

A Framework for Market Growth in Bottom-of-the-Pyramid (BOP) Markets

Abstract

Emerging markets are characterized by huge Bottom-of-the-Pyramid (BOP) markets, defined as consumers earning less than \$2/day, who offer significant aggregate market potential. While the literature to date is rich in conceptual studies, it lacks evidence-based theory that guides businesses in designing marketing strategies to establish market growth within the BOP. Building on the 4As framework (Anderson & Billou, 2007; Sheth & Sisodia, 2012), the study aims to present a model that informs the design of marketing strategies to establish market growth within BOP segments. Executives of 12 BOP market-leading companies managing a total of 79 brands across 37 FMCG categories were invited for in-depth interviews. Analysis reveals that while the 4As framework is relevant, a number of strategies beyond the scope of branding strategies are necessary to develop growing markets. A framework on possible brand-level, company portfolio and category development strategies is presented and discussed.

Keywords: Bottom-of-the-pyramid, market growth, marketing strategy.

Track: International Marketing & Marketing in Emerging Countries

1. Introduction

Bottom-of-the-Pyramid (BOP) markets, defined as consumers earning less than \$2 per day (Rangan et al, 2007; Polak & Warwick, 2013), present vast opportunities and unique challenges to businesses (London & Hart, 2004). The BOP proposition argues that there is much untapped market potential within the world's poorest communities. BOP markets have for long been ignored by marketers under the impression that there is not much buying potential there (Munir et al, 2010). However, BOP markets constitute almost two-thirds of the world's population and so, in aggregate they possess huge purchasing power. Not only are they potentially huge, but they are also growing rapidly, many are in countries with 5-10% growth rates, compared with rates of less than 2% in mature, established markets (Payaud, 2014).

What remains unclear is how marketers should go about achieving market growth in BOP markets. As Romaniuk et al (2018) suggest, "*in emerging markets, the evidence about how to grow market share is still sparse*". Current marketing knowledge has mostly been developed through research on the 20% of the global consumer population living in advanced economies (Rosa, 2012). This study therefore aims to fill practical and knowledge gaps relevant to the remaining majority of global consumers by using a data-driven approach to build a framework for devising effective market growth strategies within the BOP. Previous literature also trying to address this gap include the efforts of Anderson & Billou, (2007) and Sheth & Sisodia (2012) who present the 4A's framework after identifying that the traditional 4P's are not appropriate to emerging markets. In an attempt to identify more effective ways to approach BOP marketing strategies, this study extends on the same idea of developing knowledge relevant to the dynamic BOP contexts.

2. Research Context

Contrary to common belief, the poor buy products that satisfy higher-order needs above their basic necessities. Various explanations for this buying behaviour include the theory of immediate gratification which explains that poverty conditions can make buyer choices more short-term and impulsive as one attempt to temporarily reduce distress (Liu et al, 2012). Whereas the theory of compensatory consumption explains that poorer consumers spend on socially visible goods as one way to compensate for their low social status (Gupta & Pirsch, 2014). In doing this, BOP consumers are brand conscious and value conscious (Pitta & Marshall, 2008) because brands offer a sign of quality reducing risk. It has also been

suggested that since saving up for big items (such as a house or a car) is not normally achievable, the poor spend what they earn to improve their current standard of living (Martinez & Carbonell, 2007).

In aggregate this BOP purchasing power is usually captured by the informal, inefficient economy (London & Hart, 2004) and most BOP consumers can only access limited, low quality products offered at high prices by predatory intermediaries (Prahalad & Hammond, 2002). In contrast, the BOP proposition suggests that if marketers bring this huge purchasing power into the formal, efficient economy, they can provide BOP consumers with more products at lower prices, due to their more efficient processes compared with the informal sector (Prahalad, 2014). They can also provide BOP markets with access to products and services that were not previously available. On a macro level, this will lead to the economic and social inclusion of the poor in the modern, formal economy.

