

OVERVIEW OF MARKETING AT BOTTOM OF PYRAMID IN INDIA

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About a decade ago, Prahalad and Hammond (2002) brought to light the concept of Bottom of Pyramid (BOP) as a 'missing market' that was lying nearly dormant. BOP market is described as consisting of those buyers who have purchasing power equivalent to \$2 or less per day. This missing market is waiting for rampant increase in its economic and social prosperity, supported providing the 'poor' in developing and newly emerging economies with access to markets. Despite the actual fact that these individuals survive on annual per capita incomes of only \$1,500, this "bottom of the pyramid" represents a multi-trillion-dollar market. Taken along, 9 developing nations -- China, India, Brazil, Mexico, Russia, Indonesia, Turkey, South Africa and Thailand -- have a combined GDP that's larger, in purchasing power parity, than the combined GDPs of Japan, Germany, France, the United Kingdom and European nation. In the word of Prahalad, "the bottom of the pyramid, is the biggest potential market opportunity within the history of commerce." There was a time once when the total world thought that the rural India was a land of snakes and holy men with charming powers, but now it's time to re-acquaint ourselves with the current & real identity of the agricultural facet of our country. Coke / Pepsi or Chic / Pantene or Colgate / Close Up or Ariel / Surf or Lays / Cheetos are house hold brand names in rural markets today! There is huge potential for profits within the rural markets. Globally the bottom of the (economic) pyramid consists of four billion individuals living on \$2 per day. If we stop taking poor as victims or as a burden and begin to

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recognize them as value-conscious shoppers, a full new world of opportunities can open up. C. K. Prahalad in his book "The Fortune at bottom of the Pyramid" suggests that four billion poor can be the engine of the next round of global trade and prosperity, and can be a source of innovations. To expand the market by approaching rural India, a large number of MNC's are foraying into India's rural markets. Among those who have created some headway are Hindustan Lever, ITC, Coca-Cola, LG, Britannia, LIC, HDFC Standard Life, ICICI, Philips, Colgate Palmolive and most of the Telecom companies.

What makes Indian Rural (BoP) market attractive?

The Indian rural market with its huge size and demand base offers enormous chances that companies cannot afford to ignore. India is country with population of 12 billion of which more than 700 million individuals resides in rural India in around 27,000 villages i.e 70 % of population belongs to rural Indian Market. India's rural population includes 12% of the world's population presenting an enormous, untapped market.

The importance of this market for some FMCG and durable marketers is underlined by the fact that the rural market accounts for 55% of LIC policies, 70 per cent of toilet soaps, 50 per cent of TV, Fans, Bicycles, Tea, Wrist Watches, Washing soap, Blades, Salt, Tooth Powder and 38 per cent of all Two-Wheelers purchased. Of the two million plus BSNL connections, 50% is from small towns/villages. The figures tell us that the rural market is growing much faster than the urban counterpart. A recent forecast disclosed that the Indian Cellular Services revenue can grow at a rate of 18.4 % with most of the demand coming from rural markets. In 2008, the rural market has grown at a rate of 25% compared to the 7-10 per cent rate of growth of the urban retail market.

In India, there are over 29% (650 million) individuals in 'Bottom Of the

Pyramid' (BOP) segment. Out of them, 75% dwell in rural areas. Untapped rural market contributes 1/3rd of India's total savings and 60% of national demand for varied product categories. If the income of rural Indians increases by 1% then 10,000 crores more will be spent by them.

The reasons behind such growth are

- ✓ Increase within the share of earning from Non-Agricultural activities.
- ✓ Govt's minimum support price for food grains alone have up by 30-90% in 2 years.
- ✓ Improvement in social indicators like Rural literacy level
- ✓ Percentage of BPL families declined from 40% to 27%.
- ✓ Improvement in infrastructure: Improved rural roads, courtesy Bharat Nirman project, over 90% villages are electrified.
- ✓ Rural telephone density has up by 300% in last 10 years.

The phrase "Bottom of the Pyramid" is employed particularly by individuals developing new models of doing business that deliberately target the poorest regions. From multinational companies' perspective (MNC), there's a growing interest within the potential market of developing countries on the small upper-middle-class segments. However corruption, illiteracy, currency fluctuations, inappropriate infrastructures are some of the issues due to which MNCs are skeptical regarding profitability from such segments. These factors and additionally the obsolete image of the poor cover the real potential of BoP markets. One of the largest reasons that multinationals have avoided bottom of the pyramid is that selling to the poorest isn't a kids game. They generally lack regular income, have very little access to credit and resides in rural villages or urban slums where the traditional methods of advertising and distribution can't be practiced successfully. Most of the people at the bottom of the pyramid are part of an informal economy in which they do not hold legal title or



deed to their assets. Thus, effective way for reaching these individuals will require remarkably different approaches.

