

# **AN EXPLORATORY INVESTIGATION OF DEAL PRONENESS AT THE BOTTOM OF THE PYRAMID**

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## **ABSTRACT**

*Research in the area of sales promotion has shown that a combination of tactics are effective in driving consumer action such as purchase, new product trial and brand switching among others. Odd as it may sound, the bulk of research in deal proneness has been conducted within the context of the developed, western societies. Despite this lack of information, consumer marketers in low income markets continue to spend increasing amounts of funds in promotional offers in the fast moving consumer good (FMCG) category. A growing stream of research under the labels of bottom of pyramid (BoP) and subsistence consumers has increasingly pointed out the market attractiveness of this low income population to multinational companies especially in the FMCG sector. These poor consumers are individuals who earn approximately \$2 per day. In this paper, we identify the level of deal proneness amongst the BoP consumer, promotional offers that are successful in the BoP segment and the reasons “why” the poor don’t respond favorably towards promotional offers. The findings point to significant insights for marketing managers that propose that deal proneness might not transfer universally across all cultural and/or socio-economic groups. The data for this paper comes from a qualitative study conducted with 58 urban poor consumers in India. Findings show two dominant patterns in deal proneness amongst the BoP consumer: First, a low level of deal proneness and second, a presence of deal specificity, when deal prone. Four reasons are offered each to explain why BoP consumers are deal insensitive at a generalized level and why two promotional offers – price and volume discount along with a product premium offer are well received and signal the presence of deal specificity amongst the consumers. Finally, implications of the above findings for marketers and public policy makers are offered to address the needs of the subsistence marketplace. Each paper must start off with an abstract (with the exception of case studies).*

## **INTRODUCTION**

Research in the area of sales promotion has shown that a combination of tactics are effective in driving consumer action such as purchase, new product trial and brand switching among others. Odd as it may sound, the bulk of research in deal proneness has been conducted within the context of the developed, western societies. Despite this lack of information, consumer marketers in low income markets continue to spend increasing amounts of funds in promotional offers in the fast moving consumer good (FMCG) category. A growing stream of research under the labels of bottom of pyramid (BoP) and subsistence consumers has increasingly pointed out the market attractiveness of this low income population to multinational companies especially in the FMCG sector. These poor consumers are individuals who earn approximately \$2 per day. In this

paper, we identify the level of deal proneness amongst the BoP consumer, promotional offers that are successful in the BoP segment and the reasons “why” the poor don’t respond favorably towards promotional offers. The findings point to significant insights for marketing managers that propose that deal proneness might not transfer universally across all cultural and/or socio-economic groups. The data for this paper comes from a qualitative study conducted with 58 urban poor consumers in India. Findings show two dominant patterns in deal proneness amongst the BoP consumer: First, a low level of deal proneness and second, a presence of deal specificity, when deal prone. Four reasons are offered each to explain why BoP consumers are deal insensitive at a generalized level and why two promotional offers – price and volume discount along with a product premium offer are well received and signal the presence of deal specificity amongst the consumers. Finally, implications of the above findings for marketers and public policy makers are offered to address the needs of the subsistence marketplace.

## **CONCEPTUAL BACKGROUND**

### **Meaning and Profile of a Deal prone consumer**

Research in the area of deal proneness falls has followed two streams. The first stream is interested in identifying the deal prone consumer. Research in this area describes the deal prone consumer by drawing correlation with demographic and psychographic traits. The second stream of research investigates the value component that customers derive from a deal.

Researchers have defined deal-proneness as “a function of both the consumer’s buying behavior and the frequency with which a given brand is sold on a deal basis”, p. 186 (Webster, 1965); as “the propensity of some consumers to purchase products when they are offered on a ‘deal’ basis”, p. 333 (Hackleman & Duker, 1980); and as “a general proneness to respond to promotions because they are in deal form” p. 55, (Lichtenstein, Netemeyer, & Burton, 1990). Important in all of the above definitions is that deal proneness signals the psychological propensity to buy and doesn’t stress on the actual purchase of goods on promotion. In addition, a deal-prone consumer responds to monetary benefits because it is in the form of a deal rather than a lower price. Thus, deal-prone consumers place value on the transaction utility rather than, or in addition to, the acquisition utility associated with buying on deal (i.e., buying on deal has psychological benefits irrespective of the financial consequences) (Lichtenstein, et al., 1990; Ramaswamy & Srinivasan, 1998).

