap in the literature by providing a comprehensive review of the theory and practice addressing the subject of marketing at the bottom of the pyramid, focusing on marketing approaches to BOP consumers that both efficiently sell products to this market and enrich their quality of life. The study suggests that selling products to the bottom of the pyramid may be profitable, but companies must be creative in their approach to formulating marketing strategies in order to engage BOP consumers and earn a profit. Marketers should also cater to BOP consumers’ needs in order to foster strong and enduring relationships.

Keywords: bottom-of-the-pyramid (BOP) consumers, emerging markets, low-income countries, stripped-down brand, consumer wellbeing initiatives, price packs.

JEL Classification: D11, M30, M31, P46.

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Introduction

The bottom-of-the-pyramid (BOP) market is substantial, with over 4 billion bottom-of-the-pyramid (BOP) individuals living below the United Nations Development Goal of less than 1.25 dollars a day (Kaplinsky, 2011), in areas that are underserved, often rural, in Africa, Asia, Eastern Europe, Latin America, and the Caribbean (Hammond et al., 2007). And yet, to date, only a few marketing studies have addressed subsistence markets – i.e., De Soto (2000), Nwanko (2000), Prahalad (2002), Prahalad and Hart (2002), Mahajan and Banga (2006), Hammond et al. (2007), Sridharan and Viswanathan (2008), Viswanathan et al. (2010), and Viswanathan et al. (2012). In low- and many middle-income countries, poverty is pervasive, often encompassing large proportions of the population, with the poor often disenfranchized from the formal economy (Viswanathan et al., 2012).

The potential of the BOP market is huge, as multinational firms have more recently discovered. Major consumer product companies such as Unilever, Procter & Gamble, and Nestlé currently serve this segment with smaller versions of their multinational brands, some by using sachet marketing (Prahalad, 2002), and marketing the more affordable versions of mass-market offers. Examples of such products are the $2,000 Tata Nano automobile, a 50-dollar cataract surgery by Aravind Eye Care System, less than $0.01 per minute of cell phone time with Airtel (Prahalad, 2012), among others.

BOP markets represent the new economic and market development frontier: they are ripe for private investment, driven by creative entrepreneurial activity, and will likely soon experience a reduction in poverty on a massive scale. In the process of serving these markets, multinationals and the donor community must address BOP needs, as well as deficiencies, carefully: they must design marketing efforts and programs targeted towards the BOP, taking initiative and showing leadership (Gupta, 2013) by ensuring that campaigns have a substantial social marketing component.

This study explores various approaches that marketers targeting BOP consumers use to both sell their products and to captivate and engage consumers with the brand and the company in a way that improves their quality of life, as well as their knowledge, thus creating an informed consumer, as well as a consumer who responds positively to and engages with the company and its offerings. In the next section, initiatives in the marketing domain are examined.

1. Literature review and theoretical basis

Theoretically, marketing strategies involve engaging customers and managing profitable customer relationships (Armstrong & Kotler, 2017). Marketing is both a social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others, and it is also a...
process whereby companies engage customers, build strong customer relationships, and create customer value in order to capture value from customers in return (Armstrong & Kotler, 2017). According to the American Marketing Association, “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large” (American Marketing Association, 2018).

Importantly, however, marketing at the bottom of the pyramid requires paying special attention to ensuring individuals’ and societal wellbeing. This is, in fact, the definition of social marketing, which stresses the importance of using a broad range of marketing strategies and marketing mix tools designed to have a beneficial effect on society (Armstrong & Kotler, 2017). Given the poverty level at the bottom of the pyramid and the institutional inefficiencies that cannot effectively ensure individual subsistence, let alone prosperity, marketing at the bottom of the pyramid must, by definition, involve social marketing, promoting consumer wellbeing.

Consumer wellbeing initiatives encompass broad initiatives related to economic development, as well as specific initiatives that address consumer health. Companies support economic development in order to foster fair and inclusive growth that will have a positive impact on consumers at the bottom of the pyramid. This includes supporting entrepreneurship, creating jobs, and training local employees. In this sense, successful marketing campaigns focus not only on selling, but also on teaching BOP consumers about the importance of clean hands and personal hygiene. Procter & Gamble, a large multinational from the United States that spends more than any other company in the world on advertising, and Unilever, a large multinational corporation from the United Kingdom and the Netherlands, have attempted to forge bonds with BOP consumers to promote a focus on health and hygiene (Euromonitor, 2016). For example, Procter & Gamble’s Children’s Safe Drinking Water Program provides BOP consumers with water purification packets. Over the life of the program, more than 5 billion liters of water were purified in 65 countries, and an estimated number of 25,000 lives were saved. With this program, the company demonstrated the importance of purified water, and stressed its ability to save people’s lives through these efforts (Payaud, 2014).

