

Marketing to Subsistence Consumers: Contemporary Methodologies and Initiatives

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Abstract: Over four billion people exist at what is commonly referred to as the “bottom of the pyramid” or as subsistence marketplaces. These individuals and families live in substandard housing, with limited or no access to sanitation, potable water, and health care, have low levels of literacy, and earn very low incomes. Scholars and practitioners alike suggest that the problems existing in subsistence marketplaces demand the attention and involvement of responsible businesses and that doing business with consumers at in such marketplaces can be both socially responsible and profitable. This research explores the strategies and tactics currently being used across the spectra of industry and size of business to properly address the needs of subsistence marketplaces. Our analysis leads to a typology of strategic and tactical marketing practices currently used by companies and organizations that are successfully operating in subsistence marketplaces.

Keywords: Subsistence marketplaces; Subsistence consumers; Bottom of the pyramid

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Of the 6.5 billion members of the human community, only 800 million exist at the top of the economic pyramid (Hart, 2005). Conversely, more than 4 billion people exist in subsistence marketplaces, otherwise referred to as the “bottom of the pyramid” (Prahalad, 2005). Subsistence consumers, both individuals and families, live in substandard housing and have limited or no education; they also have limited to no access to sanitation, potable water, and health care; and they earn minimal incomes (Prahalad, 2005), perhaps as little as \$1 per day. Common agreement among scholars, policymakers, and business leaders indicates that health and welfare problems at the bottom of the pyramid are too big to solve through charity or governmental assistance; they demand the attention and involvement of business interests (e.g., Rosa and Viswanathan, 2007). Furthermore, consensus suggests that doing business with consumers at the bottom of the pyramid can be both socially responsible and profitable (Hart, 2005; Prahalad, 2005).

Until recently though, the idea that companies could profit from consumers who earn less than a few dollars per day seemed inconceivable. Historically, companies believed that subsistence consumers were unable to afford and had no use for advanced products and technologies. Yet the widely documented adoption of modern technologies, such as mass media entertainment (e.g., TV and radio), wireless communications, and the Internet, by subsistence consumers has called this and related assumptions into question (e.g., Prahalad, 2005). Mounting evidence across the globe suggests that subsistence marketplaces can be both profitable and socially rewarding ventures for companies; however, our understanding of subsistence consumers as a field and how they resemble and differ from affluent consumers remains underdeveloped.

Helping address this knowledge deficiency provides the key motivation for this report, which compiles detailed stories and general guidelines from the example set by global marketing leaders that actively serve subsistence marketplaces. This paper presents a typology of strategic and tactical practices currently used by companies and organizations that operate successfully in subsistence marketplaces, including (1) companies pursuing a traditional profit-maximization agenda, (2) companies that have

incorporated social responsibility into their strategic intent, and (3) not-for-profit organizations. Identified practices suggest some recurring marketing guidelines. The organizations studied and the insights gleaned are summarized in Table 1 in the appendix.

1. Marketing Strategy

The common separation of strategic and tactical aspects of marketing to subsistence marketplaces naturally reflects the multilevel approach that organizations must adopt to solve marketing problems, by addressing the 40,000-foot perspective and the ground attack simultaneously. That practices at both levels appear in one report reflects the nascent state of most industry efforts to serve subsistence consumers. The number of companies and organizations that formally target subsistence marketplaces is relatively small, and many of their efforts have been implemented only recently, so they remain in a state of flux. Even the sparse data available, however, offer patterns of behavior and marketing management guidelines.

1.1 Identifying Critical Needs

Recognizing a critical need of consumers represents the first step in moving into a previously untapped marketplace. What sets apart many of the organizations discussed in this report is their cultivated ability to determine the needs of subsistence consumers and tailor their marketing and product development strategies to meet those needs. Many of these companies and organizations started small and aggressively engaged in pioneering research and development. Subsequently, they became leaders in their fields. Equally important, they make services and products available to consumer groups that until recently had only dreamed of such access. Reliance Infocomm, Vodacom, Voxiva, and SKEPL represent exemplars.

Reliance Infocomm recognized a market need for affordable mobile communications in India and developed a vision “to provide the latest telecommunication facilities to every Indian at the price of a post card.” The company entered the market with an exceptional package, which included a free digital mobile phone, unlimited free incoming calls, free value-added services, and billing in 15-second increments, charging a one-time fee of approximately US\$67 and a monthly membership fee of \$13—an unprecedented offer in the Indian mobile telecommunications industry (Reliance Infocomm, 2002). By

challenging the industry's cost and pricing structures, Reliance Infocomm offered millions of Indian consumers the opportunity to participate in the mobile telecommunications society, from which they previously had been excluded. When Reliance Infocomm entered the Indian market in 2001, mobile phone penetration was reported at 0.25%, or 3 million persons out of a population of 1.2 billion. The company contributed significantly to increasing cell phone penetration to 5.7%, or 68 million phones, in India by June 2005 (Varghese, 2006). This jump represents an annualized growth rate in active cell phones of roughly 120% and an even greater growth rate in cell phone users, given the popular practice of sharing cell phones among subsistence consumers.

Vodacom Community Services responded to similar needs for mobile telecommunications in the South African market, as well as to a latent need for entrepreneurial opportunities among South Africa's subsistence-level population. As part of a government mandate, Vodacom Community Services began to offer mobile phone services in underserved communities across South Africa. Its innovative strategy—developing turnkey solutions for local entrepreneurs to operate phone shops—made the service available but simultaneously provided crucial opportunities for small businesses. Equally important, the company demonstrated that it was possible to serve South Africa's subsistence consumers profitably. Originally subsidized by its parent company, Vodacom Community Services now operates independently. In 2003, the company reported geographic access covering 93% of South Africa's 44 million citizens (Reck and Wood, 2003) along with cell phone usage growth rates that approximate those achieved in the Indian market.

Another example of meeting critical needs comes from the Voxiva Alerta system, a low-cost public health monitoring system. According to the World Health Organization (WHO, 2001), public health monitoring systems that allow for the early detection and documentation of contagious disease outbreaks are crucial to containment and prevention. Yet most early detection systems remain cumbersome, expensive, and poorly suited to environments with few medical workers and low-literacy, low-income patient populations. Targeting rural areas with limited infrastructure, Voxiva created a low-cost system that relies on existing telecommunications systems and, with Peru as a testing ground,

launched its Alerta (“alert” in Spanish) disease surveillance system. The Alerta system provides Internet access to healthcare providers in remote areas and enables communications between remote areas and the government ministries responsible for health and welfare, all within the capabilities of Peru’s relatively antiquated, copper-line telephone infrastructure. The system is designed for low-cost installation and operation, and it provides an excellent solution for developing economies that require improved healthcare. Peru’s isolated, Andean-dwelling populations offer an ideal test case for the effectiveness of early containment through affordable systems. Non-compliance with Alerta’s field trial was relatively limited, in part because Voxiva recognized the need to empower both field workers and central government officials when medical responses were necessary. The field and central agency assessments of Peru’s Alerta system consistently were positive, and the system has since been reconfigured to extend to other markets with similar infrastructures and population dispersal conditions.

Shree Kamdhenu Electronics Private Ltd. (SKEPL) recognized the growing inefficiency and declining productivity in the Indian dairy industry. Because of poor quality control, contaminated environments, and production delays, Indian dairy farmers were excluded from the international dairy market and caught in boom-and-bust cycles that curtailed their ability to plan and invest or to address the root causes of their quality control and production problems. Overcoming a limited budget, SKEPL established the goal of helping milk cooperatives become more efficient through Akashganga, an IT-enabled system to improve dairy farm productivity and quality while accelerating payments for shipped products. The Akashganga system combines automatic milk collection technology, electronic weighing capabilities that replace antiquated and fraud-prone mechanical scales, a computerized information kiosk tailored to the dairy industry, and milk analyzers that test for butter fat content (Sharma and Yadav, 2003). More important, the assembled technology is affordable for small dairy farmers in remote parts of the country. As of May 2007, the SKEPL company website (<http://akashganga.in>) reported that more than 2 million family farms in more than 1000 villages were using its systems, resulting in improved productivity and quicker response to market demands.