Deal Proneness maybe subdivided into three categories (Lichtenstein, G., & Burton, 1995): First, is the generalized level, which is the broadest and encompasses a variety of promotional deals. The second level is deal-specific, where deal-proneness is specific to a domain (i.e. coupon, rebate, or a price discount). Last is the intermediate level which assumes that deal-proneness is specific to monetary and nonmonetary deals with an active and passive orientation. In a separate study, (Burton, Lichtenstein, & Netemeyer, 1997), extend the above findings of deal-proneness at differing levels to argue that deal-proneness may be used as a segmentation base by marketers. In their research, they discovered two deal-prone segments: the general deal-prone segment and the “deal-insensitive” segment.

Research in the area of deal-proneness has found mixed results to support any correlation with demographic variables. In a seminal paper, (Blattberg, Buesing, Peacock, & Sen, 1978) suggest that household income, car ownership, home ownership, size of family, and available time for shopping would determine deal-proneness. They concluded that the typical deal-prone consumer was an unemployed housewife with no small children, who owned a home and car. Homeownership indicated that consumers were able to stock up, especially in the case of deals based on quantity. Car ownership meant that the consumer had easy and frequent access to the store, while lack of young children and employment allowed the consumers to spend more time on shopping for household items. Income is also strongly associated with deal-proneness, but confounding effects of car and home ownership make the correlation of income and deal-proneness unclear. Webster (1965) argued that the following four demographic variables were indicative of deal-proneness: age of the primary shopper, the ratio of the most frequently purchased items to total units purchased, the variety of brands purchased, and the overall amount of units purchased. In short, while one study found that the typical deal-prone consumer was most likely “an older housewife who purchases fewer units, but buys more brands and does not concentrate purchases on one brand” (p.188, Webster 1965), others found that a coupon-prone consumer is young with a higher income than non-prone, or insensitive, consumers (Teel, Williams, & Bearden, 1980). Burton et al. (1997) found that younger, less educated consumers are more deal-prone.

Research by (Schneider, 1991) examine whether behavioral and cognitive traits might be better correlated with deal proneness than demographic factors. As a result, they differentiate between active and passive deal proneness, where each subtype is mutually exclusive. Active deal-proneness is defined as “the relatively intensive search required” to find promotions. Passive deal-proneness is defined as a “sensitivity to in-store displays”, limiting the consumer’s search for promotion outside of the store environment. In addition, the above showed that deal-prone consumers buy a wider variety of brands, have a greater interest in coupons, and purchase a higher quantity of items than deal-insensitive consumers. Based on their findings, the authors recommend that marketers should launch short-term promotions for active deal-prone consumers to support variety seeking behavior.

Regardless of the deal offered, high deal-prone consumers are more likely to engage in word of mouth communication to spread information about a product or deal with others, since they are less likely to be brand loyal with a higher propensity to engage in variety seeking behavior (Wirtz & Chew, 2002). Another correlation to identify the deal proneness has been made with the usage rate of consumption. Hackleman and Duker (1980) found that “...the heavy user is a deal prone consumer on the basis of how often the consumer goes to the market, how much is spent on the product, and the physical quantity carried from the store” (p. 339). Deal proneness has also been correlated with buyers of generic or private label brands (Kono, 1985). However, “economy-minded” consumers tend to either use coupons or purchase generic products, but not both. Therefore, although deal prone and buyers of generic brands may seem similar, their attitudes towards brands, brand loyalty, and purchase motivates are what set them apart.

## **The Value of Sales Promotions for the Consumer**

The research above presents a profile of a deal prone consumer for marketers. But, it is also important to understand the nature of value associated with promotional offers. Research in this area suggests that deal-prone consumers value limited involvement that comes with deal shopping. According to Delvecchio (2005), deal-prone consumers limit information processing by choosing the promotional product rather than the best value. A deal-prone consumer is more likely to “blindly” choose a product offered on a promotion, which is indicative of heuristic processing. This is what differentiates them from the value-conscious consumers. For marketers, the above finding suggests that deal-prone consumers are more likely to participate in low-priced product promotions more frequently than high-priced item promotions, due to their willingness and attraction to items on promotion.

