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A Critical Approach in Understanding Bottom of the Pyramid Propositions

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Abstract

This paper looks into Bottom of the Pyramid (BOP) approach from a critical stand point. And, in doing so the argument focuses on enlarging its theoretical assumptions to further an inclusive approach. The crucial constructs that have been overlooked are highlighted in the critical analysis section that looks into poverty and consider poor to be an untapped market. In spite of having critical paralysis, BOP has been well accepted by marketers to enable them to come with effective products and services for consumers at lower end of pyramid.

Keywords: Bottom of the Pyramid, Critical Approach, Critical Marketing Discourse

The Philosophy of Marketing Theory: An Introduction

The underlying philosophy of theory arises due to its nature of compiling aspects of law, law-like generalizations which are systemically placed. Theory has a formal set of process which has components of formal language systems that are different from natural language in terms of elements, rules, definitions. The interpretation of theory takes place when the formalized system has complete set of appropriate rules for interpretation in formal language. The inclusion of social science, in creation of theory results out of organizing phenomena into different classes and groups. The procedures take place through classification into logical partitioning, that is classifying on the basis of properties and phenomena on which classification schema is to be based on. And further by grouping which accommodates large number of properties than in logical partitioning or in specific set of data. Discussing on merger of theories into other discipline, Shaw and Brian Jones (2005, p.273) provides a looming picture by arguing that due to uncertainty of business environment and product failures the legacy of marketing theory is questioned as there seems to be a distinct difference in application and theoretical footings. In such case marketing as a field can reconsider merging into other disciplines but to focus on its own conventional domain of business.

Bottom of the Pyramid Theory¹: Features and Characteristics

The Bottom of the Pyramid (BOP) theory is one of the widely acclaimed theories of marketing proposed by C. K. Prahalad (2005) through his book *The Fortune at the Bottom of the Pyramid*. It has gained ample attention due to its proposition of transformation of world's poor people through involvement of multinational corporations. BOP puts forward

two broader capabilities in its theoretical understanding, as one tries to deconstruct the notion of poverty in relation to the market and secondly it highlights the role of corporations in serving the poor.

The multinationals corporations, prior to BOP theory formulation were concerned about the higher end of the market of the economic pyramid². Corporations have been ignoring consumers at other levels of the pyramid considering that customers at this level as inaccessible and do not contribute to the bottom line (Prahalad & Hart, 2002). Markets at the lower end of the pyramid are yet to be explored and MNCs need to proactively pursue in engaging with low- income buyers to satisfy their needs for products and services. The crucial espionage of the theory is its analysis of the huge market potential at the lower end of the pyramid. Corporation's engagements with lower end of the market consumers will serve as a social imperative and in the process corporations can eradicate poverty by improving the living conditions of the poor people across the globe. MNCs must develop and package their products and services which directly charters to the lower income group, where the fortune lies and that remains mostly untapped. The framework of BOP takes a holistic lens through inclusion of a people's (consumers) model in determining the marketing strategy and product development for corporations.

Prahalad (2005) is confident, in stating that engagement with BOP level consumers requires innovative directions and developments. MNCs must be ready to challenge the status quo by constantly initiating innovative approaches to meet the dynamic nature of the market. Poor people are seen as a market but there must not be any conventional marketing patterns followed in reaching to the grassroots. For instance, all marketing communication models can be applicable but universal concepts must be applied with distinctive feature depending on the nature of the buyers. He (C. K. Prahalad) portrays the case of slum dwellers in *Dharavi*, who do not own property but they do spend on purchasing luxury items³. The process of product development can be more affordable to the lower income group which can provide them a valued return on their expenditure. And it is one of the significant arguments of the theory that talks of fostering consumer and corporation partnership. The BOP version of studying marketing seems to be an easy way out for social transformation and just that corporations need to design their products and services on similar tandem. But the notion of social transformation is not an easy process and even Prahalad (2005) agrees by saying,⁴ "*a long way to go before transformation...*". And towards the journey of social transformation private sector can play a crucial role along with the consumers at BOP level as they themselves merged into activism to change their living conditions. The popularity of theory surfaced largely due its alternative perspective on how poor people indulge in the consumption process and Prahalad has illustrated the findings through examples and cases from across the globe.