At least two generalizable guidelines arise from these examples of organizations that strategically seek to identify subsistence marketplace needs. First, the organizations are willing to reinvent themselves to understand subsistence marketplaces and ways to conduct business within them. None of the companies arrived at their solutions linearly but instead engaged in a series of experimental trials, be it in the pricing schemes for cell phone services, the design and content of the turnkey solutions for entrepreneurs, or the analysis tools and interface most suitable to low-literacy dairy farmers. Second, and equally important, the companies provided marketing strategists and product managers ready access to the field and first-hand experience with subsistence marketplaces and their unique characteristics. These unique characteristics again become evident in our subsequent discussion.

1.2 Managing the Adoption Process

Managing the adoption process is an important factor for success in subsistence marketplaces. Because of their low education, limited numeracy and literacy skills, and limited disposable income and resources, subsistence consumers understandably are hesitant when it comes to purchases and generally adopt new products or services only after their benefits have been demonstrated credibly in their own language and context, as well as validated by at least some in their peer group. Many subsistence consumers turn to oral communications from credible sources, such as family, friends, neighbors, and trusted local merchants, before taking action. Clearly, word of mouth and change agents thus can be important factors in a company's success.

Such was the case in India when SKEPL rolled out Akashganga. Early marketing efforts met with quiet resistance—none of it hostile or openly directed at the company, but impenetrable nevertheless. Acknowledging and understanding the sources of this resistance, SKEPL instituted a consumer education process and free trial option, in the belief that hands-on experience among opinion leaders and positive word of mouth from satisfied customers would overcome customer reluctance. Through respect for village norms and their social influence networks, the company identified and then won over influential farmers in each community. After these opinion leaders had become users of Akashganga, other farmers followed suit.

Reliance Infocomm undertook a different method to manage the adoption process. With an employee base of more than 50,000 and a shareholder base of about 3.3 million, the company recognized the potential market for new service offerings among consumers who already considered the company credible and therefore offered both employees and shareholders discounts and referral incentives. The objective was to create visibility for its products and services in the broader market through usage situations that encouraged positive testimonials and consumer-to-consumer trials. Response was brisk, and the added credibility extended by consumers affiliated with the company who used its products proved valuable. Although it is not possible to quantify the effect of this management of the adoption process on Reliance Infocomm's success, anecdotal evidence suggests it was a significant factor.

Among subsistence consumers, word-of-mouth communication has a long history of effectiveness, as partially illustrated by the contrasting effectiveness of Population Services International's Raja and Maya promotional programs in Bangladesh in the early 1980s (Rangan, 1985). Population Services International (PSI) marketed both Raja, a brand of condoms, and Maya, an oral contraceptive, as part of a reproductive health campaign sponsored by the Bangladesh government and USAID. Raja achieved impressive success, but as medical doctors and rural medical practitioners questioned the effectiveness of Maya, the product lost market share, even in competition with oral contraceptives that were ten times more expensive. However, after PSI informed the healthcare community of its objectives and described how Maya worked, and then enrolled its members as change agents, consumer perceptions and acceptance of Maya changed direction. Within two years, Maya achieved a market share leadership position similar to Raja's. Critical to this turnaround was a word-of-mouth chain that began with PSI's direct contact with medical doctors and rural medical practitioners, who, in turn, influenced both urban and rural subsistence consumer populations. The word-of-mouth efforts received support from mass media advertising that reinforced the brand's image and further promoted its use.

Another example of innovativeness in managing the adoption process comes from the efforts to improve community sanitation practices in rural Bangladesh, Northern India, and parts of Africa (Kar,

2003, Kar and Pasteur, 2005). The proper handling of human waste is an integral part of community health programs. Without it, the likelihood of water and food becoming contaminated through bacteria-carrying insects is very high. Changing individual and community perceptions of human waste can be challenging, however, for such reasons as the natural resistance that many people feel toward discussing such personal matters. Personnel affiliated with the Institute for Development Studies in Bangladesh and a variety of national and international social service agencies throughout the developing world have applied participatory research and action methodologies that help communities devise and disseminate solutions to their shared sanitation challenges. Critical to the success of these participatory approaches is the role of children as opinion influencers. In successful programs, schoolchildren learn how bacteria get transmitted from open sewers and other depositories of human waste, then articulate these dangers and concerns to their nuclear and extended families, delving into topics that adults cannot discuss directly. Through sincere innocence and the ability to ask tough questions, the children trigger conversations within the family and even between families who are commonly affected by specific practices; once these conversations begin, solutions and behavioral changes often follow. Such strategies have significantly improved the rate of acceptance of latrine use among the rural poor.

One generalizable guideline exemplified by these companies is that word-of-mouth promotions must be harnessed, because they represent a powerful and insidious marketing tool that can be more effective than mass media among subsistence consumers. Low literacy rates, fragmented access to media, and a plurality of perspectives toward even the most basic of product and service concepts argue strongly for the need for organizations to design solutions around the high levels of communal interdependence that characterize subsistence marketplaces (Viswanathan, 2007; Viswanathan et al., 2007). Utilizing these methods requires the field experimentation alluded to previously, because traditional market research approaches to identifying opinion leaders, such as those that rely on markers such as education, literacy, and wealth, may not be effective in subsistence marketplaces. Furthermore, organizations must expand their evoked set of possible influencers to encompass unconventional constituencies, such as shareholders, employees, and children. Reflecting again the communal values and interdependent nature

of relationships in many subsistence communities, organizations find that taken-for-granted boundaries between stakeholder communities (e.g., consumers distrustful of shareholders and employers) may not hold in subsistence marketplaces. Likewise, intergenerational flows of influence may be more complex than in developed economies, and younger generations can serve as an effective channel for promoting new concepts and disseminating consumption priorities that are beneficial but cannot be presented to older consumers directly (e.g., birth control practices, using latrines, hand washing, cell phones, the Internet).

1.3 Market Orientation and Customer Segmentation (including Consumers as Coproducers)

Similar to the process in consumer markets in developed economies, competitive advantage in subsistence marketplaces can be achieved by identifying market segments that fit well with the goals and core competencies of the organization. Identifying and defining, in actionable terms, the subsistence consumer segments most likely to adopt a product can prove difficult though, because of the significant differences between subsistence and affluent consumers in areas such as consumption priorities and rituals, the assimilation of information, and decision making. Consistently successful marketing to subsistence consumers demands a deep-seated marketing orientation that utilizes the insights of organization members at all levels, particularly those closest to the consumer (Viswanathan et al., 2008a; Ritchie and Srinivas, 2007). Another important facet pertains to identifying market segmentation criteria that are as relevant to subsistence consumer decisions and consumption practices as lifestyle and benefit segmentation may be to affluent consumers.

A widely publicized marketing orientation and segmentation story is that of Grameen Bank. A key Grameen segment includes women who operate small family businesses, because of the central role they play in preserving their family unit's well-being and their resulting trustworthiness (Freeman and Higginson, 2007). The women receive an opportunity to save their small income and borrow in amounts (e.g., \$50–\$100) suitable to their need and business capabilities. Such transaction amounts are too small for most commercial banks, but the sheer number of clients and 99% repayment rate make the market segment highly profitable. From its inception, Grameen Bank has reached out to poor and rural women

directly, as well as worked with community organizations to empower these women while constructively attempting to overturn social customs against women holding property and dealing with outsiders.