In addition, to the monetary value of promotional offers, Chandon, Wansick, and Laurent (2000) argue that promotional purchases also provide hedonic and utilitarian benefits to the customer. In their study, the above authors concluded that in addition to monetary savings, customers also accrue several other benefits such as the ability to upgrade to a better brand and relaxed budget constraints, convenience, value expression of being a value-seeker or responsible buyer, fulfilling needs of exploration, variety, and information, and the overall enjoyment of receiving a deal. Hedonic values with the most influence included: value expression, entertainment, and exploration. Not surprisingly, the study also found that monetary promotions are most effective for utilitarian products while nonmonetary promotions fit best with hedonic products. Overall, (Chandon, Wansink, & Laurent, 2000) concluded that using promotional offers enhances social prestige of the consumer and gives him a feeling of being a smart shopper.

## **Bottom of the Pyramid Consumer and Marketplace**

The bottom of the pyramid or base of pyramid marketplace is also commonly referred to as subsistence markets in literature (Elaydi & Harrison, 2010; Madhubalan Viswanathan, 2007; Madhu Viswanathan & Rosa, 2010; M. Viswanathan, J. A. Rosa, & J. A. Ruth, 2010; Weidner, Rosa, & Viswanathan, 2010). Viswanathan and Rosa (2010) define the term subsistence as “barely having sufficient resources for day-to-day living, yet allowing for the possibility of abundance in other life dimensions – such as familial and community networks of relationships” (p.535). According to the Merriam-Webster dictionary, subsistence means “a: the minimum (as of food and shelter) necessary to support life, and; b : a source or means of obtaining the necessities of life.” These definitions clearly indicate that the state of subsistence points to the state of existence that seeks to support life by meeting the most basic and essential needs.

The importance of the subsistence marketplaces draws from its size – aggregated purchasing power in excess of \$5 trillion; and an additional 1 billion customers from developing economies are expected to enter the global market for discretionary spending by 2020 (Hammond, Kramer, Katz, Tran, & Walker, 2007). Approximately 4 billion people (about two-thirds of the world population) with the projection to grow to 6 billion over the next 40 years make up the BoP segment (Prahalad & Hammond, 2002; Prahalad & Hart,

2002). Companies who choose to market to this segment are expected to be rewarded by "...growth, profits, and incalculable contributions to the humankind" and a better life to the poor (Prahalad and Hart 2002, p. 2). The overarching implication of this paradigm is that when companies target the BOP segment, it reduces the cost to the consumers to use goods and services and in turn helps improve their standard of living (Prahalad and Hammond 2002). The literature is full of suggestions that stress on the growth of consumption in subsistence marketplaces and the expansion of products and services being successfully marketed. These findings contradict the common viewpoint that the poor are not interested in sophisticated products and/or cannot afford to purchase them.

People who live in subsistence conditions have been identified as individuals who earn less than \$2 per day, lack access to food, education and healthcare (all basic necessities), live under conditions of extreme deprivation, live in substandard housing, have limited or no education and lack access to reliable transportation, potable water and sanitation (Sridharan & Viswanathan, 2008; Madhu Viswanathan & Rosa, 2010; Madhu Viswanathan, et al., 2010; Weidner, et al., 2010). Because of the extreme conditions under which subsistence consumers survive, basic needs are often unmet and companies that have been successful in these marketplaces are the ones that have "...displayed the vision to identify and address some of the critical needs that face subsistence consumers" (p. 563, Weidner et al. 2010). In addition, the low level of literacy that characterizes subsistence consumers translates into poor marketplace skills. The poor struggle with reading product labels, store signs or product use instructions and subtracting purchase price from cash on hand, all that restrict their ability to best utilize their limited funds (M. Viswanathan, J. A. R. Rosa, & J. R. Ruth, 2010). Another ramification of low literacy and numerical skills is the short-term planning horizons (1-2 days) for these consumers. These short term horizons become a bigger problem because of the uncertainty in the external environment along with the absence of any law enforcement or protection (Viswanathan 2007). Finally, a daily income of less than \$2 per day has become the universal metric to define the world's poor (Collins et al. 2009). But, the most differentiating characteristic of this income metric that shapes the definition of poverty is the irregularity and uncertainty of the daily income.

Despite severe physical and financial constraints, the poor also have an abundance of resources that include labor, human capital (health that determines the ability to work and skills and education that determine the return on labor), housing (or productive asset), household relations (that allow the poor to pool resources and share consumption) and social capital (the relationship ties between members of the household and communities) (Moser, 1998). Therefore, the poor manage complex asset portfolios and it's this asset management that may influence their vulnerability in the marketplace.

