

A Study on Consumer Behavior of BOP (Bottom of Pyramid) Consumers in India

Dr. Gagandeep Kaur,

Assistant Professor,
IHGI, Jalandhar, India.

Shivani Sohal,

MBA, IHGI,
Jalandhar, India.

Manpreet Rattu,

MBA, IHGI,
Jalandhar, India.

Yashika Kondal,

MBA, IHGI,
Jalandhar, India.

(Received May 10, 2020; Accepted July 17, 2020)

ABSTRACT

Purpose: The Bottom of the Pyramid is the massive but poorest socio-economic group. There are more than 2.5 Billion people who are living on less than \$2.50 a day. Understanding the Bop market having an excellent potential for marketers and its importance from different studies, a study was designed with the target to review the consumer behavior of Bottom of Pyramid consumers in India and to review the income distribution and expenditure of BoP segments..

Methodology: This study is based on the analysis of secondary data collected from published resources like journals, government websites, research papers, publications etc. A detailed study was made of the above said resources. **Findings:** This study concluded that BoP consumers represent an unparalleled prospect for economic growth and advancement. However this “market” possesses serious challenges for various companies of interest and an understanding of the doctrine of behavior of the consumers that compel demand in BoP markets for goods and services which is important for both practitioners and academicians seeking new conceptual challenges. **Implications:** The study implies that a well-versed understanding of the set of guidelines of consumer behavior is crucial for the marketers. **Originality:** The concept of consumer behavior of BoP consumers needs a lot of research to understand the underlying perception of the consumers. In India, it is relatively new concept as more studies are found for African countries.

Keywords: BoP (Bottom of pyramid), Consumers, Multinational Corporations, Consumer Behaviour.

INTRODUCTION:

Bottom of Pyramid:

The thought of ‘Bottom of Pyramid’ was first utilized by U.S.A. President Franklin D. Roosevelt in 1932, once he was speaking regarding the poor those who are usually unnoticed as a result they typically live down the lowest of this Pyramid. From over the years this section at Bottom are treated as one of the most regrettable segment with limited income, education, infrastructure etc.