Originally, bank funding came from soft loans and charitable grants. However, in 2005, Grameen Bank became a self-sustaining, profitable enterprise. As of 2006, Grameen Bank had dispersed more than \$6.0 billion to nearly 7 million borrowers who had no collateral, 96% of whom being women (Bruck, 2006), and its growth continues unabated. This model is being emulated by large financial services organizations, such as Citibank and Banco Santander.

Market orientation and segmentation success stories similar to that of Grameen Bank also can be gleaned from Reliance Infocomm and Voxiva, organizations that identified untapped market segments and reinvented their market offerings for those segments. As discussed previously, their successful strategies have generated value for their stakeholders and consumers in general. One unique aspect of subsistence marketplaces is the important role played by consumer-to-consumer interactions in shaping product meaning and function (Viswanathan, 2007). In the case of Grameen Bank, consumer-to-consumer interactions and interdependencies resulted in the idea of offering micro loans (e.g., \$250–\$300) to savings circles (12–15 women) that in turn would extend micro-micro loans (\$20–\$25) to circle members and, as a group, manage the circle's loan portfolio. Similar collaboration appears in the cell phone market, where Reliance Infocomm noted that groups of subsistence consumers pool their resources to purchase communally managed cell phones, a phenomenon labeled consumer coproduction (Prahalad, 2006).

Prahalad (2005, 2006) strongly advocates including consumers as co-producers, which tacitly admits that the company needs help to understand the needs of subsistence consumers, while also yielding control over how products are used and their value defined in ways that go beyond the market-defining power of consumers in developed markets (e.g., Rosa, Porac, Runser-Spanjol, and Saxon, 1999). Yielding such control is not typical among professional marketers, and the idea of consumers as co-producers suggests that marketing managers face the challenge of finding new ways of thinking about themselves, their organizations, and their customers if they hope to capitalize on the opportunities inherent in

subsistence marketplaces. Therefore, a marketing orientation must be deeply ingrained throughout the organization and across all levels of management.

2. Marketing Tactics

Implementing strategic plans at the individual market level is crucial to success in subsistence marketplaces. Implementation likely will test managers' resourcefulness as they encounter many unanticipated and never-before-experienced factors that impede their progress. Effective positioning ultimately determines whether organizations reap the financial and social rewards possible at the bottom of the pyramid. We apply classical elements of the marketing mix (product, price, promotion, and place [distribution]) as a classification scheme that can identify tactical decision areas, including the development of products and services that are attractive and sustainable in subsistence marketplaces; the pricing and distribution of such products; and promoting those products to a population whose values, priorities, and capabilities often are radically different from those of consumers in developed economies (Viswanathan et al., 2008a).

2.1 Product: Development and Research Practices

Attempting to serve subsistence marketplaces by repackaging antiquated market technologies and designs from developed markets may have worked in years past, but it is no longer a viable strategy in most market sectors (Prahalad, 2005). The reason for this change is clear and inescapable: subsistence consumers have access to information about what is available in the global marketplace and are developing justifiable expectations for the same capabilities and benefits, even if without all the same bells and whistles. Banking on subsistence consumers' ignorance of what is available to consumers in developed economies is a recipe for disappointing outcomes, as the Internet and mass communication media continue to make information about new products and services available across geographic and ethnic boundaries. However, assuming that subsistence consumers will respond to information and access to new products and services in the same way as consumers in developed markets is also a mistake. Although subsistence consumers have access to the same information as non-subsistence consumers, the

elements they value in new products remains sensitive to their local lifestyles and culture, which must be well understood by marketers. Applying marketing lenses attuned to developed markets to subsistence contexts can easily limit the marketer's understanding (Viswanathan et al., 2008, 2008a). At best, it may result in an ineffective marketing campaign; at worst, it will offend local consumers and the aggregate community and thus lead to serious adverse repercussions for the firm.

Accepting the limitations of traditional marketing research practices is necessary for anyone exploring subsistence marketplaces, and adopting research techniques that are compatible with a population characterized by low literacy rates and limited formal education is crucial to success (Viswanathan et al., 2008, 2008a). Observation is particularly valuable and often can be performed in pursuit of more effective marketing through policies that emphasize using local content for sourcing raw materials, production technologies, and transportation services. Various organizations recognize these factors and successfully have adopted their tactics to serve subsistence consumers better. The following discussion presents several such examples.

2.1.1 Use Local Content

Hindrances to effective marketing in many subsistence marketplaces include underdeveloped and poorly maintained transportation infrastructures (e.g., roadways and bridges), limited and/or unpredictable electrical service, and the absence of sewers and water management systems. In such conditions, transporting raw materials and capital equipment can become prohibitively expensive or simply impossible. Moreover, local content requirements and investment restrictions are not always managed at a national level, and differing local regulations and policies can render investments in imported plant and equipment unusable after delivery. For these reasons, organizations seeking to serve subsistence marketplaces should carefully consider sourcing raw materials and equipment locally, even if doing so requires some engineering changes to the product or service being offered.

A second argument for local content focuses on the communal interdependencies found in many subsistence marketplaces, which make consumers reluctant to adopt new products and services unless some aspects look familiar. Recognizable local content in new products can serve as a form of visual

reassurance that reduces consumer fears. In addition, subsistence consumers often hesitate to adopt new products until they have been vetted by neighbors and family members (Viswanathan, 2007). When marketers use local content, they increase the number of local community members who know about the company and its products, which in turn provides an expanded informal network through which to enhance product familiarity. Relationship networks in effect serve as a means for two-way communication that improves the marketer's reach and accelerates feedback loops.

Sustainability concerns provide a third argument for local content. Hart (2005) argues that if organizations seek to meet the rapidly growing demands of subsistence marketplaces with the transportation and manufacturing approaches currently used in developed economies, the negative impact on societies and the global environment will be disastrous. Using, for example, the same amount of fossil fuel energy per unit to transport products for 1.5 billion consumers in China as are used to transport goods for 550 million consumers in the European Union would result in energy reserve depletion and carbon emissions beyond what overtaxed systems can sustain. Hart (2005, p. 87) therefore identifies a "sustainability revolution" that suggests companies that ignore the call for sustainable and cleaner technologies will be surpassed and outperformed by those that heed it. Organizations can practice sustainable marketing to the bottom of the pyramid by using locally sourced and environmentally compatible raw materials and local labor. The local content reduces transportation costs and their adverse effects on the environment and limits the potential harm to local flora and fauna from foreign substances and waste. In addition, using local labor can enhance subsistence economies and their quality of life and help build goodwill.

The participatory community sanitation project in Bangladesh used local content successfully. Following a string of failed latrine-building projects that relied on imported designs and materials, the participatory community project empowered village residents to develop their own latrine designs, provided they met sanitary requirements and were compatible with local water issues and available raw materials. Important parameters included low cost and latrine longevity. External designers tacitly assumed that the same materials would be used for all units in a village and expected a five- to ten-year

life span for each unit. As a result, they were not able to lower latrine costs below \$200 per unit, a price out of reach for approximately 50% of the village families. However, when subsistence consumers were empowered to develop the local designs and set local parameters, they assumed zero costs for materials and reduced longevity expectations to months instead of years because of the low labor costs. Locally accessible and renewable materials, such as bamboo and thatch, were combined with materials discarded from other uses, such as five-gallon plastic buckets. On average, the resulting units cost less than \$25, which made 100% adoption of latrine usage at the village level possible, and a subsequent decline in the incidence of diseases and deaths from bacterial contamination. This project vividly demonstrates how the adoption of local content can result in higher new product adoption rates and, in this case, greater community health as well.

