

“Brand strategy for bottom line markets”

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Brand strategy for bottom line markets

Abstract

This paper aims at delivering new models of brand management in the bottom of the pyramid markets considering the personality traits, image, technology and reputation of firms associated with the brands. Reviewing the previous research studies, this paper argues that performance of global brands in low profile consumer market segments is constrained by high transaction costs and coordination problems along the brand promotions, consumption and customer value chain. Hence, firms in managing brands in the Bottom of the Pyramid (BoP) market segments are needed to reduce brand costs by increasing the volume of sales and augmenting the customer value. Brands of the BoP market segments are socially and culturally embedded, and co-created and positioned by the up-market brand influence. Unlike traditional brands, BoP brands may be sufficiently malleable to support brand interpretations at the rural and suburban consumer segments. This paper offers new business strategies to managers on brand positioning and targeting in suburban and rural markets with convenience packaging, pricing and psychodynamics.

Keywords: Bottom of Pyramid markets, brand positioning, brand performance, customer value, brand attributes, brand dynamics.

Introduction

Global brands have increased the access to the markets as the remote markets have been reduced following the political and economic changes worldwide. The market access has also been improved by growing brand at the regional level. Such accessibility to the markets is further reinforced by reducing the trade barriers through far-reaching business communication strategies, product and market development programs and customer relations. This situation has given a boost in determining the market opportunities as narrowing the brand barriers helped in deregulating certain sectors of trade such as financial services. The technical operating standards and protocols are being widely adapted to synchronize with the global industry standards. The competing brands pay more attention to the sources of factors, quality thereof, cost and management of the factors in order to prove better over each other. Customer, the end user, is the ultimate target of competitor for building aggressive and defensive strategies in business. Competing brands try to attract the customers by various means to polarize business and earn confidence in the market place. It is necessary for the successful business companies to look for such a place of business which provides them more location advantage and holds the customers for their goods and services. Business cordoning or securing the trade boundaries is an essential decision to be taken for building competitive strategies to attack rivals across regions.

This paper discusses attributes of brand dynamics including personality, image, reputation and trust (PIRT) as well as personality trait of consumers in reference to the mass market. An emerging brand strategy concept referring to the bottom of pyramid

market segment is also discussed illustratively in this paper. Managerial perspectives on brand positioning and targeting in suburban and rural markets with convenience packaging, pricing and psychodynamics are also emphasized in this paper.

1. Bottom of the Pyramid brand personality

Brands of the bottom-of-pyramid (BoP) market segment in the unorganized market segment can have a psychological impact led by the personality traits on marketing strategy formulation, over and above the real effects of absent infrastructures. It may be cited in this context that in the 1970s, the early marketing activities of Hindustan Unilever (HUL) in India tended to focus upon the urban middle class and elite. Meanwhile, an Indian entrepreneur produced and marketed a detergent, *Nirma*, targeting the bottom of consumer segment sector and the brand turned to the second largest volume seller in the country by 1977 (Sabharwal et al., 2004). In the skin care market, besides competition from leading global players, HUL has also been losing share to South based player Cavincare Ltd. In the foods business, Tata Tea in packet tea, Nestle in coffee and culinary products, Gujarat Cooperative Milk Marketing Federation with Amul brand in ice creams, and Godrej Pillsbury in staple food are the main competitors. Profitable growth is the revised focus of the company in contrast to strategy of expansion through acquisition, woven around rationalization. A focus on 30 power brands, which are major contributors to profitability, seeking new avenues of expanding distribution reach, improving profitability of foods businesses, which is in the investment phase are the thrust areas outlined by him. The strategy for non-fast moving consumer goods marketing of multi-brand firms are either being hived off or are being strengthened by partner-

ships with players who have the technological expertise in rural or suburban retailing (Rajagopal, 2006).

Global companies are targeting business in the rural and semi-urban markets consisted large consumer communities with small consumptions based on personal brand relationships, with local institutions retailers or distributors of global brands in the region. Urban culture and consumerism have emerged when the semi-urban marketplaces near rural markets are modernized, experienced the dissolution of the conventional patterns of buying preferences among consumers within the proximity of semi-urban marketplaces. Globalization has produced two separate rural or semi-urban consumer behavior which may be defined as bottom of the pyramid consumerism has influence the core behavior of consumers at par with the urban marketplaces (Cruickshank, 2009).