Recent Corporate Initiatives / Examples

1. Chik shampoo

Ariel & Chik Cavinkare launched Chik shampoo in 50 paise sachets. In order to target rural and small town customers who used soaps to wash their hair. It created a 'sachet revolution'.

2. Tata Swach range of Water Purifiers

The **Tata Swach** is a water purifier developed by Tata Chemicals, a part of the Tata group in India. It was designed as a low cost water purifier for Indian low-income groups, who lack access to safe drinking water. It has got three variants as **Tata Swach**, **Tata Swach Smart** and **Tata Swach Smart Magic**. This is an innovation not only for providing potable drinking water but also a low cost solution against already existing purifiers in the Indian market without the need of electricity, which is a scarce resource in India.

3. ChotuKool refrigerator

The very first example is of refrigerator from Godrej & Boyce called ChotuKool. It runs on battery unlike traditional refrigerator and doesn't need regular supply of power. The price of this refrigerator is only Rs.3250, with a total weight of 3-4Kgs and it works on simply 20 elements as compared to over 200 elements of traditional refrigerator. This landmarking innovation is considered to be it is the ultimate game changer, not only for the BoP but also for top of the pyramid consumers who could utilize it for camping and other leisure activities.

4. Narayana Hrudayalaya Multispeciality Hospital,

The world popular Heart Institute has established an ultra low cost Hospital near to Mysore which is a super-specialty hospital to supply

medical treatments at a awfully low price. The distinctive options of Narayana Multispecialty Hospital includes terribly low investment in the infrastructure with the assistance of pre-fabricated material within the construction. The intensive care unit is the only department within made up of concrete structure which facilitate this 200 bedded hospital to be made at a lowest price of Rs.16 crore. The building architect helps maximize utilization of natural daylight and natural cross ventilation so as to reduce electricity consumption. The Hospital intends to increase this cost cuttings and supply medical services at a low price whereby a Heart Operation that prices around Rs.2,00,000 can eventually price Rs.50,000 to the patient visiting this hospital.

5. Jaipur Foot

The Jaipur Foot, also known as the Jaipur Leg, is a rubber-based prosthetic leg for people with below-knee amputations. Although inferior in many ways to the composite carbon fibre variants, its variable applicability and cost efficiency make it an acceptable choice for prosthesis. The beauty of the Jaipur Foot is its lightness and mobility, as those who wear it can run, climb trees and pedal bicycles. It is fitted free of cost by Bhagwan Mahavir Viklang Sahyata Samiti. **Bhagwan Mahaveer Viklang Sahayata Samiti (BMVSS)** is the world's largest organisation serving the disabled. This NGO provides all its assistance, including artificial limbs, calipers and other aids and appliances totally free of charge.

6. Gramateller – Low-cost ATM

Gramateller is a low-cost ATM being developed by Vortex, a startup incubated at Indian Institute of Technology, Chennai. Gramateller consumes only 72 units of electricity in comparsion to 1800 units of electricity consumed by conventional ATMs . In this type of ATM even no air conditioning system is required.It runs on Linux, which is an open source software, unlike conventional ATMs that run on Windows



for which licence has to be purchased. It also has a built-in UPS, which ensures the ATM doesn't go down when there are power cuts, and the option to run on solar energy

7. IFFCO & Tokio General Insurance:

Indian Farmers Fertiliser Cooperative Limited, also known as IFFCO, is the world's largest fertiliser cooperative federation based in India which is registered as a Multistate Cooperative Society. ITGI is well known for its diverse array of plans that are customized in a unique way and caters to a varied clientele that includes some of the biggest automobile makers in India as well as farmers. It has tied up insurance with fertilizer. The company offers farmers a free insurance cover worth Rs.4000 with every bag of fertilizer.

8. Tata Nano

Indian households spend some 2.5 percent of their expenditure on transportation; about 71 percent of all transportation expenditure comes from the bottom of the pyramid. Keeping this in mind along with other issues in the year 2008 Tata Motors launched Tata Nano, a small car made for India's poorer population. It was a car of worth of only 100,000 rupees (about US\$2,350 or £1,500) Even though the Nano is not affordable by the poorest, it does, however, serve the needs of those within the bottom of the pyramid who so far could afford a motorcycle but not a car.