2.1.2 Market Research Strategies

Consumer research traditionally has been conducted in high-income industrialized countries. Today, marketing academicians lead the charge for market research in emerging markets to advance understanding and determine the relevance of existing theories and practices (Burgess and Steenkamp, 2006; Viswanathan et al., 2008). As emerging markets become more important to the global economy, a deep understanding of their consumers will be essential to success. Chakravarti's (2006) call for additional consumer research into the consumption issues that surround poverty also recognizes that many industry and academic researchers move outside their comfort zone when they study subsistence consumers. Typically researchers are trained in methodologies that have been finely honed with Western consumers, such as focus groups, surveys, and experiments. In subsistence marketplaces though, these techniques have limited effectiveness, because of factors such as communal interdependencies, low literacy, and consumer difficulties in responding to traditional conjoint and attitudinal measures. Chakravarti suggests that this "uncharted territory" calls for ethnographic, data-driven methods with which many marketing professionals remain unfamiliar. Chakravarti also warns researchers of the potential for relatively incompilant respondents, as opposed to the conventionally amenable consumers in readily accessible subject pools in nonsubsistence environments. Additionally, Viswanathan et al (2008)

describe a number of characteristics of subsistence marketplaces and consequent cognitive (e.g., using concrete, realistic stimuli), emotional (e.g., emphasizing abilities over deficiencies), and administrative (e.g., building relationships with local organizations) considerations in designing research methods.

As a variation on the use of local content, collaborative research partnerships with local institutions and social agencies can help secure consumer participation and improve the accuracy of data collection efforts. Most current insights into subsistence consumers stem from highly contextualized field observations, which are risky to generalize across sources of knowledge. It is consequently important for organizations to employ state-of-the-art research methodologies as they embark on developing strategies for subsistence marketplaces. Many of the companies already following this suggestion find that participatory action research techniques are highly effective (Ozanne and Saatcioglu, 2007). The need for research teams that include individuals from subsistence contexts has been highlighted in recent literature as well (Viswanathan et al., 2008).

We focus on one relevant approach, participatory action research, which begins with the assertion that *all* members of a community, across various levels of influence and status, possess valuable experience-based insights and that including all community members in the problem-and-solution identification process results in more effective and beneficial outcomes. Furthermore, participatory action research enables investigators to integrate consumers into the process as sources of both information and feasible solutions to multifaceted problems. Many existing participatory research methods focus on finances and financial management, perhaps because micro-finance providers have taken the lead in applying marketing management principles and processes to subsistence marketplaces. Many of the first entrants into subsistence marketplaces, such as India and Bangladesh and, more recently, Peru and Bolivia, were micro-lenders and financial institutions (e.g., Grameen Bank) that provided well-documented examples of research methods well suited to those markets. Some of these methodologies include Participatory Rural Appraisal (Chambers 1994, 1997; Ozanne and Saatcioglu, 2007), Participatory Wealth Ranking (Abbey and Attaran, 2007; Rajaratnam, Gamesan, Thasian, Babu, and

Rajaratname, 1993), Financial Diaries (Rutherford, 2000), and Internal Learning Systems (Noponen, 2002).

An illustration of successfully applied participatory research methods comes from the previously described community sanitation initiative in Bangladesh. The initiative started with a mapping exercise, during which the community mapped all households in the village, in addition to areas in the village that were regularly used for human waste. The areas were further linked to households that visited them, thereby helping the villagers trace contamination patterns and better appreciate how drinking water sources were becoming compromised. Following this mapping and linking exercises, outside researchers initiated a process by which the community gave a numeric value (in its own terms) to how much each house added to the contamination problem, allowing villagers to quantify the magnitude of the problem in terms they could appreciate and respond to communally. Quantification, in turn, engendered a level of awareness that the previous preaching and subsidy approaches never had achieved, as well as a strong motivation to alleviate the problem.

Of particular importance, the community took the lead in implementing all the methodologies involved, and outside researchers served solely as facilitators. As a result, even when the discussion went off track for short periods of time, the villagers remained engaged in the process and eventually appointed their own committees to develop and implement action plans. High participant involvement is a hallmark of successful research initiatives (e.g., Abbey and Attaran, 2007; Chambers, 1994), largely as a result of including individuals, families, and neighbors in the process of gathering and interpreting data, proposing solutions, and implementing them locally.

2.1.3 Packaging

Much has been said (e.g., Prahalad, 2005) about the need for packaging in subsistence marketplaces that makes products affordable, safely transportable to remote (i.e., inaccessible to motorized transport) areas, and easy to use without undue storage requirements (i.e., refrigeration and secure storage are scarce in most subsistence marketplaces). Typically this initiative involves reengineering the unit of sale, whether by changing the quantity sold (e.g., shampoo and detergent in half-

ounce portions) or altering the unit level at which services may be purchased (e.g., cell phone time in 15-second increments). It is noteworthy, in this regard, that subsistence consumer merchants have a long history of “breaking bulk” for Western products, such as by selling single cigarettes from open boxes and individual cookies from packages. Reengineering products and services into affordable and transportable packaging at the point of origin, however, standardizes product access for all consumers, which improves product freshness and safety by removing variability from the repackaging that local consumer merchants offer. Enhanced product safety and freshness in turn contribute to a more uniform and positive brand image. The acceptance of products and services packaged for subsistence marketplaces has been high for pioneering firms such as Unilever and Procter & Gamble and currently is being adopted by other marketers.

One example from the pharmaceutical industry (Kumra, 2006) is noteworthy, wherein Novartis developed watertight blister packaging for its tuberculosis, malaria, and leprosy medications. Because many subsistence consumers lack access to secure storage, they carry medications and other valuables with them, exposing medication in traditional packaging to loss and/or water damage in inclement weather. Novartis’s watertight blister packs help eliminate both risks and have the added advantage of helping pharmacies and doctors track the number of pills that low-literacy and numeracy consumers have actually consumed by asking patients to exchange empty packs for new ones.

An additional consideration regarding packaging pertains to sustainability (Hart, 2005). As hundreds of millions of subsistence consumers enter the global market for consumer goods, during the next decade, the amount of raw materials consumed and the packaging discarded could easily overrun current production and waste management systems. As in the case of actual products, the use of local materials for packaging can help reduce some of this burden, and organizations should make efforts to use recyclable or biodegradable materials so that consumers have affordable access to products without further compromising their living environments. The biggest problem facing emerging markets is the “collision between growing demand and a diminishing stock of material supply” (Hart, 2005, p. 67).

2.1.4 Price

A cornerstone of effective marketing in subsistence marketplaces is that “innovations must achieve a significant price reduction—at least 90 percent off the cost of a comparable product or service in the West” (Prahalad, 2006, p. 3). Affordability, in other words, is indispensable for success in subsistence marketplaces. To meet this objective, organizations must challenge industry conventions in areas such as product and packaging design, sizing, and price markups, then rethink how they traditionally conduct business (Viswanathan et al., 2008a). For example, one counterintuitive tactic is to reduce the ratio of fixed to variable cost, so that costs can be quickly adjusted in response to demand fluctuations while retaining per unit profitability, even if this means sacrificing economies of scale efficiencies. Similarly, firms might exchange automation and machinery in production and distribution processes for human capital, which involves low costs in many subsistence marketplaces. This admittedly short-term strategy ignores that, as quality of life and expectations rise, labor costs also rise. Initially however, labor costs will be low compared with the cost of imported automation, which may enable producers to charge lower prices. In addition, exposing employees to the products and services offered, who may then discuss them with family members and friends, can accelerate the adoption process, as discussed previously. By reducing fixed and variable costs, companies can deliver products and services that subsistence consumers can afford and still earn profits. Although discretionary spending varies between countries, even at income levels slightly above \$2 per day, some discretionary spending is possible, as in the case of low-income Indian consumers who pay for their children’s education (e.g., Viswanathan, 2007). Keeping in mind the variations in discretionary spending, producers should develop profitable product-pricing combinations for target countries that will result in visibility-enhancing sales and consumption.

