

Bottom of pyramid model works well in rural markets in India

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Abstract - Bottom of pyramid is an economic model; the phrase was first used by American president Franklin D Roosevelt referring to the poor and deprived people who go unnoticed at the base of the economic pyramid. Economists all over the world have realised that at the bottom of the economic model people consume everything only the difference being the consumption is frugal in size but it is voluminous consumption leading to greater sales revenue. Most companies find the segment at the bottom of pyramid attractive from the sales revenue point and therefore they design smart strategies for tapping the market. The size of this segment is not small; it is over 4 billion people.

Index Terms - Bottom of pyramid, Rural Markets, Derived class, Sachets, Frugal Packaging, Operation Bharat, Project Shakti, Stock Keeping Units.

INTRODUCTION

Organizations offer products at extremely low prices and margins and hope to generate decent profits by selling enormous quantities of them. This “low price, low margin, and high volume” model has made FMCG giant Hindustan Unilver successful. HUL especially is famous for selling Wheel brand detergent to the bottom of pyramid.

In India, bottom of the pyramid customers prefer buying low-price sachets of shampoos, toothpastes, fairness creams and hair oil. Much of what Unilever is replicating in the developed world has been initiated in India. HUL sells its power brands such as Close-Up, Pepsodent, Sunsilk, Pond’s, Vaseline, Brooke Bond Taj Mahal and Bru to increase product penetration at the lower end especially in rural areas. Lifebuoy soap in rural markets is referred to as the ‘laal sabun’ since its red in colour, and ‘Colgate kiya kya’ is synonymous to brushing teeth.

A relatively small player, CavinKare from south India, is credited and has a huge role to play in

ushering the sachet revolution as a strategy for low-end buyers. Other companies like Parle, PepsiCo and Dabur started selling products in smaller packs and hence proving the saying “big things come in small packages.” Smaller SKUs (stock keeping units) contribute to over 40% of sales in the fast moving consumer goods category. Thus, MNCs in India are credited for frugal innovation—low-cost products and services.

The market-based approach is to cater for the poor mainly focuses on companies making profits while helping the poor to enhance their lives. This concept presented the possibility of there being a ‘fortune’ to make at the Bottom of the Pyramid (BoP) market that was an opportunity for both businesses and consumers. The notion of the BoP market has been widely studied using urban and rural contexts as distinct classifications; yet many argue that the opportunity does not in fact exist more in the rural compared to the urban sector.

Rural India has not been exposed to the far flung world. The traditions, arts, culture, religious mind set, craftsmanship etc is nourished as well as cherished in the deep villages in India. The amazing agricultural environment in the villages, the simplicity of people and their culture and the pollution less surroundings leads the urbanites to travel to the villages to unwind their stress and fatigue. Fresh agricultural produce, organic food, the ethnicity, small village enterprises selling handicrafts, the muddy pathways, small houses, some beautiful monuments, forts, lakes which are not hyped – yet are very attractive – all of this attracts some foreigners also to rural Indian destinations quite often. It is sad that the Tourism Development Ministry in India has not prioritized developing the village tourism so far. India’s 70% population lives in 6,27,000 villages in rural areas; as per the National Council for Applied Economic

Research (NCAER) study, and there are as many 'middle income and above' households in the rural areas as in the urban areas.

No wonder, the FMCG marketers are drawn to the rural destination with their innovative strategies of sales and marketing. One fact regarding the rural people is that they live life moment to moment. They can't take decisions beyond a week, a month or more; this is due to their limitation to reasoning – they live very happily in the present. They fight uncertainties so often, that they are grounded in the present. The uncertainties of the weather, uncertainties of crop yield, and uncertainties of aid from government make the rural citizens unenthusiastic about new openings and opportunities. On 31st July 2014, we heard about the disaster in Malin village in the Ambegaon tehsil of Pune district where an entire village got flattened by a landslide that hit early Wednesday morning after torrential rains.