9. Project Shakti

Distribution is one the aspect which plays prominent role in rising prices of goods. In order of reduce the price hiking role of distribution HLL created a direct distribution network in markets without distribution coverage through traditional distributors and dealers. They selected some women from these villages , who have information about the needs of locals and products in demand in the area.HLL

trained them to become distributors, providing education, advice and access to their products in their and nearby villages. These village women are called as ShaktiAmma ("empowered mother"). These village between Rs. 3,000 and Rs.7,000 per month (U.S. \$60-\$150). They earn ShaktiAmma are increasingly becoming the educators and access points for the rural BoP consumers in their communities.

Beside theses some other popular initiatives includes Nokia Life Tools from the Nokia India, Reliance (People's phone),etc. Government on their part has been providing a lot of subsidies for rural initiatives and promoting programs like Financial Inclusion, Unique Identification (UIDAI), Internet and mobile connectivity for the BoP. Private Universities in India and corporations jointly are forming Joint Venture like Manipal University-Philips BoP Initiative, which will focus on the growth of research and innovation in the coming years, which will transform the attractiveness of BoP market not only in India but worldwide.

The keys to success for marketing at BoP market

➤ Innovate the product.

There is a need to innovate products to fulfill BoP consumers needs. Already existing products in market especially in urban market, must be rethought in order to bring down its cost in such a way that at the same time it have features that meet the BOP's highest needs. For example, Hindustan Unilever Limited (HUL), a Unilever subsidiary, developed a new molecular encapsulation technology to prevent iodized salt from losing its iodine before consumption.

➤ Make the solution scalable.

Product for BoP consumers ,when innovated and priced at affordable level, then the only way to generate profit is through large volume sales. Solutions should be scalable across borders . Products for BoP



market should be designed in such way that it satisfied demands of large mass of BoP consumers and not of a particular segment of market.

➤ **Create Awareness**

Innovating and pricing the product on lower side with no one know about it makes no sense. Since large parts of rural India are inaccessible to conventional advertising media, building awareness is a big challenge. Marketing managers dealing with BoP markets need to create an awareness of the product and service. He/ She must ensure that everyone knows that product to satisfy there need is available and also understands how to use it. Godrej Consumer Products, which is trying to push its soap brands into the interior areas, uses Radio to reach the local people in their language. Coca-Cola uses a combination of TV, Cinema and Radio to reach rural households. LG Electronics uses vans and road shows to reach rural customers. Philips India uses wall writing and Radio advertising to drive its growth in rural areas.

➤ **Acceptability**

Along with innovation and awareness, acceptability for the product or service in BoP markets is the next area of focus in context to success in BoP market. Therefore, there is always a need to offer products that suit the rural market. One company which has reaped rich dividends by doing so is LG Electronics who developed a customized TV for the rural market and had sold 100,000 sets in the very first year of launch. Coca-Cola provides low-cost ice boxes — a tin box for new outlets and thermocol box for seasonal outlets in order to cope up with the hurdles like - the lack of electricity and refrigerators in the rural areas. The insurance companies that have tailor-made products for the rural market have performed well in rural market.

➤ **Affordable**

generators because no one will take pains to repair them when they get damaged.

Reduce the skills required to do the job.

Design products and services suitable to people without skills. Voxiva, a Peruvian start-up, developed a system enabling health-care workers to diagnose illnesses such as smallpox by comparing a patient's lesions to a picture of a similar lesion. With this simplified diagnostic process, health-care workers don't require great skills to know when to call a doctor.

Conclusion:

A silent revolution is sweeping the Indian countryside. 'Go Rural' seems to be the latest slogan. The marketing battle fields has shifted from the cities to the villages , but in this battle both consumers and companies are winners, it is a win-win situation. Go and meet the villagers and ask them what they want. Create the products and services that is relevant to their needs . Marketing to BoP consumers is not limited to low priced offerings or introducing sachets. It importantly deals with understanding buying behavior and decision-making process of these consumers. The key learning is that the consumers at the bottom of pyramid are not 'consumers' but in fact extremely careful 'money managers' for whom an expense is often an investment and the returns must be maximized. . India in particular has created a mark on the global map with the concept and has been successful in changing the perception of India from a manufacturing and back-end process hub to a research and innovation Hub. The Indian and Multinational corporations have not only limited innovative solutions for the Indian market but are now taking these innovations to international platform and are treating India as a BoP Innovation and Research Hub.