



CONSUMER BUYING BEHAVIOR IN BOP MARKET

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Abstract

The Bottom of the Pyramid (BoP) has emerged as one of the overriding ideas in business. Mindful of the irresistible attention BoP has engrossed and its potential bang on the billions of the poor and on managerial practices, this conceptual study paper attempts to explore the relationship between marketing strategies, product positioning and consumer perception. This study is grounded on Consumer buying behavior & BoP market. This paper explores the verity that the success of any marketing strategy will be determined by the customer perception which can be measured by customer perceived quality and perceived sacrifice. It also emphasizes the fact that positioning which is developing a specific marketing mix to influence the potential customers overall perception of a product greatly determines the success of marketing strategies at the bottom of the pyramid

Key Words: *BoP, Consumer Behavior, Fortune at Pyramid, Rural Market.*

1. Introduction

India is the second largest consumer market in the world. In today's competitive market, consumers are the kings. They are the decision makers. The behavior pattern of the Indian consumer has undergone a major change in the retail sector. The Indian consumer profile has been changed significantly in terms of education, income, occupation, and reference group and media habits. The consumer buying preferences are rapidly changing and moving towards high-end technology products with acculturation. Consumers today see an exciting explosion of choices, new categories and new shopping options and have increasing disposable income to fulfill their aspirations

The customers process the information around them and approach the retail space to consume according to their expectancy level. Consumers approach different store types to explore product views and to shop products according to their needs and their desired estimates. Some customers frequently visit the brand stores to update themselves with the brand portfolio and some visit other forms of retail shops with competing brands to enjoy high price saving offers.

But consumers buying or selecting a particular retail outlet is the behavioral issue influenced by their reference groups (friends, relatives and so on), culture, their upbringing, family life cycle etc. The store image is a major determinant which helps customer to patronize a particular retail store. The shopping experience factors bridge a relationship with the prospects for regular shopping experience.

In the present scenario, time is constraint and money has become luxury. So, customer has focused on selecting an appropriate retail outlet, which provides value added services, focuses on customer's needs and is responsive to customer concerns and issues. Customers prefer a particular retail outlet if they find greater return over their total shopping cost.

Bottom of the Pyramid: The Rural Market

In recent years, 'market-based' approaches to development have gained considerable ground in development circles, bringing significant private-sector resources to bear on global concerns of poverty, disease, hunger, and women's empowerment. Within this context, the bottom-of-the-pyramid (BoP) approach championed by the C.K. Prahalad has been heralded by some as a remarkable change in approaches to economic development of the country (Prahalad 2004).

The idea behind BoP suggests that the best way to meet the needs of the poor is through a profit driven market-based approach. As a result, there are significant benefits for the poor in terms of poverty reduction, increased productivity, and empowerment. Companies interested in exploring the opportunities at the BOP look for solutions in the form of new products and new business models. Basically this approach provides products and services at affordable prices in remote areas. The Bottom of the Pyramid (BoP) constitutes the market made up by the poorest people of the region.

Widespread poverty is an economic, social, political and moral problem. Eradicating, or at least alleviating, poverty is an urgent challenge. For many decades, various institutions have tried to address this challenge: local governments, developed country governments, international organizations (such as the World Bank and the United Nations), aid foundations and non-



governmental organizations. So far, the intellectual discourse has been largely in the fields of public policy and development economics.

More recently, management experts and business schools have entered this arena. CK Prahalad has been one of the pioneers of this movement, and he is certainly the most visible and prolific writer in this field. Thus, we focus on his 2004 book as the most visible work incorporating the ideas about 'the bottom of the pyramid' (BOP). The basic BOP argument can be summarized succinctly as follows:

1. There is much untapped purchasing power at the bottom of the pyramid. Private companies can make significant profits by selling to the poor.
2. By selling to the poor, private companies can bring prosperity to the poor, and thus can help eradicate poverty.
3. Large multinational companies (MNCs) should play the leading role in this process of selling to the poor.

It is argued that selling to the poor can simultaneously be profitable and eradicate poverty. Thus, there is both glory and fortune at the bottom of the pyramid. This is, of course, a very appealing proposition and has drawn much attention from senior managers, large companies and business schools.

The Nature of the BoP Market

The nature of the BoP market has characteristics that are distinct. We outline some of the critical dimensions that define this market. These characteristics must be incorporated into our thinking as we approach the BoP.

