

A Study on Bottom of the Pyramid Marketing

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Abstract: The Indian rural market with its vast size and demand base offers great opportunities to marketing firms. Rural India represents 50 percent of India's GDP (but 70 percent of its people) and 50 percent of rural GDP is non-agricultural: it comes from the self-employed in all kinds of services (Bijapurkar, 2007). It is only natural that rural markets form an important part of the total market of India. According to the National Council of Applied Economic Research (NCAER), with about 74 percent of its population living in its villages, India has perhaps the largest potential rural market in the world. It has as many as 47,000 haats (Kashyap, 1998), compared to 35,000 supermarkets in the US. Plus of the total FMCGs demand in India, nearly 53 percent comes from the rural market, for consumer durables, the figure is 59 percent. C.K. Prahlad in his book 'The Fortune at the Bottom of the Pyramid', speaks about the need for companies to design and develop innovative products and services which help the poor prosper by partnering and engaging with them. He goes on to say that there is huge consumer potential in rural India and addressing this segment is a win-win partnership for both – companies and people. Under this backdrop, the paper highlights how companies are developing innovative products and services to tap the rural population, the strategy adopted by the companies to tap the rural market, and further how focusing at the bottom of the pyramid will create a competitive situation for both the company and its customers.

Key Words: Rural market, Self-employed, Bottom of the Pyramid, win-win partnership, innovative, competitive

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I. Introduction

India would continue to have the largest rural population in the world until 2050. This is as per the report titled "2007 Revision of World Urbanisation Prospects" released on 27th February 2008 by the United Nations (See Table showing: India -Demographic Profile (2010-2050) - Projection by United Nations). Both in terms of population and potential, Indian rural markets will play a crucial role in the overall Indian economy for at least the next forty years.

A change in consumption patterns and access to communication media have made the rural market a vital cog in the sales-growth wheel, especially with demand for many categories plateauing in the urban markets. If marketing organizations have to sustain, the starting point has got to be the concern for the human being, who must be sufficiently empowered to consume by entering in to exchange relationship with them. Responsible and inclusive approach to marketing cannot neglect 72 percent of a country's population.

Marketing Management always deals in the ever changing marketing environment. The rural environment is in paradigm shifts and management needs to deal with the changing consumer behavior. The basic challenge in front of the rural marketer is to deal with the rural consumer who is undergoing transformation. Many marketers perceive that the rural markets are the protrusions of the urban slums or poor markets. The truth is that the rural consumer's concept of value is different from the urban consumers. The culture of rural is not of display of the wealth and modality. The symptoms of modernity are different than the urban counterparts. The rural consumer purchases willingly when it is extremely needed by them, not because of tempting promotional offers. The rural market in India is quite charming and demanding in spite of all the difficulties existing. The potential is enormous. Even though, these markets have imperfection, they also have tremendous opportunities which should be availed by the marketers.

II. Objectives

- To analyse how companies are developing innovative products and services which help the rural population
- To analyse the strategies companies are undertaking to tap the rural market
- To analyse how focusing at the bottom of the pyramid will create a competitive situation for both the company and the people

III. Review Of Literature

The market dynamics are changing fast. New markets are emerging rapidly and are becoming attractive destinations for marketers. These markets open up a plethora of possibilities for experimentation and opportunities to move away from the convention.

Bhatia Tej K (2000), conducted a research on article titled, “Advertising in Rural India: Language, Marketing Communication, and Consumerism, The article highlights that due to globalization, economic liberalization, IT revolution, and improving infrastructure, middle class rural India today has more disposable income than urban India

Kannan S (2001) conducted a research on article titled, “*Rural market- A world of opportunity*”. The article highlights that a rural consumer is brand loyal and understands symbols better. The rural audience has matured enough to understand the communication developed for the urban markets, especially with reference to FMCG. Today, the ultra bright shine of Colgate or some other international brand of toothpaste holds more appeal than the traditional methods of cleaning teeth (*Bhatia, 2000*).

Sivakumar S (2002) conducted a research on article titled, “*Collaboration Works*”. The article highlights that rural market is quite different in terms of the price-value equation, product usage pattern and service coordinates because the meaning of ‘convenience’ differs with market segments

The real market promise in the future is expected to come not from the developed markets and the sophisticated market segments but from the underprivileged segments and the tier IV markets across the world which, though largely untapped till now, have the potential of exhibiting a substantial rate of growth if catered to properly. “Managers who focus on gross margins will miss the opportunity at the bottom of the pyramid; managers who innovate and focus on economic profit will be rewarded” (*Prahlad and Hart, 2002*).

