

MARKETING TACTICS AT THE BOTTOM OF THE PYRAMID – BETWEEN GOOD AND EVIL

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Abstract – This is a conceptual paper that highlighted on the BOP proposition that has been criticized to be exploitative and unethical in nature, especially because the poor are perceived as being vulnerable to marketplace practices. We categorise marketing tactics into two, good and evil. A good marketing tactic not only will help the poor but also help the business themselves while we cannot avoid the evil marketing tactic that is also a nature of the business. Hence, the paper discusses on the good and evil of the marketing tactics.

Keywords: Marketing Strategy, Affordability, Vulnerability, Unethical, Exploitative

1. Introduction

The bottom of the pyramid in the recent research present businesses with the opportunity to target another market segment not very much exploited. The BOP consumer segments include groups with lower income and globally considered as segments of consumers with little access to the market and low economic development (Pralhad and Hammond, 2002).

The statistic shown there are high population of BOP globally. According to the study, India, Vietnam, Brazil, South Africa and other countries in South America and Asia are the example of population with BOP market in the world. It is argued that poor consumers in India or in other countries like Vietnam have the same needs and desired as middle class consumers (Johnson, 2005).

In India, BOP accounts for 88.1% of the total national household expenditure on food, 87.2% of energy expenditure, 85.3% of health spend, 78.8% of household goods expenditure and 52.6% of the countries spend on information and communication technology (Pralhad, 2007). Of the global BOP market, Asia makes up the biggest chunk with a \$3.47 trillion market, followed by Latin America (\$509 billion), Eastern Europe (\$458 billion) and Africa (\$429-billion) (Pralhad, 2007).

Also discussed in this paper are the tactics used by the companies in selling their products to BOP consumers. Some of the tactics used are goods, but somehow they manipulate the consumers by selling their product in a wrong ways. The paper is taken from the author Shruti Gupta and both papers taken related with the ethics used by the MNC's companies to the poor, which is BOP population in the selected countries like India, Brazil, Vietnam and etc.

2. Overview

From the perspective of the business, the bottom of the pyramid (BOP) became essential to the companies in earning higher profits. From times to times, the company especially multinational companies (MNCs) are serious about marketing to the BOP, and for them marketing to the poor is profitable. The statement summarizing the BOP consumer proposition translates into three-prolonged assertion for companies;

1. There is untapped purchasing power potential at the BOP
2. There is an opportunity for private companies to generate profits by marketing to the poor
3. The onus is on multinational corporations (MNCs) to be leaders in this initiative. (Prahalad 2004), Prahalad and Hammond 2002).

Author also examine the relationship between a consumer's ethical perceptions of a company's in-market behavior, the company's decision to target vulnerable consumers, and the consumer's willingness to change behavioral intentions toward that company in response to this targeting.

Widespread poverty is an economic, social, political and moral problem. Eradicating or at least alleviating poverty is an urgent challenge (Karnani, 2007). For many decades, various institutions have tried to address this challenge. Upgrading the bottom of the pyramid people is not easy. It takes a lot of commitment not only from the consumers themselves but also from the world. Therefore, this paper will provide evidence to point out that marketing efforts by corporations targeted at the poor may be exploitative in nature.

3. The Good Marketing Tactics

The good marketing tactics can be define as a set of strategic methods intended to promote the goods and services of a business with the goal of increasing sales and maintaining a competitive product (Business Dictionary, 2015). The view of the poor as 'resilient, creative entrepreneurs and value-conscious consumers' does not help them and actually harms the poor. According to Karnani (2009), first, this will result in too little emphasis on legal, regulatory and social mechanisms to protect the poor who are vulnerable consumers.

Second, it results in overemphasis on micro-credit and under-emphasis on fostering modern enterprises that would provide employment opportunities for the poor. More importantly, said Karnani (2009), the BOP proposition grossly under-emphasis the critical role and responsibility of the state for poverty reduction. Below we discuss some of the things that can actually help them without causing them harm.

3.1 Corporate Social Responsibility (CSR)

According to Gupta and Jaiswal (2013), one of the alternatives that the companies can do in order to help the poor without causing them harm is by doing corporate social responsibility. Corporate social responsibility (CSR) programs are social contracts generated by organizations that allow the company to encompass "...the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time (Carroll, 1979)." These responsibilities are not only performed for the firm's sake but also for the sake of society at large. In the case of the extreme poor, CSR initiatives by companies may also translate into socially responsible pricing for essential products as in the pricing of life-saving drugs in developing countries (Vachani & Smith, 2004).

Prahalad and Hart (2002) have argued that the size of the BOP market is approximately 4 billion people. However income inequality is widespread across the developing countries where the BOP population lives. Many developing countries, especially the least developed countries (LDCs), are characterized by extreme poverty. The extreme poor segment living in acute poverty, and struggling to meet even their basic needs, cannot possibly be viewed as a profitable market for large corporations.

By doing CSR, the companies not only make world a better place to live for the poor, but also to upgrade their companies' image. They will be known by the world as one of the life saver. This is to market themselves. This eventually will profit the organization as the shares and stocks will increase in value in parallel with the increasing of the image. Instead of harming the poor, the organization can actually help them as well as building up their own image.

3.2 Lower Prices

The only way to help the poor and alleviate poverty is to raise the real income of the poor. There are only two ways to do this: lower prices of the goods that the poor buy; or raise the income that the poor earn. One way to alleviate poverty is to reduce the prices of the goods and services the poor buy (or would buy), thus increasing their effective income.