1. **There is Money at the BoP-** The dominant assumption is that the poor have no purchasing power and therefore do not represent a viable market.
2. **Access to BOP Markets** The dominant assumption is that distribution access to the BOP markets is very difficult and therefore represents a major impediment for the participation of large firms and MNCs.
3. **The BOP Markets Are Brand-Conscious-** The dominant assumption is that the poor are not brand-conscious. On the contrary, the poor are very brand-conscious. They are also extremely value conscious by necessity.
4. **The BOP Market Is Connected-** Contrary to the popular view, BOP consumers are getting connected and networked. They are rapidly exploiting the benefits of information networks.
5. **BOP Consumers Accept Advanced Technology Readily-** Contrary to popular belief, the BOP consumers accept advanced technology readily.

Literature Review

A literature review is a body of text that aims to review the critical points of current knowledge and or methodological approaches on a particular topic. A well-structured literature review is characterized by a logical flow of ideas; current and relevant references with consistent, appropriate referencing style; proper use of terminology and an unbiased and comprehensive view of the previous research on the topic. Some comprehensive part has been discussed here from past studies and researches and have been presented below year wise.

Different researchers use different definitions of 'BOP' in their respective researches. However the term 'bottom of the pyramid' was first developed by the management guru CK Prahalad, (Bottom of the pyramid market stands at \$1.2 trillion, 2007) who defines BOP in his book "The Fortune at the Bottom of the Pyramid" as people who live on far less than \$2 a day (Pralhad, 2005). Prahalad in his book draws the economic pyramid (Figure 1) which clearly shows that more than 4 billion of the world population lives at the BOP on less than \$2 a day (Pralhad, 2005).

Kempen, (2004) research proves that the BOP consumers are willing to pay a higher price to get a top end brand. An empirical study in Bolivia proved that consumers within developing countries categorized as poor are prepared to pay a premium for items which entails a popular label irrespective of the quality, just for the sake of symbolic reasons).

Pralhad, (2005) pointed out that, moreover the lack of resources makes them more risk averse. When it comes to risk aversion, more and more of the branded products are preferred over unbranded product resulting into a higher loyalty towards the former. Therefore consumption of branded product is rational since it guarantees what it promises. Researches have also been conducted in order to develop strategies and capabilities to convey and position a brand to the BOP consumers which are tainted by illiteracy.

Madhubalan Viswanathan, (2005) reported that, strong dependency on pictorial information to convey the benefits of the product to the functionally illiterate consumers has been seen over the time .



Karnani, (2010) explained through the research on BoP that, however there are some noticeable examples which raise questions relating to the lack of protection of the BOP market against the exploitation by corporations. The poor are susceptible by virtue of lack of education (as most of the BOP consumers are illiterate) or lack of information, or social, cultural, and economic deprivations .A large fraction of their income is being allocated to tobacco and other socially undesirable products.

Habib and Zurawicki (2010) emphasized upon the need to capitalize on the resources and knowledge of the poor entrepreneurs at the BOP by the MNCs and wealthy NGOs. This can be addressed by incorporating the change in the mindset of the decision maker of an organization.

Sheth (2011) elaborated the concept of mindset change with the context of emerging markets and emphasized upon changing the mindset of the marketers serving these markets.

Opportunity at Bop

The Indian rural market with its vast size and demand base offers a huge opportunity that companies cannot afford to ignore. We are a country with 1.12 billion people of which 70% live in rural areas which means more than 700 million people spread around 6,27,000 villages. India's rural population comprises of 12% of the world's population presenting a huge, untapped market. The importance of the rural market for some FMCG and durable marketers is underlined by the fact that the rural market accounts for 55 per cent 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 and out of 20 million Rediffmail signups, 60% are from small towns! Let me also give you the gigantic market size of rural markets (in Indian Rupees): FMCG - 6500 Billion, Agri-Inputs - 4500 Billion, Consumer Durable's - 500 Billion, Automobiles (2 & 4 Wheelers) - 800 Billion ! The figures tell us that the rural market is growing much faster than the urban counterpart. A recent forecast revealed that the Indian Cellular Services revenue will grow at a rate of 18.4 per cent with most of the growth coming from rural markets. In 2008, the rural market has grown at an impressive rate of 25 per cent compared to the 7–10 percent growth rate of the urban consumer retail market. According to a McKinsey survey conducted recently, rural India, with a population of 700 million, would become bigger than the total consumer market in countries such as South Korea or Canada and it would grow almost four times from its existing size in the next few years.

