

Using 4A-Framework to Teach Business Students the Importance of International BOP Market

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Abstract

This paper studies how marketing 4As (acceptability, affordability, accessibility, and awareness) have been integrated in a business course to teach student how to serve customers at the base of pyramid (BOP). The BOP market issue was approached from a business perspective. One part of the course is dedicated to introduce the BOP consumers, who are the world's four billion low-income consumers living at the bottom of pyramid. Another part of the course addresses how businesses and enterprises approach this large and relatively ignored market. Currently, an increasing number of companies are developing business strategies to reach those living at the bottom. The study indicates a need for the education of business students, the future business leaders, about the BOP consumer behaviors and market segments, as well as the types of products and business models for this special group of consumers.

Keywords: BOP Market, Business Education, Marketing Mix, 4A-Framwork

Introduction

Bottom of the pyramid (BOP), or base of the pyramid, refers to the poorest four billion population in the world living in extreme poverty (Bandi, et al., 2022; Lawson-Lartego and Mathiassen, 2020). Prahlad and Hart (2002) defined BOP as the market consisting of consumers living on less than \$2/day. Generally, scholars have considered \$2 or \$2.5 daily as basic measures of poverty (Bandi, et al., 2022; Gupta and Kanungo, 2022). The World Resources Institute defines BOP as people with under \$3000 in annual local purchasing power and estimates around 4 billion people globally to be in this definition (Gupta and Kanungo, 2022; Kumar, Kumra, and Singh, 2021; Lawson-Lartego and Mathiassen, 2020). In addition, PPP (purchasing power parity) is also used to define BOP. Some researchers argue that other issues should be included to define poverty such as social, cultural, political, and natural environmental conditions (Bandi, et al., 2022; Lawson-Lartego and Mathiassen, 2020).

More recently, the BOP market has become an important factor for businesses as companies increasingly acknowledge that their policies and practices have social consequences (Lawson-Lartego and Mathiassen, 2020). Accordingly, many companies are implementing elements of corporate social responsibility into their business practices. In step with this trend is the increasing recognition that BOP-related subjects need to be included in the curricula of international business courses, particularly in international education programs (Bandi, et al., 2022; Gupta and Kanungo, 2022). Integrating BOP into education and curricula could offer both educators and students the opportunity to raise awareness of BOP because it may influence their worldviews and attitudes towards world poverty reduction (Yudelso, 1999). Teaching of BOP in international programs in business schools has emerged as an important field, and within this field business educators have shown great interest in innovative teaching methods to facilitate the understanding of the BOP market in business environment (Brunner, 1989; Crittenden and Peterson, 2019; Michael, 2006).

Previous research also noted that different theories should be developed to serve the BOP market since the western models of doing business do not fit the local needs and requirements of this vast BOP market (Gupta and Kanungo, 2022; Kumar, Kumra, and Singh, 2021; Prahalad and Hart, 2002). The BOP market is made up of different segments which have different needs and system requirements (Bandi, et al., 2022). Marketers need to understand the differences in order to adapt their business models to facilitate effective engagement with the BOP consumers. In light of this, it is imperative that new methodologies and frameworks to facilitate the understanding of the BOP market in the business environment are developed (Gupta and Kanungo, 2022; Kumar, Kumra, and Singh, 2021; Lawson-Lartego and Mathiassen, 2020). It is important for students to have the knowledge serving the BOP market in the context of business, to avoid this educational disconnect (Crittenden and Peterson, 2019).

The paper is to investigate the challenges that businesses and students face about the BOP market and propose a 4A-framework of marketing mix to understand and serve the special segment of the BOP consumers. Next section is a review of traditional 4P-framework of marketing mix. Then, an analysis of consumers at the BOP market is conducted. After this, a 4A-framework of marketing mix is presented to serve the special needs of the BOP market. Final part is the conclusion, discussions, and implications for business education. The emphasis is on how to improve student understanding of the BOP market to prepare them for the challenges in the real-world business practices.

Traditional 4P-Framework of Marketing Mix

The 4P-framework of marketing mix has been widely used in marketing education, research, and practice since 1950s (Borden, 1965). McCarthy (1964) summarized 4P-framework and proposed that the marketing mix is a combination of the four elements: product, price, promotion and place (Bhuian and Kim, 1999; Brunner, 1989). Researchers have applied 4Ps as the controllable constructs to study how to design marketing functions to serve customers in different market segments (Borden, 1965; Brunner, 1989). Product, price, promotion, and place serve as a conceptual framework that guides decision makers to configure their business strategies to meet the need of consumers (Borden, 1965). The framework helps decision makers change their organization's competitive positions by changing various components of marketing mix (Brunner, 1989). It is the most popular marketing framework that companies use to manage their tactical and operational marketing process.