Similarly, Unilever’s brand Lifebuoy has a rural hygiene program, “which propagates the practice of washing hands with soap to reduce Diarrhea deaths” (“Lifebuoy’s age old connect”, 2013). The company demonstrates how the simple act of using the soap to wash one’s hands can help prevent illness or even death. Lifebuoy has initiated the “Handwashing Behaviour Change Programme” to demonstrate to consumers how important it is for them to wash their hands. The program offers multiple hygiene promotion activities to educate consumers on how they can avoid diseases by washing hands.

The purpose of both programs is not to directly sell the company’s brands, but rather to reach consumers by educating them on matters that affect their daily lives, thus creating a stronger bond with consumers. Therefore, nurturing a trusting relationship through promoting health and hygiene is essential (“Lifebuoy’s age old connect”, 2013).

In yet another example, Mexican multinational Cemex created a whole new business plan in order to accommodate the urban working class. Instead of limiting sales of building materials to profitable large contractors, the company decided to send materials and technical support to individual consumers in exchange for fixed, regular payments. This allowed people to own homes for the first time at about one-third of the time and cost. With this new business plan, Cemex provided opportunities for people to own their own home, one that they build themselves at a very affordable price (Walt, 2015).

The next section examines marketing mix initiatives, namely, initiatives related to products, promotion, price, and place (distribution).

2. Results

An investigation and extensive review of the BOP academic and practitioner literature reveals that there are several ongoing marketing initiatives. This section organizes the initiatives based on their focus on the components of the marketing mix, namely product, promotion, price, and place (distribution).

2.1. Product initiatives. Multinational companies have undertaken numerous initiative to create better products, to share important product information, and to increase product consumption, and thus profitability. For example, the French company Danone founded the “Danone Communities” program, which encourages social business initiatives, and promotes the fight against malnutrition (Payaud, 2014). In Egypt, consumers consumed much less milk than the amount recommended by the World Health Organization, because Egyptian farmers lacked the ability to create quality milk and international dairy products providers offer milk at a price that is beyond the reach of local consumers. In order to boost milk consumption and help local famers, Danone and Care International taught farmers how to improve
their milk quality and quantity so that they would have a stronger position in the milk value chain. These farmers today deliver milk twice a day to a Milk Collection Center, where the quality is checked before being distributed. This not only gives consumers access to high-quality milk, but it also teaches farmers hygiene practices to improve their animals’ health, and offers them a stronger position in the market (Payaud, 2014).

2.2. Promotion initiatives. In terms of promotion to the BOP, low literacy likely influences all aspects of subsistence consumers’ marketplace interaction (Adkins & Ozanne, 2005; Hill & Stephens, 1997; Viswanathan et al., 2008; Sharma & Lascu, 2018). The literature suggests that BOP consumers lack the confidence, as well as the skills needed for informed purchase decisions (Hill, 2002; Viswanathan et al., 2010; Sharma & Lascu, 2018). This is likely to prevent them from planning purchases, and compare prices, and, consequently, they will lack information to determine product quality, and shopping for better deals (Viswanathan et al., 2010; Sharma & Lascu, 2018). Since the BOP consumers are unable to read marketing communications, they likely lack important marketing knowledge that consumer higher-income countries readily have at hand for informed purchase decisions – this creates a situation that makes it more difficult to target BOP consumers (Sharma & Lascu, 2018).

In order to communicate with the BOP target market, companies must deliver straightforward communication, pictorially and verbally (Sharma & Lascu, 2018). There is no technology to help consumers understand the products, even at the point of sale. Reading and numeracy skills are very limited even for the merchants themselves, with between 30 and 50 percent of subsistence merchants having low or nonexistent basic literacy skills (The World Factbook, 2009). This would make both consumers and merchants functionally illiterate by marketing education standards (Rosa, 2012). Thus, markets in the bottom of the pyramid are much more difficult to navigate because companies need first to be able to establish a relationship with consumers in a way that they can help the consumers truly understand the product (Rosa, 2012).

