

Bottom of the Pyramid: The New Marketing Mantra – A Myth or Reality

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Abstract:

The marketing strategies practiced by the conventional conglomerates got success and saturated in developed economies (Top of the economic pyramid), which are also proved to be out dated with emerging new world order. The emerging economies like China, India, and other Pan Asian and African markets needs different kind of approaches where 2/3rd of 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 the new marketing mantra signaling all the major corporates 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 of 12.5 trillion which represents 2/3rd of the global consumers and huge untapped purchasing power.

To convert BOP into consumer market the corporates have to create the capacity to consume and have to produce different products by considering the cash-poor as well as low level income consumer. These B.O.P consumers has to be reached differently with new marketing mix of 4 A's affordability, accessibility, availability, and acceptability. Reaching BOP creates ample opportunities to the corporate players for their development, growth and sustainability. The present article is modest attempt to critically review the concept and practical difficulties of implementing marketing strategies to target B.O.P market.

Literature review

1. *Prahalad & Hammond, 2002; Prahalad & Hart, 2002 state that, A BoP venture is a revenue generating enterprise that either sells goods to, or sources products from, those at the base of the pyramid in a way that helps to improve the standard of living of the poor.*
2. *Hart & Milstein, 2003; London & Hart, 2004; Wheeler et al., 2005, discuss BOP as, At its core, the BOP perspective relies on a hypothesis of mutual value creation; the greater the value created for those living at the BoP, the greater the value created for the venture. Indeed, BoP ventures are expected to generate acceptable economic and societal returns to the organization investing in the venture and the local community in which they operate.*
3. *Karnani, 2007; Wilson & Wilson, 2006 discuss the concept as that the BOP perspective is based on large companies selling smaller sizes or easier-to-afford versions of their existing products to respond to the limited purchasing power and investment capabilities of those at the BOP.*

In summary, more or less the concept is still in evolutionary stage and most of the authors tried to define the concept in economic terms or in strategic perspectives but very less attempts were made to profile the consumers and the bottom of the pyramid of the society. And it is also observed that, though the strategies were made to explore the untapped potential of the bottom of the period the attempts in the direction to identify the needs and to offer the need based products or services for the BOP are not significant.

Key words: marketing strategies, Bottom of the Pyramid (B.O.P.), emerging economies, new marketing mantra

Introduction:

The marketing strategies and practices which got success in old economies (Developed Nations) proving to be outdated 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 developed nations markets like U.S,U.K and other E.U markets getting saturated, the need of the hour for global marketers is to “look towards east” rather than old policy of “look towards west”, might be the result of these the major global players & marketers started chanting new marketing mantra i.e. Targeting Bottom Of The Pyramid(B.O.P) .

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 longitivity & sustainability with sufficient market pie.

The worlds B.O.P market size is so large with 4 billion consumer base which accounts nearly 70 per cents of world’s population with huge purchasing power of \$12.5 trillion which represents 2/3rd of global consumer base. But the buying power of these B.O.P consumers are very low as they earn less than \$2 per day, and cannot be compared with purchasing power of developed nations consumers, so serving these B.O.P markets demands more creative and innovative marketing solutions to suit the needs, aspirations, desires, habits, customs and culture.

India with second largest consumer base after China with more than 1billion population, with clear urban and rural divide (72%:28%),and with more than 70% population in agricultural sector with low or uncertain incomes on one side and the other side, with low wages/salaries, uncertain employments, living in slums with poor standard of living, the urban B.O.P market in India, represent a typical market to get the penetration and momentum for MNCs, which might has compelled them go for chanting new marketing mantra.

In India, the middle level and roof level strata of economic pyramid markets are enjoying the fruits of marketization 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.

Illogically Logical: The Market at B.O.P

The competition among the corporate in rapidly developing economies like India, at the top of economic pyramid is intensifying as number of players making their foray into it as a part and process of globalization & marketisation. This cut throat competition could limit the growth and market share of these players, as the size of the market at top of the economic pyramid is not large enough to accommodate all these in it.