For example, Reliance Infocomm’s offer of telecommunications services for the price of a postcard met affordability, visibility, and profitability objectives. To implement the program, the company abandoned the pricing conventions of the industry in India by granting exclusive access to their system to partner hardware producers that pledged to offer low-priced units, and then selling phone air

time in second- instead of minute-sized increments. Similarly, Vodacom could offer consumers an affordable cellular rate in South Africa by creating an independently-owned and operated distribution network in which the local store operators accept liability and pay upfront for all equipment sold in their stores. Vodacom has expanded its reach without incurring increases in inventory carrying costs, and consequently, can offer consumers a set rate of \$.11 per minute, less than one-third the going rate for prepaid cellular service in South Africa. Vodacom currently reaches 3–4 million consumers who make close to 100 million phone calls per month, and because 95% of its customers use prepaid services, the company's financial risk and billing expenses are minimal. An additional social benefit of Vodacom's low-cost offerings is the increased effectiveness and efficiency achieved by subsistence entrepreneurs as a result of their improved communications access. Inexpensive cell phones make it possible for micro-entrepreneurs to source materials, contact clients, and secure services without having to close their stores (Ewing, 2007).

Another company that has achieved high consumer acceptance because of its low price is Jaipur Foot. The company's lower-extremity prosthetics sell for around \$35, in contrast to \$8000–\$10,000 for functionally similar Western-made appliances (Pralhad, 2006). The Indian creator of Jaipur Foot employed a product development approach that started with a target price and profit and then worked back to design. The Jaipur Foot is made of rubber, making it possible for the company to achieve mass production capabilities, use locally sourced materials, and employ a simplified design. The products have the additional advantage of being crafted for the special needs of Indian consumers, being easy for owners to repair themselves, and accommodating habits, such as squatting (rather than sitting) to converse with friends, and climbing trees. The results have been extraordinary; in 2006 alone, Jaipur Foot provided assistance to more than 70,000 patients.

2.1.5 Promotion

How organizations promote their products and services can contribute to their success through tactical initiatives such as brand name selection, demonstrations and advertising, encouraging word of mouth, and local partners (Viswanathan et al., 2008a). Procter & Gamble, for example, found that mass

advertising and in-store promotions were not enough when it introduced its low-cost PuR water purification technology. In partnership with PSI, it conducted product demonstrations in small villages and city slums and involved members of the local subsistence community already familiar with the product as primary spokespersons. Product demonstrations helped overcome subsistence consumers' resistance to the new technologies, made the products credible for use in local contexts, and ultimately improved the effectiveness of the advertising and promotional efforts. Although PuR ultimately was removed from the market, the effectiveness of its grassroots promotion remains a guide for the company's subsequent efforts.

Advertising can be effective in its own right, as demonstrated by the Novartis Foundation for Sustainable Development in its efforts to encourage persons suffering from leprosy to seek treatment instead of hiding their condition. Because of social stigma, persons who contract leprosy often conceal their symptoms as long as possible, suffering irreparable damage to their bodies and infecting others in the process. The organization's first step was to portray the disease as a treatable condition, instead of a punishment, in its advertising, which featured well-known movie stars as spokespersons. As community members stopped regarding leprosy as a curse, the number of people seeking treatment increased significantly (Kumra, 2006).

In a related sense, branding can engender positive associations that improve adoption rates. Population Services International, for example, carefully considered the sensitivity of family planning issues in Bangladesh and was cautious when naming its Maya and Raja birth control products (Rangan, 1985). The company chose easily recognizable and memorable names with positive social connotations; for instance, Raja means "king or emperor". In addition, the company used attractive packaging for both products, ensuring they would be noticeable in the small retail establishments in which they sell. After solving the perception problems with Maya, as discussed previously, and gaining endorsements from rural medical practitioners, the company used its brand name to help the product achieve significant success.

Brands can even engender a sense of community. Solidarity networks have emerged around the CEMEX Patrimonio Hoy brand, for example, because of its strong link to specific social values (Flores-Letelier, Flores, and Spinosa, 2003). Patrimonio Hoy is a program designed to make home ownership possible for subsistence consumers with limited resources who are able to save. It allows consumers to purchase materials to expand their homes on credit and gives them guidance regarding the planning and building of the structure. The company has positioned its program as a means to improve the life of individuals, families, and communities, and the program generates substantial word of mouth wherever it is implemented. Such word of mouth often is invaluable for building solidarity networks. With CEMEX, members of the served communities regard the brand as a symbol of the values they love, and they gather to celebrate the brand and its shared sense of purpose. Patrimonio Hoy thus grows organically and with minimal formal promotion. Moreover, responding to grassroots enthusiasm, CEMEX added a complementary program called *Calle Digna*, or "Streets with Dignity," for consumers who also wished to improve the streets in their communities.

Finally, the example of Aravind Eye Hospital highlights the cultivation of local partners, such as Lions and Rotary Clubs, to promote eye clinics. Aravind, one of the most advanced eye care providers in the world, has adopted the interesting mission of providing eye care for all, whether they can afford it or not. The organization uses eye camps to screen subsistence consumers in remote locations and identify those who are candidates for paid or free eye surgery. Aravind's partners use their local knowledge to distribute information about upcoming clinics in the local area and then help navigate the intricate family interdependencies and localized customs that may keep an otherwise ideal candidate from seeking treatment, even if it is free. Local partners give Aravind access to localized word-of-mouth and familial support networks that otherwise would not be accessible.

2.1.6 Distribution

Several companies operating successfully in subsistence marketplaces focus on distribution innovativeness to meet the needs of consumers. In countries like India and China, as well as in parts of Latin America and Africa, many subsistence consumers live in rural villages with limited or nonexistent

vehicular access. Further complicating matters, many of these villages exist without adequate population counts, making market planning and assessments of their potential difficult. Local residents, however, know how to find the villages, how many persons live there, and how to reach even the most isolated members. Not surprisingly, local community members play important roles in marketing programs trying to reach the bottom of the pyramid, as exemplified in the cases of Reliance Infocomm's "Entrepreneurship Programme" and Vodacom Community Services network of small kiosks.

Smart Communications in the Philippines also has encouraged local businesses to distribute its product, building a network of more than 500,000 *sari sari* storeowners (Smith, 2004). Sari sari stores serve small villages and low-income neighborhoods in large cities, and their owners develop close relationships with customers—close enough to provide customers who cannot otherwise afford their purchases with credit or to hold their savings as needed. Needless to say, trust between storeowners and customers is strong, and Smart Communications tapped that trust to implement store-based electronic systems that would enable cell phone users to preload their access time. Because store owners already held funds for some consumers, it was not hard to introduce the idea of prepaying for cell phone services, with store owners acting as the local face of Smart Communications. Store owners benefit from a small markup on the preloaded air-time, and some report earning as much as US\$18.00 a day, a substantial sum in many subsistence marketplaces.

Even more dramatic is Hindustan Lever Limited (HLL) and its Project Shakti. The project enlists local women with entrepreneurial aspirations to deliver and promote health and beauty aids to previously unreachable rural Indian villages (Rajan, 2007; Xavier, Raja, and Nandhini, 2007). Unilever trains its Shakti representatives and offers them short-term loans to finance their inventory and, in some cases, motorized scooters to help them reach remote villages. Otherwise, it treats these distributors as independent contractors. Project Shakti has been very successful, expanding from 50 villages with 150 women in 2001 to 80,000 villages with 25,000 women by 2006 (Beshouri, 2006).

