

Is marketing guilty of ignoring the poor?

Ramendra Singh



Small packs, big bucks: Sachets are a vehicle for everything from shampoo to ghee to mobile recharges. They make money, and grow markets. Reuters

There may well be a pot of gold at the bottom of the pyramid

With more than 7 billion people living on our planet, almost 70 per cent of them are actually living on the edge, with incomes just enough to survive, and living in conditions that lack even the most basic forms of shelter, sanitation and other basic necessities of life. Yet they show uncanny capabilities to survive these odds and even surprising abilities to excel in entrepreneurship. Many of these bottom of pyramid (BOP) consumers aspire to consume the same Colgate to brush their teeth, and Fair and Lovely to look younger and fairer like their rich urban counterparts. Yet, very few serious marketing efforts have been made to fructify their desires to join the mainstream markets. They constitute what is popularly called the missing market of the world, and accounts for 86 per cent of the global village.

In India, the bottom 60 per cent of the population contributes 30 per cent of the national income, and almost one-third of the consumption expenditure share. But collectively they add up to GDP of \$367 billion (Source: NCAER, 2008). Despite such huge collective power as consumers, few marketing investments are being made by organisations in India, both MNCs, as well as Indian firms.

Despite the successes of the likes of ITC e-choupal and Choupal Sagar, and HUL's Project Shakti, there are many organisations which follow a risk-averse marketing strategy of marketing new products for BOP since the per capita sales revenue and profits are low, gestation period is high, and scalability is more challenging than conventional business.

Go forth ... and persevere

However, success can often be sweet. Decades after CavinKare launched shampoo in sachets for the poor consumers, today the format constitutes 95 per cent of shampoo unit sales and 60 per cent by value, in India. Lesson: Small unit packs at affordable prices make money, as well as help to expand markets.

ATMs started as a costly investment for banks to expand their lowest cost channel and expand reach, but today low-cost Vortex ATMs that consume only 4 per cent of energy compared to conventional ATMs have helped public sector banks with 6,000 low-cost ATMs at BOP regions in Asia, including India. The sachetisation of products and services today can be seen right from products such as food and household products (including jams, sauces, biscuits, toothpaste and hair oil), to services such as 10 "Chota Pack" from Airtel.

Research in informal BOP economies have shown that the price differential between poor BOP economies and rich formal economies actually hurts the poor, as products and services are more expensive in such formal economies, as lack of access to formal markets encourages rent-seeking behaviour from unscrupulous players in BOP markets. With the entrepreneurial eco-system in India gaining momentum, there is little excuse for industry today to look the other way when consumers in far and unreachable places are craving even for aspirational brands. Ignoring such markets encourages counterfeit products and gray markets that hurt even the industry.

Opportunity in shortcomings

For every infrastructural weakness there is a market opportunity waiting to be leveraged. For example, those who complained of lack of transportation in uneven non-metalled roads in semi-urban and rural regions are seeing RTVs from Hindustan Motors leveraging the market opportunity, and even the locally cobbled 'jugaad'. For shortage of potable water, there is HUL's Pureit, for lack of refrigerator, there is Chotukool from Godrej or even Mittikool. When there is no electricity grid, there is solar power from SELCO, and O'Nergy.

When the load-shedding is the problem, there is Jolly TV which comes with attached inverter to beat this problem. In a nutshell, for every problem existing in the eco-system of the informal markets, there is a market opportunity waiting to be tapped by firms that show the patience to develop markets for long-term sustainability of their business.

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