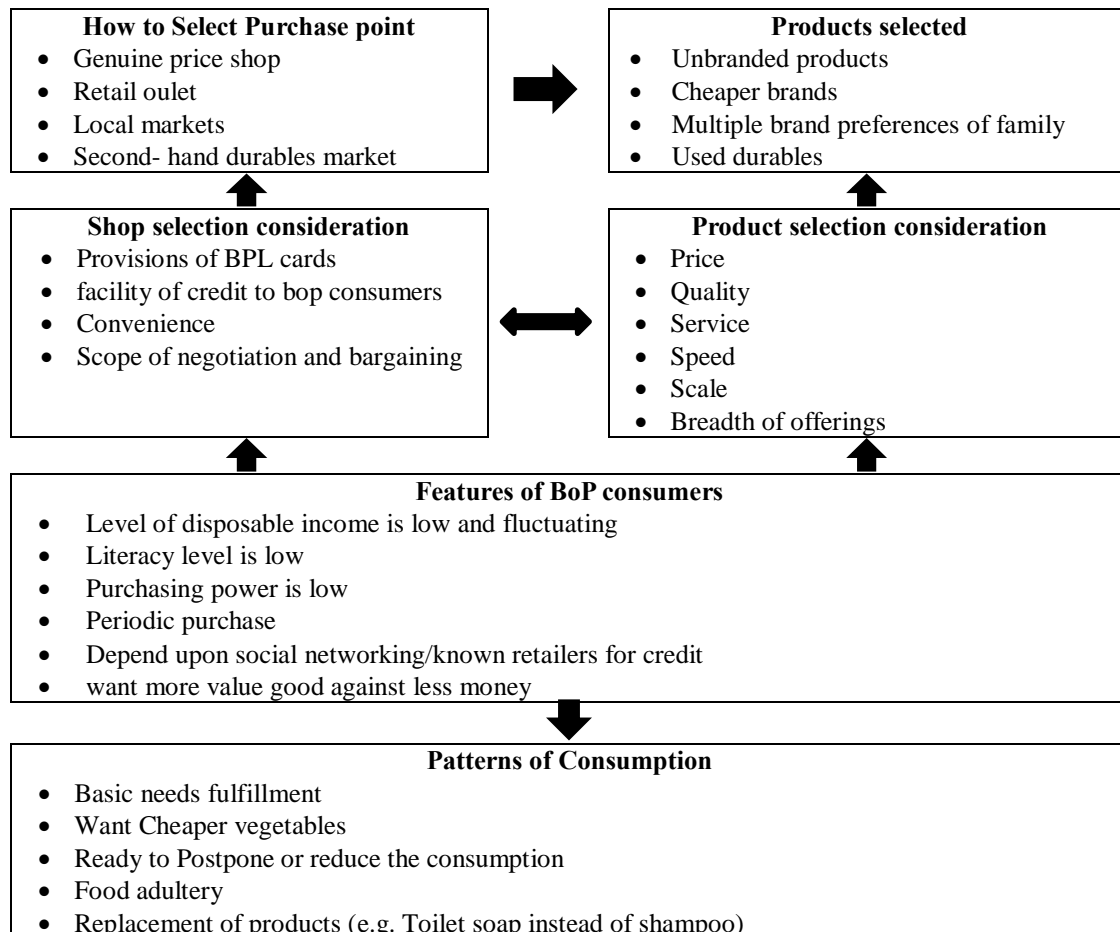
United Nations Development Program has also defined “poverty” as multifaceted wherein the section has not only revenue obstruction rather there is scarcity of other basic resources like primary education, proper sanitation, clean water, healthy food, standards of living and healthy life etc. Bottom of the Pyramid is additionally referred as the poorest 2/3 of the Economic Human Pyramid, a bunch of over 4 Billion people living in cringing poverty. The Bottom of the Pyramid is the huge but poorest of the poor socio-economic group. Universally, this is the more than 2.5 billion people who are living on less than \$2.50 a day. This theory

of BoP is one in all the broadly admired theories of marketing, proposed by [Prahalad C. K. \(2005\)](#). It has gained infinite consideration thanks to its hypothesis of conversion of world's poorest people because of association of multinational companies which see their fortune into this section. BoP brings up two main considerations in its theoretical understanding, as one tries to unravel the certainty of poverty in bearing to the market and secondly it highlights the role of above said multinationals in serving the poor in a best possible way that would be beneficial for both the companies and the section under consideration. [Prahalad and Hart \(2002\)](#) through their work had given commands to MNCs to work for untouched BoP markets with products and services specially designed for them, which ends up in potential rewards which not only include growth and profits, rather infinite contributions to human kind. [Prahalad C.K.\(2005\)](#), confidently acknowledged that dedication for the BOP level consumers requires ground-breaking guidelines and developments. MNCs must be able to challenge this section's circumstances by constantly inaugurating innovative approaches to satisfy the captivating nature of the consumer's market. People belonging to poverty are considered as a market but typical marketing patterns should not be followed for progressing to the grassroots. As an example, the conventional marketing communication models which are available to the marketer can be relevant but universal application must be as per the typical feature accompanied by the character of the consumers. He ([Prahalad C. K.](#)) cited the case of slum Dwellers in Dharavi in Mumbai, who does not have possession of property but spend a large chunk of their income on purchasing luxury items.

Consumer Behavior:

Consumer behavior is the field that study how people make conclusion about what they buy, what are their wants or needs or how they act regarding a product, service or company. It gives the logic behind the actions of the consumers within the marketplace. By studying the consumer behavior, marketers need to understand the stimulus for consumers to shop for particular goods and services. This will enable them to determine which products are actually needed by them within the market place, which products are no more required and the which is the best way to package the product that is presentable to the consumers.