Intensive competition from reputed brands of global firms has not only decreased the brand share in the premium and regular consumers' market segment but also created price wars reducing profit margins and limiting market growth of firms. This situation motivated companies to consider positioning brands in the suburban and rural segments, which are unexplored. By targeting these segments with products in small packs at lower price points, companies have experienced great success (Dubey and Patel, 2004). The BoP market segment which constitutes large number of small consumers has become the principal target of most of the consumer brands emerging from multinational firms. The brands penetrating at the bottom of the pyramid of market should provide constancy and agility at the same time. Constancy is required if the brand is to build awareness and

credibility while agility in the brand builds perceived values among consumers. Agility is required if the brand is to remain relevant in a free marketplace (Blumenthal, 2002).

Brands penetrating the BoP market segment are largely influenced by the consumption needs, promotions, lifestyle and societal indicators that affect consumer behavior in relation to purchasing featured brands of up-stream markets (Beard, 2008). The BoP brands develop acquaintance and familiarity of consumers with the firm and buying behavior of consumers towards the acquainted brands which is referred as brand association. Consumers have only one image of a brand, created by the deployment of the brand assets at their disposal: name, tradition, packaging, advertising, promotion posture, pricing, trade acceptance, sales force discipline, customer satisfaction, repurchases patterns, etc. Clearly, some brand assets are more important to product marketers than service marketers, and vice versa. Some competitive environments put more of a premium on certain assets as well. Quality and price do not exist as isolated concepts in consumers' minds and are interrelated (Rajagopal, 2008). The BoP brands need to focus on a profit-oriented approach in order to access commercial advantage; inculcate repeat buying behavior among consumers, boost volume of buying by standardizing products, measuring brand trial effects and should run on low price strategies. Such strategies of brand penetration in the BoP market segment scale up customer loyalty, which ultimately improves the brand association of not only the clients themselves but also helps, the brand to lead in the mass market (Akula, 2008).