The Indian B.O.P market on the other side with its vast size and demand with its latent consumption potential, offering a huge opportunity that corporate world can't afford to ignore. But marketing to the B.O.P isn't as easy as it is at the top of the economic pyramid. The B.O.P people usually lacks regular cash flow, have little access to the credit and resides in rural villages or in urban slums that make traditional methods of marketing-mix difficult and calls for creative, innovative and localized solutions for the B.O.P consumers unfulfilled dreams & desires to become reality.

Finally the corporate world is coming out from the product-centric marketing and revitalizing their strategies towards consumer-centric to be in tune with the market drift, but serving and targeting only 30% roof of the economic pyramid challenges the sustainability might be the reason compelling corporates to come out from market inertia. At this instance, this proves to be self-suicidal if they confine their

focus to only a smaller portion, top of the pyramid for which there is every chance of getting saturated with in a short span and ignoring a larger section is nothing but market myopia. This would be fatalistic if they do not take right stance at this juncture. Now the big players realized that the serving B.O.P isn't only corporate social responsibility (CSR), it is the way of doing business for their safe survival in highly competitive market arena of rapidly developing economies (R.D.Es) markets like India.

The drift and swift in marketing strategies are not only confined to M.N.Cs and major corporates in discovering new urban and rural B.O.P markets. The ambitious entrepreneurs are floating new companies which are mushrooming across the India by offering high quality products at prices lower than that of big conglomerates in the categories like oils, biscuits, tea powder, salt, detergents and hosiery, consumer electronics etc. These small entrepreneurs are giving stiff competition to big corporates and forcing them to go for crafting creative marketing strategies for expansion of the market base.

Logically Illogical: Marketing To B.O.P

There may be thousands of changes taking place in marketing at B.O.P, but still, in their logic for most of the big corporate the market growth at B.O.P. is myth and illusion. Naturally corporate certainly needs markets for their growth and sustain, but not at the cost of moving out of "Safety Business Zones", as serving B.O.P. needs moving themselves into uncertain & irregular income and uncertain demand market, which may pull them into "Danger Business Zones". So for the large companies aspiring to enter into B.O.P market are "Visualizing an active potential market where exactly absolute poverty existing" and could not make a spurge in their activities in this spectrum.

Corporate world do agree on serving deprived &

economically down trodden sections is their “Corporate Social Responsibility (C.S.R), but not ultimate mission of the business where feasibility, scalability and viability of business operations may turn into dilemma, by putting a big question on the survival of business entity itself. It is undeniable fact that the underlying intention of any marketer is to market their products with optimal marketing efforts to existing consumption potential market but not to irk their stake by operating in ambiguous markets.

Aggregately the latent consumption potential seems to be very large at B.O.P but in reality it is highly scattered with very minute individual consumption potential at micro level. So making a foray into market of the B.O.P. demands creating consumption potential& new products which suit the needs of B.O.P. consumers. This calls for extensive, creative and innovative plans and strategies with effective implementation. These concepts are new, risky and costly concepts without any concrete proved evidences of success. So adopting and implementing such practices might be the reason not to dare enough to enter into B.O.P. market arena to the corporate world.

The inevitable factors required for marketing to the B.O.P are new designed products, unconventional methods of distributions for highly dispersed markets, hybrid marketing mix with creative promotional approach for media-dark market with affordable prices etc. so to any business entity is not at all rational to craft the strategies to come out with all pre-requisites for under potential, little consumption size and inaccessible B.O.P. market. Intending to target to the B.O.P. demands hybrid solutions and design of new products with scalability of operations to get cost advantage may not be profitable and financially viable so market at the B.O.P. is a myth and logically illogical for MNCs and big corporates.

Challenges Ahead In Serving B.O.P. Markets:

Marketing for B.O.P. throws many challenges to overcome the inherent blocks of B.O.P. The new product design and affordable pricing strategies must be formulated to convert the aspiration consumer into real consumer which is not scalable to score over potential markets.