Marketers often find that they must be able to offer information to counter consumer perceptions in order to increase the acceptability of their products. Often, BOP consumers perceive many products to be frivolous and unnecessary for their daily needs. Consumers believe that they can just use products they already own to complete the same tasks as the product that companies are trying to sell them (Anderson & Billou, 2007). Therefore, the company is faced with the task of increasing consumers’ acceptability of new and innovative products that would enhance consumers’ lives. However, in order to increase acceptability of products, the products need to be adjusted to complement consumers’ education and skills level, as well as to fit with their culture.

Product acceptance will be enhanced if marketers emphasize product flexibility, which would allow companies to persuade BOP consumers that their products will be of great value in their lives (Payaud, 2014). Another way to increase acceptance of products is by encouraging the purchase of local brands, rather than Western goods and global brand knockoffs. Consumers will be more comfortable with purchasing these products and will trust them more than global brands. In India, many fast moving consumer good (FMCG) companies are now mixing global and local brands, rather than just selling global brands. For example, the local company Nirma Ltd. in India sells detergents to poor communities in rural areas. With local brands, transportation costs are cut, there is more trust with consumers, and it is easier to reach the consumer base with marketing communications (Singh, 2012). Rather than purchasing Western knockoffs, consumers prefer local brands. For instance, Trade Kings is one of the largest FMCG companies, Zambian owned; thus consumers are more likely to trust it than they would foreign products (“Local brands are on the rise”, 2018).

Currently, BOP consumers spend most of their income on food, housing, energy, and transportation (Hammond et al., 2007); however, communication is the fastest growing spending category (Euromonitor, 2016; Sharma & Lascu, 2018). Firms that are able to facilitate free or low-cost communication tend to be not just profitable, but they serve the common good (Sharma & Lascu, 2018). Technology can greatly help with marketing communications and build strong and lasting relationships between companies and the bottom of the pyramid consumers. Marketing communications using advanced technology allows consumers to make more informed purchases, leading BOP consumers to trust companies more – a key in creating a lasting profitable relationship with consumers.

However, due to the lack of widespread technology, encountered in higher-income countries, there is a lack of information flowing between consumers and producers. This leads consumers to be less connected to the company, and doubt the benefits of their products, leading to huge challenges that firms need to overcome if they want to be successful in selling their products to the bottom of the pyramid. Broadly, companies can use technology to automate, inform, and transform. Automation would allow
product manufacturers and marketers to better engage with consumers, as well as to offer consumers the opportunity to process information much more easily and quickly. Through informing consumers of products and their benefits, companies will be able to nurture better relationships. Also, companies can better match consumers with producers so companies can be more successful in promoting their products. Lastly, technology allows producers to transform the market so that it better serves consumers and their needs (Tarafdar, Anekal, & Singh, 2012).

2.3. Pricing and affordability initiatives. Companies have adopted numerous initiatives in order to increase the affordability of their products at the bottom of the pyramid. For example, Unilever offers consumers in India 10 sheets of soap-coated paper for about $0.03 each, and small sachets of Sunsilk shampoo for less than $0.02 (Euromonitor, 2016; Sharma & Lascu, 2018). In addition, the British company Diageo worked with the Kenyan government to introduce an affordable alcoholic beverage, thus reducing illegal consumption of deadly contaminated alcohol (Euromonitor, 2016; Sharma & Lascu, 2018). These products are all much better adapted to consumers’ ability to pay.

In order to give consumers the opportunity to purchase products, companies often produce stripped-down versions (Chakravarthy & Coughlan, 2012) of their offering, much more affordable at the bottom of the pyramid. This offers consumers more purchasing power, so that they can purchase other products they need. The stripped-down offerings are different and less-costly versions of the original ones, but they still offer good value and have a high-quality and are functional – all while being more affordable to consumers.

Price packs are also offered to consumers at prices much more affordable at the bottom of the pyramid (Chakravarthy & Coughlan, 2012). Price packs are not only a more affordable option for the bottom of the pyramid, but also offer consumers more product. Rather than just owning a small amount, consumers can continue to use the product without having to worry about buying more of it (Anderson & Billou, 2007). Examples of price packs include Nestlé’s $0.30 single-serve dry milk sachets and Pepsodent Triple Clean toothbrushes, which are sold for $0.20 (Payaud, 2014). These low-priced items give the bottom of the pyramid consumers the opportunity to purchase products that enhance their quality of life.

