
Event Report

Marketing to the Bottom of the Pyramid: A 'Four Ps' Approach

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There may be a fortune at the bottom of the pyramid. But for those consumers who earn less than a dollar a day, and the companies that would market to them, the path to success isn't always clear. Professor Gita Johar, the Meyer Feldberg Professor of Business in the marketing department of Columbia Business School (CBS), has studied the challenge of marketing to the very poor. She has also led a global consulting class in which CBS students work with fledgling social enterprises in India. On Dec. 3, 2009, Johar led a discussion with students about the state of social enterprise and marketing to the world's poor.

In Johar's mind, the main issue is scalability. The logic behind the "fortune at the bottom of the pyramid," a term coined by University of Michigan business professor C.K. Prahalad, is that although the very poor may not have much disposable income, there are so many to serve. Companies can offer goods or services at relatively low prices because they can potentially sell large volumes. Thus for any bottom-of-the-pyramid solution to be sustainable, it will need to scale up efficiently and effectively.

Fittingly, Johar applies a marketer's lens to the problem of how to sell effectively to the bottom of the pyramid. She starts with the classic "Four Ps" framework—product, pricing, promotion and placement. "To me, marketing is one of the key drivers of growth in social enterprise and of scaling up in social enterprise," says Johar.

Product: In terms of products, the question revolves around designing goods that people living in poverty need, versus what their stated desires are. "When you ask people at the bottom of the pyramid, 'What product would you really like?,' they talk about things like TVs and gold coins, things that are completely aspirational," says Johar, highlighting results of a recent

Monitor Group survey. “They’re not talking about health care, clean drinking water and so on.” Many companies are starting to have success by taking a more observational approach to front-end product research. “If you do what you think you *should* be doing, it’s an uphill battle, but maybe you win it by really trying to understand how consumers think,” Johar says.

Pricing: What to charge for products quickly becomes a moot issue when the customer barely earns enough to subsist. Indeed, some companies have come under fire for marking up products, even on nonessential items. Johar pointed to Unilever’s Shakti division, which sells small shampoo sachets in poor areas of India. It’s more expensive to purchase the shampoo in small quantities than to buy larger bottles. But the target consumers are usually so cash-poor that they can’t afford to lay out the money for a bulk purchase. Though the choice is less economical, they have to buy the sachets, which are priced higher in terms of cost per unit. “It’s a real tension,” Johar says.

The most successful social enterprises have built operational efficiency into their business model to keep costs down. Johar cited Gyan Shala, an organization that provides low-cost, quality education to slum dwellers. To keep the service affordable, Gyan Shala employs teachers with high school educations and trains them to deliver a basic, standardized curriculum that has been developed centrally. Similarly, many socially conscious hospitals keep costs low in general wards by subsidizing them with fees charged for semiprivate and private patient rooms.

Promotion: As consumers at the bottom of the pyramid often balk at paying for the services many social enterprises offer, Johar considers promotion integral to the process. For example, providers of clean drinking water have had a hard time convincing people to pay even a nominal amount when well water—though contaminated—is available for free. Water Health International, a social enterprise backed by the Acumen Fund, used theater troupes, which often travel through India’s rural areas, to dramatize the benefits of clean water. The actors showed villagers well water under a microscope, bringing into focus the organisms in the untreated water. Sales went up four- or five-fold in those villages, says Johar.

Placement: The most vexing challenge to building a sustainable social enterprise, according to Johar, is finding the right distribution channels. In India, microfinance institutions have been successful at spreading their services through networks of loan officers ensconced in local communities. Those networks were once seen as a promising avenue through which to deliver other services, but experiments have thus far disappointed. “Loan officers are not trained in talking about other products,” Johar says. “Leveraging those networks is really hard to do.”

In another example, Servel, a maker of kerosene stoves, designed a more environmentally friendly stove that was also less prone to explosion and only had to be replaced twice a year, rather than the usual six times. But at first sales were slow, because the company hadn’t incentivized its dealer network properly—they preferred to sell more of the inferior product.

Thus far, says Johar, the social enterprises that have been most adept at sorting through these marketing challenges are small- to medium-size startups. Large companies, of course, have begun to explore bottom-of-the-pyramid strategies, but are not generally built to sell into that market. For large multinationals, will the bottom of the pyramid “be more than corporate social responsibility? We’ll have to wait and see,” says Johar. “I think most of the real innovative ideas come from [small businesses].”

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