

**Marketing to BoP
Consumers in India**

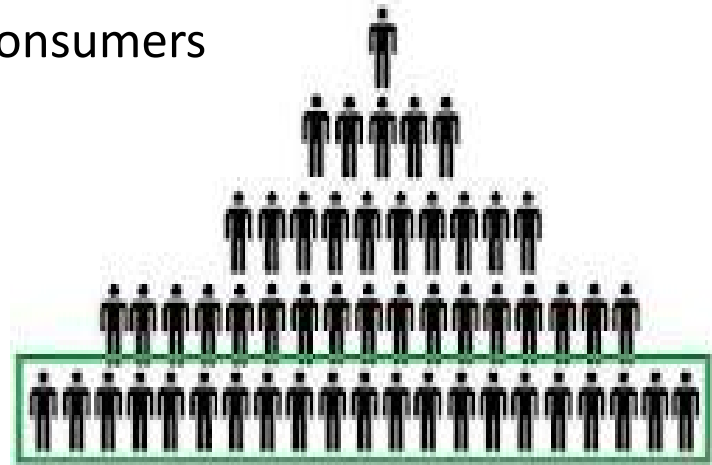
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Bottom of Pyramid Consumers in India

- Companies often **struggle** to come up with **innovative strategies** to capture significant market share and also make **huge profits**. Ensuring **sustenance of market share** also becomes difficult with **increasing competition**.
- While companies are witnessing competitive clutter, there is an **'invisible market'** which is yet **largely untapped**.
- This market, precisely known as the **bottom of pyramid (BoP) market**, comprises the population living below the poverty line as well as the lower income segment in the country.
- About 33% of the India's population forms the base of pyramid i.e. around 400 mn people earn below \$1.25 (≈Rs. 66) per day.*

"The real source of market promise is not the wealthy few in the developing world or even the emerging middle-income consumers; it is the aspiring poor who are joining the market economy for the first time."