Figure 1: Framework of shop and product selection of consumers at BoP



The consumer behavior study assumes that the consumers are real life actors within the marketplace. The outlook of role theory assumes that the consumers play a number of roles within the marketplace, starting from the data provider, from the user of the product or service, to the financier and to the disposer, consumers play all these different roles at a particular time within the decision making process of consumer behavior. The five major values on which choice decisions are based upon are: functional value, emotional value, social value, conditional value and epistemic value (Sheth, Newman and Gross, 1991). Out of these values, functional value is assumed to be of the prime importance as it determines the variable of consumer choice. This statement is obtained from the Marshallian Utility Theory (1890) and thus considers the consumers as “Rational Economic Man”. Understanding the importance of BoP customers in Indian Context, this study is intended with the subsequent objectives:

OBJECTIVES OF THE STUDY:

- To study the consumer behavior of Bottom of Pyramid consumers in India.
- To study the income distribution and expenditure of BoP segments

REVIEW OF LITERATURE:

Subrahmanyam, S. & Gomez, J.T. (2008) conducted a study “Integrated Approach to Understanding Consumer Behavior at Bottom of Pyramid” and found that BoP consumers were sophisticated, creative and motivated not just by survival and physiological needs but sought to satisfy higher order needs.

Majumder M. (2012) founded in his study titled “A Critical Approach in Understanding Bottom of the Pyramid Propositions” that the communal and discriminating behavior within sexes were also ignored which forms consumer behavior to an oversized extent. In spite of getting assessment, BoP had been well accepted by marketers to enable them to come with effective products and services for consumers at lower end of pyramid.

Ismail, Z. & Baloch, M.S. (2015) underwent a study titled “Bottom of the Pyramid Market’s Consumer Behavior with regards to Branded Personal Care Products in Karachi: A Quantitative Study” and explored the consumer behavior of the bottom of pyramid market with relevance to branded personal care products that BoP consumer’s shopping behavior, brand selection and personalized affiliation, which conjectures BoP consumer’s to be aspiring, positively attentive to word of mouth.

Singh, R., Mukherjee, S. and Mishra, H.G. (2017) concluded in their study titled “Consumption and Purchase Patterns among Bottom of Pyramid Consumers: Propositions and Implications for Public Policy” that the BoP consumers earn less than \$2 per day and thereby, are devoid of sufficient access to the necessities of life (food, health and education). They are characterized by very low levels of literacy and computational ability.

Tabeck, P.S., Singh, A.B. & Kumar, A. (2018) observed in their study titled “An Empirical Study on Bottom of Pyramid Customers towards Adoption of Innovation” that innovations should be introduced in the field of healthcare, food, education, water for poor which will enhance their living conditions rather helped to eradicate poverty.

RESEARCH METHODOLOGY:

The study mainly depends on the published that is the secondary sources of data/information. The required secondary data have been collected from various journals, government websites, research papers, publications from various websites which focused on various aspects of Consumer Behavior of Bottom of the Pyramid.

DATA ANALYSIS:

Economic growth of India has increased exponentially over the past 20 years and with the effect of this, the spending power of its citizens too has increased. Actual average household disposable income has increased twofold after 1985. Consumption of households has also increased and a novel Indian social class has come out in the arena with the rise in incomes.

The Indian market is on the verge of a big transformation if India continues on its current high growth path, over the succeeding twenty years. The rise in income levels will be almost three times from now and by 2025, India will scale to become the world’s 5th largest consumer market from 12th largest consumer market today. When income will rise, the dimensions of the country’s income pyramid will also change considerably. The number of people that will shift to a more sustainable life would be more than 291 million and in coming years, India’s social class will expand by over 10 times from its current size of 50 million to 583 million. By 2025, around 23 million Indians will be considered among the country’s wealthiest citizens.