Are poor people concerned about the products/services they use?

The research conducted for development using the framework of BOP, has argued that poor people are well aware of the products and services they use. Across the globe, poor people are supposedly brand conscious. The key learning for any corporation is to inculcate similar knowledge at the core of their business process and not to invest in gimmick event like corporate social responsibility. On the contrary, corporation can generate ample profit through selling products and services at the lower end of the pyramid. Poor people are not

to be seen as victims but should be looked as resilient, innovators and value-driven consumers.

Critical questions emerged from BOP literature:

In studying the BOP which makes radical claims and provide an alternative perspective on poor people as consumers, it also leaves us with few critical questions on the concept of marketing products and selling it to the poor people. As the theory is not limited in suggesting poor people as consumers but also reflects on social transformation that can be done through profits. Key questions that emerged are:

- a) Poor people have always been purchasing products and how BOP concepts have changed the corporation's outlook in eradicating poverty through profits?
- b) Further reaching to poor people who are at the base of the pyramid can expose them to exploitation?
- c) In spite of such simple proposition where is social transformation taking place?
- d) BOP may have provided a gateway to corporations to enlarge their profits and leaving the poor people as mere consumers?

Critical Analysis

The theoretical claims of development as social transformation of poor people in BOP leaves aside the crucial practices of power exercise. Power exercise is what Escobar (1995) refers to as mechanism by which a politics of truth is constructed as only few collective forms of knowledge are termed as truth. Transformation as BOP suggests, that emerges from specific sets of techniques which arranges specific knowledge and accordingly displays specific type of power. Scholars like Ilahiane and Sherry (2012), suggest that theorists focusing on human development transcend the reality thus classify people into particular categories as poor, low-income group and under developed. Poor people are seen as individual consumers who are to be transformed from the stage of poverty. The BOP concepts are focusing on poor people as target consumers for the corporations but as Escobar (1995) further counters it by stating that the crux of such development initiatives are driven by outside experts and they may not consider the specific developmental needs of the poor.

Critical approach focuses on the forces such as social, economic and culture that gives rise to consumerism which is based on economic transaction (e.g. Adorno, Horkheimer, Marcuse and Habermas). It looks into aspect of people who are governed by social forces and dominated by agents of power. The domination on people especially the 'marginalized' freezes them into dependencies which repress their rational decision making (see, Mats Alvesson, 1994, p. 295). The concepts in BOP treats poor as unanimous construct without dealing with the inequalities within the social class system. Poor people have complex traits of being in the 'poor' state of affair and the idea of transformation does not hold an effective ground. The concept of transformation, which the theory talks about in terms of removing poverty but it, does not clearly define the next stage that it plans to bring after poverty. Poverty is studied from a process centric approach rather than studying it from a long term outcome oriented perspective. Prahalad (2005) validates it further by saying:

“ When the poor at the BOP are treated as consumers, they can reap the benefits of respect, choice, and self esteem and have an opportunity to climb out of the poverty trap” (Prahalad, 2005, p. 99).

BOP has seen the poor in the light of poverty but did not highlight issues on poor as a ‘condition’ of human civilization. The aftermath of consumerism has not eradicated poverty but expended it further. The initiative of transforming poor through applying BOP framework can instigate the poor people to buy a particular product but the inlet of income remains static and bare minimum. Though, the model emphasizes on active engagement between corporation and consumers to develop necessary products.

The engagement can result in creating better product as it will have consumer at the core of the product development process but the ultimate beneficiary will be the corporations who gains better profit and profit maximization does not correlate with reducing rate of poverty. In terms of engagement, BOP also directs attention towards innovation and active participation of people from lower end of the pyramid. To analysis it further it can be said that the solution of poverty lies in innovation and entrepreneurship. Jürgen Habermas (1971) assumes that the process of creating entrepreneurs makes a society of best possible experts who is able to take decision as others become dependent on the expert. The entire process of creating entrepreneurs will reinforce the existing power exercise in the society.