However, marketers that attempt to grow their brands in BOP markets find difficulties capturing such demand due to underdeveloped infrastructure (Weissburg, 2008), inadequate and complex legal systems (Miller, 1998), limited income and low education levels (Jagtap et al, 2014). In turn, conventional theory argues that these characteristics affect buying behaviour (Kotler & Armstrong, 2012; Luiz, 2006), which in poorer communities is shaped by experiences of resource shortages and psychological, social and literacy barriers (Viswanathan & Sridharan, 2012) that may depress loyalty in highly defined market segments (Kotler & Kotler, 2012). Buying is further affected by unstable competitive sets, high levels of unbranded competition and imbalances between supply and demand (Cateora et al, 2014; Sheth, 2011). BOP markets include “prosumers”; who produce much of what they consume (Viswanathan & Sridharan, 2012), and when that is not the case, they mostly transact within the informal sector (Silvestre & Neto, 2014).

The studies cited above, however, are mostly conceptual and the literature on BOP marketing strategy, design, and execution lacks data-driven evidence that tests existing theory and/or proposes new, robust theory. This paper aims to address this gap by testing existing theory and offering a framework that informs the design of effective marketing strategies to establish market growth within BOP segments.

The study builds on the 4 A's framework, developed by Anderson & Billou (2007) and Sheth & Sisodia (2012), that is popular in the BOP literature (e.g., Lihikoinen et al, 2018; Sinha & Sheth, 2018; Bates & Buckles, 2017) as it offers a substitute, solution-driven alternative to the traditional 4 P's. The 4 A's framework includes acceptability (product), affordability (price), awareness (promotion) and availability (place). Acceptability refers to

necessary adaptations to create willingness for buyers to consume, but also with members of the value chain to distribute and sell the product. Affordability refers to setting prices with an appreciation of BOP consumers limited and irregular cash flows. Awareness involves addressing weak consumer knowledge and media limitations in BOP markets which requires finding alternative communication methods that can effectively inform consumers about offerings. Availability describes the degree to which products are within buyer reach, overcoming distribution challenges such as lack of formal retail outlets, fragmented, in some cases isolated, villages with poor infrastructure, etc. The 4 A's framework contrasts from the 4 P's by emphasising that the traditional marketing mix when applied in BOP markets fundamentally requires addressing challenges and limitations that usually lie outside the boundaries of a company – a reason many businesses struggle in BOP markets.

3. Methodology

A qualitative research strategy is followed where executives of market leading brands within Egypt's FMCG categories in BOP markets were identified and invited to semi-structured, in-depth interviews to discuss their strategies to deliver market growth in BOP markets. Since this research stream is still in its infancy, most previous studies have been based on single case studies (Pels & Sheth, 2017). For this reason, this study will take a different approach by combining knowledge from a number of marketing practitioners operating across a spectrum of consumer good categories. A selection matrix was developed to create a sample that includes experienced (i.e., present in Egyptian market for 15+ years) local, regional and global companies who are BOP market leaders or market challengers. Executives of 12 companies, managing 79 brands in total, across 37 FMCG categories agreed to participate in the study.

Responses from semi-structured interviews following a standardised discussion guide were subject to thematic analysis to interpret content and identify themes. Data was transcribed, coded and analysed, following Corbin and Strauss' (2008) recommendation of a three-stage coding process: open, axial and selective coding.

4. Findings

The analysis describes the varying levels of success of different strategies for BOP segment growth, confirming that establishing and growing share within the BOP is a big challenge. The analysis also confirmed the relevance of the 4 A's framework to BOP contexts

and provided insight on strategies to achieve the different components of the 4 A's framework.