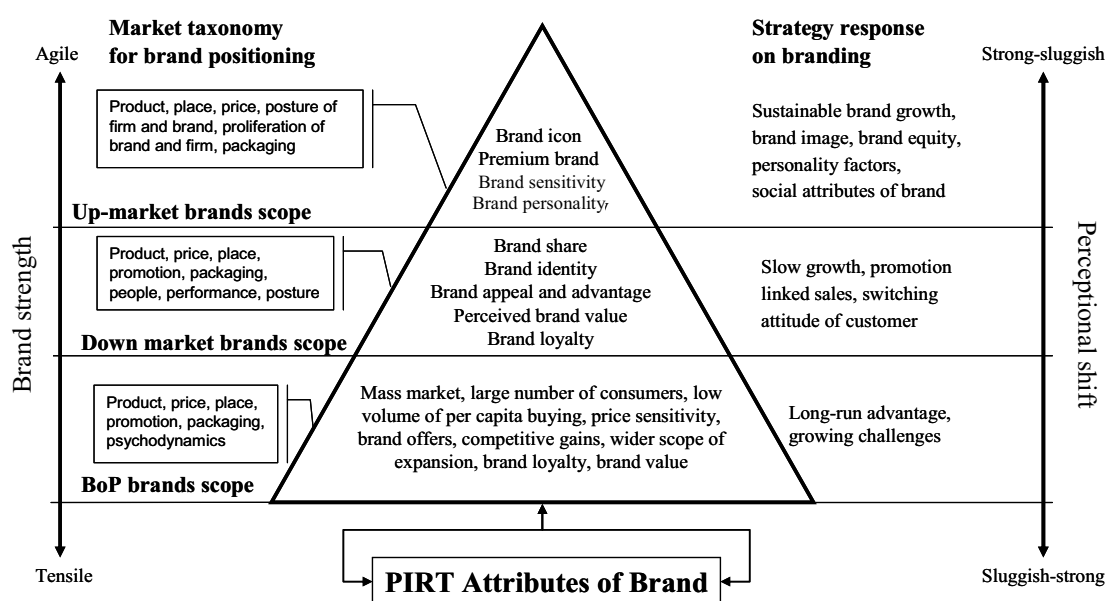


Fig. 1. Bottom of the Pyramid (BoP) brand management strategy

Globalization thrust in the market has increased competition on one hand and behavioral complexities of consumers on the other. The traditional marketing and branding strategies of multinational firms are gradually refined in reference to changing business dimensions to gain competitive advantage. It is observed that in current times marketing-mix strategies considerably influence branding strategies in different types of markets. Marketing-mix has now stretched beyond product, place, price and promotion dimensions to packaging, pace (competitive dynamics), people (sales front liners), performance of previous brands, psychodynamics (consumer pull), posture (brand and corporate reputation) and proliferation (brand extension and market expansion). BoP brand management strategy is derived from the above marketing-mix constituents as illustrated in Figure 1. The BoP brands largely affirm the value to the customers in reference to the strategies pertaining to product, price, place, promotion, packaging and psychodynamics (5Ps). When a BoP brand is supported by these 5Ps strategies, it develops consumer pull effect and becomes more tensile. BoP brands face consumer sluggishness in the beginning, however with increasing consumer satisfaction on the brand, become strong overtime. On the contrary, the up-market brands are found to be initially stronger in perceptual values of consumers which turn sluggish overtime as the new brands penetrate the market. Thus, often consumer brands in the up-markets live in agility. The relationship between the brand and customer personalities has three dimensions – strong, vacillating and weak. The strong hold of the relationship leads to loyalty development while the weak links form the discrete relationship. The vacillating dimension thereof cultivates the risk of brand switching due to uncertainty of consumer decision to get associated with the brand or otherwise.

Values of consumer brands are estimated to be higher in the bottom of the market pyramid as depicted in Figure 1 because of mass market, large number of consumers, and wider scope of brand and market expansion. However, BoP brands are price sensitive; lean on brand offers and competitive gains. It is observed in India and China that dominance of consumer brands of multinational firms are getting stronger in the BoP market segments, known as rural markets. Such market growth reveals that competitive edge can be developed from superior technologies, products, and systems to build stronger BoP competencies of global brands (Williamson and Zeng, 2004). Although the per capita response to sales may be lower in the bottom-line markets, the aggregate buying power of customers is actually quite large, representing a substantial variety of goods and services. Since these markets indicate buying potential, there exists long-run sales advantage for large number of companies. Thus, managers must shift their thinking towards the bottom-line market

which holds value of high-volume but high-margin businesses in the long run.

2. Attributes of BoP market brands

Brands in BoP market segments are largely identified in the context of packaging. A study revealed that rural residents in India found that packaging is more helpful in buying, that better packaging contains a better product and that they are more influenced by the ease of storing a package than their urban counterparts. Easy to carry size of package, gross weight, simplicity, transparency and similarity of packaging have also emerged as critical brand identity factors among the consumers of BoP market segments in urban areas (Sherawat and Kundu, 2007).

The concepts of brand leadership have been applied by many companies, however, a few companies could maintain the leadership. Multinational companies optimize response through brand leadership through several activities as discussed below:

- ♦ *Customer knowledge:* Consumer goods retailing firms study their customers and channel partners through periodical surveys and intelligence gathering. The suggestions of the customers and the distributors are screened and due consideration is given to those worth for change.
- ♦ *Long-term vision:* Long-term implications in developing brand extensions are drawn by the firms intending to penetrate in the BoP market segment which carries brand appeal from the up-stream markets and drive high perceived use value among customers. However, brands of multinational firms may struggle with the local brands existing in the market in terms of volume and price sensitivity factors affecting buying behavior of customers.
- ♦ *Product innovation:* Firms need to make continuous efforts to improve the product quality to maintain high brand equity in the BoP market segments as well as premium segment. It is important for the brand managers to understand that the brand equity in the BoP market segment is an outgrowth of the brands of premium and regular market segments. Hindustan Unilever has made a dent in the BoP detergent market segment in India by continuous improvement in the detergent brands and over period *Surf Excel Blue* has been launched in the BoP market while the *Surf Excel Automatic* has been positioned in the up-stream market as a premium brand.
- ♦ *Quality confidence:* Firms should also bank on the quality platform to maintain its brand share and expand in the new market segments. This would increase confidence on quality among the customers and the channel partners and enhances the brand equity.