Foucauldian Perspective

Michel Foucault’s perspective can be applied in understanding the BOP framework in relation to power and discipline (see, Michel Foucault, 1995) discourse of the theory to divulge the politics behind it. Scholar like Kasabov (2004) has used similar approach in studying the field of marketing from a critical standpoint. Foucault’s dimension can be used in challenging the alternative perspective of poor people’s consumption patterns as proposed in BOP literature. The proposed trajectory concerned with creating a product development process wherein people comes at the core of the process. The BOP concepts can be critically studied through two lenses:

- a) Direct Power: It is the raw power that is operationalized by pressurizing and influencing people to follow a particular discourse. The operationalization works as highly effective method within the realms of similar cultural understanding (active participation). Power shifts due to imbalance of resources and institutional dependency. These prompts conformity upon the people to follow orders and rules. The premise of BOP is built on a pre-conceived assumption of poor people trapped under government functionaries. Substantiating it further, with various examples, Prahalad (2005) seems to claim that development is possible through private reforms. He states that⁵, *“...focus of public policy was on distributive justice over wealth”*. But government’s initiative to erase the preponderance and to manage the disparities was to create policies on ‘equalized’ distribution of wealth.

Previously held hypothesis was that poor people who represent the base of the pyramid were lacking the purchasing power, he (Prahalad) counters it by quoting,

“...poor represent a significant latent purchasing power that must be unlocked....poor tend to reside in high- cost ecosystems even within developing countries. In shanty town of Dharavi...poor pay a premium for everything...” (Prahalad, 2005, p.11).

The concept of power as BOP suggest that for the benefit of the poor there must be collaboration among stakeholders but the crucial argument arises that if government is unavailable to reform. And, so on what basis does the accountability of the private sector can be monitored. Private corporations will be holding the resources that are being produced by the same labourer who is from Dharavi like slums and who also represents the base of the pyramid. Social transformation has been under the influence of development mysticism that seeks to eradicate poverty which is benchmarked with an alternate model of living condition. Providing healthy living and informing consumer to buy responsibly must be done but the concept of transformation reduces the chances of survival for various patterns of human civilization in parallel order.

- b) Discipline: The emergent of private corporations did not result in power balance, but led to ‘power shift’. People have been segmented in enclosed societal spaces, where work is supervised and every action is recorded and power is distributed in hierarchical order that collectively constitutes the mechanism of discipline (Foucault, 1995, p.195). In Foucault’s text, plague as a disease distributed the order of discipline. Similar in marketing context the ‘demand’ concept generates discipline among consumers. Consumer’s decisions are governed by their values and beliefs that are disciplined by corporation through the process of demand creation (Alvesson, 1994). In BOP literature the discipline mechanism is unleashed from the idea of empowering poor people to innovate and derive solutions to their needs.

BOP as ‘Cultural Doping’

Cultural doping was initially used as a metaphor by Mats Alvesson (1994) in his study on critical analysis of marketing. He suggests that marketing management as a field fosters individuals, which subsumes into creation of new individuals, the way the experts wants them⁶. In the case of BOP the fostering takes place when emphasis on participation and engagement becomes rule of product development, in technical terms it is a process of socialization. People are prisoners of their own socialization process according to Prahalad (2005, p. 6) and the world is seen through one’s own perspective which is governed by their ideology. In order to enable people to think for themselves they must be supported to participate in product process. BOP literature talks of innovation which can be effective at the BOP market and that needs to come out from the people and corporations must tap the opportunities to foster innovation⁷. Poor people can be educated through new approach of socialization such as, by putting up theatrical productions in village and by circulating video clips on trucks and during traveling. BOP emphasis that participation will require deskilling of work according to BOP findings, as it is mentioned under twelve principles of innovation:

“Deskilling work is critical. Most BOP markets are poor in skills. The design of products and services must take into account the skill levels, poor infrastructure, and difficulty of access for service in remote areas” (Prahalad, 2005, p.26).

