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Impact Of Consumer Behavior In Subsistence Marketplaces

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Abstract

In many developing and under developing countries, buyer–seller exchange among the poor occurs mainly in unique, socially securely environments that are essentially for informal markets. This article depicts the findings of an in-depth, study of an informal-economy subsistence marketplace of north India. By conducting interviews with consumers and owners of small enterprises we found latest insights into the subsistence consumer decision process and its individual, social, and situational influences for food and consumer packaged goods categories.Subsistence marketplaces is related to consumer and entrepreneur communities living at a range of low-income levels, and are concentrated in developing countries and regions such as Brazil, India, China, Vietnam, and Sub-Saharan Africa. Moreover, umpteen of individuals in developed countries also live in subsistence markets. This paper draw research on low-literate, poor buyers and sellers in subsistence marketplaces, the consequent development of an innovative marketplace literacy educational program that enables consumer and entrepreneurial literacy, and implications of the research and the educational program for business, education, and a variety of disciplines and functions.

2. Introduction

Subsistence consumers have uncertainty and a lack of control over many aspects of which is related to their daily life. Daily challenges that exist for these consumers include a lack of water and sanitation services, electricity, and basic health care, and limited or no access to formal financial services. Basic services often taken for granted in developed countries vary greatly in these markets; consumers often struggle with limited transportation and infrastructure.Subsistence consumers typically spend the majority of their income on daily necessities such as food and clothing.

Marketplace plays a vital role in the life of poor consumers and marketer through out the world. The subsistence marketplaces creative work has systematically examined marketplace exchanges, which is mainly related to poverty and shows a major and deep knowledge of these markets. This facts comes from an unique approach with roots in the discipline of marketing and shows the unique contribution of researchers in marketing and related disciplines to the global discourse on poverty. Therefore, this article will do an amazing research on the new market segment, that is subsistence marketplaces

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thus by understanding the emerging concept of marketing will provide extraordinary results to both sellers and buyers.

Review of Literature:-

A number of the cases highlight the central role of innovative research to understand the challenging context of subsistence. Many of the first entrants into subsistence marketplaces, such as in north India were micro-lenders and financial institutions (e.g., Grameen Bank) that provide well- documented examples of research methods well suited to those markets. Some of these methodologies indude Participatory Rural Appraisal

An illustration of successfully applied participatory research methods comes from a community sanitation . The initiative began with a mapping exercise, during which the community mapped all households in the village of harayana, in addition to areas in the village that were regularly used for human excrement. By linking areas to households that visited them, villagers traced contamination patterns and better appreciated how drinking water sources are compromised. Following this mapping and linking exercises, outside researchers initiated a process by which the community gave a numeric value (in its own terms) as to how much each house added to the contamination problem, allowing villagers to quantify the magnitude of the problem in terms they could appreciate and respond to communally. Quantification, in turn, engendered a level of awareness that the previous approaches did not achieve, as well as a strong motivation to alleviate the problem. Of particular importance, the community took the lead in implementing all the methodologies involved, and outside researchers served solely as facilitators. As a result, even when the discussion went off-track for short periods of time, the villagers remained engaged in the process and eventually appointed their own committees to develop and implement action plans. Participatory action research begins with the assertion that all members of a community, across various levels of influence and status, possess valuable experience-based insights and that including all community members in the problem-and-solution identification process results in more effective and beneficial outcomes . Furthermore, participatory action research enables investigators to integrate consumers into the process as sources of both information and feasible solutions to multifaceted problems. Many existing participatory research methods focus on finances and financial management, perhaps because micro-finance providers have taken the lead in applying marketing management principles and processes to subsistence marketplaces.

At a broader level, researchers are typically trained in methodologies that have been finely honed with urban consumers, such as focus groups, surveys, and experiments. As the discussion above suggests, these techniques have limited effectiveness in subsistence marketplaces because of factors such as communal interdependencies, low literacy and consumer difficulties in responding to traditional attitude. As illustrated above, lacking personal connections with

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poverty and low literacy, managers and researchers need to bridge the resource and literacy gap in conducting effective market research to draw from their research program to describe a number of characteristics of subsistence marketplaces and consequent cognitive (e.g., using concrete, realistic stimuli), emotional (e.g., emphasizing abilities over deficiencies), and administrative (e.g., building relationships with local organizations) considerations in designing research methods.. Recent literature highlights the need for research teams that include individuals from subsistence contexts as well

The analysis of successful organizations suggested a striking characteristic: their ability to identify the needs of subsistence consumers and tailor their marketing strategies and tactics to meet those needs. Many of these companies and organizations started small and aggressively engaged in pioneering research and development. Subsequently, they became leaders in their fields. Equally important, they make services and products available to consumer groups that until recently were well beyond reach. Reliance Infocomm, recognized a market need for affordable mobile com