The 4P-framework of marketing mix is summarized in figure 1. Kotler and Armstrong (2017) noted that there are four main elements of marketing mix: product, price, place, and promotion (4Ps). Product is the most important P in marketing mix (Soolabane, 2022). Products can be tangible, such as desk, chair, water, foods, and intangible, such as services, education, ideas, insurance, accounting, copyrights, and so on (Bhuian and Kim, 1999; Low and Tan, 1995). Product strategy includes product line, product platform, new product development, product quality, branding, packaging, labelling, after sale services, etc. Product platform (also called product family) is a group of products when they are closely related (Bhuian and Kim, 1999). They share similar product features and design and target different customer groups. They are marketed using similar distribution strategy and channels to the target customers (Yudelso, 1999).

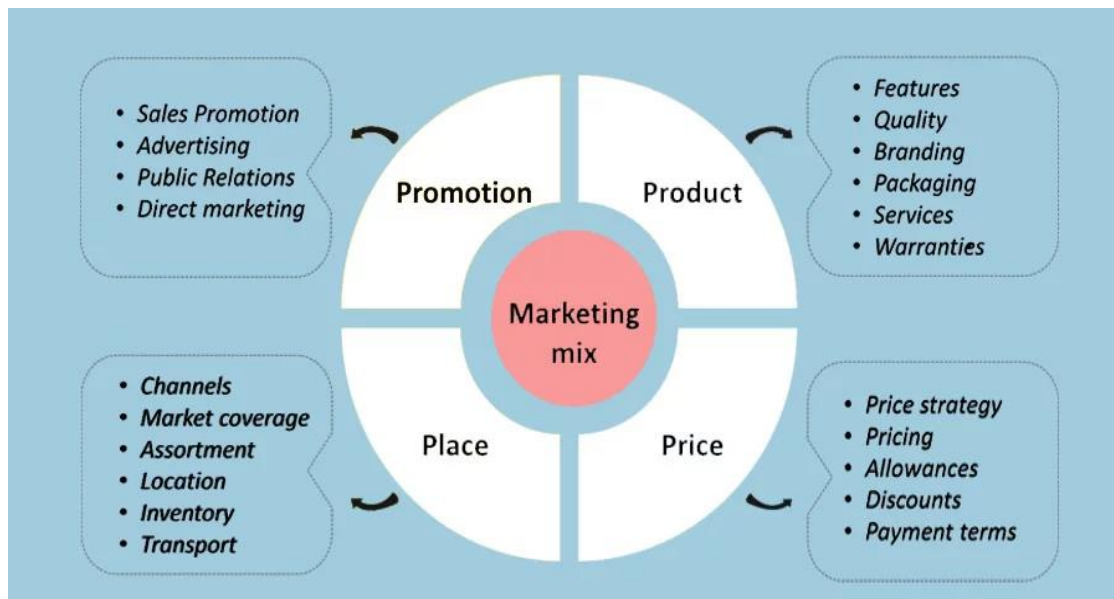


Figure 1: 4P-Framework of Marketing Mix (Adapted from Soolabane, 2022)

Product quality is closely related to customer value and satisfaction. It also affects product after sales service (Yudelso, 1999). Companies can improve customer services by paying more attention to product quality in order to minimize subsequent quality problems (Crittenden and Peterson, 2019). At the same time, customer service can act as an early warning system to detect product quality problems. Through customer feedbacks in after sales service, companies can find problems in the product design and production, and make continuous improvement to satisfy customer needs (Kent, 1986). Branding is about defining who you are as a company. Packaging, labeling, and warranty all play important roles to attract customers and create immediate customer recognition of a product (Brunner, 1989; Kent, 1986).

Pricing plays a crucial role in creating customer value and building good customer relationships (Bhuiyan and Kim, 1999; Kunder, 2021). This is how much you should charge for your product or service in order to make a profit (Brunner, 1989). Pricing strategies can be profit oriented which target return and maximize profitability (Brunner, 1989). Pricing can also be sales oriented which focuses on increasing market share and getting broader customer base, while maintaining the minimum profit (Kotler and Armstrong, 2017; Low and Tan, 1995). Additionally, pricing strategies include discount, allowance, coupons, differentiated pricing, geographical pricing, dynamic and interactive pricing, etc. In global market, government plays an important role to influence pricing strategies through tariff and other trade policies (Bhuiyan and Kim, 1999).