-C. K. Prahlad

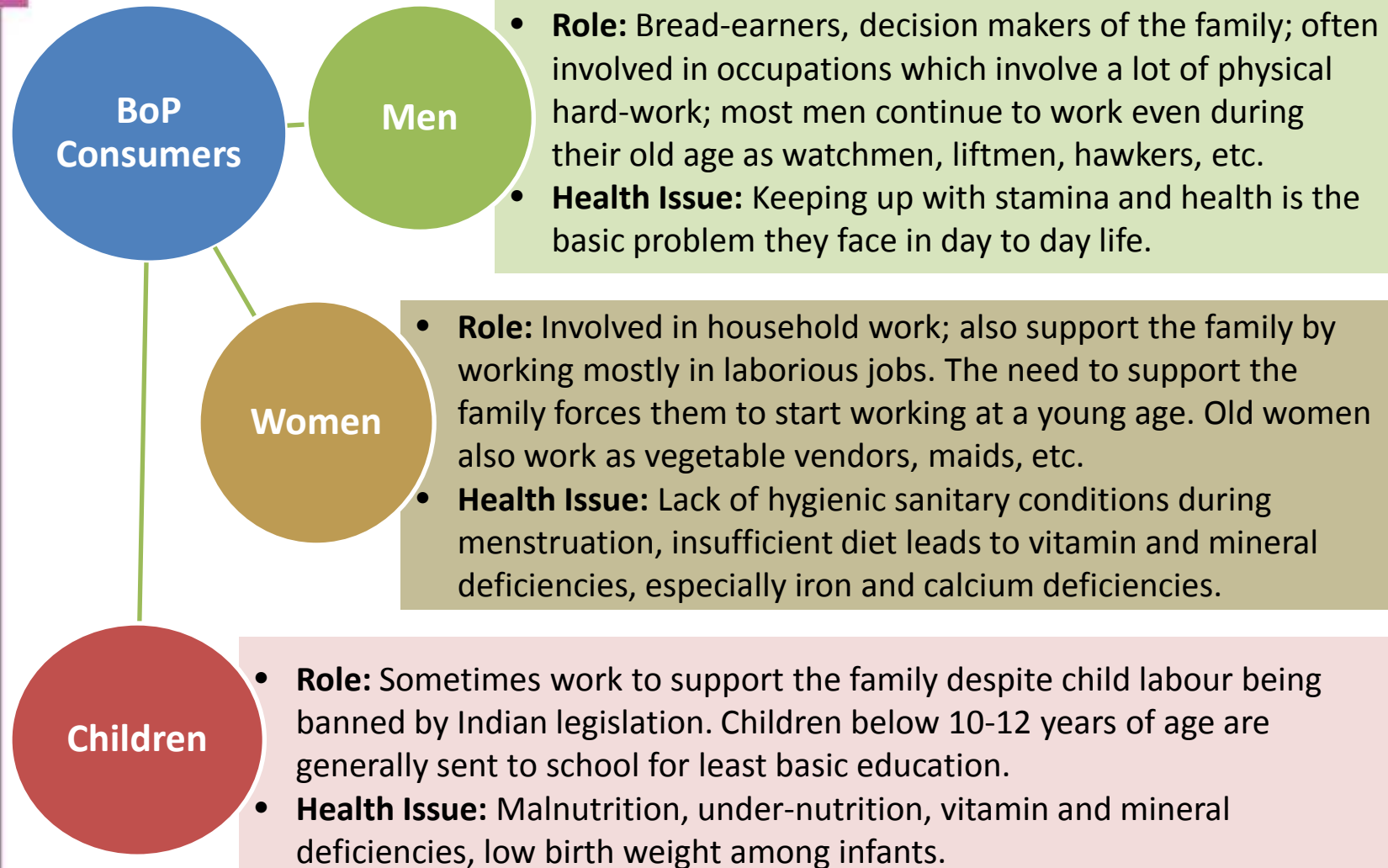


Bottom of Pyramid Consumers in India

- About a decade ago the late management guru C K Prahalad and Cornell professor Stuart Hart introduced the concept of ‘the fortune at the bottom the pyramid’.
- This concept basically explains how **companies can profitably target the huge mass of consumers at the bottom of the pyramid.**
- The marketers wanting to focus on BoP consumers need to understand that these consumer segments **may not be necessarily situated in rural areas.**
- Hence, there is **scope for innovation** within the BoP segment **across both urban and rural markets.** This is attributable to India's huge but sizeable population, presence of global corporations and the resources available with them.
- Recently, a shift has been observed in the thinking of Indian companies regarding BoP consumers.
- Companies like PepsiCo, Nestle, HUL are now perceiving BoP consumers as potential sources of revenue.

The notion that the poor consumers segment is not important for the long-term viability of the businesses is no more an ‘accepted wisdom’.