Approach

The rural market may be alluring but it has got its own problems like: Low per capita disposable incomes that is half the urban disposable income; large number of daily wage earners, seasonal consumption linked to harvests and festivals and special occasions; poor roads; power problems; and inaccessibility to conventional advertising media. In her book, **“We Are Like That only ”**, Rama Bijapurkar points out, the main problem with the MNC's entering India is that they think the world is one homogenous market. They believe what works in America, Europe, Asia has to work in India too. It's because of such thoughts that many of the multinationals have not managed to penetrate the Indian markets. After spending billions and being in India for more than 15 years, Coke and Pepsi still don't make profits. Another notable flop in the Indian market is Kellogs Cereals. The company couldn't understand that Indians prefer a hot steaming breakfast every morning, instead of cereals dunked in cold milk. Even if the lady in the household is working, the kitchen in an Indian household starts buzzing very early in the morning.

The Challenge in Rural Market

The rural market with its vast size and consumer base form an important part of the total Indian market. The urban markets for large firms have become saturated enough to capture. Adding to their woes, the market environment has become complex due to increased competition and it is forcing marketers to go rural. To minimize the urban and rural gap and reaching to the rural masses can be addressed by falling back on the Bottom of the Pyramid marketing strategies as advocated by Prahlad (2004) and the 4 A's Availability, Affordability, Acceptability and Awareness (Anderson and Biliou, 2007, Kashyap and Raut, 2005). The dimensions in rural marketing mix are availability, affordability, acceptability and awareness as compared to the 4 P's of traditional marketing.

Table: 1. Traditional 4 P's Vs 4 A's of Marketing

4P'S(Traditional Marketing Mix)	4A'S(Rural Marketing Mix)
Place	Availability
Price	Affordability
Product	Acceptability
Promotion	Awareness



Research Methodology

Sampling Design

The samples were carefully selected by the researcher, which were typical and true representatives of the total population. The selection of the samples has been made without prejudice and bias from 600 customers of rural and semi-urban areas mostly. Out of the total only 596 respondents were chosen based on stratified random sampling method from BoP marketing.

For the demographic study, the age of the respondents has been divided into five categories such as below 20, 21-35, 36-50, 51-65, 65> . Similarly the income has been categorized as per market study as: Less than Rs.10, 000, Rs.10.000-Rs.15,000, Rs15,000-Rs.20,000, Rs. 20,000- Rs. 25000 and Rs.25,000 & above.

The study endeavors is more on category wise analysis of gender and age wise to measure the perceptual changes across the groups.

Age and Gender

		Gender			
			Male	Female	Total
Age	Below 20	No. of Respondents	93	40	133
		% within Age	69.9%	30.1%	100.0%
	21-35	No. of Respondents	138	116	254
		% within Age	54.3%	45.7%	100.0%
	36-50	No. of Respondents	59	71	130
		% within Age	45.4%	54.6%	100.0%
	51-65	No. of Respondents	23	17	40
		% within Age	57.5%	42.5%	100.0%
	65>	No. of Respondents	26	14	40
		% within Age	65.0%	35.0%	100.0%
	Total	No. of Respondents	339	258	597
		% within Age	56.8%	43.2%	100.0%

Sources: Compiled data

Table-2.1 indicates the results of cross relation measurement of the age of the respondents in relation to their gender. This relation indicates the age wise education of the respondents. Out of 597 respondents, 254 respondents are found from in the age group of 21-35 followed by 133 respondents in below20 age group. Maximum of 116 respondents are qualifying graduation in the age group of 21-35. No respondents are having any other qualification. So it is concluded that the mostly male customers have been affected by the behavior of the marketers in all the age groups as compared to female customers except 36-50 age group.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.974 ^a	4	0.001
Likelihood Ratio	18.271	4	0.001
Linear-by-Linear Association	2.709	1	0.100
N of Valid Cases	597		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 17.29.

Sources: Compiled data

Table- 2.2 shows the chi-square results depicted as 17.974 which indicate wide difference as it is more than the table value with degree of freedom of 4 and significance value of 0.001.