Place is the process of moving products from companies to the neighborhood of target customers (Brunner, 1989). It refers to the distribution channels used to get company's product to its customers. This includes a chain of intermediaries such as distributors, wholesalers, and retailers who design the distributing network, i.e., the channel of distribution (Low and Tan, 1995). So, finding the right place to market and sell the product is a key factor in reaching the target customers (Yudelso, 1999). Channels of distribution can be direct or indirect. Firms can sell products directly to the customer, or reach customers indirectly via channels intermediaries (Low and Tan, 1995).

Promotion is the last P in 4P-framework of marketing mix. The main objective of promotion is to increase the consumers' awareness in terms of their products, leading to the increase in sales and customer retention (Crittenden and Peterson, 2019). Firms use different promotional tools (also called promotion mix) to promote their products including advertising, sales promotion, personal selling, public relations, direct marketing, digital marketing, and internet marketing (Paul and Mas, 2019; Yudelso, 1999). Advertising can be on TV, newspaper, magazines, internet, smart phones, posters, brochures, etc. Sales promotion is a marketing strategy in which a business uses a temporary campaign or offer to increase interest or demand in its product or service, which includes coupons and discounts (Brunner, 1989). Personal selling is a face-to-face selling technique by which a salesperson uses his or her interpersonal skills to persuade a customer in buying a particular product (Yudelso, 1999).

Public relations and publicity are the set of techniques and strategies related to managing how information about a company is disseminated to the public to disseminate important company news and to maintain a positive brand image (Prahalad and Hart, 2002).

While the 4P-framework of marketing mix is very useful for implementing marketing strategies, previous research indicated that this framework is not always useful for the BOP market (Anderson and Billou 2007; Bandi, et al., 2022; Prahalad and Hart, 2002). The 4Ps are developed and applied in the western developed countries to implement marketing STP strategies: segmentation, targeting, and positioning. Researchers found that 4Ps are less useful in the BOP market (Paul and Mas, 2019). Anderson and Billou (2007) and Prahalad and Hart (2002) noted that the BOP market is characterized by heterogeneous, fragmented demand and resources shortages, 4A-framework of marketing mix is more applicable to this special market condition (Bandi, et al., 2022; Paul and Mas, 2019).

4 A-Framwork of Marketing Mix for the BOP Market

Figure 2 presents a typical pyramid containing different groups according to their income positions in the world. The base (bottom) of the pyramid (BOP) refers to as 4 billion low-income population with an annual per capita income of less than \$1500 in the world (Bandi, et al., 2022; Prahalad and Hart, 2002). Based on Prahalad (2005), approximately 1 billion people living on less than \$1 per day (Paul and Mas, 2019; Prahalad and Hart, 2002). Prahalad (2005) stressed that companies should not treat the poor as victims and, instead, involve them as active entrepreneurs and value-demanding consumers (Kumar, Kumra, and Singh, 2021).

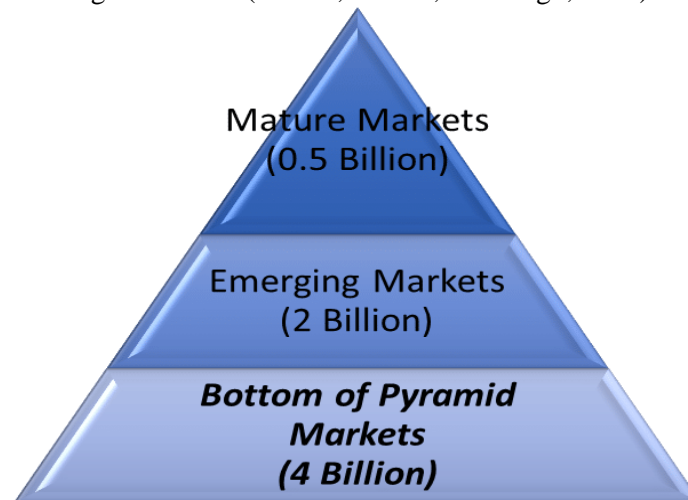


Figure 2: Base (Bottom) of Pyramid (BOP)

The United Nations set poverty alleviation as the top priority in the Millennium Development Goals. Many multinational corporations develop new business models to meet the challenges of the unique business opportunity because the BOP market offers world's biggest consumer market and massive growth opportunities (Bandi, et al., 2022; Gupta and Kanungo, 2022; Kumar, Kumra, and Singh, 2021). Further, large corporations play a leading role in society to help solving the problem of global poverty. Prahalad and Hart (2002) and Prahalad (2005) argued that companies, especially multinationals, could profitably serve low-income markets worldwide while helping alleviate poverty. Multinationals in particular have the financial resources and the capabilities, such as differentiated business strategies, mass production, advanced market research, and international experience, to serve consumers in the BOP market (Loayza, et al., 2007).

