

BOTTOM OF PYRAMID - A DEBATED MARKET SEGMENT**V.S. Dole**Neville Wadia Institute of Management Studies and Research, Pune, MS, India
vikas.dole@nevillewadia.com**ABSTRACT**

Prahalad (2004) introduced a very novel segment to the marketers and strategists of the world in the form of Bottom of the Pyramid (BOP), denoting a very large but economically poor segment. No doubt it is a very large and attractive segment, there were several voices against this concept. The differences were in terms of its attractiveness as well as its claims that it can alleviate poverty. Moreover, some ethical concerns were also raised. After considering the views from both the sides, we believe that it is an area where further research needs to be carried out simply based on its target size and importance.

Keywords: Bottom of the pyramid (BOP), marketing, poverty, innovation

Introduction

The idea 'Bottom of the Pyramid' (BOP) was first utilized by US President Franklin D Roosevelt in 1932, while discussing the destitute people who are often failed to remember in light of the fact that they live at the bottom of the economic pyramid. Bottom of the pyramid, likewise called the base of the pyramid, is an expression in economics that alludes to the least fortunate 66% of the economic human pyramid. Management researcher CK Prahalad promoted the possibility of this segment fragment as a profitable consumer base in his 2004 book 'The Fortune at the Bottom of the Pyramid' co-authored by Stuart Hart.

Four consumer tiers: At the top of the pyramid are 75-100 million affluent consumers. These are cosmopolitan gatherings made out of center and upper-income people in developed nations, and rich elites from the developing world (they are tier one). At the center of the pyramid, in tiers two and three, are poor clients in developed countries and the rising working classes in developed nations—they have been and are the objective market for MNCs for whom strategies are made. At the bottom of the pyramid, tier four consists of 4 billion people earning \$2 or less each day (Mason et al., 2013).

The outrageous disparity of wealth distribution is a Catch 22 situation; it has built up a view that the poor can't take part in worldwide market economy, despite the fact that they establish the lion's share. Tier four addresses a

multi-trillion-dollar market. As per World Bank's projections, the populace at the bottom of the pyramid could expand to in excess of 6 billion people over the course of the following 40 years, in light of the fact that the main part of the total population growth happens there.

Their strengths: At the bottom of the pyramid, the market is loaded with promising circumstances. The tier four market is totally open for technological innovation. The test is to perceive and acknowledge the uniqueness of these markets and create methodologies to satisfy their requirements. In the bottom of the pyramid market, numerous organizations are embracing their own models in serving these sections. In India, 66% of the billion or more people addresses rural populace. And the following figures are real:

- 45% of all soft drinks are sold in the rural market;
- half of all motorcycles are sold in rural areas;
- 60% of all cigarettes are devoured by rural consumers;
- 55% of FMCG items are sold in the rural market (pencils, pens, scratch pad);
- half of the national income is from rural areas;
- 41 million Kisan Credit Cards have been issued as against 22 million credit-cum-check cards in metropolitan areas.

Additionally, half of LIC policies are offered to rural consumers.

Margin versus volume: Traditional business in developed nations is for the most part based on high gross margins. The low purchasing force of the bottom of the pyramid consumers makes this methodology unseemly. Organizations need to build up a tight and viable lean management to enhance inventory network. Cost savings management turns into a key to execution and accomplishment in these huge low-cost markets.

Some MNCs have investigated openings at the bottom of the pyramid. Maybe HUL has perceived it better than others. Their advertising system is brilliant—offering brands with numerous price and bundling choices has done some incredible things. The producer of Axe, Dove, Knorr and Lipton has confidence in selling little bunches of its items in markets like Spain, Greece and the US. In Spain, for example, Unilever sells Surf cleanser in packs offering five washes, and offers pureed potatoes and mayonnaise in little bundles in Greece. It has likewise dispatched a low-cost brand of tea and olive oil for the European markets.

In India, the bottom of the pyramid clients go for low price sachets of shampoos, toothpastes, fairness creams and hair oil. A lot of what Unilever is reproducing in the developed world has been started in India. HUL sells power brands, for example, Close-Up, Pepsodent, Sunsilk, Pond's, Vaseline, Brooke Bond TajMahal and Bru to build item entrance at the bottom of the pyramid.

Review of Literature

There are several studies on the BOP segment. We have highlighted a few which debates whether the BOP segment indeed is attractive and how it needs to be approached.

Agnihotri (2012) has posited that the researchers have debated the nature of the market at the bottom of the pyramid (BOP). Challenging assumptions about these customers, C. K. Prahalad has depicted various examples of overcoming adversity of multinational organizations who focused on low-income people as their customers. Nonetheless, other researchers have raised inquiries regarding Prahalad's propositions and the economic and ethical realities facing firms doing business at the BOP. Strangely, however

numerous tasks have fizzled with the BOP market, firms operating in developing markets have effectively actualized these projects in the mass market. Along these lines, numerous items and administrations, like cars and lodgings, have now become a moderate opportunities for the mass portion. This study sums up the debate over Prahalad's propositions and clarifies their present status.