Age and Marital

		Marital				
			Married	Unmarried	11.00	Total
Age	Below 20	Count	65	68	0	133
		% within Age	48.9%	51.1%	.0%	100.0%
	21-35	Count	195	59	0	254
		% within Age	76.8%	23.2%	.0%	100.0%
	36-50	Count	81	49	0	130
		% within Age	62.3%	37.7%	.0%	100.0%
	51-65	Count	37	3	0	40
		% within Age	92.5%	7.5%	.0%	100.0%
	65>	Count	33	6	1	40
		% within Age	82.5%	15.0%	2.5%	100.0%
	Total	Count	411	185	1	597
		% within Age	68.8%	31.0%	.2%	100.0%

Sources: Compiled data

Table-2.3 indicates the results of cross relation measurement of the age of the respondents in relation to their marital status. Out of 597 respondents, 254 respondents are found from in the age group of 21-35 followed by 133 respondents in below20 age group. Maximum of 195 respondents are married in the age group of 21-35 followed by 81 customers in 36-50 age group. Only one respondent is neither married nor unmarried. So it is concluded that the mostly customers are married in all the age group.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	63.742 ^a	8	0.000
Likelihood Ratio	57.067	8	0.000
Linear-by-Linear Association	3.230	1	0.072
N of Valid Cases	597		

a. 5 cells (33.3%) have expected count less than 5. The minimum expected count is .07.

Sources: Compiled data

The chi-2.4 square results depicted as 63.742 which indicate wide difference as it is more than the table value with degree of freedom of 8 and significance value of 0.000.

Age and Income

		INCOME						
		Less than Rs.10,000	Rs.10,000- Rs.15,000	Rs15,000- Rs.20,000	Rs. 20,000- Rs. 25000	Rs.25,000 & above	Total	
Age	below20	Count	89	35	7	1	1	133
	% within Age		66.9%	26.3%	5.3%	.8%	.8%	100.0%
	21-35	Count	111	92	34	9	8	254
		% within Age		43.7%	36.2%	13.4%	3.5%	3.1%
	36-50	Count	86	36	6	2	0	130



	% within Age	66.2%	27.7%	4.6%	1.5%	.0%	100.0%
51-65	Count	21	17	2	0	0	40
	% within Age	52.5%	42.5%	5.0%	.0%	.0%	100.0%
65>	Count	13	20	3	4	0	40
	% within Age	32.5%	50.0%	7.5%	10.0%	.0%	100.0%
Total	Count	320	200	52	16	9	597
	% within Age	53.6%	33.5%	8.7%	2.7%	1.5%	100.0%

Sources: Compiled data

Table- 2.5 highlights the cross relation measurement of the age of the customers with respect to their income level. Here customers were selected from five different income categories like: Less Than Rs.10000, Rs.10000-Rs.15000, Rs.15000-Rs.20000, s.20000-Rs.25000 and Rs.25000 and above. In the analysis of age and income of the respondents (Customers), it is reported that out of 254 customers, maximum 111 customers are earning less than 10,000 in 21-35 age group followed by 92 customers are earning 10000-15000 in the same age group. Only 9 customers are earned more than 25000. So it is concluded that more customers are earning less than 10,000 in all the age group as compared to other income categories.

Table-5.6 Chi-Square Tests on Age and Income			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	56.191 ^a	16	0.000
Likelihood Ratio	56.955	16	0.000
Linear-by-Linear Association	1.261	1	0.261
N of Valid Cases	597		

a. 11 cells (44.0%) have expected count less than 5. The minimum expected count is .60.

Sources: Compiled data

Table- 5.6 shows the chi-square results depicted as 56.191 which indicate wide difference as it is more than the table value with degree of freedom of 16 and significance value of 0.000.

Conclusion

The rural market is emerging stronger with a gradual increase in disposable income of rural folk. The structure of the Indian economy indicates that a significant portion of the total income is derived from agriculture income. In addition, better procurement prices fixed for various crops and better yields due to many research programs have also contributed to the strengthening of the rural markets. Undoubtedly, Indian rural market offers immense opportunities and great attraction to the marketers and it is not easy to enter this market in a smooth way.

This market bristles with a variety of challenges and every marketer has to work hard to face these challenges successfully. In the past years, due to the lack of facilities available in rural areas, the rural consumers went to nearby city to buy branded products and services. Today the marketers have realized the potential in the rural market, which have become critical for them.

Tapping the ocean of rural market in India demands creative marketing and many developmental efforts to be made in order to exploit the immense marketing opportunities. In the rural areas, demand has to be created and for this personal selling is supreme means of promotion because rural sales force have familiarity with rural culture, traditions and habits. The sales person has a plus point that he can communicate in the local rural languages.



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