Because of the TV and the booming media, even the economically lower class of the Indian population craves for a lifestyle like the well-to-do people they see on the TV. Rural crowd is no exception to this. If you visit any slum area, you will find TV in every hut there. Advertising in regional languages on the television, using humour and appealing jingles works a great deal here. The recall value of products which are continuously advertised is great as a recent study shows that disposable income is better than before and rural consumers are liberally splurging it. Fast food and drinks have acquired a greater "cool" image for them. The study also shows that over the years, the expenditure on non-food items has grown faster than the expenditure on food items. The rural India is witnessing a great change in the lifestyles and buying patterns of consumers. Convenience foods like instant coffee and noodles are now very popular. No wonder, Indian noodle market (instant noodles) is estimated at INR 1,300 to 1,600 crores (USD 300 – USD 350 mn)

The typical buying patterns of the rural population are such that they love to buy micro-units of consumable goods which can fulfil their temporary requirements. Basic reason for these micro-units of consumption is to use them for a day or for at most a week. Their consumption budget is just about a week or less. That is because their earnings fall under in similar periods. Typically in rural setting, the work

contract period is about a week or less. In fact, it is day-contracts which rule the scene.

It is their choice to earn weekly and not monthly. Yes, it is their preference. It is so due to their logical capability to think is very limited. Just like birds, they can do additions up to 10, beyond which it is difficult for them to count. To understand things for a year period, you need to foresee a lot of things, and plan accordingly. This requires arithmetic skill-set. So it is skill-set deficiency that makes an issue with them.

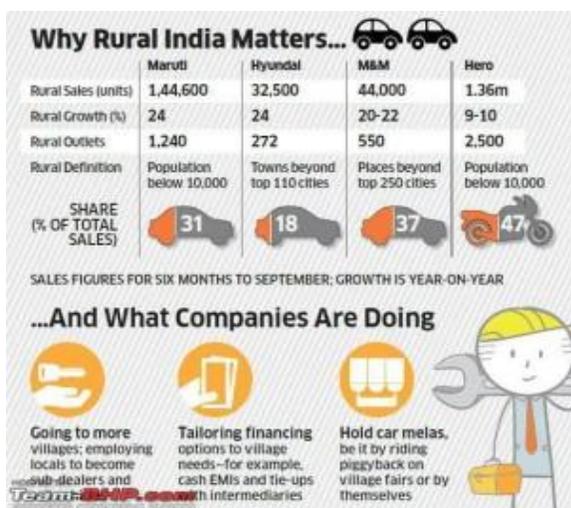
Most Indian FMCG majors know this well. That is why FMCG companies such as Hindustan Unilever Procter & Gamble, Colgate, Godrej and Marico's are gearing up for bigger advertisement and sales promotion campaigns aimed at the rural buyer. These companies and many other's high-pitch rural marketing exercise engages repositioning of brands by repackaging and re-pricing them, all with an eye on the rural wallets. These companies have been working all the time on extending their parallel rural sales and distribution networks.

IT'S NOT ALL THAT EASY:

There are more troubles than successes in rural marketing. A sound distribution network, understanding of the rural psyche – understanding their myths, the rural consumer's price-sensitivity is something the companies need to recognize. Success in rural marketing calls for a sound network and a thorough understanding of the rural psyche. Rural consumer's price-sensitivity is something the FMCG players need to understand and strategize their marketing moves accordingly.

Rural income-levels are largely determined by the moods of monsoon and thus rural demand is not a steady horse to ride on. The suicide rates of the farmers are a glaring fact which nobody can brush off. The vicious circle of the borrowings of the farmers and their inability to pay off their credits is showcased in so many movies and TV channels these days.

Rural marketing involves delivering manufactured or processed inputs or services to rural producers or consumers for producers or consumers for unearthing the huge size of the untapped rural market.



In today's crammed and tricky markets, both local and global, all FMCG as well as other companies search for new opportunities, consumers and markets. Finding niches in deeper market penetrations has become crucial. The 800 million potential consumers in rural India present both an opportunity and a dilemma, as this market has been characterized by lopsided growth and infrastructural problems. Thus companies which try to establish their presence in the rural markets have to understand both the minds and diversity of distribution in these markets. There is no second thought that the rural market has a great offering for the pushy companies. A sweeping change in attitudes of marketers towards the vibrant and up-coming rural markets is expected to boom in the coming years. Marketers are happily embracing bottom of the pyramid model of C.K.Prahalad and capitalizing rich returns on it. Companies adopt variety of marketing and sales strategies, some them being direct selling through company delivery vans, syndicated distribution between non-competitive marketers, setting up of temporary stalls in rural melas/haats are few successful examples.