- ◆ *Product line:* Firms should extend product line covering the class and mass market segment to provide more shelf space to brands and narrow competition to emerge as brand leader in the BoP market segment. Unlike premium market segments a predictive design attribute of the brand may not lead to a reduction in the influence of brand names on quality judgments. In BoP markets the locus of brand equity shifts from the design attribute to the brand name attribute.
- ◆ *Multi-brand strategy:* In order to penetrate brands in the BoP market segments, firms should operate with multi-brands in the marketplace. Firms need to build brand architecture on a two-dimensional matrix structure with products and geographic platforms for effective diffusion of brands in BoP market segments. Such brand architecture would enable firms to design brands for reaching different customers in the BoP segment and compete against the localized monopolistic brands. This strategy would help locking up shelf space in retail outlets and gains more clout with the distributors.
- ◆ *Aggressive branding:* BoP brand strategy demands intensive advertisements, sales schemes and attacking sales force. BoP brands should show strong point of purchase displays, sales promotion schemes and customer response analysis at the retail outlets. Brand equity and price premium on the consumer products in the BoP market segment delineates the role of uniqueness, together with the awareness, qualities, associations and loyalty as principal dimensions of brand. Relevant brand associations like origin, health, organizational associations and social image along with the quality attributes such as taste, odor, consistency/texture, appearance, function, packaging and ingredients

are the major variables that influence the customer behavior towards brands in the BoP market segment.

3. Brand dynamics in bottom line market

There exist significant differences in consumer perceptions of hedonic shopping value across several retail brands. Therefore, customers appear to recognize the uniqueness among the in-store experience that retailers are working hard to achieve. This delivery of value, then, seems to be an effective source of differentiation. The results of this study indicate that retailers using a "store as the brand" strategy should continue to invest in creating a specific, unique shopping experience for their target customer. However, retailers should always be mindful that regardless of the excitement and fun delivered in the shopping experience, consumers appear to expect utility including the right merchandise, in the right place, at the right time, and at the right price (Carpenter et al., 2005).

The growth of franchising is regarded as having significant implications for development of retailing. Shopping behavior of BoP brands prompts sequential relationship among rural or suburban consumers leading to shopping satisfaction through the perceived values on recreational attractions and store loyalty. Higher price volatility makes consumers more sensitive to gains and less sensitive to losses, while intense price promotion by competing brands makes consumers more sensitive to losses but does not influence consumers' sensitivity to gains (Han et al., 2001). The performance of BoP brands in retail food sector is largely associated with the product design and promotions offered to the customers.