According to Karnani (2006), poor people - at the bottom of the pyramid (BOP) - address an extremely attractive market opportunity. The "BOP suggestion" argues that offering to the poor can simultaneously be profitable and help eradicate poverty. This is at best a harmless illusion and potentially a dangerous delusion. This paper shows that the BOP argument is filled with fallacies, and proposes an alternative viewpoint on how the private sector can help alleviate poverty. Rather than zeroing in on the poor as consumers, we need to see the poor as makers. The best way to alleviate poverty is to raise the real income of the poor.

Crabtree (2007) have argued that, Prahalad's thesis is extremely vague, to be sure it distinguishes seven forms. The paper then goes to examining the 12 major cross country case studies that Prahalad utilizes as corroboration for his perspectives. It argues that the proof that Prahalad offers to support his claims fails to do as such, or, demonstrates to give counter examples. Furthermore, the case study approach that Prahalad utilizes is methodologically weak for the solid claims that he makes. Placing the argument in a broader point of view, it is argued that the bottom of the pyramid approach can accomplish more harm than great on the off chance that it, as Prahalad does, plays down factors which have been important to large scale poverty decrease in nations like South Korea, China, India and Vietnam.

According to Rost and Ydren (2006), there are 4 billion poor living on 2 dollars or less each day that make up the bottom of the economic pyramid (BOP). In the event that a company calculates their aggregated purchasing power they could be a huge and profitable market. By examining the parts of the various actors and their pre conditions in BOP-markets the reason with this thesis is to discover how the private sector can seek after a sustainable market

improvement strategy at the bottom of the economic pyramid and if that it really will help to reduce poverty.

Radojevic, 2014 opines that, analyzing cases from India, this paper reveals flaws in ongoing claims that reverse innovation can help settling a portion of the World's most pressing social issues. Reverse innovations diffuse to developed countries after being acquainted with developing ones, and are therefore per definition irrelevant for the social needs of the latter. Whenever understood more broadly, as a strategic approach, reverse innovation may help lessening a few dimensions of inequality. However, as the alleged instrument of poverty decrease, reverse innovation equals the known and convincing yet doubtful proposition that Western MNEs may prompt large scale prosperity just by doing business with the World's poorest.

According to Munir et al. (2010), late studies in strategy have featured both the triumphs and failures of applying conventional perspectives in strategic management to developing markets. Within this debate, Bottom of the Pyramid (BoP) strategies, aimed at exploiting high-volume, low-margins strata at the bottom of these social orders, have particularly drawn interest. We critically examine the rise and advancement of BoP strategies and compare their anticipated outcomes to a portion of the empirical proof. We then draw on the idea of global value chains to conveniently broaden the BoP idea, and recommend areas for further theory building and empirical research. We offer a typology of BoP adventures, and propose appropriate degrees of public-private engagement to achieve the ideal social and economic outcomes.

Agnihotri (2013) has opined that, there is an ongoing debate among scholars regarding the existence of a fortune at the bottom of the income pyramid. While a few scholars argue that there is a profitable market at the pyramid base, others discredit this proposition, arguing that targeting poor people as customers could lead to unethical business practices and further their exploitation. With the aid of mini cases, this article explains that there is indeed a fortune to be made at the base of the pyramid however that good fortune can be created for the two corporations and poor people if the

population at the bottom of the pyramid is treated as suppliers, producers, co owners, and/or representatives rather than as simple consumers.

Analysis

The jury is still out on whether the focus on the BOP will bear fruits. After analyzing arguments from both the sides, we believe, the differences are important from the following perspectives (Landrum, 2007).

Size of the BOP Market: Prahalad and his critiques have different assumptions regarding the size of the BOP market. For example, in various studies by Prahalad, the base of the pyramid is defined as 4 billion people with an annual per capita income of less than \$1500. The World Bank estimates the number at 2.7 billion. According to Prahalad the market opportunity is \$13 trillion PPP however, according to Karnnai it is mere \$0.3 trillion.

MNCs and the BOP: Questions have been raised about the suitability of multinational corporations (MNCs) for the BOP market fragment. Several of the business case examples set forth in the book by Prahalad, are non-profit organizations or small-to-medium size enterprises rather than multinational corporations, along these lines it is questioned whether MNCs are fit to this market.

Marketing to the BOP: There are several marketing-related issues that need to be considered. For example, essentially offering to the poor doesn't necessarily improve their welfare or reduce poverty. In fact, one can address whether MNCs are serving a need or creating a need where none recently existed and this raises ethical concerns (Davidson, 2009) regarding the implications of this marketing approach. Consumer assurance in developing economies is inadequate and, therefore, leaves space for exploitation.

Alleviation of Poverty: Lastly, the association between Prahalad's vision and his purported outcome (eradication of poverty) is unclear. The emphasis just on examples of overcoming adversity and the omission of failures doesn't allow us to compare and contrast the stories to distinguish the critical factors necessary for progress. In this way, it remains unclear how BOP ventures will alleviate poverty.

Conclusion

Indeed, the BOP is a widely debated segment. Prahalad has put forth a very novel segment for the marketers of the world to innovate and offer solutions to this segment. Notwithstanding the attractiveness of this segment, several researchers have raised concerns whether it is ethical to target this

segment and if it in reality can result in poverty alleviation. The size of the segment, whether MNCs can target it for their marketing and alleviation of poverty remain widely contested. Further research can perhaps help understand on how this attractive segment needs to be catered to so that the original objective of poverty alleviation is achieved to some extent.

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