Use of stockist for effective direct sales to rural consumers have also been found to be successful by companies like Hindustan Unilever / ITC / Colgate / Godrej. Rural markets/mandis are emerging as the target centres for direct sales. BPCL introduced specially designed Rural Marketing Vehicle, which moved from villages to villages to fill cylinders on spot. ITC launched the country's first rural mall 'Chaupal Sagar', offering a diverse product range from FMCG to electronics appliance to

automobiles, attempting to provide farmers a one-stop destination for all of their needs. There has been yet another initiative by the DCM Sriram Group called the 'Hariyali Bazaar', that has initially started off by providing farm related inputs and services but plans to introduce the complete shopping basket in due course. Other corporate bodies include Escorts, and Tata Chemicals (with Tata Kisan Sansar) setting up agri-stores to provide products/services targeted at the farmer in order to tap the vastness of rural market. The Godrej Group (India's one of the leading corporate majors) has launched the concept of agri-stores named 'Adhaar', which serves as one-stop shops for farmers selling agricultural products such as fertilizers and animal feed and also providing farmers knowledge on how to effectively utilize these products. There are 8 stores already operating in Maharashtra and Gujarat and further expansion is very much on the cards.

Another innovative distribution model that merits mention is the HUL's Shakti project, which connects Self-Help Groups (SHGs) with business opportunities. Hindustan Lever promotes and uses the SHGs network present in the villages for increasing its sales in the rural areas. The SHGs are offered chance to become company's local small scale distributor in the rural areas. The groups, typically of 15 to 20 people, buy a small stock of items such as soap, detergent or shampoo and then sell directly to consumers in their homes. The model is a win-win for the company and the village SHGs

Lower prices/smaller packaging has been the most common strategies adopted by FMCG companies to penetrate rural markets. HUL initiated 'Operation Bharat' to tap rural market by rolling out low priced sample packets of its toothpaste, fairness cream, shampoo, cream and other products is copied by almost all other companies. Similarly LPG companies have introduced small sized cylinders ensuring that price remains in the affordable range for its rural consumers. When developing products in any category, marketers must identify the typical rural specific needs. Urban products cannot be dumped into rural markets without modifications. The rural audience receives tailor-made products as the consumers feel empowered and tend to identify with the offering. For instance, shampoos or soaps with distinctive, strong rose or jasmine perfumes go very well with the rural women in South India. The

urban women do not identify as strongly with these perfumes.

Marketers have realized that the potential in rural is tremendous. Improvement in infrastructure promises a bright future for those intending to go rural. Any macro-level strategy for these markets should focus on availability, accessibility and affordability. Constant scanning and sieving of ideas and plans is essential at all times. Focused attention needs to be paid to market research that goes on to reduce the uncertainty in dealing with these markets. More specifically, in relation to rural areas, demand is seen in price suppleness. Breaking price barriers is essential. Only this can keep the grey area local brands in check. Also, one result-oriented marketing strategy which has been used over years by smart organizations which offers value-additions to existing lines to lure the urban consumer and alongside offer the rural consumer is wide-ranging choices within a single product category in a bid to generate high volumes.

CONCLUSION

Finally, a silent revolution has already begun; a seamless incorporation of rural and urban markets is on the move. The children of the rural Indians are getting educated, many NGOs are putting in efforts to strengthen the rural economy, motivate them to become entrepreneurs, many Government bodies, trusts, charitable institutions are adopting villages and building infrastructures for them. The overall marketing mix framework for rural markets must therefore focus around plugging in the segments with the right product, using value for money pricing, selecting the most appropriate channel of distribution, building long term relationships with the customers and finally, using the power of emotion in branding. Once bottom of pyramid model is understood and treated well, it works wonders.

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