Viswanathan and Rosa (2010) justify the use of the term "subsistence marketplaces" to be descriptive and not patronizing, to draw the need and attention of researchers and practitioners to understand the dynamics of these marketplaces in their own right. The authors stress that these markets are comprised of individual consumers and their families, entrepreneurs, communities and markets that make them different from any other type of marketplace. Hence, they stress the need for research that reveals the nature of such

marketplaces and creates knowledge for marketers and public policy makers.

## METHODOLOGY

We used a long interview based approach of qualitative research for this study that allows the researcher to capture consumers' beliefs, feelings and motivations in their own words and to obtain a 'thick' description of phenomena under investigation (McCracken, 1988). This method also enables a closer examination of the data to extract rich explanations of observations and relationships, and offers considerable flexibility in understanding the complexities of consumer behavior (Carson, Gilmore, Perry, & Gronhaug, 2001). The choice of methodology was especially suitable to research in the BoP area. This area is a newer and emerging stream of research with a paucity of scholarly studies and therefore, qualitative research can be useful in the early stages of theory building. Additionally, the BoP consumers are often illiterate or less educated and subsequently unable to indicate their thoughts and opinions on a more quantitative measurement scale. Additionally, the choice of the method is also consistent with other studies in the BoP area (Viswanathan et al. 2010; Viswanathan et al. 2009).

The research was conducted in India for two reasons. First, the country has occupied center stage in BoP literature with a large number of success stories (Prahalad 2004; Prahalad and Hammond 2002). Second, India has a BoP population (those with annual incomes below US\$3,000 in local purchasing power) of nearly 925 million, the largest in the world (Hammond, et al., 2007). Therefore, with the large size of the BoP population, India carries the potential to become one of the most profitable BoP markets in the world, thereby making a compelling case for companies interested in tapping the market potential.

For the study, interviews were conducted in the cities of Mumbai and Kolkata. This geographical location was selected for three specific reasons. First, both cities attract a significant portion of rural consumers from the country in search of employment, thereby providing access to both types of BOP consumers - urban and rural. Second, both cities are one of the largest in its state and the country and therefore, it is not uncommon to find people living in poverty but at the same time exposed to modern media, newer technologies, urban lifestyles and consumption trends. Third, both authors are proficient in Hindi (the national language in India) which is widely spoken and understood in both cities. Since BoP consumers typically have low literacy levels, proficiency in the language understood by them was essential for data collection.

Informants were recruited through the housekeeping staff at an academic organization in Mumbai and at a non-governmental organization (NGO) in Kolkata. In addition, a snowball sampling method also allowed the researchers to recruit additional participants for the study by asking the previous informants to recommend others who met the eligibility criterion - personal income of approximately US\$2-4day (which converted to approximately Rupees 3000-6000 per month). This sampling method allowed one study participant to recommend others from her social network who met the sample selection criterion. One of the co-authors and a trained research assistant (also fluent in Hindi) conducted the interviews. The co-author responsible for data collection personally trained the research assistant in the interviewing

process and data collection. In addition, both authors reviewed the translation and back translation of the interview guide for the study. Finally, both authors who are proficient in Hindi heard the audio recordings of all interviews and reviewed the English transcriptions to ensure accuracy and attention to detail.

## **Sample**

Out of the 58 study participants, 26 were men and 32 were women. The female participants were between the ages of 23 – 58 years, mostly employed in housekeeping work, most of them married and with a personal income that ranged between Rupees 2800-4500 per month. Most of them indicated that were responsible for their household purchases. The male participants were between the ages of 25 – 56 years, mostly employed in housekeeping work, married and with a personal income between Rupees 3500-5000 per month. Almost all informants had a minimum of 1-5 years of education though there were five informants who were completely illiterate.

## **Procedure**

An interview guide was used to explore and understand consumers' marketplace experience at the bottom of the pyramid. During the interview, initial conversation starters were often followed with several "how" and "why" questions to probe the answers further. The following questions provided a general template to understand the nature of deal-proneness:

1. How do you feel when you go shopping?
2. Is the feeling different for different types of shopping trips? For example, do you feel different when you go to buy daily food items versus another type? If yes, describe different types of shopping trips (basic versus discretionary products: food shopping, medicine shopping, clothing shopping, beauty products shopping, utensils shopping, jewelry, others)
3. How do you know which product you need to buy? Use brand names, color scheme on product package?
4. Have you bought products because of the promotional offers? Describe the experience.
5. How do you feel about the promotional offers like free product with purchase, free earrings with beauty cream?
6. How do you feel about advertisements on billboards, TV and its impact on your purchase decisions, if any?