Understanding Health Issues of BoP Consumers



Understanding Health Issues of BoP Consumers

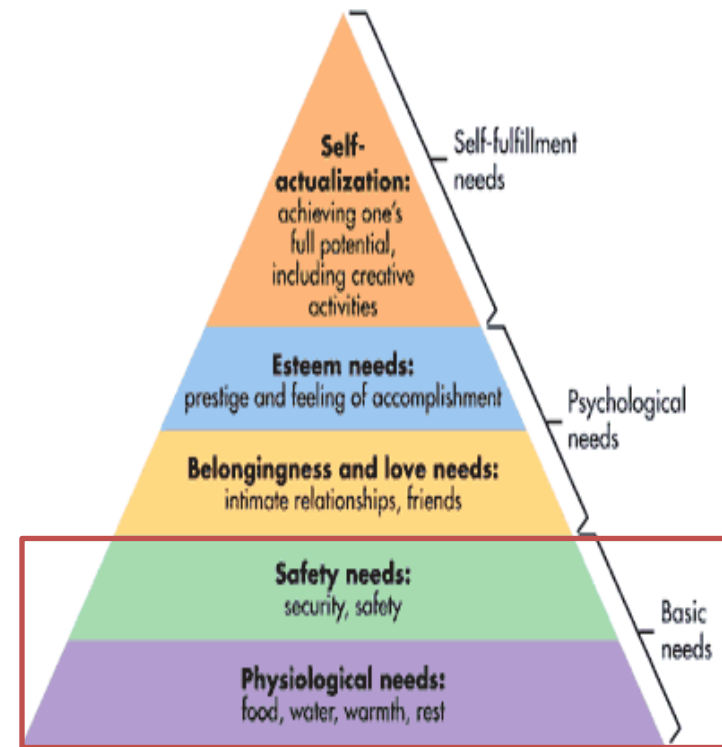
- There is a **high degree of mal-nutrition** amongst the poor populace of India.
 - **Iron and calcium supplementation** is needed by a large consumer segment at the BoP.
 - **B vitamin supplements** are much needed among school-going children.
- In a survey that was carried out among the population living in Delhi slums it was observed that:-
 - **Infant mortality rate (IMR)** in Delhi's slums is 54 for every 1,000 live births, as compared to IMR of 40 for the city as a whole*.
 - There is a high incidence of diseases such as **diarrhoea (75%) and anaemia (63%)***.
- **Improper conditions of hygiene** invite various infections which include **skin as well as sore throat infections**.
- **Cough, cold, allergies and flu** are also prevalent among these consumers.
- BoP consumers also suffer from **physical fatigue** as well as limb and back aches, due to the **physical nature** of their occupations.

Majority of the BoP population in India is not educated; their illiteracy poses a challenge in understanding their real needs.



Marketing to BoP consumers

- BoP consumers seek to primarily fulfil their basic needs.
- They are **least likely to even try a new product**, unless they perceive value in buying it.
- While healthcare marketers may identify many needs among BoP consumers, this segment may not even recognise the need for proper vitamin and minerals intake, energy drinks or hygiene.
- Thus, **BoP consumers need to be educated and made aware of basic healthcare needs.**



The tacit mandate for companies interested in the BoP market is that their product or service must either fill a strong 'unmet' need or provide a way for them to enhance their quality of life. The poor will never splurge their limited and hard-earned money for a product or service which does not confer them strong and sustained benefits.

Marketing to BoP consumers

- With reference to Maslow's hierarchy of needs theory, it has been observed that BoP consumers too seek to fulfil higher order needs (psychological) apart from survival or physiological needs. **Hence, the poor would embrace firms which serve them the best, provided the firm wins the consumers' heart.**
- In many ways, a 'brand' is understood as a premium commodity. Hence many brands do not find acceptance among BoP consumers. **Hence, while positioning an existing brand to BoP consumers, the marketer must practice 'conscious de-branding' to make the brand-offering real and affordable without the frills.**