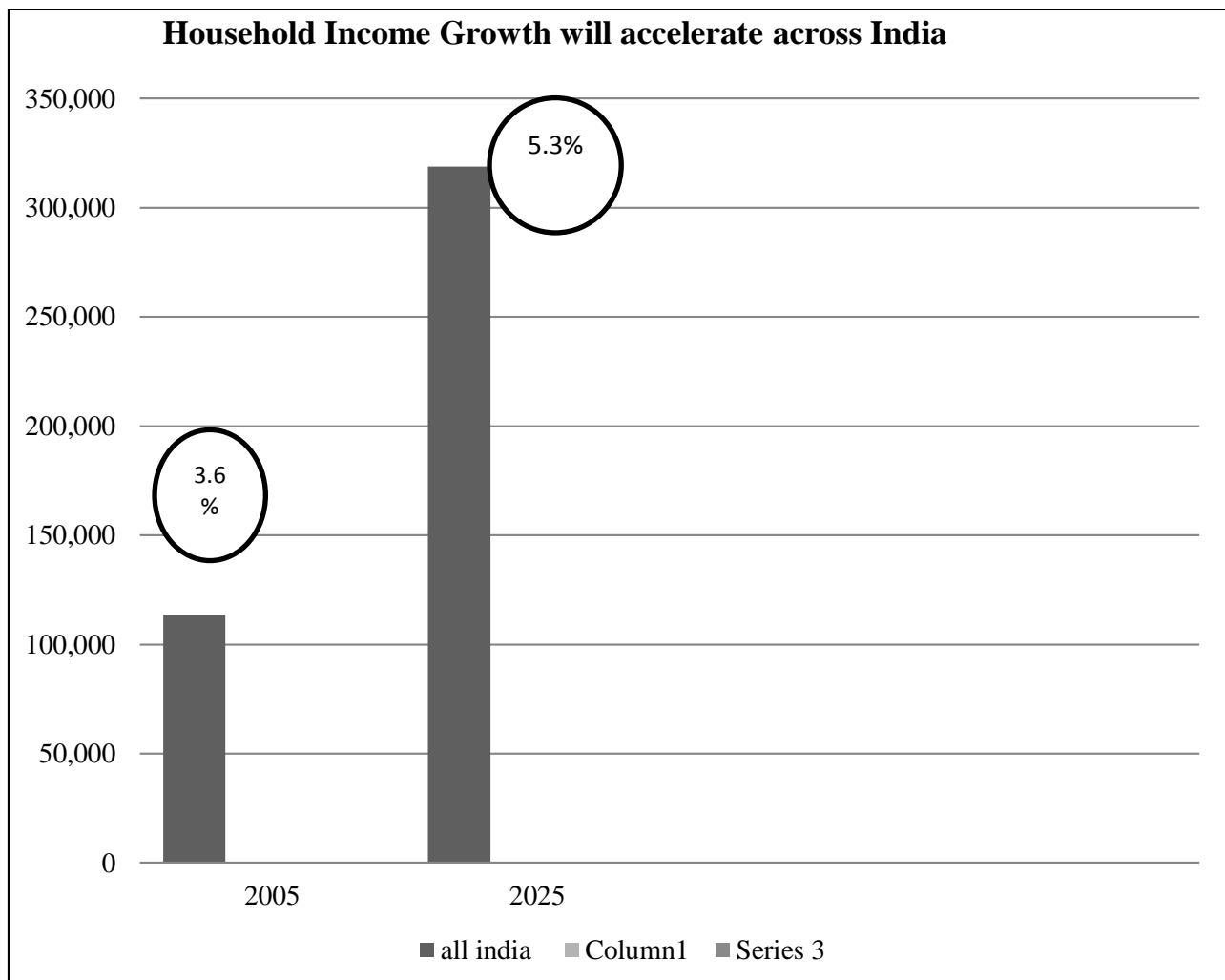
Annual real rural income growth per household has accelerated to 3.6% over the past twenty years from 2.8% and increased growth is expected in the coming years. Indian consumption patterns develop a change, with food and apparel consumption past its best in relative importance and communications and health care categories are expected to grow speedily.

Forecasts for India's actual GDP rate over the coming twenty years generally range between 6 to 9% per year. If India actually achieves this expected growth path over the next 20 years, Indian income levels will almost become three times. Average real household income will raise from 113,744 INR in 2005 to 318,896 INR by 2025 that is at a Compound Annual Growth Rate of 5.3 percent.