Both interviewers agreed that after a brief warm-up, all informants were comfortable in the interview and proactively shared their thoughts and responses to the probe questions. The interviews began with a conversation to elicit general and background information on the informant, such as age, marital and family status, educational level, employment status and household composition. All responses pertaining to the socio-demographic profile of the informant were manually recorded by the researchers. The in-depth investigations involved an unstructured approach of asking questions in a conversational style. These interviews lasted about 30-50 minutes and were recorded. Each participant was compensated with a monetary award of Rupees 300 (approximately \$5).

## RESULTS

Findings show two dominant patterns in deal proneness amongst the BoP consumer: First, a low level of deal proneness and second, a presence of deal specificity, when deal prone. In the section below we elaborate on the above two themes and provide an explanation for each. Four reasons are offered each to explain why BoP consumers are deal insensitive at a generalized level and why two promotional offers – price and volume discount along with a product premium offer are well received – signal the presence of deal specificity amongst the consumers.

### Low level of Deal Proneness

Data analysis shows an overall low level of deal proneness amongst BoP consumers. Most informants indicated that their purchase decision was not driven or motivated by a promotional offer. For example according to Gita (female, 20 years), *“Yes , I did once buy a soap with an item free with it. But I do not remember it. (Confused) I usually do not go to shop keeping freebies or offers on mind.”* Similarly, Valli (female, 30 years), *“No, I do not buy such items but my friends buy it. I asked my friend but later forgot what it was.”*

Further data analysis also revealed no correlation of deal insensitivity with any of the socio-demographic variables such as age, gender, education, household size, income or occupation. This finding is consistent with the research in the area of BoP that suggests that poor consumers don't purchase in larger quantities in order conserve limited funds for an unforeseen emergency in the future (Viswanathan et al. 2009). In this, the findings from this study fail to support the research cited above that has shown mixed results with socio-demographic variables. We suggest four reasons for this pattern – low level of marketplace literacy, low awareness of current promotional campaigns, withholding of the promotional offer by the “kirana” store keeper and deep rooted brand loyalty.

**Low level of marketplace literacy.** Most informants had less than 5 years of education and clearly stated a low level of confidence in a marketplace setting. For most, shopping was limited to basic and essential products almost always exclusive to the food and personal hygiene categories and therefore, there was a high tendency to engage in routine response behavior. A low level of education resulted in a low level of marketplace literacy where most informants indicated that they didn't actively seek information about product attributes such as price, brand or promotional offers from the retailer, members of the social network or mass media sources. Most participants in the study made purchase decisions for packaged products in the FMCG category by relying on package color, symbol and font recognition and the celebrity endorser instead of the actual brand name. Some were able to pronounce the brand name, but, unable to read it on the package. When asked by the interviewer, most study informants indicated that they didn't check for the suggested retail price, product expiration date and any promotional offers being offered by the manufacturer. Most had no access to television and lacked the education to read any outdoor advertisement or in-store banner displays for products. Almost all entirely relied on the store keeper to provide product related information. A few informants who did indicate that they had redeemed a promotional offer in the past cited two reasons: first, they had learnt of the promotional offer from another member of the social network and second, the



promotional offer had been indicated to them by a school age child in the household who cited the printed information on the package after the purchase. In the case of the latter, the purchaser would then have to reach out to the store keeper after the purchase trip, to redeem the offer.

**Low awareness of current promotional offers.** Related to the low level of marketplace literacy, most study informants also exhibited a low level of current promotional offers. When prompted by the interviewer to check awareness of a few current promotional offers in the FMCG category, several informants indicated no knowledge of any of the offers. Interestingly, almost all participants understood the concept of the various promotional offers popular in the FMCG category. Since most individuals didn't own a television at home, there was no access and subsequent knowledge of any sales promotional offers via this media channel. Outdoor advertising and in-store display were equally ineffective since most informants were unable to read it. For some informants who had made a product purchase motivated by a promotional offer it was because the information had been provided by a member of the social network or for most, by the store owner. Overwhelmingly, most study participants indicated that the store owner was the sole provider of any information regarding a promotional offer in the past. In showing sensitivity to in-store display which subsequently limits the consumers' search for promotion outside of the store environment, BoP consumers exhibit passive deal proneness as explained by Schneider (1991).