There are only three ways to reduce prices: reduce profits, reduce costs without reducing quality, and reduce costs by reducing quality. The only realistic way to reduce price to the consumer is to reduce cost of the producer. A significant improvement in technology could reduce costs dramatically. Good examples of this are found in the areas of computers, telecommunications, and various electronic products. From marketing perspective, by lowering the price of the products, automatically the products can attract more customers. This will eventually help the business to grow.

3.3 The Poor as Producer

Gupta and Jaiswal (2013) argued for the need to view the poor primarily as producers, not as consumers. By far, the best way to alleviate poverty is to raise the income of the poor and to emphasize buying from the poor rather than selling to the poor. Many poor are entrepreneurs in the literal sense: they are self-employed, raise the capital, and manage the business. The BOP proposition focuses on the poor primarily as consumers. In discussing solutions to poverty, it is useful to conceptually separate the role of the poor as consumers and producers.

By making the poor as the producers, the business can actually help them. The MNCs can still gain the profit by buying from the poor. The poor may not be creative enough to sell a product, what MNCs can do are buying the raw material from them and create something so that the product can generate double the profit. Automatically, the poor generate their own income.

4. The Evil Marketing Tactics

The bottom of pyramid proposition views the poor primarily as potential consumers i.e. as untapped purchasing power. Providing increased consumption choices to the poor will increase their welfare, assuming rational consumers. According to Gupta and Jaiswal (2013), BOP marketers have innovated promotional programs that may be argued are exploitative in nature. Anything that exploits the consumer is a result of an evil marketing tactic. Discussed below are some of the evil marketing tactics used by companies that may cause harm to the poor.

4.1 Micro-credit Financing

For example, the micro credit financing in India. Companies are partnering up with microfinance groups to penetrate the BOP market (Karunakaran, 2009). These self-help groups set up micro finance units to help poor consumers obtain low interest loans to purchase consumer durable products like battery operated refrigerators instead of the more documented practice to start entrepreneurial ventures. By making credit easily available, are these companies persuading the consumer to spend beyond their means, overspending and problems of excessive consumer debt?

Additionally, if for some reason, the poor consumer is deceived by marketing or is poorly informed, the BOP initiative might even reduce his welfare. The BOP initiative could result in the poor spending money on less important products such as televisions that would have been better spent on higher priority needs such as nutrition and education and health.

4.2 Nonessentials Customer Products

BOP initiatives encourage the poor consumers to divert money from high priority needs such as nutrition and health to nonessentials consumer products like shampoo, ketchup, tea, coffee, cosmetics, alcohol etc. Some civil society organizations have argued that targeting the poor as a market might cause them to wastefully spend part of their already meagre income on low priority products and services.

Hammond and Prahalad (2004) dismiss such arguments as patronizing and arrogant; how can anybody else decide what is best for the poor? The BOP proposition argues that the poor have the right to determine how they spend their limited income and are, in fact, value-conscious consumers; the poor themselves are the best judge of how to maximize their utility.

4.3 The Target Market

The growing appeal of the BOP proposition has been fuelled by the argument that poor people represent a large and lucrative market. The allegedly large and lucrative market at the bottom of the pyramid is a mirage. Fuelled by rapid economic growth, the shape of the economic pyramid is changing in many developing countries, leading to the rapid emergence of a middle class.

Companies seeking new profit opportunities are much better off targeting this vast new pool of consumers—the fast growing middle class—in the emerging economies.

The BOP literature often confuses the emerging middle class for the poor. Virtually none of the examples cited by BOP proponents support the recommendation that companies can make a fortune by selling to the poor (Karnani, 2007). Several of the examples that apparently support the BOP proposition involve companies that are profitable by selling to the middle class in developing economies, although even these consumers seem poor to a Western researcher (Karnani, 2009).

This romanticizing the poor as being more affluent than they really are is harmful to both companies and the poor. Companies following the BOP proposition often fail because they overestimate the purchasing power of poor people and set prices too high, and overestimate the market size.

5. Conclusion

Based on the research by Gupta and Jaiswal, there are several findings that we can conclude here. Firstly, the high population of BOP will help the MNCs in achieving their profits. Although the tactics used can be either good or evil, some of the companies take these advantages in different way.

In nature, the business concept always takes advantages through their consumers. The main objective of running the business for the companies is to earn profit. The companies usually have their own target; for example monthly target of sales, so taking advantages through their target market especially BOP people become their main objective in the companies. Apart from that, the exploitative in business is nature, and the companies must try to give win-win situation that could advantage both to BOP people and the companies whose produce the products or services.

Meanwhile, the poor should realize and set the priorities based on the products offered in the market. They must know and differentiate which of the products are affordable to them, either the products give value or not. The poor are vulnerable by virtue of lack of education, lack of information, and economic, cultural and social deprivations (Karnani, 2007). Because of that, the poor must educate themselves to improve their knowledge and information of the marketing tactics so that they would not easily been cheated by the marketers.

The business should at least consider the poor in their weaknesses, and use the good tactics to give a positive image towards their companies. For example, use CSR programs that can help them in introducing their products or services, or reducing the price as elaborate above will help the companies in introducing their products in a good marketing tactics.

Moreover, the companies must try to give the poor chance to help themselves in becoming the producer, which is by teaching them to become an entrepreneur. From the products or services produce by the companies, the marketer can provide the guidelines in helping the poor to generate the income.

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