The 4A-framework of marketing mix was developed by Anderson and Billou (2007) for companies to serve the low-income consumers at the base of pyramid (Chikweche and Fletcher, 2012; Loayza, et al., 2007). They argue that in order to make business successful in the BOP market, firms should implement 4As marketing strategies: availability, affordability, acceptability, and awareness (Chikweche and Fletcher, 2012; London and Hart, 2004). Figure 3 presents the 4A-framework of marketing mix. Table 1 is a comparison of 4P marketing mix and 4A framework for the BOP market.

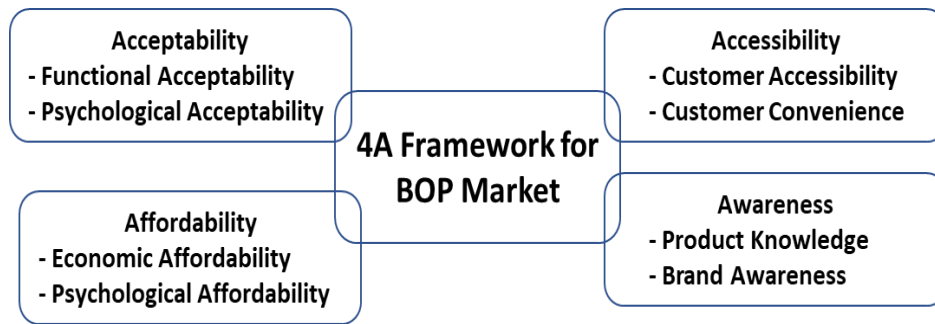


Figure 3: 4A-Framework of Marketing Mix (Adapted from Kunder, 2021)

Table 1: Comparison of 4P and 4A Marketing Mix

4P Marketing Mix	Definition	4A Marketing Mix	Definition
Price	The amount a customer pays for the product (list price, discounts, allowances, payment period, credit terms).	Affordability	The degree to which a firm's goods and services are affordable to the BOP consumers.
Promotion	The methods of communication used to provide information about the product (sales promotion, advertising, sales force, public relations, direct marketing).	Awareness	The degree to which the BOP consumers are aware of a product or service and how companies can use alternative promotion channels in order to increase awareness.
Product	An item that satisfies what a consumer needs or wants (product variety, quality, design, features, brand name, packaging, sizes, services, warranties, returns).	Acceptability	It is the extent to which products and services are adapted to the unique needs of both the BOP customers and distributors.
Place	Providing the product at a place which is convenient for consumers to access (channels, coverage, assortments, locations, inventory, transport).	Availability	The extent to which a product is available to be bought by the BOP consumers and how companies can use alternative distribution channels in order to increase availability.

Adapted from Kotler (2017) and Anderson and Billou (2007)

Availability is the extent to which a product is available to be bought by the BOP consumers and how companies can use alternative distribution channels in order to increase availability (Loayza, et al., 2007; Mason, Chakrabarti, and Singh, 2013). It is related to place of 4P-framework of marketing mix. Anderson and Billou (2007) pointed out that the biggest challenge for the company to serve the BOP market is to make products or services available to low-income consumers (London and Hart, 2004). The BOP market has unique characteristics and often differ markedly from other markets. In the BOP market, a vast majority of population is in small and remote villages (Chikweche and Fletcher, 2012; Mason, Chakrabarti, and Singh, 2013). These villages are geographically scattered and even not connected by roads. Because of the poor infrastructure and fragment geographic locations, distribution channels are rare or even non-existent (London and Hart, 2004). Delivering products or services to these consumers is the biggest challenge for businesses (Chikweche and Fletcher, 2012).

Affordability is the degree to which a firm's products or services are affordable to the BOP consumers (Anderson and Billou, 2007). It is related to price of the 4P-framework, which is the amount of a customer pays for the product or service. For the BOP consumers, their income is low, wages may be paid daily, and work may be irregular (Loayza, et al., 2007). So, the big challenge for the company is to ensure that the product or service is offered at a price level that is affordable to consumers with annual per capita income of less than \$1500 (Loayza, et al., 2007; London and Hart, 2004). Further, companies need to understand that product affordability is the critical requirement for the BOP consumers and it greatly affects their buying and consumption decisions (Hanlon, Barrientos, and Hulme, 2010). To serve the BOP market, firms need to develop business models that dramatically reduce costs such that goods and services are affordable to BOP consumers (London and Hart, 2004).