2.2 Generalizable Guidelines in the Implementation of Marketing Tactics

The variety of tactical activities and examples discussed suggest several generalizable guidelines. First, and possibly most important, firms must think and act locally. The cultures of most subsistence marketplaces have developed in relative isolation for decades, if not centuries. They consequently have not been shaped by many of the values and behaviors portrayed and promoted by mass media channels, and then tacitly adopted by consumers in markets with access to such media. It may be possible to take a marketing campaign across national boundaries to urban middle-class consumers throughout Latin America, for example, because most of these consumers have been exposed to the same portrayals of products and lifestyles through mass media such as TV and film, which suggests they attribute similar meanings to products and prices. But when it comes to isolated rural consumers, whether they are in Peru, Kenya, or India, the meanings that consumers ascribe to products and ancillary marketing likely are not the same as those adopted by media-savvy consumers, and these unique interpretations are virtually impossible to predict on the basis of traditional market research. Organizations seeking to serve subsistence marketplaces must understand the context in which their products will be positioned and consumed, and insights from those localized contexts should feed back to different areas of tactical activity within the organization. In time, increasing homogeneity may mark subsistence and non-subsistence consumer groups as access to media proliferates, allowing organizations to develop more transferable marketing approaches. However, the inevitability of mutual influence between subsistence and non-subsistence consumer cultures as boundaries disappear suggests that organizations that have made it a priority to serve both subsistence and non-subsistence consumers well likely will be the ones best prepared to serve the holistic consumer culture that awaits.

Second, companies should involve subsistence consumers as co-producers in all aspects of their marketing activity (Viswanathan et al., 2008). The preceding discussion consistently notes examples of innovative solutions that emerged when consumers participated in the design of products, as in the cases of latrines and cell phone services. The same co-productive abilities can be harnessed in marketing research, pricing, distribution, and promotion, because ultimately, all areas of marketing activity

communicate meaning, and effective communications occur among those most knowledgeable about the target population. Aravind Eye Hospital, for example, can successfully conduct screening camps when it empowers local villagers to seek out the best candidates and frames eye surgery as a good option in terms of local values and customs. The local villagers thus serve as co-producers of the distribution and promotional activities. In subsistence marketplaces, localized production does not necessarily result in higher operational costs, because consumer co-producers often work for free. Moreover, their greater effectiveness suggests that, even if they are not as efficient as single-sourced marketing tactics, their overall cost per consumer may be lower.

Third, firms should remain flexible and avoid formalizing procedures or creating bureaucracies to support their current activities. The life of subsistence consumers is fraught with uncertainty, and as a result, they adopt products and activities with a relatively short time horizon in mind. The products many subsistence consumer merchants offer, for example, vary from batch to batch in response to changes in raw material availability, consumer feedback, new information they acquire from many sources, and the vagaries of home production processes. Likewise, consumers change their spending and consumption priorities frequently. Serving subsistence consumer markets is analogous to engaging in guerrilla warfare, demanding lithe and rudimentary activities that respond to immediate environments rather than ponderous procedures that seek to control the environment and respond to a multitude of variables. In subsistence marketplaces, organizations that hope to succeed need to be as flexible as the consumers they seek to serve.

3. Summary and Limitations

3.1 Summary: Strategic Guidelines

Organizations already involved in subsistence marketplaces reveal that success is more likely with a multilevel approach that tackles both strategic and tactical decisions. At the strategic level, the first step is to identify critical needs among subsistence consumers that also fit well with the organization's core competencies. Moreover, organizations willing to reinvent themselves to serve subsistence marketplaces and conduct business within them will be more effective. Reinvention may involve a series

of experimental trials that eventually lead to an identification of appropriate solutions. During this initial stage, marketing strategists and product managers should have immediate access to the field and interact first-hand with consumers to understand their unique needs and characteristics.

Having identified these critical needs, the next step is to find creative ways to manage the adoption process. As already noted, subsistence consumers are unique and have significantly different purchasing habits and preferences. By adopting strategies that enhance word-of-mouth promotion, organizations can achieve greater success in this sometimes challenging atmosphere.

Finally, identifying and defining the subsistence consumer segments most likely to adopt the offered product or service can prove difficult because of the significant differences between subsistence and affluent consumers. A marketing orientation that is deeply ingrained across all levels of the organization, particularly those closest to the consumer, will prove crucial. Harnessing the insights of members across organizational levels can help marketing managers identify the priorities, rituals, and decision-making habits of consumers in subsistence marketplaces. Organizations similarly should recognize consumers as co-producers in the product or service development process.

3.3 Summary: Marketing Tactics

Implementing strategic plans at the individual market level likely will prove challenging for managers, simply because of the complexity and uniqueness of subsistence marketplaces. Effective product positioning and a collective set of tactical decisions can determine whether organizations reap possible social and financial rewards at the bottom of the pyramid.

Serving subsistence consumers with products and technologies discarded by developed economies simply is not a viable approach. Because of their wider access to information, subsistence consumers justifiably expect the same capabilities and benefits as affluent consumers. Assuming that their expectations are exactly the same, however, is also a mistake. Local lifestyles and cultures affect expectations and product choices for subsistence consumers, and research and observation techniques developed by academicians and practitioners offer valuable insights into the needs of consumers by integrating those consumers into the research process. Participative methodologies that enable a better

understanding of the consumer include Participatory Rural Appraisal, Participatory Wealth Ranking, Financial Diaries, and the Internal Learning System.

In addition, organizations should engage consumers as co-producers whenever possible. Overcoming transportation limitations, supplementing mass media promotions through word of mouth, enhancing consumer familiarity and acceptance of product concepts, and encouraging sustainable business practices and consumption are just a few of the objectives that become more attainable by promoting the use of local content and human capital. Moreover, using local labor in the production process can increase customer goodwill, enhance the local economy, and foster positive word of mouth among consumers.

Understandably, meeting the needs of subsistence consumers often requires organizations to offer their products at significantly lower prices than those of comparable products in affluent markets. To meet these restrictions, organizations must challenge their traditional sizing and profitability conventions, ultimately rethinking the way they conduct business. A few plausible tactics include reducing the ratio of fixed to variable costs, replacing automation and machinery with less expensive human capital, and adopting flexible production schedules and processes.

Finally, distribution remains one of the most challenging tactical areas in subsistence marketplaces. Enlisting local residents who know how to reach even the most isolated villages and appealing to residents with local values and traditions can help organizations reach consumers who might otherwise go underserved. Local residents might also physically carry products to geographic locations inaccessible to vehicular transportation, making it possible for consumers to gain access and, at least for some local residents, enjoy gainful employment. Whereas significant macro-level advances in transportation technologies and processes continue, millions of consumers remain accessible only through micro-level systems instigated by individuals and simple technologies, such as bicycles, hand-drawn carts, and motorized scooters. Such micro-level solutions must be part of the distribution tactics of organizations serving subsistence marketplaces, at least for the foreseeable future.

3.1 Limitations

It is noteworthy to highlight criticisms that have emerged regarding some of the organizations operating in subsistence marketplaces, particularly Hindustan Lever. Critics (e.g., Simanis, Hart, and Duke, 2008) suggest that Project Shakti is based on the faulty assumption that the first step in poverty alleviation is to increase the purchasing power of consumers in an effort to solve the problem of material deprivation in these markets. Moreover, it has been suggested that these types of programs lack a focus on the empowerment of local individuals through processes of mutual learning and co-creation and suggest that proof of the limitations of these programs is evident in their lack of financial success, in addition to high-turnover of the Shakti women who have participated in the program (Simanis, Hart and Duke 2008: p. 63).