DavarNiraj N and Chattopadhyay Amitava (2002), conducted a research on the article, “Rethinking Marketing Programs for Emerging Markets”, The article highlights that an effective penetration into the emerging markets calls for a rethinking of the marketing programs directed at these markets

KanjilalAbir, Das Indranil and SrivastvaRohitash (2005), conducted a research on the article, “Media Effect and its Measurement in Rural India”. The article highlights that different brands sponsor different events and shows in villages, which are actually a cost-effective way to advertise with the participatory strategy and advertisements touching the emotions of the rural folks could drive a quantum jump in sales.

Anderson Jaime and Markides Costas (2006), conducted a research on the article, “Strategic Innovation at the Base of the Economic Pyramid”. The article highlights that innovations targeted at the bottom of the pyramid markets are less about discovering the new ‘Who’s’ and much more about discovering a new value proposition (a new What) and a new value network (a new How).

As in the bottom of the pyramid market, an effective penetration into the rural market also requires a judicious use of innovation. Innovation must be used in such a way so as to avoid undesirable inclusion or undesirable exclusion. In order to effectively survive in the rural market and to bring about a sustainable growth, it is important that the neglected rural lot are not merely treated as consumers but as strengthened producers (*Jaiswal, 2008*). Thus, sustainable growth in the newly discovered rural markets requires the use of innovation not only to penetrate into these markets as sellers but also to ensure a simultaneous exploitation of the resources in these segments, develop business propositions around these resources and sell the resultant produce in the other markets. Such use of innovation to bring about a balanced growth in the rural markets and develop these markets both as producers and consumers would also ensure survival for the practicing companies. Some entrepreneurs from these underprivileged markets have started evolving and moving towards the international markets riding on some sort of innovation. Studies show that entrepreneurs from emerging economies are increasingly using innovation to enhance their customer support capabilities with the aim of efficiently serving their important international customers and penetrating the global markets in an effective way (*Khavulet al., 2010*).

MARKETING CHALLENGES AT THE BOTTOM

Availability: India's 627,000 villages are spread over 3.2 million sq. km. Approximately 110 million Indians live in rural areas, and reaching them is not easy, especially given the poor road infrastructure. Hence, operations costs increase and sometimes it is even higher than that in urban markets. Therefore, companies are finding it increasingly difficult to protect their margins in the BOP market.

Affordability: Given the low disposable income of BOP consumers, pricing is key to higher product penetration among rural consumers. Further, people in rural areas are not only price sensitive, but also quality conscious. Therefore, producing quality products at lower price points has posed a challenge for companies trying to protect their margins in the backdrop of monumental cost pressure.

Acceptability: In the BOP market, product functionality is a key success parameter. Therefore, a product form that has worked well in traditional markets may not be acceptable to BOP consumers if the product functionality is not in line with their unmet needs.

Awareness: India is home to people speaking several languages and dialects. Further, the cultural heterogeneity makes it difficult for marketers to create awareness among BOP consumers. In addition, low literacy rates, coupled with limited reach of the electronic media, are likely to act as a barrier to promotional efforts. It has been identified that the best places to promote products or services are local haats and melas or promotional campaigns during local festivals. However, organising such affairs is not easy because of the high costs involved.

RURAL MARKETING STRATEGIES

With a population already in excess of one billion people, India has caught the eye of multinational corporations across the globe as a place of opportunity for exploring new markets. While India has portions of their population that would be considered wealthy or middle class by Western standards, a much greater percentage of India's population is low income. As a result, they spend money, live and use products differently than the countries where most multinational corporations originate.

Rural areas, in particular, exemplify these differences. Understanding the characteristics that make the people and the market in rural India unique can help corporations to enter this market with success.

Products which are needed can be produced and in their economic range only should be tried. This is the reason why smaller packages, low value models and items are to be tried in the rural market. The attributes like design, colour, size, shape, taste and packaging should be of the rural people's liking. HLL, a subsidiary of Unilever, initiated 'Operation Bharat' to tap rural markets. It came out with low-priced sample packets of its toothpaste, fairness cream, Clinic Plus shampoo and Ponds cream, targeting 20 million households.

The rural people should not feel that they are made to pay more than what is available in urban markets. Hence, what is sold to them in the rural market should be a slightly lower price or same price as in urban markets. For this if required, the cost can be saved in packing and discount pattern. Cavin Care introduced INR 0.50 sachet packs of Chik shampoo at a time when penetration of hair care products in rural India was quite low. The strategy was highly successful and Chik shampoo's market share grew from 5.61 percent in 1999 to 23 percent in 2003. The sachet strategy creates "artificial price differential" and drives volume sales.