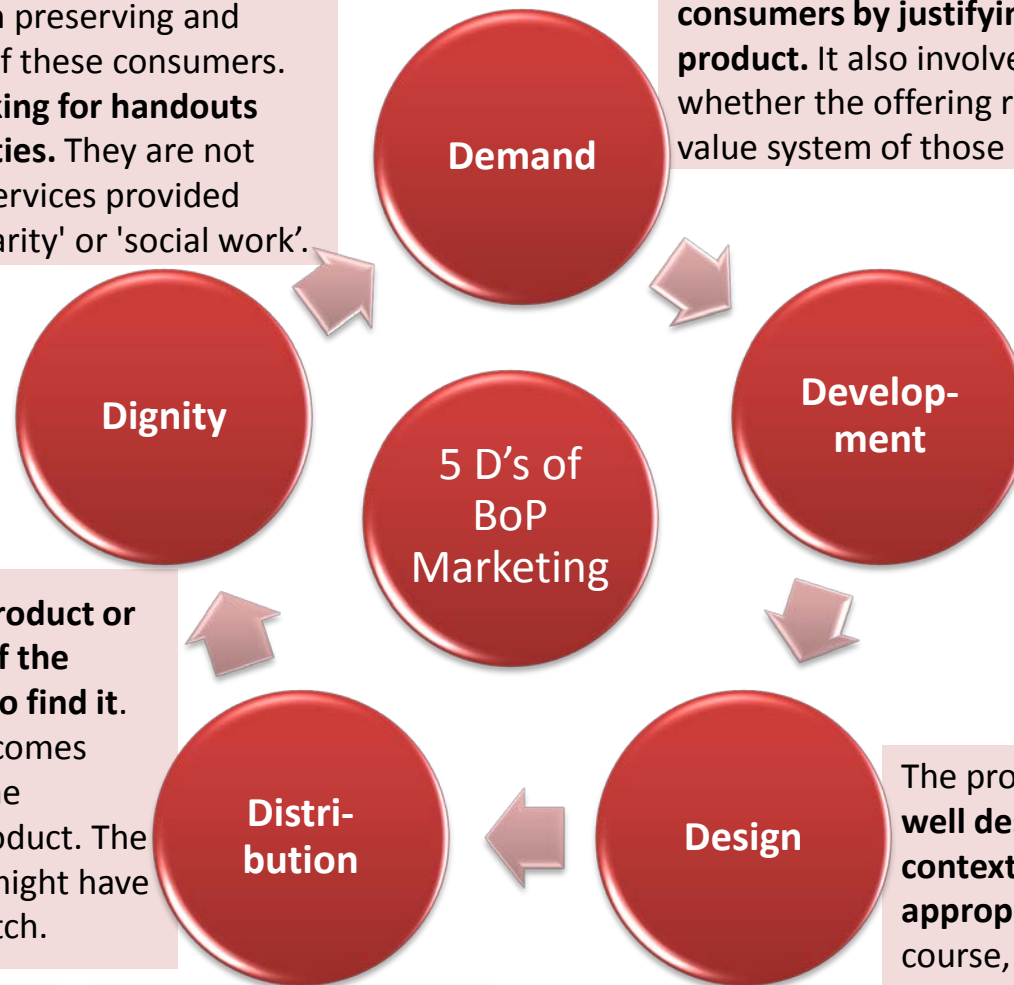
Marketing to the BoP is an art. Marketers must closely understand the consumers' philosophy of life and ingrain it into their DNA to effectively cater to their needs.



Marketing to BoP consumers

And finally, the whole offering must cohesively hinge upon preserving and ensuring the dignity of these consumers. **The poor are not looking for handouts but rather opportunities.** They are not seeking products or services provided through a filter of 'charity' or 'social work'.

Creating demand calls for **convincing consumers by justifying the need for the product.** It also involves considering whether the offering resonates with the value system of those at the BoP.



The fundamental consideration is to focus on the benefit to the BoP and whether there an opportunity for their **social or economic development.**

The best designed product or service will not sell if the customer is unable to find it. Thus distribution becomes critical in ensuring the availability of the product. The entire supply chain might have to be built from scratch.

The product must be **well designed— contextually relevant, appropriate, and of course, affordable.**

Reaching out to BoP consumers

Reaching out to the urban poor:

- Urban poor have access to different modes of communication like television and radio and hence they are aware to a certain extent regarding various products available in the market.
- Making products available at every nook and corner of the labyrinthine by-lanes will ensure product visibility and possibly, purchase.
- Thus in case of urban poor, marketers will need to address challenges of distribution.

Reaching out to the rural poor:

- The rural poor represent a different problem. Most of the rural markets are also inaccessible to audio and television signals and are often designated as "media dark".
- Access to distribution in rural markets continues to be a problem.
- Therefore, the rural poor are not only denied access to products and services, but also to knowledge about what is available and how to use it.

Marketers need to explore innovate ways to reach out to the BoP consumers.