These criticisms highlight the importance of business strategies that follow at least some of our guidelines in pursuit of engaging BOP communities in a process of extended and sincere dialogue and mutual learning – as collaborators in the development of products and services that make sense currently and into the future. . Organizations whose focus in on developing solutions that are sensitive to local customs and constraints and hence more appropriate to the markets in which they are operating will find the greatest and most long-lasting success. Viewing subsistence marketplaces as a large homogenous market will result in a disastrous outcome; rather, organizations should work with local individuals to tailor their strategies to align with local customs, needs, and circumstances.

In conclusion, organizations that approach entry into subsistence marketplaces from a strategic perspective while simultaneously addressing their tactical ground attack can achieve greater success than those that ignore the unique challenges and opportunities that characterize these marketplaces. Those firms that consider subsistence consumers and integrate them into all facets of the marketing process will likely emerge as leaders in the marketplace. Including consumers in the early stages of the research process as well as during the creation of solutions will result in more effective product or service offerings. Moreover, remaining flexible and evolving at the same pace as the subsistence marketplaces will enable organizations to adjust their marketing strategies to meet the fluctuating demands of the market and remain agile in the presence of competitors. Operating successfully in subsistence

marketplaces or the bottom of the pyramid thus requires marketing managers to reinvent themselves and their companies, sometimes painfully, but the potential gains for organizations and society at large makes such efforts worthwhile.

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Table 1: Summary of Practices by Strategy and Tactic

Area of Activity: STRATEGY	Generalizable Managerial Implications	Case Study Example
<p>Identifying Critical Needs</p>	<ul style="list-style-type: none"> • Successful organizations are willing to reinvent themselves to better understand subsistence marketplaces and how to conduct business within them. • Crucial to identifying consumers' needs is allowing marketing strategists and product managers ready access to the field by giving them firsthand experience with consumers so they can better understand their unique characteristics and needs. 	<p><u>Reliance Infocomm, page 4-5</u></p> <ul style="list-style-type: none"> * Set out to provide cellular services to Indian consumers for the price of a postcard. * Mobile phone penetration in India grew from .25% in 2001 to 5.7% in June 2005.
		<p><u>Vodacom Community Services, page 5</u></p> <ul style="list-style-type: none"> * Launched an entrepreneurial program to open "phone shops" throughout South Africa. * 93% of South Africa's 44 million citizens now have access to cellular communications, and phone shop owners report significant sales and profits.
		<p><u>Voxiva Alerta System, page 5-6</u></p> <ul style="list-style-type: none"> * Recognized a need for a low-cost public health monitoring system and launched a product trial in Peru. * Reports indicated that the product was a success and has since been reconfigured for additional markets with similar infrastructure and population dispersal conditions.
		<p><u>SKEPL, page 6</u></p> <ul style="list-style-type: none"> * Recognized a need for a competitively priced system that could automate the dairy process. * The affordable IT-enabled system increased efficiency for dairy farmers in India. Reports indicate that more than 2 million family farms in over 1000 villages use the system, with improved productivity and market responsiveness as a result.

<p>Managing the Adoption Process</p>	<ul style="list-style-type: none"> Given their limited education and numeracy and literacy skills and limited disposable income and resources, subsistence consumers are often reluctant to accept new products until their benefits have been demonstrated by others in their peer group. 	<p><u>SKEPL, page 7</u></p> <ul style="list-style-type: none"> Many rural farmers exhibited reluctance to adopt a new technology that had not demonstrated or proven its benefits. SKEPL instituted a free trial option to allow farmers to use the product free of charge for a limited time. It also instituted a consumer education process and high-quality technical support system. Both tactics were successful, and the company experienced positive word of mouth from influential farmers and opinion leaders in the community.
	<ul style="list-style-type: none"> Consumers rely on oral communications from credible local sources such as family and friends before taking action, thus increasing the importance of the change agent and word-of-mouth communications. 	<p><u>Reliance Infocomm, page 8</u></p> <ul style="list-style-type: none"> Upon product launch, the company encouraged its 50,000 employees and over 3.3 million shareholders to try the product at discounted rates. By targeting a consumer base that already recognized the company as credible, the organization created additional visibility for its products and consumer response was brisk. The anecdotal evidence suggests the program was a success.
		<p><u>Population Services International, page 8</u></p> <ul style="list-style-type: none"> Initial sales of the oral contraceptive Maya were limited, and PSI lost market share to competitors ten times more expensive. Once PSI informed the healthcare community of its objectives and how the product worked, then enrolled its members as change agents, consumer perceptions and acceptance of Maya changed direction. Within two years, it achieved a strong leadership position in the marketplace.
		<p><u>Institute for Development Studies, page 8-9</u></p> <ul style="list-style-type: none"> Taught village children about sanitation issues as part of the school curricula and found that children could articulate health dangers and concerns that family adults can accept from children but not other adults. Children proved to be valuable change agents and contributed to the significantly improved rate of acceptance of latrine usage among the rural poor.

<p>Market Orientation and Customer Segmentation</p>	<ul style="list-style-type: none"> • Competitive advantage can be achieved by spotting market segments that are a good fit with the goals and core competencies of the organization. This can prove difficult, however, because of the significant differences between subsistence and affluent consumers. • Creating a successful marketing plan involves harnessing the insights of members of the organization at all levels, particularly those closest to the consumer. • The strategic inclusion of consumers as coproducers can provide significant benefits when serving subsistence marketplaces. 	<p><u>Grameen Bank, page 10-11</u></p> <ul style="list-style-type: none"> * Recognizing the customer segment with the greatest potential, Grameen targets women because of the central role they play in the well-being of families. * Women have proven to be reliable borrowers. Grameen claims a 99% repayment rate and has dispersed over \$6.0 billion to nearly 7 million borrowers who had no collateral, 96% of whom were women.
		<p><u>Reliance Infocomm, page 11</u></p> <ul style="list-style-type: none"> * Consumers have demonstrated a trend toward collaboration, pooling resources to purchase communally managed cell phones, a phenomenon labeled consumer coproduction.

Area of Activity: MARKETING TACTICS	Generalizable Managerial Implications	Case Study Example
Product: Development and Research Practices		
<p>Use Local Content</p>	<ul style="list-style-type: none"> • Underdeveloped and poorly maintained infrastructure, such as limited and unpredictable electrical service, overcrowded roadways, and non-existent sewers and water management systems make the transportation of raw materials and equipment expensive, if not impossible. • The communal interdependencies found in many subsistence marketplaces results in consumers being reluctant to adopt products until at least some aspects of the product appear familiar. • Sustainability and damage to the global environment provide an additional argument for the use of local products. Local content reduces transportation costs and its adverse effects on the environment. 	<p><u>Institute for Development Studies, page 14-15</u></p> <ul style="list-style-type: none"> * Following a stream of failed latrine projects by which design and construction came from the outside, IDS's community sanitation project in Bangladesh empowered local villagers to develop their own latrine designs. * Striving for zero cost, the subsistence consumers designed latrines that were built from locally renewable materials and/or materials discarded from other projects. * On average, the resulting units cost less than \$25 and 100% adoption of latrine usage at the village level finally became feasible. Consumers demonstrated a preference for these locally-created latrines in comparison to other externally designed units.