Awareness is the degree to which the BOP consumers are aware of a product or service and how companies can use special promotion tools to reach the BOP consumers which are scattered in the remote rural areas (Anderson and Billou, 2007; Chikweche and Fletcher, 2012). It is related to promotion of 4P-framework which is to apply promotion mix to provide information about the product or service. In the BOP market, brand awareness and product knowledge are not as important as in the western market (Hanlon, Barrientos, and Hulme, 2010; London and Hart, 2004). The BOP consumers could be unaware of a firm's brand, the entire category, or even their own needs (Loayza, et al., 2007). Further, awareness does not guarantee the understanding of the benefits or importance of the product due to poor education (Hanlon, Barrientos, and Hulme, 2010). To enhance the importance of awareness, before the BOP consumers can buy products or services, firms should provide customers with product and company knowledge through special customer education programs (Anderson and Billou, 2007).

Acceptability is the extent to which the BOP consumers have the opportunity to receive and use a product or service that meet their special needs (Anderson and Billou, 2007; Chikweche and Fletcher, 2012). It is related to product of 4P-framework. Companies are required to develop product or services for the unique needs of the BOP consumers (Loayza, et al., 2007). In the BOP market, acceptability of a product or service is likely to increase potential buyers' purchase intention (Hanlon, Barrientos, and Hulme, 2010; Loayza, et al., 2007). Previous research indicated that the BOP customers' needs are different from those in the developed countries because of the economic, educational, professional and cultural constraints (Loayza, et al., 2007). In the BOP market, acceptability is about the customization of products or services to meet the special needs of the BOP customers (Hanlon, Barrientos, and Hulme, 2010). Low-income population has limited resources and varying income, and hence the products or services that are able to alleviate their customer's purchasing intention are more likely to be accepted (Chikweche and Fletcher, 2010; Hanlon, Barrientos, and Hulme, 2010).

Conclusion and Implications for Business Education

In this study, the 4A-framework of marketing mix is implemented in the teaching of the BOP market to business students in the international program to enhance student knowledge on low-income consumer market. Literature on 4P-framework of marketing mix and 4A-framework is reviewed and integrated to understand the uniqueness of the BOP consumers. Literature of the BOP market is also reviewed and integrated to challenge students to have a deep understanding of the BOP consumers and how different marketing strategies may be applied to meet the special needs of low-income consumers.

Based on education theories, when instructors provide new perspectives and challenges, students are more likely to engage in the search of reasons and identify best course of solutions (McDaniel and Hise, 1984; Schlegelmilch, 2020; Uncles, 2018). The 4A-framework and world BOP poverty issues make the learning more meaningful to students which in turn encourage them to actively participate in classroom learning (Bonwell and Sutherland, 1996). In the teaching modeling research, scholars found that when students are challenged with difficult real-world issues, students are motivated to develop their own strategies to solve different types of problems (Niemi, 2002). When investigating the effect of learning environment, previous research noted that when providing students with practice and application opportunities, more teacher-student interactions, student-student interactions, and student-outside interactions are observed in student learning, which will create and sustain an effective learning environment (Schlegelmilch, 2020; Uncles, 2018). The low-income BOP market and world poverty issue offer students all the interesting and challenging experience which is more likely to foster an active and engaging learning environment for students.

Further, theories of cognition and learning indicate that the application of knowledge with variable conditions may require more time to investigate than that with constant conditions (Crittenden and Peterson, 2019; Niemi, 2002).

When poverty and the BOP market issues are introduced into the learning experience, the learning components and structure become more complex (Niemi, 2002). There are more challenges to students in understanding the BOP consumers and how different marketing strategies may be applied to meet the special needs of low-income consumers with affordable price, acceptable products or service, available channels of distribution, and appropriate means of promotion (Bonwell and Sutherland, 1996). This will stimulate students' interest of inquiries and result in an improvement of business knowledge to solve the real-world problems (Michael, 2006; Schlegelmilch, 2020; Uncles, 2018). The application of 4A-framework knowledge to the BOP market requires students to move between in-class and out-class inquiries, and thus provides a better cooperative learning opportunity over individual cognition (Niemi, 2002). It is recommended that institution-wide policies be developed for awareness-raising, guiding, and supporting business students and instructors to serve the worlds' largest, and yet relatively ignored BOP market.

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