Household income growth will accelerate across India:

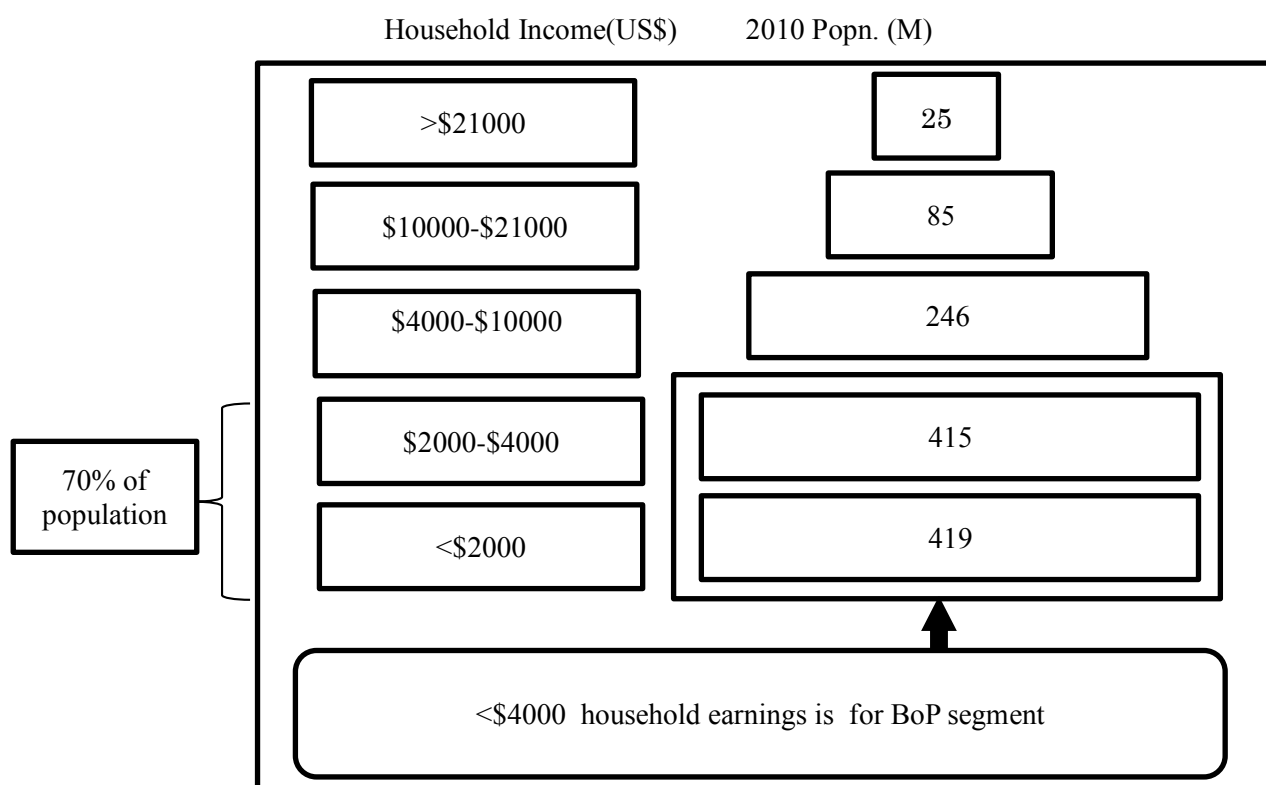
| Year | Income | CAGR |
|------|---------|------|
| 2005 | 113,744 | 3.6% |
| 2025 | 318,896 | 5.3% |

Figure 2: Household income growth will accelerate across India



Source: [Mckinsey Global Institute](#)