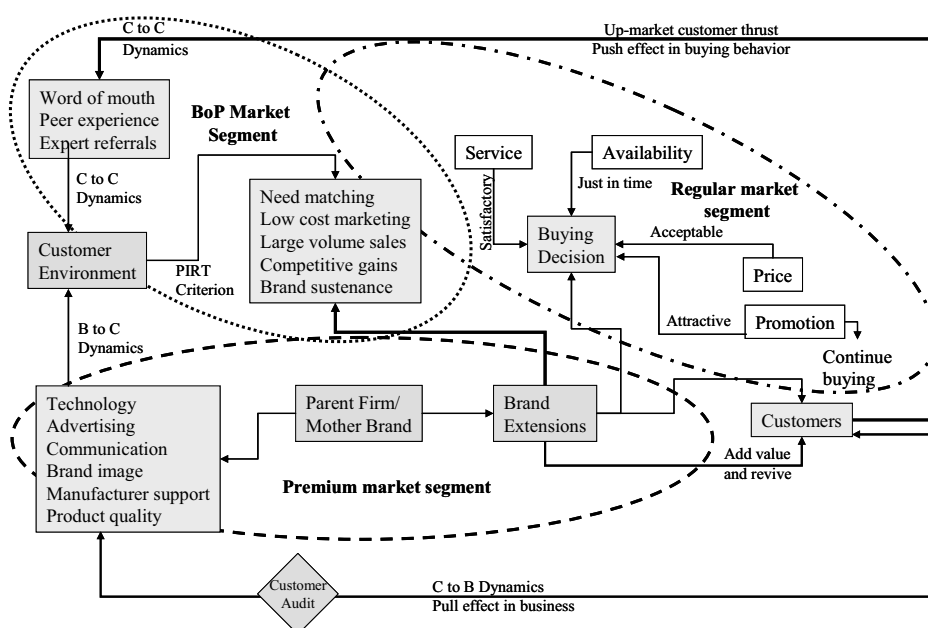


Fig. 2. Brand dynamics in the BoP market

The dynamics of BoP brands is derived through the impact of corporate environment and customer satisfaction as exhibited in Figure 2. The convergence of three forces in managing BoP brands consisting of customers, manufacturers and retailers has been explained in the above Figure, which illustrates that mother brands of firms are put-up with dual responsibility to serve customers of premium and regular market segments as well as cater brand resources to customers in the BoP market segment and provide competitive gains to the firms at the lower market end. Buying decision of customers largely depends on the BoP brand environment wherein customers evaluate the level of satisfaction and generate customer-to-business pull, in case of satisfaction being significantly high. Such conditions would help extended brands and mother brands of the firm to explore smooth expansion of their business in unfamiliar market segments and augment the brand value. Hence, it is necessary for the managers to understand that customer value is context dependent and there exists a whole value network to measure, not just a value chain. This value network will contain important entities far beyond the ones commonly taken into consideration in financial projections and business analyses. Appropriate promotional strategies considering the economic and relational variables discussed in the study may be developed by the managers upon measuring the intensity of leisure shopping and the scope of expanding the tenure of leisure shopping in view of optimizing customer values and profit of the firm. One of the most challenging aspects of targeting BoP brands is finding the right consumers, and sales people who are willing to devote significant time and resources to working closely with their product portfolios, if they wish to gain satisfactory value from their external business operations and investments.

4. Managerial implications

The product markets continue to change rapidly. Focus on a limited number of strategic brands in international markets enables the firm to consolidate and strengthen its position and enhance brand power. Brands that are acquired need to be merged into the existing structure, especially where these brands occupy market positions similar to those of existing brands. Equally, when the same or similar products are sold under different brand names or have different positioning in each market, ways to harmonize these should be examined. A balance needs to be struck between the extent to which brand names serve to differentiate product lines, or alternatively, establish a common identity across different products. Establishment of strong and distinctive brand images for different product lines

helps to establish their separate identities and diversify risk of negative associations.

The independent brands may be able to make high impact in the niche market by putting inordinate stress on the attributes and application advantages over the closely competing brands. An appropriate brand personality helps in building brands' strength in a firm. Brand strength appears to be linked to four main practices including investing in marketing communications to improve customer awareness, understanding of corporate and product brand values, contributing to the wider community to improve corporate reputation, and improving internal communications (internal marketing). Accordingly, managers can keep themselves better informed about customer needs, market changes and company initiatives, thereby enabling staff to help customers better and improving service quality to improve market positioning.

Firms should let consumers experience the key brands and develop brand specific perceptions to build loyalty over time. Managers need to focus on featured brand categories where the differentials in personality traits among competing brands are narrow and to strategically develop favorable PIRT attributes. Accordingly, perceived attractiveness of brand interacts with other consumer personality traits which enhance the brand performance and foster consumer association. Managers can improve the brand performance by integrating corporate image, reputation, brand identity, and customer perceptions beyond their visual pretense. They need to be more proactive, and also have to express and embed their brand value propositions within their identity and reputation in their dealings with customers. Approaches on market segmentation in reference to value and lifestyle (VALS) and personality attributes of customers need to be carefully converged to determine positive brand effects and higher loyalty.

Managers should understand that a brand's profitability is driven by both market share and the nature of the category, or product market, in which the brand competes. Developing the most profitable strategy for a premium brand means reexamining market share targets in light of the brand's category. Consumer perceptions play a key role in the life cycle of a brand. The role varies according to the stage in the life cycle, market situation and competitive scenario. It may be required for a company to invest on appealing communication strategies for creating awareness on the unfamiliar brands to influence the decision of consumers towards buying these brands they have not tested before. Systematically explored concepts in the field of customer value and market driven approach towards new products would be

beneficial for a company to derive long-term profit optimization strategy over the period.

Conclusion

Brands can be successful when closely associated with the consumers and are preferred by the consumers over the unbranded products. Personality factors of the brands give consumers the means whereby they can make choices and judgments. Based on these experiences, customers rely on chosen brands and sense guarantee standards of quality and service, which augments the consumer trust and brand value. PIRT attributes help in building customer-centric brand strategies in a firm. Human personality traits need to be meticulously evaluated

by the firms in a given market to determine the short-run competitive advantage.

Performance of global brands in low profile consumer market segments is constrained by high transaction costs and coordination problems along the brand promotions, consumption and customer value chain. Hence, firms in managing brands in the Bottom of the Pyramid (BoP) market segments are needed to reduce brand costs by increasing the volume of sales and augmenting the customer value. Brands of the BoP market segments are socially and culturally embedded, and co-created and positioned by the up-market brand influence. Advertising and point of sales promotions also strengthen the brands in the BoP market segment.

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