Acceptability required product design to follow a bottom-up approach, beginning with local consumer research to understand and offer substitutes to home-made solutions (such as home-made soap). It was found that products should be offered in multiple product variants to allow BOP consumers to switch up (aspirational buying, or in occasional "luxury" buying) or switch down (in tough economic times), ensuring they remain buyers of the category. This has to be tied with multiple price points to establish *affordability*. Price points should also reflect the different income realisation frequencies (i.e., daily, weekly, monthly) and accommodate for lower cash outlay and more frequent buys. Low cash outlay products can become "candy money" where they are given out by sellers when there is shortage of change during transactions. On the category level, marketers of emerging markets have the opportunity of re-defining value standards through offerings that fulfil needs at acceptable levels of quality, replacing lower-quality local solutions. To establish *awareness*, effective communications include establishing distinctive branding and customer engagement, usually in the form of on-ground activations (games, road shows, etc.). Collaborating with local influencers, such as local celebrities, experts, local shop owners and community members was identified as an effective technique to drive demand through word-of-mouth. Portfolio awareness is highly influenced by in-store displays which should help buyers identify the category and distinguish between the different offerings. Low penetration categories require efforts by brands to draw users to the category as a whole. Such efforts can be in collaboration with NGOs or governmental programs. Usually, it has been found that it is the global, not local or regional, companies that take initiatives for category development. Finally, establishing *availability* has been identified as a critical and challenging process that involves going beyond traditional distribution strategies to establish wide and consistent reach. Limitations in infrastructure required companies to invest in infrastructure (e.g., buy vehicles, fridges, etc.) and employ local villagers as distributors to create appropriate outlets for their brands. In addition to commercial interest, relationships with distributors have an emotional element and are treated as partners through good and bad times. Hence the importance of offering technical and non-technical support to distributors and retailers to grow their businesses was emphasised. Such relationships may present opportunities to negotiate for exclusive distribution in smaller, rural retail outlets. It was also identified that choice of distribution strategy (push vs. pull) varies according to degree of product demand, and that choice of product size and format varies according to nature of trade.

5. Discussion

Although the initial focus of this research was on establishing *brand* growth, analysis revealed that a focus on brand strategy alone can be restrictive and should be complemented with strategies on the portfolio level to develop the category and market as a whole. This was a new finding as most previous BOP studies follow a narrower focus on product or promotional adaptations. Based on that finding a 3x4 matrix was developed on effective market strategies to achieve the 4 A's on the brand, portfolio and category level (Figure 1).

	Acceptability	Affordability	Awareness	Availability
Category development strategies	<p>Substitute home-made solutions; create new needs</p> <p>Maintain acceptable quality standards to recruit non-users</p>	<p>Set/ redefine category value standards</p>	<p>Educate and raise awareness, with partnerships with govt programs or NGOs</p>	<p>Invest to develop infrastructure, through BOP partnerships (buy vehicles for distributors, invest in crops of farmers, etc)</p> <p>Provide technical support to channel members</p>
Company portfolio strategies	<p>Offer multiple product variants to allow switching up or down (upgrading or downgrading)</p>	<p>Offer multiple price points to allow consumers to remain within category</p> <p>Tie price points with income realisation frequencies and the macroeconomic structure</p>	<p>Enhance category visibility development within stores</p> <p>Develop community/CSR projects associated with company (emotional ties)</p>	<p>Design a variety of sizes and formats to suit the different natures of trade</p> <p>Vary between push and pull strategies based on product demand</p> <p>Push higher tier products through distribution of lower tier products</p>
Brand-level strategies	<p>Follow a bottom-up product design approach</p> <p>Offer packaging that emphasises 'saving' and can survive extreme conditions</p>	<p>Begin with a price cap</p> <p>Accommodate for lower cash outlay and more frequent buys</p> <p>Check for opportunities for "candy money" pricing</p>	<p>Partner with local BOP influencers to trigger WOM</p> <p>Develop on ground customer engagement activities</p> <p>Establish distinctive branding</p>	<p>Distribute broadly and consistently (creating an entry barrier, and catching light occasional buying opportunities)</p> <p>Identify opportunities for exclusive distribution within small BOP outlets</p> <p>Partner with local</p>

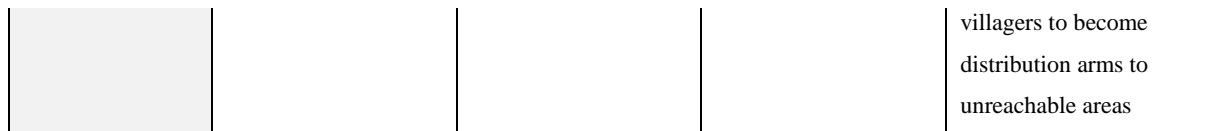


Figure 1. Research framework of marketing strategies to achieve growth at the brand, portfolio and category levels.