Figure 3: Bop Segments as per Income distribution

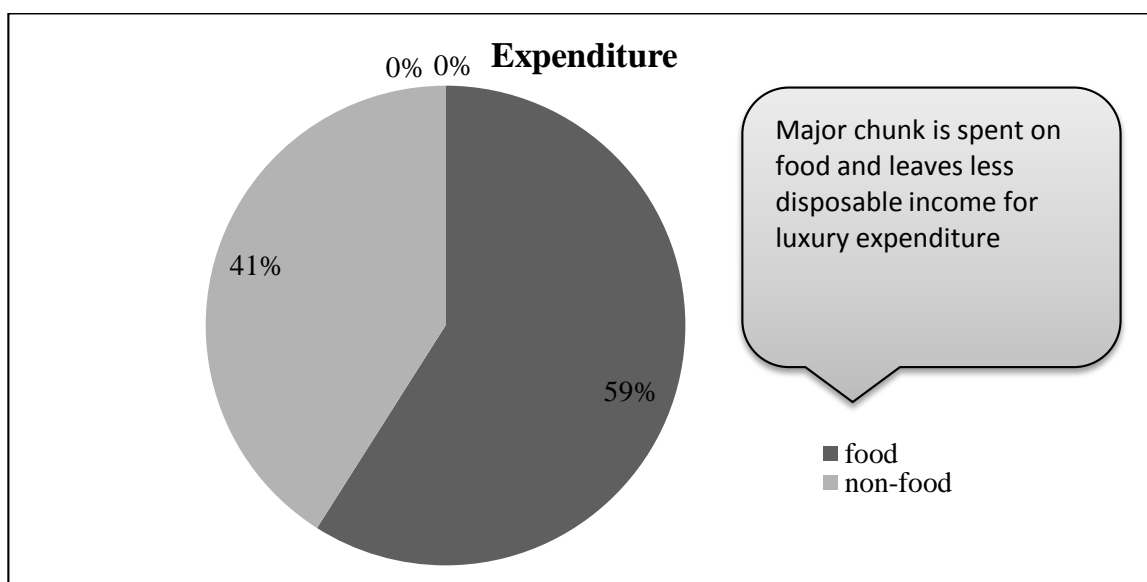


Source: Mckinsey Global Institute, Global Insight

Important Points:

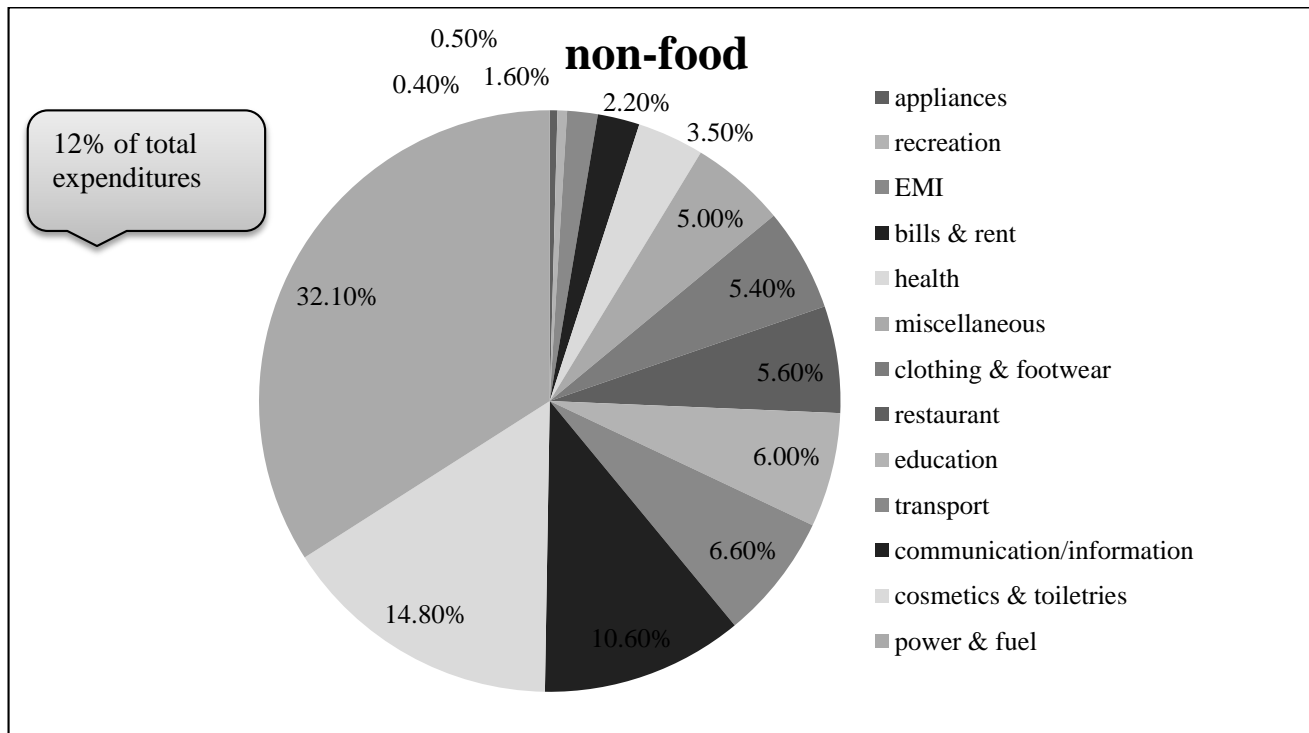
- The Indian population is awfully inclined towards lower income groups as 70% of the households earns an annual income of <\$4000.
- The combined income of 70% of India's population that belongs to BoP segment is \$358 Billion.
- A greater number of this population dwell in the agricultural areas. Around the 78% of BoP segment enclose rural population.
- Most of the income of this population is used up on food accompanied by power and fuel.