Leveraging Opportunities among BoP Consumers >> Healthcare >> Pharma

Company	Penetration Strategy
Novartis	<p>Arogya Parivar is Novartis' rural marketing initiative, wherein it markets a portfolio of drugs for common ailments such as diarrhoea.</p> <p>Women and children's nutrition is sold in smaller packs, in line with rural affordability.</p> <p>Novartis also organises camps to increase healthcare awareness.</p>
Pfizer	<p>Pfizer runs project Sanjeevani so that it can reach out to Tier II and below areas. The project is mainly for its mature portfolio, thereby extending the product life cycle of these well known brands.</p>
Novo Nordisk	<p>Set up mobile clinics all over Goa to diagnose people with diabetes.</p>
Eli Lilly	<p>Has a tie up with Self Employed Women's Association (SEWA) in Ahmedabad to educate, diagnose and treat people for tuberculosis.</p>
Sanofi Aventis	<p>Launched Prayas, aimed at bridging the diagnosis - treatment gap through a structured continuing education program for rural doctors across India.</p>



Leveraging Opportunities among BoP Consumers >> Healthcare >> Medical Devices

Company	Penetration Strategy
Johnson & Johnson	<ul style="list-style-type: none">• Knee implant• Reusable stapler for use in surgeries Both are available at price points affordable in the domestic market
GE Healthcare	Approach - 'In India, for India'; launch of low-cost products <ul style="list-style-type: none">• ECG machine• Ultrasound machine
Roche Diagnostics	Screening device iCCnet for cardio-vascular disease - suitable for use in rural settings

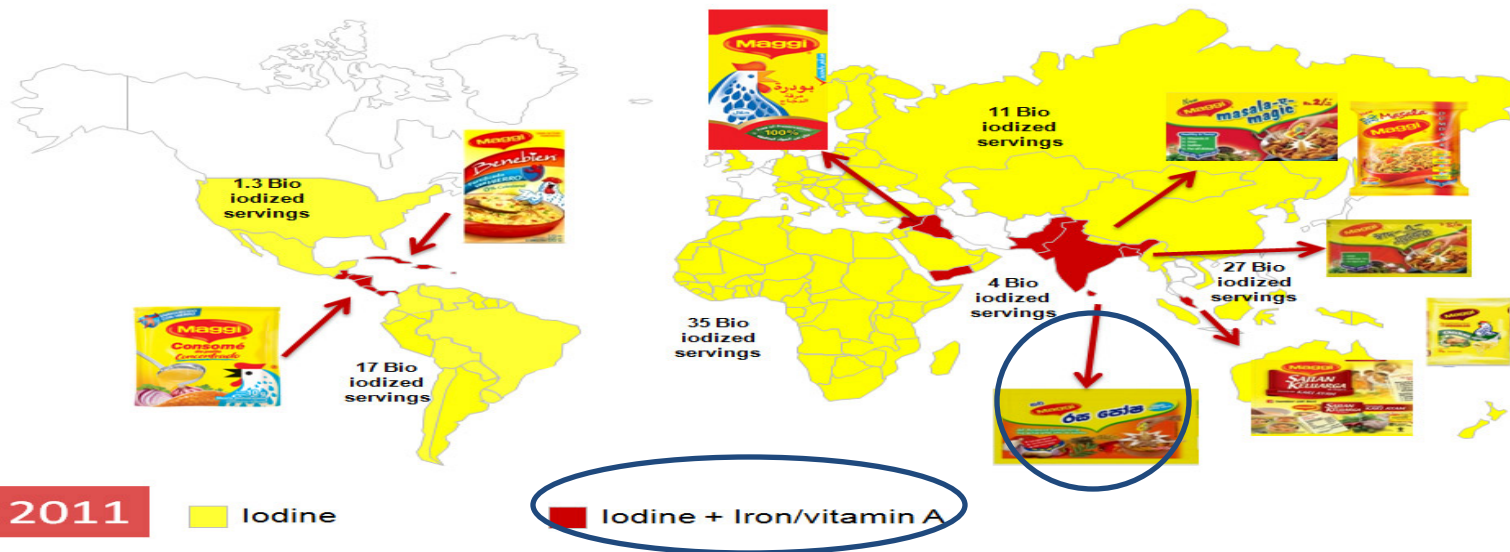


Leveraging Opportunities among BoP Consumers >> FMCG >> Nestle Maggi

- Nestle, which has a renewed focus on BoP market now, has introduced smaller packs of their products - Maggi Noodles and Ketchups.
 - This is helping them to increase the penetration of their products.
 - They have innovated and created a taste enhancer with added iron and vitamins, specifically for the BoP audience.
 - This allows them to not only improve the taste of everyday dishes, but also enhance the nutritive value of the food.