**Deep rooted brand loyalty.** All study participants overwhelmingly exhibited a strong sense of brand loyalty. When asked to name the brand in selective FMCG categories such as bar soap, hair shampoo, toothpaste etc., almost all interviewees identified a single brand that they purchased on a continuous and loyal basis. Most interviewees stated that they didn't seek variety in these products and repurchased the same brand with a deep sense of commitment denying a substitute when the brand of choice was not available in the store. Almost all study participants explained their brand loyalty as one that was grounded in the purchase behavior of the family and members of the social network.

Several of them recounted that their family and friends had introduced them and purchased the brand for years and it wouldn't be appropriate to change that, where defecting or changing to a brand would be perceived by the self as a deceitful act. This form of loyalty that is tied to the family influence or lineage has been studied in the context of brand loyalty (Olsen, 1993). The role of family influence in consumer decision making lies in the concept of consumer socialization which explains how young individuals develop consumer related skills, knowledge and attitudes (Moschis & Churchill Jr., 1978; Ward, 1974). However, though consumer socialization has the biggest impact in the childhood years, the process does continue during the adult life cycle (Brim, 1968; Moschis, 1987) and into the elderly years (Smith & Moschis, 1984) as grown-ups adults make changes to current consumption preferences and behaviors and adopt new ones in the marketplace. The same is the case for BoP consumers who might be migrants from the rural areas to the city and learn consumer related skills and attitudes akin to a child.

**Withhold promotional offer by the kirana store keeper.** All study participants shopped at the local neighborhood independent retailer for all non-durable products for both personal and household needs. These retailers are frequently referred to as "kirana" in Mumbai and "modi" in Kolkata. The "kirana" retail sector in India is quite fragmented and estimated at

US\$437 billion in retail value in 2011 (Boston Consulting Group 2012). “Kirana” stores are characterized by a low cost structure, presence in residential areas, consumer familiarity and are family owned and operated (Pratibandla, 2012). These stores are built on a relatively small area and offer a limited range of products that include packaged unbranded commodities like rice, flour, salt, spices etc. along with branded and packaged fast moving consumer goods (Pratibandla, 2012; Singh, 2012). This store format thrives on the socio-economic model of repeated interactions with customers in a close geographical proximity – this resulting in trust arising through repeated interactions (Pratibandla 2012).

Several informants in the study shared during the interview that the “kirana” store keeper would withhold the product premium that was offered with the purchased product. For example, if the toothpaste had a promotion to get a tooth brush for free, the store keeper would not pass the promotion with the purchase of the toothpaste. The following sample verbatims provide additional evidence of the above:

Abeda (female, approximately 50-56 years), *“Yes, it has happened. Sometimes, at home our children notice it but when we return to the shop then he does not give the offer product. There is nothing that we can do about it.”*

Savitri (female, 55 years), *“Otherwise, I go to my son and if I get to know that the free items have not been given to me then I fight with the shopkeeper and get it for myself. Earlier, we got a jug free on a bottle of Horlicks. Then I also got a toy car on offer with it once but next time the shopkeeper did not give it because the offer had ended.”*

Shamsun (female, 46 years), *“yes, one day I bought 1 kilo Surf pack and it had head & shoulder shampoo free, but I did not get.”*

One might speculate that the store keepers would then sell the promotional items (here, tooth brush) separately to a different consumer for additional revenue. Only study participants that had a literate household member (mostly a child in school), if asked, would notice that a promotional offer was available with the product based on the information printed on the product package. Several informants indicated that they often did not ask the literate household member to check on all purchases and therefore, it is likely that this practice had a much higher incidence rate than what was reported in the interviews. Interestingly, if and when the study participants learned of the withheld promotional offer, they would immediately contact the “kirana” store keeper to ask for it. The first response from the store keeper would be to reply that the promotional offer was not valid and demand evidence in the form of product package. Several study informants indicated that they would not receive the offer because the product package had been disposed. In the event when the product package was available and presented as evidence, the “kirana” store keeper was prompt to frame it as an oversight and offered the promotional offer to the buyer.