Figure 4: Total Expenditure Breakup for Bop Segment (2013)



Source: Boston Analytics

Figure 5: Non- Food Expenditure Breakup for BoP Segment (2013)



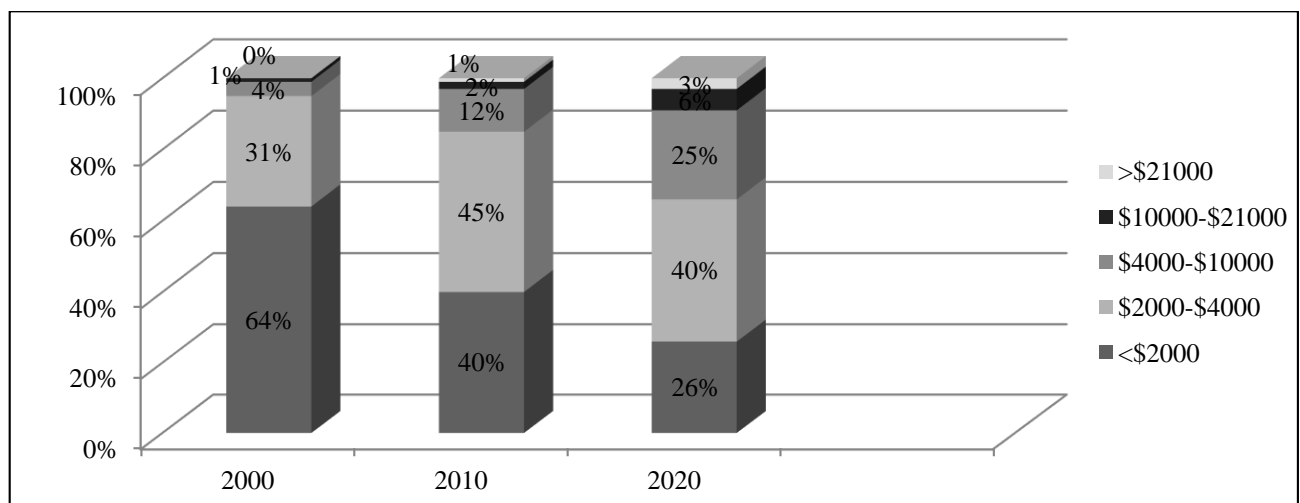
Source: [Boston Analytics](#)

Important Points:

- On an average, BoP households spend more than the rich segment on Food.
- BoP segment spends 59% of their income on food, the middle class spends 47% and the rich segment spends 36%.
- Both food and fuel contribute to 70% of expenditure and personal care contributes 15% to non-food expenditures.
- Rural and urban areas exhibit difference in consumption patterns. Agricultural population spends more on basic necessities like fuel and food than the urban population (10% more). There has been a shift in rural consumption patterns from essentials to optional expenses.