taste
balance

Implementation
plan



2011

Iodine

Iodine + Iron/vitamin A

a member of



Leveraging Opportunities among BoP Consumers >> FMCG >> Hindustan Lever Ltd (Project Shakti)

- Project Shakti by Hindustan Lever Ltd. (HLL) in India, is a unique case in point.
 - HLL created a direct distribution network in hard-to-reach locales (markets without distribution coverage through traditional distributors and dealers).
 - They selected entrepreneurial women from these difficult-to-penetrate villages and trained them to become distributors, providing education, advice and access to their products in villages.
 - These village women entrepreneurs, called Shakti Amma ("empowered mother"), have unique knowledge about the village needs and products in demand.
 - They earn between Rs. 3,000 and Rs.7,000 per month (U.S. \$60–\$150) and therefore create a new capacity to consume for themselves and their families.
 - More importantly, these entrepreneurial women are increasingly becoming the educators and access points for the rural BoP consumers in their communities.



Leveraging Opportunities among BoP Consumers >> FMCG >> PepsiCo

INSIDE PEPSICO'S BOTTOM-OF-THE- PYRAMID STRATEGY



TRIGGER

Smaller pack sizes of its current portfolio of colas and wafers, priced low, were not helping widen the consumer base.

APPROACH

Users in this consuming class want a clear utility proposition. This called for a new portfolio of affordable and relevant products.



CHALLENGE

Create a low-cost business model that is able to deliver value on par with what a local halwai does.

ROUTES

- A JV with Tata Global Beverages that leverages the Tata brand in the rural market backed by PepsiCo's marketing and distribution muscle.
- Carve out Lehar Foods as a separate profit centre out of the foods division with its own distinctive culture and low-cost philosophy.



NEW MIX

● Distribution

Leaner teams, push model where shopkeepers get an incentive to recommend the product to customers, higher margin for both distributor and shopkeeper

● Manufacturing

Co-pack model, technology is simpler than manufacture of chips (essentially the rolling of dough and frying), packaging is made of cheaper materials.

● Product development

Focuses on relevance as much as affordability, products are developed to satisfy a specific need.

Leveraging Opportunities among BoP Consumers >> FMCG >> PepsiCo

LEHAR IRON CHUSTI

WHAT?

Iron fortified puffs and biscuits.

WHY?

To tackle iron deficiency in adolescent girls

WHERE?

Pilots in Guntur and Tenali in Andhra Pradesh

HOW MUCH?

Rs. 2



LEHAR NAMKEENS

WHAT?

Namkeens, bhujias and other Indian snacks sold under the Lehar brand.

WHY?

Sold to consumers as a belly fill

WHERE?

Delhi, UP, Haryana, Maharashtra, Gujarat

HOW MUCH?

Sold in pack sizes starting at

Rs. 2 (Sizes can go up to as much as Rs. 30)



TATA GLUCOPLUS

WHAT?

Lemon flavoured drink

WHY?

Rural agricultural workers and urban labourers need a drink that both refreshes and rehydrates. This does both.

WHERE?

Pilots in rural Maharashtra and Chennai

HOW MUCH?

Rs. 5-6

(Marketed by the NourishCo JV between PepsiCo and Tata Global Beverages)



Way Forward

- Marketing to BoP consumers is not limited to low priced offerings or introducing sachets. It precisely deals with understanding buying behavior and decision-making process of these consumers.
- The key learning is that the consumers at the bottom of pyramid are not 'consumers' but in fact extremely careful 'money managers' for whom an expense is often an investment and the returns must be maximized.



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