To establish market growth in these types of dynamic markets, a more holistic approach is proposed. Managing acceptability, affordability, awareness and availability beyond the scope of single brands drives market growth by drawing users into the category and then to the different brands within a company's portfolio. Market metric analysis of brands within Egypt's BOP segments shows that the three layers of the proposed framework differentiate between the different market players. Smaller local companies are usually found to be applying the 4 A's at the brand level, regional companies on the portfolio level and global companies on the category level. This could be due to the former's limited resources or narrower outlook. Alternatively, they could be following a market imitation strategy where local market players are enjoying growth by riding on the category expansion coat tails of the global market players. Market imitators can still find growth in big, growing markets by matching new value standards set by category market leaders. Consequently, although they enjoy less return in terms of profitable market share, growth is realised.

6. Conclusion

Emerging markets offer opportunities, specifically within their vast BOP segments. To establish growth, marketers are required to address BOP market challenges and limitations to make their brands physically and mentally available (Sharp, 2010). Only in emerging markets this takes place at the category level, not only the brand level as is typical in established markets. Establishing the 4 As in dynamic markets requires going beyond brand building strategies with a strategic approach to portfolio management and a wider outlook on market development. Emerging markets are characterised by big pools of non-users requiring marketing efforts to extend to drawing users to the category, and then the brand. Findings of this study show that the 4 As should be applied within and beyond the scope of single branding strategies.

This study tapped onto the minds of marketers that successfully established significant market shares in BOP segments. The framework proposed in this study structures their ideas around marketing knowledge on market growth in emerging markets (e.g., Romaniuk et al,

2018; Romaniuk & Sharp, 2015), contributing to theory by offering an empirically grounded framework that builds on existing knowledge about emerging markets. The study advances theoretical knowledge of the emerging markets and marketing strategy literature by extending an existing framework (4 A's) in a new multi-layer structure (brand-level, company portfolio and category development strategies) for a holistic approach to growing market share. The study advances practical knowledge by offering practitioners possible marketing strategies to establish their brands in BOP markets. It is suggested that future research tests the strategies proposed in the framework above, and contrasts how the different marketing strategies affect market competition and consumption behaviour for further understanding on not only how brands grow, but also how markets change and develop as a result of marketing practices.