However, this segment is developing with time and moving steadily to higher income levels and are expected to contribute further to the overall consumption level.

Figure 6: Income Bracket of Households (2000-2020)



Source: [Mckinsey Report](#): India's Urban Awakening

- **Rising aspirations:** When income rises, desire for products and services of luxury nature also rises. In addition, increasing media involvement and considerable connectivity are expected to modernize lifestyles and provide stimulus to untapped desires for improved living standards. Jointly these ‘aspirants’ from rural and urban areas are expected to push demand for goods and services at the lower end of the scale.
- **Brand loyalty:** Impoverished are likely to be more loyal for brands. These people cannot stand to make mistakes with their limited income. And the income of these segments is growing. This is the reason for the marketers to prompt brand awareness and loyalty to apprehend and retain those customers as they move in higher income segments.

CONCLUSION:

“Bottom of the Pyramid” (BoP) consumers are not just targeted by the multinational companies to direct policies aimed towards poverty reduction, improved consumption and capability and improved wellbeing. Rather these consumers represent an unparalleled opportunity for economic growth and advancement. This “market” poses serious challenges for governments, agencies, NGO’s, corporations, entrepreneurial organizations and others who work to promote new economic opportunity, create new jobs and drive sustainable social change. BoP consumers constitute a posh situation within which traditional, economic, psychological and socio-cultural puzzling over behavior often come clattering down. A well-versed understanding of the set of guidelines of consumer behaviour is crucial for the marketers. Perceptive demand for goods and services in BoP markets is pivotal for both practitioners looking for impact and academicians in search of new conceptual challenges.

REFERENCES:

- Boston analytics, India’s rising bottom of the pyramid, A Perspective from Boston Analytics, <http://www.bostonanalytics.com/images/The-Rising-Bottom-of-the-Pyramid-in-India.pdf>
- Ismail, Z. & Baloch, M. S. (2015). Bottom of the pyramid market’s consumer behavior with regards to branded personal care products in Karachi: A quantitative study, *International Journal of Business and Social Science*. Vol.6, 56-74.
- Majumder, M. (2012). A critical approach in understanding bottom of the pyramid propositions. *Journal of Management & Public Policy*. Vol. 3, 18-25.
- Mckinsey Global Institute: Global Insight (2010). India’s urban awakening https://www.mckinsey.com/~media/mckinsey/featured%20insights/urbanization/urban%20awakening%20in%20india/mgi_indias_urban_awakening_full_report.ashx
- Prahalad, C. K. & Hart, S. L. (2002). The fortune at the bottom of the pyramid. *Strategy+Business* issue 26, first quarter 2002, Booz allen hamilton inc.
- Prahalad, C. K. (2005). *The fortune at the bottom of the pyramid: Eradicating poverty through profits*, New Jersey, Wharton school publishing.
- Sheth, J. N. , Newman, B. I. & Gross, B. L. (1991). Consumption values and market choices: theory and applications. *Journal of marketing research*. Vol.29, 487-489.
- Singh, R. & Mukherjee, S. & Mishra, H. G. (2017). Consumption and purchase patterns among bottom of pyramid consumers: Propositions and implications for public policy, *Indian Institute of Management Calcutta*.
- Subrahmanyam, S. & Gomez, J. T. (2008). Integrated approach to understanding consumer behavior at bottom of pyramid. *Journal of Consumer Marketing*. Vol. 25, 402-412.
- Tabeck, P. S. & Singh, A. B. & Kumar, A. (2018). An empirical study on bottom of pyramid customers towards adoption of innovation. *International Journal of Civil Engineering and Technology*. Vol. 9, 182-189.

