

Chapter 17

Rethinking Marketing Mix Strategies for the Bottom of the Pyramid: Unveiling Challenges and Opportunities

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ABSTRACT

The authors, in this chapter, discuss the challenges and opportunities for marketing in BoP markets. The authors explain how marketing mix strategies can cater to address the scope and scale of challenges that are ahead in BoP markets. By way of challenges, the authors discuss the factors like resistance to change, higher transaction costs, competitive environment, lower income, and unawareness among consumers as the important inhibitors. The authors discuss opportunities for marketing mix and argue that marketing strategies will have to be tailored for the BoP markets for a profitable revenue model for a company and for meeting BoP needs.

INTRODUCTION

In the last few decades, emerging markets have become important on the global level. Researchers are now not only focusing on their growth and dynamics, but also the opportunities which these markets offer (Correia & Mardh, 2013). As per Prahalad & Hart (2002) irrespective of their high potential for a profitable business, they are not given due attention by the private sector. In early 2000s Prahalad spoke about opportunities which lie in doing business with the low income consumers belonging to the segment bottom of pyramid, the size of which is nearly 4 billion people (who earn less than \$2 per day). Prahalad

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& Hammond (2002) point out that this segment contains a fortune for companies provided they target it properly. At the same time companies have to make sure that their traditional marketing and market tactics are not going to work on this BOP segment (Prahalad, 2010).

Prahalad (2010) discusses that retailing, FMCGs, micro finance and agribusiness sectors have already started targeting this segment and in this century marketing will be done for developing markets just as the previous century was about marketing to the rich segment (Sheth, 2011). The BOP is an interesting field which shuts down all theories of marketing and takes us back to the basic demands and wants concept. The poor seek out and pay for the products/services offered to them and hence deserve to be seen as potential customers rather than passive beneficiaries. They constitute a huge market which is surprisingly undervalued. In the past few years, researchers, academicians and policy makers have given substantial interest towards bottom of the pyramid (BOP), even though they have been overlooked in the past as per Anderson, (2006); Pitta et al., (2008); Garrette & Karnani, (2010); Chikweche & Fletcher, (2012). They propose that this segment, which contains 2.7-4 billion (2017 census) people globally, poses humongous opportunities for MNCs in terms of revenue, profitability and growth.

In this context, companies should frame tailored approaches to market to this segment because of their limitations in terms of infrastructure, education and low income levels. In this respect, there has been a debate worldwide on how companies can target and operate in the BOP areas as per Chikweche & Fletcher (2012). Prahalad (2010) explains that companies will have to alter their marketing mix strategies in terms of product, promotion, place and price to target the BOP segments, though they may not know what strategy will exactly work for them (Pitta et al., 2008). All this still remains to be a debatable area. Garrette & Karnani (2010) discuss that there is price sensitivity among BOP consumers. In light of this sensitivity towards price, companies need to lower their prices to make them affordable for this segment.

Different marketing strategies are required to target different market segments and so companies have to look for innovative ways to cater to the needs of this largest segment of the market. Also Prahalad comments that the BOP segment is changing and becoming demanding and sophisticated. So the previous strategy of providing low price-low quality products is not going to work for them and hence a profitable revenue model won't be created. In line with what Prahalad said, Barki & Parente (2010) also propose that BOP value perception is now not wholly determined by low price and low quality. Now the question is how to get it right? For this, we have to consider that we cannot just randomly go and tell the village people to buy our products. Marketing is not a cake-walk in the villages; the people there need valid assurance and guarantee that they will get proper value for the money spent. Prahalad (2010) argues that companies should develop products which are innovative and actually required by the BOP people. Also we have to not just do price reduction but also make payments feasible to these people, as they usually receive their wages at the end of the day.

Prahalad (2010) continues by saying that when it comes to rural marketing, 4 As will have to be taken care of including: affordability, awareness, access, and availability. He proposes that consumers should be made aware of the various products available, sold at convenient locations, at affordable prices and should be made readily available to them. Now because of income, education and infrastructure limitations, how to target BOP market, remains a challenge for all the companies out there in the market. At the same time, it can't be ignored that this market is a profitable business for companies if done right. So determining a right marketing mix is what is required by the companies and hence it remains quite a debate among researchers, practitioners, marketers and policy makers.

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