References

- Anderson, J. & Billou, N. (2007). Serving the world's poor: innovation at the base of the economic pyramid. *Journal of Business Strategy*, 28(2), 14-21.
- Bates, MO. & Buckles, TA. (2017). An Examination of Market Entry Perspectives in Emerging Markets. *International Journal of Business and Economic Development*, 5(3), 19-29.
- Cateora, PR., Gilly, MC., Graham, JL. & Farah MF. (2014). *International Marketing*. Middle East edition, McGraw Hill, NY.
- Corbin, J., & Strauss, A. (2008). *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory* (3rd ed). Thousand Oaks, CA: Sage
- Gupta, S. & Pirsch, J. (2014). Consumer evaluation of target marketing to the bottom of the pyramid, *Journal of International Consumer Marketing*, 26, 58-74.
- Jagtap, S., Larsson, A., Hiort, V., Olander, E., Warell, A., Khadilkar, PP. (2014). How design process for the base of the pyramid differs from that for the top of the pyramid. *Design Studies*, 35(5), 527-558.
- Kotler, P. & Armstrong G. (2012). *Principles of Marketing* (14th ed.) Essex: Pearson
- Kotler, P. & Kotler, M. (2012). *Market your way to growth*, Wiley
- Lehikoinen, LE., Lundh, A., Meert, L., Waeingnier, K., Bentsen, N., Norbye, IBT. (2018). Innovation and Creativity at the Bottom of the Pyramid. *International Journal of Business and Economic Sciences Applied Research*, 11(1), 13-25.
- Liu L, Feng T, Suo T, Lee K, Li H. (2012). Adapting to the Destitute Situations: Poverty Cues Lead to Short-Term Choice. *PLoS ONE*, 7(4), 1-6.
- London, T. & Hart, SL. (2004). Reinventing strategies for emerging markets: beyond the transnational model. *Journal of International Business Studies*, 35, 350-370.
- Luiz, J. (2006). *Managing Business in Africa*. Cape Town: Oxford University Press.
- Martinez, JL. & Carbonell, M. (2007). Value at the bottom of the pyramid. *Business Strategy Review*, Autumn 2007, 50-55.
- Miller RR. (1998). *Selling to Newly Emerging Markets*, New York: Quorum Books.
- Munir, K., Ansari, S. Gregg, T. (2010). Beyond the hype: Business strategy into the bottom of the pyramid. *The Globalization of Strategy Research*, 27, 247-276.
- Payaud, MA. (2014). Marketing strategies at the bottom of the pyramid: Examples from Nestle, Danone and Procter & Gamble. *Global Business & Organizational Excellence*, (January/February), 51-63.

- Pels, J. & Sheth, JN. (2017). Business models to serve low-income consumers in emerging markets. *Marketing Theory*, 10.1177/1470593117704262
- Pitta, DA. Guesalaga, R., Marhsall, P. (2008). The quest for the fortune at the bottom of the pyramid: Potential and challenges. *Journal of Consumer Marketing*, 25(7), 393-401.
- Polak, PP. & Warwick, M. (2013). *The Business Solution to Poverty*, Berrett-Koehler: San Francisco.
- Prahalad, CK. & Hammond, A. (2002). Serving the world's poor, profitably. *Harvard Business Review*, 80(9), 48-57.
- Prahalad, CK. (2014). *The Fortune at the Bottom of the Pyramid: Eradicating poverty through profits*. Pearson: New Jersey.
- Rangan, V.K., Quelch, J.A., Herrero, G., & Barton, B. (2007). *Business solutions for the global poor*, San Francisco, CA: Jossey-Bass.
- Romaniuk, J. & Sharp, B. (2015). *How brands grow Part 2*, Oxford University Press.
- Romaniuk, J., Dawes, J. & Nenycz-Thiel, M. (2018). Modeling brand market share change in emerging markets, *International Marketing Review*, <https://doi.org/10.1108/IMR-01-2017-0006>.
- Rosa, JA. (2012). Marketing education for the next four billion: Challenges and innovations. *Journal of Marketing Education*, 34(1), 44-54.
- Sharp, B. (2010). *How brands grow: What marketers don't know*. South Melbourne: Oxford University Press.
- Sheth, JN. & Sisodia, RS (2012). *The 4A's of marketing: creating value for customer, company and society*. NY, USA: Rutledge.
- Sheth, JN. (2011). Impact of Emerging Markets on Marketing: Rethinking Existing Perspectives and Practices. *Journal of Marketing*, 75(July), 166–82.
- Silvestre, BS & Neto, RS. (2014). Capability accumulation, innovation, and technology diffusion: Lessons from a base of the pyramid cluster. *Technovation*, 34, 270-283.
- Sinha, M. & Sheth, J. (2018). Growing the pie in emerging markets: Marketing strategies for increasing the ratio of non-users to users. *Journal of Business Research*, 86, 217-224.
- Viswanathan, M. & Sridharan, S. (2012). Product development for the BoP: Insights on concept and prototype development from university-based student projects in India. *Journal of Product Innovation Management*, 29(1), 52-69.
- Weissburg, J., (2008). The BOP beckons: Why grassroots design will determine the winners in developing markets. *Stanford Social Innovation Review*, Spring 2008, 21-22.