### **Low Incidence of Deal Specificity**

Study results show a low level of incidence of deal specificity, when deal prone, to selective domains. Results show that three promotional offers are most well received by the BoP consumer – price discount (for example, 25% off), volume discount (A four pack for the price of three) and a product premium (get earrings with the purchase of a fairness cream). We explain

the presence of deal specificity by attributing it the concept of value – hedonic and utilitarian to the consumer. Both price and volume discount provide monetary value in addition to utilitarian benefits to the consumer. In this, such promotional offers allow the BoP consumer to upgrade to a better brand with relaxed budget constraints, value expression of being a value-seeker or responsible buyer and the overall enjoyment of receiving a deal (Chandon et al. 2000). Consistent with the research by the above authors, our study also found that monetary promotions are most effective for utilitarian products while nonmonetary promotions fit best with hedonic products. Therefore, the product premium offer was most popular in the personal hygiene category particularly cosmetics for the female population. We believe that redeeming a product premium was tied to the hedonic value of fulfilling needs related to exploration, variety, and information (Chandon et al. 2000) which fit best with the cosmetics and personal hygiene categories amongst females. Interestingly, our study revealed that product premiums had the highest level of awareness amongst the young, female participants who had redeemed the offer for purchase of discretionary and hedonic products such as fairness cream or another facial product.

## **DISCUSSION AND CONTRIBUTION**

This study carries significant implications for both domestic and multinational companies that market fast moving consumer goods in the BoP market. Important steps need to be taken by companies in revising their promotional strategy, especially to recognize the low level of deal proneness and in customizing the promotional materials to fit the level of marketplace literacy prevalent in the BoP segment. This study holds significant implications for FMCG marketers in India who have increased promotional spending without tangible evidence of its efficacy amongst the BoP segment. A revised marketing communication strategy that integrates the knowledge from this research should inform and empower the BoP consumer. Given that BoP consumers are brand loyal, we recommend that companies should divert funds from sales promotional offers that are ineffective with the BoP segment and channel it towards creating loyalty programs that reward them. Though loyalty programs are prevalent and widespread in the Indian marketplace, most of them are modeled on their counterparts from the western world and assume a level of marketplace literacy that is uncommon to the BoP segment. Therefore, marketing funds for companies that target the BoP would be more effective if they are invested in rewarding loyal behavior than ones that provide short term incentives to purchase and are designed to stimulate switching behaviors.

This research raises the need for marketers to recognize the heterogeneity of BoP consumers when compared to western counterparts and the different nature of decision making and responsiveness to promotional offers. The findings here suggest that marketers of consumer non-durable products, mostly large multinational companies, need to customize marketing strategies to acknowledge the impact of resource constraints and abundance common to BoP consumers. One area in which marketers can benefit from this research is marketing communication. Given that the social network and kirana owner influence product purchase, companies might want to deliver product knowledge in a way that uses the above channels to disseminate information instead of media channels to reach the BoP consumer. The distribution

strategy of consumer marketers might also benefit from this research. Given the reliance on the social networks of BoP consumers' market information, companies might choose to introduce a direct distribution system where consumers purchase products from a member of their community who also serves as the distributor for the company, instead of purchasing through the kirana store. This member of the social network would then be more sensitive to the economic constraints of BoP households and would strive to make the product available at the lowest price possible. Companies can also revise the product strategy to ensure that product quality is a dependable attribute for BoP consumers. This may be achieved by executing marketplace literacy education program to empower the BoP consumer with a better understanding of marketplace exchanges and allow them to gain control over their role as a consumer by becoming more informed of the marketplace environment. Research by Viswanathan et al. (2009) reveals that the benefit of providing information and education to the poor lies in their empowerment and not in protection from exploitation or harm.

This study brings to the forefront the ongoing concern amongst marketing researchers and practitioners of the widespread exploitation that the poor face. It has been established that the poor are vulnerable and constrained by their lack of education, income, opportunity and access of markets (Santos & Laczniak, 2009). Though most of the above concerns surrounding the issue with exploitation has been directed at multinationals in the literature, this study draws attention to small scale domestic retailers who also exploit vulnerable BoP consumers. Therefore, two key questions arise that will need further attention and research: first, is it the responsibility of the multinationals and large domestic organizations who rely on the "kirana" store network to market and distribute their products to the BoP to address exploitation and curb the unethical practices? Second, do public policy makers have a role to play in this situation?