After taking care of product and price aspect, the next important category is distribution. The product should be made available to the rural consumer at convenient places/points. Wherever the agents or leaders are not available, the good old hawker method will work. The bigger companies who make huge profits due to selling in cities and urban areas can afford to invest more to develop sales distribution in the rural sector. Even if adequate returns are not available, they can appoint agents who distribute the goods through the hawkers. The only risk is that transactions are in cash and hence accountability is difficult. There is scope to increase the distribution pattern with reasonable risk factors attached to it.

Promotion is a back-up function for the sales force. It is essential to communicate the merits and advantages of products through various methods of promotion. Companies face a daunting task in communicating information about their products to the consumer due to lack of literacy and the failure of traditional media to penetrate in the rural households. Hence, the promotion mix has to be more towards non-conventional yet effective medium like Puppetry, Folk Theater & Song, Wall Painting, Demonstration and Posters.

Cross-functional coordination: Coordination among different functions in an organisation is key to formulating effective BOP marketing strategies. Further, companies should also focus on efficiency. For example, HLL, through its Project Shakti launched in 2000, encouraged rural women to spread awareness about HLL personal care products. The project was test-marketed in Andhra Pradesh and was aimed at creating "income-generating capabilities for underprivileged rural women by providing a small-scale enterprise

opportunity, and improving rural living standards through health and hygiene awareness". The project, besides being an initiative to help rural women, helped enhance the company's distribution network at a low cost.

BUYING BEHAVIOUR IN RURAL MARKET

Due to the differences in the needs, buying behavior, values and aspirations of the customers the marketing concepts have to be modified to be successful. Buying behavior is different among urban and rural customers in the same income bracket as the rural mind is troubled by uncertainties which may be irrelevant in the urban context. The rural consumer is socially, psychographically, economically different from their urban counterparts. Therefore, companies need to understand the social dynamics and attitude variations within each village though nationally it follows a consistent pattern.

One of the main influencers in the rural market is the retailer. He is the person who pushes a brand to the consumer, as the consumer is unaware of different brands existing and has no choice or preference.

The rural consumer only asks for the generic product from the retailer and the retailer pushes a particular brand according to the availability and the returns he gets out of that brand. Hence, educating, training and networking with these retailers should be emphasized.

IV. SUCCESSFUL COMPANIES IN RURAL MARKET

HUL's initiatives in the rural India- Project Shakti, which not only helped their company attain some revenue but also helped the poor women of the village to attain some money which is surely going to increase their purchasing power. Also this will increase their brand loyalty as well as recognition in that area. Shakti is HUL's rural initiative, which targets small villages with population of less than 2000 people or less. It seeks to empower underprivileged rural women by providing income-generating opportunities, health and hygiene education through the Shakti Vani programme, and creating access to relevant information through the Shakti community portal. In general, rural women in India are underprivileged and need a sustainable source of income. NGOs, governmental bodies and other institutions have been working to improve the status of rural women. Shakti is a pioneering effort in creating livelihoods for rural women, organised in Self-Help Groups (SHGs), and improving living standards in rural India. Shakti provides critically needed additional income to these women and their families, by equipping and training them to become an extended arm of the company's operation. Started in 2001, Shakti has already been extended to about 80,000 villages in 15 states - Andhra Pradesh, Karnataka, Tamilnadu, Maharashtra, Gujarat, Madhya Pradesh, Chattisgarh, Uttar Pradesh, Rajasthan, Punjab, Haryana, West Bengal, Orissa, Bihar and Jharkhand. The respective state governments and several NGOs are actively involved in the initiative.

Shakti already has about 25,000 women entrepreneurs in its fold. A typical Shakti entrepreneur earns a sustainable income of about Rs.700-Rs.1,000 per month, which is double their average household income. Shakti is thus creating opportunities for rural women to live in improved conditions and with dignity, while improving the overall standard of living in their families. In addition, it involves health and hygiene programmes, which help to improve the standard of living of the rural community. Shakti's ambit already covers about 15 million rural populations. Plans are also being drawn up to bring in partners involved in agriculture, health, insurance and education to catalyze overall rural development.