In another example, Nestlé offers Popularly Positioned Products (PPPs) to bottom-of-the-pyramid consumers. These products are stripped down versions of its popular offerings, they are affordably priced, nutritionally enhanced, appropriately formatted and easily accessible for low-income consumers; they are versions of their major brands, including Maggi and Nescafé, aimed at the BOP (Chakravarthy & Coughlan, 2012). They are high-quality foods with a high nutritional value that the bottom of the pyramid can afford, often boosted with micronutrients to address the many nutritional deficiencies of the target market (Payaud, 2014). The PPP brands constitute about 10 percent of Nestlé’s annual sales – with sales growing substantially faster than the rest of the Nestlé Group (Chakravarthy & Coughlan, 2012). The PPP strategy also relies on local sourcing, manufacturing, and distribution to minimize costs (Chakravarthy & Coughlan, 2012).

To be able to pay for the products and services they purchase, BOP consumers can readily engage in mobile money services; these services allow them to safely and securely send, receive and store money using a basic flip phone (Gloria & Santhi, 2016; Sharma & Lascu, 2018). Most BOP consumers do not have access to bank accounts; restoring to mobile money services facilitates their transactions, helping them to purchase goods and services safely and, often, save money (Gloria & Santhi, 2016; Sharma & Lascu, 2018). Financial literacy includes a person’s financial awareness, knowledge, and skills to make good financial decisions. However, the bottom of the pyramid has not been educated enough on finances to make informed purchase choices. The bottom of the pyramid consumer needs to be educated financially in order to make confident decisions about products based on his or her economic situation (Gloria & Santhi, 2016).

In order to help the BOP navigate finances more easily, Kenya’s largest mobile network operator, Safaricom, created M-Pesa, which is a payment service for people who do not have access to banking services. The service allows buyers to transfer money quickly and safely, as well as convert cash into e-money. M-Pesa has created a convenient way for consumers to transfer money and pay for products and services, without the need of a bank. This is very useful to the BOP consumers, as they have no access to banks. However, with M-Pesa, consumers have a simple and user-friendly solution to their problem (Kapoor, 2011). Mobile money has greatly increased product and service accessibility for the bottom of the pyramid consumer.

2.3. Place (distribution) initiatives. The distribution systems at the bottom of the pyramid in lower-income countries is very limited, making it difficult for companies to reach consumers. Transporting the products to the target market is already a challenge,
and there may be very few, or no intermediaries that could help the company sell its products. Thus, not only is sending products to the country difficult, but the company would not be able to effectively send materials and labor for production within the country (Chakravarthy & Coughlan, 2012). For example, more than 80 percent of roads in Ghana and Gabon are unpaved (Payaud, 2014), making it a challenge to transport products to target markets in the two countries. In order to help small shopkeepers who are often burdened by floods in Bangladesh, Nestlé delivers products to the various locations in order to help the owners keep their shelves stocked (Payaud, 2014). This allows Nestlé to ensure that its products are always available to consumers, despite the countries’ infrastructure deficiencies.

Multinational companies have also taken numerous initiatives to facilitate distribution, but also to provide income to entrepreneurs at the bottom of the pyramid. For example, Unilever works with the Vietnam Women’s Union to provide women in rural areas – and at the bottom of the pyramid – with credit, training, and bicycles so they can sell Unilever products (Payaud, 2014). With this project, Unilever has managed to generate 8,000 indirect jobs. Aside from offering support to local women, Unilever is also using local raw materials, thus providing additional support for local economic development.

In another example, Danone initiated a project in Brazil named Kiteiras to support entrepreneurship for women in low-income communities in Salvador, in northeastern Brazil, an area with a very high female unemployment rate. Danone arranged for women to be trained and equipped to sell yogurt kits door-to-door. Through this training, they were educated on business management, nutrition, health, and sales skills. The program also provided the women with a steady income (de Chaves et al., 2017). With Kiteiras, Danone was able to sell its products to support local economic development and help the families to acquire an important source of income.

**Conclusion**

Selling products to the bottom of the pyramid is very profitable, as numerous multinational corporations and small and medium enterprises have discovered in the past decades. This is a large market, consisting of over 4 billion consumers. However, since these consumers live on less than $1.25 a day, companies have to be creative in formulating their marketing strategies in order to effectively reach consumers and earn a profit. Marketing programs need to be developed to cater to the BOP’s needs in order to foster relationships with this market.

By selling affordable products, informing consumers about those products, as well as by supporting local economic development and hygiene – really, consumer wellbeing overall, companies can establish trusting relationships with consumers. It is important for companies to be aware of the BOP’s limited resources, financial, as well as communication and payment limitations. Increasing sales and market share at the bottom of the pyramid requires not only a well-thought-out business plan, but also social marketing and company leadership on all the fronts addressed in this study, in order to build trust and consumer engagement with the company.

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