<p>Market Research Strategies</p>	<ul style="list-style-type: none"> • In subsistence marketplaces, popular research methodologies (such as focus groups, surveys, etc.) have limited effectiveness because of factors such as communal interdependencies, low literacy, and difficulties responding to traditional conjoint and attitudinal measures. 	<p><u>Participatory Rural Appraisal (PRA), page 16-17</u></p> <ul style="list-style-type: none"> * PRA is an approach that deploys methods such as mapping and diagramming to encourage participants to share about their lives. These types of creative activities are encouraged because of subsistence consumers' tendency of having limited alphabetic literacy. * PRA encourages participants to derive their own appraisal, analysis and conclusions, giving them a key role as a participant in the identification of local problems and needs. * Outside researchers act as initiators and facilitators rather than controlling the process. * The research is typically conducted in open meetings involving all members of the community.
	<ul style="list-style-type: none"> • Academicians and practitioners are calling for the use of participatory research methods that include consumers in the research and problem-identification stages of the process. 	<p><u>Participatory Wealth Ranking</u></p> <ul style="list-style-type: none"> * Involves working with individuals to identify the wealth, poverty, and vulnerability of local households. This allows community members, rather than outsiders, to assess the financial situation of local families. * Local participants play the role of researcher, conducting the analysis. * Research shows that these techniques lead to higher accuracy (Rajaratnam et al 1993)
	<ul style="list-style-type: none"> • Participatory research assumes that <i>all</i> members of the community possess valuable local insights and that including them in the research process will result in a better understanding of the problem and a more effective solution. 	<p><u>Financial Diaries</u></p> <ul style="list-style-type: none"> * Involves regularly interviewing local families to record how they earn, manage and spend their money. * Allows researchers to understand how families spend differently and determine whether institutional services are meeting their needs.
		<p><u>Internal Learning System (ILS)</u></p> <ul style="list-style-type: none"> * Uses pictorial representations of typical life situations as a means of encouraging participants to self-assess their money management and income generating activities. * Allows consumers to systematically analyze their financial activities while at the same time allowing researchers insight into these behaviors. * Consists of five stages: collecting data, assessing change, analyzing causes of change, planning and training, and documenting, sharing and reinforcing program values.

<p>Packaging</p>	<ul style="list-style-type: none"> • There is a need for packaging products aimed at subsistence marketplaces in ways that make them transportable, easy to use without storage requirements, and affordable. • An important packaging consideration for organizations is environmental sustainability. Organizations should make efforts to use biodegradable or recyclable materials to limit the burden of waste and pollution in subsistence marketplaces. 	<p><u>Novartis Foundation for Sustainable Development, page 18</u></p> <ul style="list-style-type: none"> * Recognizing that many people often lose their prescription drugs or get them wet during the rainy season, Novartis developed blister packaging. The drugs stayed clean and dry. * This simple innovation also had the added benefit of helping pharmacies and doctors to track the number of pills that were taken by requiring patients to exchange the empty packaging for a new prescription.
<p>Price</p>	<ul style="list-style-type: none"> • Products and services must be priced affordably for subsistence consumers. To meet this objective, organizations must challenge traditional sizing and price-markup conventions and rethink how they have traditionally conducted business. • One tactic is to reduce the ratio of fixed to variable cost, allowing for quick adjustments to fluctuations in demand. • Another tactic is to reduce dependence on costly equipment and technology in exchange for the use of human capital. 	<p><u>Reliance Infocomm, page 19-20</u></p> <ul style="list-style-type: none"> * To implement their program aimed at substantially decreasing the cost of cellular communications, Reliance Infocomm abandoned India-industry pricing conventions. * First, they granted exclusive access to their system to hardware producers that pledged to offer low-priced units. * Second, they sold air time in second-denominated increments, affordable to even the poorest consumer segments. <hr/> <p><u>Vodacom Community Services, page 20</u></p> <ul style="list-style-type: none"> * Created an independently-owned and operated distribution network where local store operators accept liability and pay upfront for all equipment sold in their stores. * Consequently, Vodacom has expanded its reach without incurring increases in retail operating costs, and can offer consumers rates less than 1/3 of the commercial rate of pre-paid cellular calls in South Africa. * Because its core offering consists of pre-paid services, Vodacom's financial exposure and need for billing services is limited since both hardware and airtime are paid for in advance by consumers and distributors. <hr/> <p><u>Jaipur Foot, page 20</u></p> <ul style="list-style-type: none"> * The company employed a design approach that started with a target price and profit, and then worked back to design. The prosthetic foot is made from rubber, making it possible to use local materials, achieve mass production and employ a simplified design. * The prosthetic has proven to be well-suited for subsistence consumers, and at a price of only \$35 (compared to Western prices exceeding \$8,000), the company was able to serve over 70,000 patients in 2006.

<p>Promotion</p>	<ul style="list-style-type: none"> Managing tactical initiatives such as brand name selection, demonstrations and advertising, encouraging word of mouth, and local partners can prove crucial to an organization's success. 	<p><u>Proctor and Gamble, page 20-21</u></p> <ul style="list-style-type: none"> * Found that traditional marketing methods including mass advertising and in-store promotions were not enough when introducing its PuR water purification technology. * In partnership with Population Services International, it adopted product demonstrations in rural villages, often conducted by local community members. * The demonstrations helped to overcome initial product resistance until its benefits could be confirmed by trusted peers. <hr/> <p><u>Novartis Foundation for Sustainable Development, page 21</u></p> <ul style="list-style-type: none"> * Using well-known movie stars (with whom consumers could relate) in a mass media advertising campaign succeeded in portraying leprosy as a treatable common condition. * Treatment increased dramatically and the social stigma associated with the condition declined dramatically. <hr/> <p><u>Population Services International, page 21</u></p> <ul style="list-style-type: none"> * Recognizing the importance of branding and consumer perceptions of product name, PSI chose easily recognizable and memorable names with positive connotations for their birth control products. * Additionally, both products were attractively packaged and hence noticeable in the small retail establishments in which they were sold. * Brand name and product packaging practices contributed to the success of the products. <hr/> <p><u>CEMEX, page 22</u></p> <ul style="list-style-type: none"> * CEMEX recognized the importance of solidarity networks that can emerge around brands that stand for certain social values. They positioned their Patrimonio Hoy program as improving the individual, family and community. * The program generates significant word of mouth and based on positive feedback, CEMEX has added additional program targeted toward customers who also wished to improve the streets in their community. <hr/> <p><u>Aravind Eye Hospital, page 22</u></p> <ul style="list-style-type: none"> * Set out to provide eye care to all, regardless of whether they could afford it. * Formed partnerships with local organizations such as the Lions and Rotary Clubs to promote their services. * These local partners assisted Aravind in distributing information about clinics in the local area as well as help navigate the intricate family interdependencies and local customs that may prevent potential patients from receiving treatment.
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<p>Distribution</p>	<ul style="list-style-type: none"> • Many subsistence consumers live in rural villages with limited or non-existent vehicular access, thus making distribution a challenge for organizations. • A lack of adequate population counts and limited governmental registration of villages often make them even more difficult to locate. • Local residents can play an important role in the marketing programs of organizations, often giving them the ability to reach consumers they wouldn't otherwise be able to serve. 	<p><u>Smart Communications, page 23</u></p> <ul style="list-style-type: none"> * Adopted local businesses to distribute their products in the Philippines, forming a network of over 50,000 "sari sari" storeowners. * Since sari sari storeowners sometimes held funds for consumers, it was not hard for Smart to introduce the idea of prepaying for cellular services. * Sari sari storeowners benefit from a small markup on air tie, and some report earning as much as US\$18 per day in profits, a substantial sum in many subsistence marketplaces. <p><u>Hindustan Lever Limited (HLL), page 24</u></p> <ul style="list-style-type: none"> * Unilever's Indian subsidiary HLL instituted a unique distribution strategy referred to as Project Shakti. The program enlists local women with entrepreneurial aspirations to deliver and promote health and beauty aids to previously unreachable Indian consumers. * The program has reported dramatic success, expanding from 50 villages with 150 women in 2001 to 80,000 villages with 25,000 women by 2006.
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