Therefore, the findings from this study carry significant implications for both domestic and multinational companies that market fast moving consumer goods (FMCG) in the BoP market. First, important steps need to be taken by companies in revising their distribution strategy, especially in training and selection of regional distributors who might make the decision to allow or reject "kirana" stores when found engaging in unethical practices. We propose that companies might want to institute a system of unannounced inspection for license renewals of "kirana" stores. However, we offer this suggestion clouded with a deep sense of skepticism since widespread corruption and the lack of a legal enforcement infrastructure would make any such regulatory measure unviable. An alternative to a punitive strategy (as suggested above) might also lie in increasing awareness amongst the "kirana" store owners of a company's ethical policy and ramifications of its violation. Second, companies might also need to revise its marketing communication strategy to inform and empower the BoP consumer in marketplace literacy as a mechanism to prevent consumer exploitation (Viswanathan et al. 2009). A marketplace literacy education program will empower the BoP with a better understanding of marketplace exchanges and allow them to gain control over their role as a consumer by becoming more informed of the marketplace environment. This is opposed to the long term view in consumer policy in less developed countries that advocates consumer protection, followed by information and education (Kaynak, 1982; Thorelli, 1981). They offer three reasons for the opposed point of view: first, information and education will empower the poor to become aware and comprehend different

realities which becomes inhibited due to the prolonged subsistence way of life. Second, in contrast to Thorelli's (1981) "seller chicanery and buyer poverty" syndrome, subsistence marketplaces are characterized by "buyer-seller poverty and interdependence." An information and education approach to consumer policy will then address the interdependent consumer-entrepreneur empowerment duo. Third, corrective and protective measures designed to protect the consumer mostly works in organized business sectors and markets. In subsistence markets, such regulatory initiatives might be less effective where dishonest and unethical market practices are sporadic and random, such as adjusting the weight or exchanging an incomplete product in response to a lower than acceptable negotiated price.

Additionally, others argue that businesses that are successful in subsistence marketplaces are ones that adopt a strategic intent versus a market expansion motivation (Elaydi & Harrison, 2010). Research by Bang and Joshi (2008) in the area of BoP defines market expansion as an extension of a product category by converting non users into users along with an increase in the usage rate of the product. The authors use the example of FMCGs in India as an example of companies that have adopted a market expansion strategy. Companies with a market expansion motivation are focused on increasing sales revenue and market share for which subsistence markets present tremendous potential. The same authors also argue that the success of companies with a market expansion strategy is moderated by consumer ability which is determined by customer competence, knowledge and skill, all correlated with literacy levels. However, low levels of literacy amongst subsistence consumers reduce the ability to interpret new product information, and therefore might restrict the firm's ability to penetrate and be successful in these markets. Drawing on the work of Hamel and Prahalad (1989) on strategic intent that focuses on a long term "what is possible" strategic view, Elaydi and Harrison (2010) describe the strategic intent motivation in terms of "...attempts to empower firms with limited resources or in a limited resource environment to think beyond limitations and approach the environment from a 'what we can create' perspective" (p. 653). They argue that firms that are motivated by strategic intent will be successful because under this approach firms with a long term orientation choose to work with the poor with limited resources and choose to grow with them. According to Elaydi and Harrison (2010), firms motivated by a market expansion strategy "...may exploit consumers with low consumption ability and have little or negative impact on poverty alleviation" (p. 655). They suggest that firms that want to enter subsistence markets should ask the following questions of themselves: "why are we entering this market, what do we hope to accomplish, and what will be the long term impact of our presence" (p. 655).

Finally, this research makes a contribution to the call for research using the transformative consumer research (TCR) perspective which seeks to enhance "life in relation to the myriad conditions, demands, potentialities, and effects of consumption" p. 6 (Mick, 2006). The purpose of the TCR agenda is to generate insights into poverty alleviation by understanding consumption by the poor. In the area of consumer decision making, the TCR approach advocates to help the poor become better decision makers by customizing market information to fit their cognitive and emotional abilities (Blocker, Ruth, Sridharan, Beckwith, & Ekici, 2011). This is important since though the poor are subject to the same set of factors in decision making as their affluent counterparts, a bad decision carries far greater impact for the former, thus exacerbating

their vulnerability in the marketplace. We hope that the findings of this study and suggested implications for marketing practice will have help improve the well-being of the poor, reduce their vulnerability through innovative marketplace interventions which in turn will empower the poor consumers.

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