ITC's E-Choupal, was the single-largest information technology-based intervention by a corporate entity in rural India. Transforming the Indian farmer into a progressive knowledge-seeking netizen. Enriching the farmer with knowledge; elevating him to a new order of empowerment. E-Choupal delivers real-time information and customised knowledge to improve the farmer's decision-making ability, thereby better aligning farm output to market demands; securing better quality, productivity and improved price discovery. The model helps aggregate demand in the nature of a virtual producers' co-operative, in the process facilitating access to higher quality farm inputs at lower costs for the farmer. The e-Choupal initiative also creates a direct marketing channel, eliminating wasteful intermediation and multiple handling, thus reducing transaction costs and making logistics efficient. The e-Choupal project is already benefiting over 3.5 million farmers. By 2013, the e-Choupal network will cover over 100,000 villages, representing 1/6th of rural India, and create more than 10 million e-farmers.

Another example that provides a good insight into the integration of the 'bottom of pyramid' producer into the corporate production is that of the supply chain and production process of **McFries**. This innovative method of introducing an exotic variety in India and the innovative method of cultivation yielded results in 2008 when 70% of the potato used for making **McFries by McCain India** was sourced from the Indian fields. Integrating the agricultural producer at the bottom of the pyramid with industrial production in this way not only increases the earning potential of the neglected lot but also enhances their exposure to modern means of production, and value-added products and brands and makes them vibrant customers and a lucrative market for all sorts of products.

Coca-Cola was one of the first global majors to have spotted the potential spin offs from the country's rural market. It has perfected a unique supply chain to cater to India's vast rural markets hinterland. The results are working and coca-cola India rural penetration increased from 13% in 2001 to 25% in mid 2003. Over that period, the numbers of company's increased from less than 4000 to 5500. Coke's, being fast moving consumer good, hold enormous potential from a manufacturer like the coca-cola company. The biggest reason for this is the low per capita consumption, which coke estimates at 3.7 bottles person per year compared to 10 bottles per person per year for all India. Breaking to this market required innovative thinking and a new strategy. Rural India meant reaching 6.27.00 square Km; it meant getting distributors to travel 200 kms to reach five shops with drop sizes of than a case. A typical village retail environment consists of 4-5 kirana shops (stripped down version of mom and pop shops), the size of such stores varies depending on the size on population density of village where it serves. It also tapped local forms of entertainment like annual haats and fairs and made huge investments in infrastructure for distribution and marketing. Coke realised that the communication media used in cities and urban areas would not work in villages because of low penetration of conventional media. Coca Cola India also launched television commercials (TVCs) targeted at rural consumers. In orders to reach more rural consumers, Coca Cola India increased its ad-spend on Doordarshan. The company ensured that all its rural marketing initiatives were well-supported by TVCs. When Coca Cola launched Chota Coke in 2002 price at Rs. 5, it bought out a commercial featuring Bollywood actor Aamir Khan to communicate the messages of the price cut and the launch of 200 ml bottles to the rural consumers. The commercial was shot in a rural setting. In the summer of 2003, Coca Cola India came up with a new commercial featuring Aamir Khan, to further strengthen the Coca Cola brand image among rural consumers. The commercial aimed at making coke a generic name for 'Thanda.' Of the reason for picking up the word 'Thanda', Prasoon Joshi, national creative director – McCann Erickson, the creator of the commercial, said, "Thanda is a very North India-centric phenomenon. Go to any restaurant in the north, and attendants would promptly ask, 'thandayagaram?' Between March and September 2003, Coca Cola India launched three commercials with the "ThandaMatlab Coca-Cola" tag line. All the three commercials aimed to make rural and semi-urban consumers connect with Coca-Cola. The first ad featured Aamir Khan as a 'tapori' (street smart); in the ad he makes the association between Coca-Cola and the word 'Thanda'. The second commercial in the series featured Aamir Khan as a "Hyderabadi shop- keeper"; here again he equates the word 'Thanda' with Coca-Cola. The third commercial featured Aamir Khan as a 'Punjabi Farmer' who offers Coca Cola to ladies asking for Thanda. This ad was a huge success and this helped Coke to tap the rural market.