BOP emphasizes on deskilling but it is according to the market environment, and at one point existing literature suggest that BOP consumers are having enough potential but its principles seems to highlight that such potentials must be tapped in developing innovative products. The idea of conceptualizing the ‘poor’ is due to the comparison with marketing conditions that are necessary for corporations to maximize profits. Through maximizing profit, corporations can deliver returns to the BOP consumers by delivering cost effective products and solution. But the products and service will come with a price and if BOP theory is to be taken into consideration there must be better products delivered at lesser rates. In the process of social transformation, corporations are extracting the knowledge base of the pyramid and returning them with better products but whether it changes the living condition of the poor is still questionable.

Consumerism

Developing his critical theory of consumerism, Baudrillard uses Marxist lens in assessing the society’s obsession with consumerism (see, Baudrillard, 1998). Baudrillard (1998, p. 169) analyses the concept of consumerism by replacing use-values with that of sign-values. Products do not add value rather provide a satisfaction from owning a brand or indulging in buying behaviour. The self-image is projected through specific signs (products) that also reflect one’s status symbol and an individual’s location in a society.

Baudrillard provides an alternative perspective in Marxist theory which places ‘production’ at the heart of capitalism and replaces it with ‘consumerism’. Consumerism operates on the basis of competition arising out of social status and the concept of consumerism pushes people not only to consume a particular product but also to consume the relation that exist between products. He further highlights the concept of ‘ambience’, which is a form of control system in a capitalist setup⁸. In consumerism age, people are surrounded by objects and mostly objects change their place and location and people turn into consumers who are derived from the objects that are surrounding the environment. Prahalad in his book tries to provide a different level of attachment with the consumer, he quotes by saying,

“When the poor are converted into consumers, they get more than access to products and services. They acquire the dignity of attention and choices from the private sector that were previously reserved for the middle-class and rich” (Prahalad, 2005, p.20).

Analysing Prahalad’s suggestion from critical perspective through Marxist lens seems to reflect an important question on the type of dignity and choice that the author (C. K. Prahalad) prescribes and that is possible through material gains. The material gain is termed as development and the question remains to be answered is that what are possible types of corporation that will yield better humane progression. Stating that consumers at BOP markets look beyond products seems to be a disguising statement, as products and services are for fulfilment of needs but corporations need to penetrate their existing consumer base

further besides acquiring new consumer to build a long term association. This association serves as a resource for the corporation to derive innovative products and solution.

The idea of having Marxist approach in analyzing BOP literature is not solely to be used for critical analysis but it can also enlarge the theoretical base in a more comprehensive form and according to scholars like Firat, A. Fuat, Tadajewski and Mark, (2009) Marxist approach can provide the best possible critique that will be supportive in developing modern theory of marketing.

Conclusion

Studying BOP from a critical perspective reveals the dark spots that have been overlooked, so is to question the conceptualization of the theory. Taking the discussion further it can also be claimed that marketing does not represent any grand theory, as the field remains to be an applied area of study. Most theoretical assumptions are structurally mapped into models and frameworks. As far as the concept of BOP goes, it does not look into the deeper layers of poverty and class conflicts. The social and gender inequalities are also ignored which shapes consumer behaviour to a large extent, though Prahalad talks about women being crucial driver in the process of development. In spite of having critical paralysis, BOP has been well accepted by marketers to enable them to come with effective products and services for consumers at lower end of pyramid.

Notes

1. Though there has not been any formal reading prescribed in the course work on BOP, but its concepts and related cases such as Unilver Sachet and TATA Nano have been discussed in Marketing Theory course (term I) held by Prof. Anita Basalingappa
2. According to Prahalad, two-thirds of world's population which is about four billion people are at the base of the pyramid.
3. Among Dharavi residents, 85% own TV, 75% own cooker and mixer grinder, 56% own stove followed by 21% having telephone connections.
4. Ibid.
5. Ibid.
6. Ibid
7. Ibid
8. Ibid

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