The conventional marketing wisdom may not work out to sustaining in the B.O.P. markets, and demands creative marketing approaches for which their human resources has to be trained on the ground realities of B.O.P. which seems to be preparing resources for a market which is not a great business propositions or a major profit line compared to the current potential market.

Marketability:

The potential necessitates the players in coming out with the various products, so the players will be generally more interested to operate in the arena where in there is a great demand for the product. One has to search the objects in the light but not in the darkness. Meeting the existing potential will drive the players but creation of potential at B.O.P may not be the motto of any market player. One can create the offerings that match to the purchasing power of consumer but one can not alter the purchasing power.

Transferability:

Though the Indian market said to be homogenous, when it is watched very closely, it is heterogeneous on the basis of various parameters like demographic, geographic, social, cultural and psychological dimensions. This demarcation is explicit and its implications are apparent in the B.O.P. segment. Products and practices one segment can not be simply transferred to other segments and this limits the standardization and customization

which in turn affects the scalability of operations.

Divisibility:

To suit to the consumption base and purchasing power, B.O.P. consumer has to be served with a variation in the typical product forms like micro quantity packages and sachets which is possible in very few categories where product can be divisible like FMCG and groceries. Even if any one is ready to come out with such kind in this segment, those offerings are susceptible to the replication by the spurious and duplicate brands. And this practice is highly impossible in the durables and lifestyle segments.

Infrastructure:

The Indian B.O.P market suffers from this particular setback as there are no better means of transportation, integrated communication facilities, warehousing, banking and credit facilities in the both rural areas and urban slums. Despite of so many technological advancements, fruits of technology could not provide the better solutions for the needy and deprived sections. And even though the acceptance of technology is there, this could be possible to some extent only in urban slums but not in the rural areas unless it provides hybrid solution which might not be possible all the times.

Managing supply chains:

It is quite easy to create an extension for the existing chain of supply but when it comes to the question of creation of nexus in wide dispersed, remote and scattered rural B.O.P. markets it is not going to be an easier one. This demands for the unconventional practices are else one has to stick to the age old orthodox practices. Though it is not an impossible task, it certainly hampers the scalability of operations and affects the profitability.

The Unwritten GEETHA for Bottom of Pyramid:

The marketers might be never experienced or even expected this kind of situation where there learned marketing principles turning to be outdated and need to be replenished with new marketing principles as targeting B.O.P. market demands new kind of marketing mantras as chanting old 4 P's [Product, Price, Place, Promotion] may not fetch anything in rapidly evolving new B.O.P. markets. So involving in markets at B.O.P. will challenge many of the assumptions that marketers of large corporates have developed over the years in crafting their marketing mix. Surprisingly the ground realities at B.O.P. are entirely different from the illusions of big marketers these are:

- 1 There is money at B.O.P. which accounts \$ 3 trillions in terms of Purchasing Power Parity [PPP].
- 2 The B.O.P. consumers are also brand conscious and extremely value conscious by necessity.
- 3 Access to B.O.P. markets may not be difficult as 70 % of Indian households are connected with TV, Mobile or WLL phones which makes the accessibility very easy.
- 4 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.
- 5 B.O.P. consumers accept advanced technology without any hesitations if they fall in his need category.

To convert the B.O.P. into consumer market, the companies have to create the capacity to consume. Cash-poor and with low level of income, the B.O.P. consumer has to be reached differently with new marketing mix of 4 A's [Affordability, Accessibility, Availability and Acceptability.

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.

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.

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.

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.

The Parting Idea:

The product life cycle and organization life cycle are still into the introduction or growth stages only in B.O.P markets and yet lot more things to happen in to this. Their focus is only on the top of the pyramid as there is vast potential to be explored. But it is certain that this segment would definitely reach maturity and saturation stages sooner as it already happened in the cases of developed economies. 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 will be inevitable for the corporates at that instance to look into the B.O.P. market. So instead of waiting

for a day to compel them to do so it would be appropriate to take initiatives in this direction today so as to be front runner in marketing race.

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