ICICI Bank formulated a comprehensive channel strategy for rural markets with multiple channels catering to all segments of the rural population. This involves setting up an ICICI Bank touch point with in ten kilometers from any customer, using a combination of branch and non-branch channels. Hybrid low cost distribution network is established by partnering with corporate, micro-finance institutions, franchisees and rural marketing agents, setting up branches at strategic locations and leveraging the distribution network of other banks. The Bank is using technology to tie- in all the channels and products to reduce costs. The number of rural internet kiosks was increased to about 4,300 in March 31,2006 from about 2,000 in March 31,2005. The total number of partner micro finance institutions / nongovernment organization was scaled to 102 (March 2006) from 45 (March 2005). This has lead to an outreach of about 3.2 million low-income clients with an outstanding asset of Rs.23.5 billion. To make technology more user friendly for rural consumers and to implement inclusive banking, ICICI bank is planning to introduce biometric ATMs. Using thumbprint and voice guidance in ATMs reduces literacy requirements to a considerable extend. Thus, establishing the identity of a rural depositor through biometrics makes it possible for illiterate or barely literate consumers to become part of the banking user community.

Corporation Bank took technology to rural areas by introducing RFID/Smart Card based authentication devices that are operated by the business correspondents (BCs) at identified villages. The BCs serve as literal extension counters of the bank at these villages by providing basic banking services to people in rural areas. The bank also tied-up with a leading technology vendor for providing standardized infrastructure to banks. This helps identify the customer and to establish credit worthiness profiles. Using this information banks can take financial and non-financial products and services to the rural areas.

Having timed out the competition in the urban markets, **Titan Industries**, the country's largest watch maker also moved to the rural consumers. Their 'Sonata', brand is aimed to both "satisfy and stimulate" rural demand. Titan sees rural India as a market waiting for the marketer. Titan managers believe that the rural market needs a completely different communication exercise to be effective.

Ericsson India, connected 18 villages and 15 small towns in Tamil Nadu through the Gramjyoti Rural Broadband Project, entered into tie-ups with various domain experts to offer services and information relevant to its target audience. Ericsson tied up with Apollo Hospitals to offer telemedicine and mobile healthcare services.

It has also tied up with Bangalore-based Edurite Technologies to offer E-learning services, while E governance will be offered to Gramjyoti villages and towns through a tie-up with the local government.

Going rural is not exactly a new mantra for India's marketers. Even within the auto industry, every manufacturer worth its horsepower has been traversing the highways and bylanes of the hinterland. Non urban markets account for 32% of the sales for India's second largest automaker, Hyundai. General Motors tool sells 30% of its cars –mainly the Chevrolet Spark, Beat and Tavera – in rural India. At the centre of **Maruti's** communication strategy is a roadshow and a film screening inside a truck kitted with a big Samsung LCD television, a split AC and push-back chairs. The short film tells a simple story of an average villager who, after getting taken in by the persuasive skills of his Wagon R-owing friend, ends up buying one for himself. Its driven by a single plot and identifiable characters. In the year 2011-2012, Alto has accounted 36% of rural sales, Omni has accounted 13.6% of rural sales and WagonR has accounted 12% of rural sales. In 2010-11, Maruti's rural sales as contribution to total sales was 20% which has increased to 26% in the year 2011-1012.

Nokia launched its first dual-Sim handset last June- two and a half years after the likes of Micromax and GFive made a splash. But in less than a year it has dethroned the first movers. According to Gfk, a market research firm, Nokia led with a 23% share in the dual SIM segment in January 2012. Samsung, GFive and Micromax followed with shares of 12.7%, 9.8% and 8.7% respectively. Nokia has gone all out to prove it still has the marketing chops to create a big impact. Even as its bikers generated buzz in the small towns of Punjab, Rajasthan, Himachal Pradesh and Uttarakhand, it relied on street plays and torch rallies at night for consumer engagement. For instance, the company undertook a massive NukkadNatak (street play) activity in 575 towns and village across six North Indian states. A group of stage artists would enter a crowded market area and enact a comedy play, which smartly weaved the benefits of dual-SIM handsets into the script. This was followed by demonstrations of the device and also prizes for those who purchased on the spot. So even if Nokia has not delivered the proverbial 'i-Phone/Android killer' with Lumia, it's been busy harvesting the proverbial fortune at the bottom of the pyramid. Venturing several years late into the crowded dual SIM market, the brand has become a category leader in less than a year.

V. CONCLUSION

Rural markets, as part of any economy, have untapped potential. There are several difficulties confronting the effort to fully explore rural markets. The concept of rural markets in India, as also in several other countries, is still in evolving shape, and the sector poses a variety of challenges, including understanding the dynamics of the rural markets and strategies to supply and satisfy the rural consumers. Companies have started following C K Prahalad's idea of Fortune at the bottom of the pyramid and they have started designing and developing innovative products and services which will help the poor prosper by partnering and engaging with them. If companies are able to tap this huge potential in the rural arena in the true sense, then it would be win-win situation for both the company and the customer.

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