Objective of the Study

After reviewing the related literature in detail, it is found that the above studies have not given much attention to the problem faced by subsistence marketplaces particularly in north India. Also the studies have not highlighted the suggestions to overcome the problems of subsistence sellers. So there is a need to study about subsistence marketplaces and find out the real problems of subsistence buyers and sellers by getting the views directly from the poor and subsistence level consumers. The following are the objectives of research study

- **a) To identify the problems faced by subsistence level of consumers.**
- **b) To study whether new technology has affected the subsistence consumers life style or not.**
- **c) To find out the perceptions of subsistence level buyers towards innovative facilities**
- **d) To suggest possible solutions to the problems faced by subsistence consumers.**

Research Methodology

The scope of the study is given more emphasis on north-Indian state of Haryana. Most of the population of the state lives in rural areas and their livelihood depends upon agriculture .The contribution of this sector to the state income is about 40 %. This study is based on primary data, to be collected by means of a questionnaire from subsistence consumers by putting questions to respondents throughout the Haryana. To select ultimate subsistence consumers from all over the state, multi stage stratified random/purposive sampling techniques have been adopted. Data has been collected from a representative district. At least two blocks from a district have been chosen and data has been collected from at least two villages from each block. The respondents

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have been selected randomly from these villages and the sample size is of 400 respondents. To analyze the data transmuted rank score technique* has been used.

This technique has been used to assign ranks or to make order of merit of these problems, which were asked from the respondents to answer and assign rank to each problem faced by them. However responses may be complete or incomplete in order but with the help of this technique, we can assign rank to each problem according to its mean score value.

***Garett, E.henry, statistics in Psychology and Education, BombyVakils, Feffer and Simpsons Pvt. Ltd, 1901 P.P. 328-332.**

The problem having highest mean score value obtains first rank, 2nd highest, second rank and so on. For this, first of all, percentposition of each rank has been calculated by using the formula,

$$\text{Percent position} = \frac{100\,(R - 0.5)}{N}$$

Where, R is for rank position (i.e. 1, 2, 3 …) and N is total number of ranks given by the respondents to the problems they are facing. A reference is then made to statistical table known as the Transmutation of orders of merit into units of amount or scores to find out the transmitted score from each rank position. After calculating the transmuted score the total of transmuted score for each attribute ascertained is known as sum of scores and to find out the mean of scores, the sum of scores has been divided by number of responses given by respondents to each problems.

Problems

	Problems	mean	Subsistence consumers rank
I	Expensive products	68.20	1
II	Lack of education	46.50	6
III	Lack of infrastructure	58.56	3
IV	Lack of funds	60.50	2
V	Overdependence on Traditional styles	55.7	4
VI	Poor quality products	48.17	5

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I) EXPENSIVE PRODUCTS

AS per this article questionnaires are send to 400 respondents for about the services of reliance telecom, about the loan facilities by grameen bank and about hygiene facilities , the subsistence consumers are facing selection problem because of expensive products this is the number one reason of lack of purchasing power.

Today most of the durable even non durable products become ultra expensive for the subsistence consumers, thus to solve this marketer should design some kind of affordable products so that it can be in the range of these consumers. Moreover, this we can see today in reliance telecomm industry services rate as they provide much cheaper rate to the consumers.

2) LACK OF EDUCATION

The survey is done for subsistence consumers and it is found out that there is lack of education in rural area of north India. And half percentage of the population is not educated. This is the 2nd highest rank found in the buying motive of consumers

Furthermore, Haryana state is having good literacy rate i.e. 71.42 percentwhich is above the literacy rate of thecountry (64.8 percent). Even literacy rate in rural area of the state is also good but as far as subsistence consumers are concerned, they have lack of education still now. They mark second rank to this problem. Head of the family is not so much educated. Due to lack of education they are not well acquainted with availability of products.
To educate the consumers government has to open school especially for rural people irrespective of their caste and provide free education and even to involve their children for education by offering scholarship. It was found during the survey that due to illiteracy subsistence consumers are not getting the benefits of latest technologies.

3) LACK OF INFRASTRUCTURE

It is found that due to poor infrastructure i.e.telecommunications, roads, Internet, transports, are not as much efficient in rural areas of north India. As we these facilities plays a vital role in the consumer market but due to less efficient services they barred the consumers for purchase. Thus smooth flow of infrastructure plays a vital role in the subsistence marketplace.

4. LACK OF FUNDS

The choice of purchasing goods is mostly depends upon variety of products but the most important aspect is purchasing power. The main reason of lack of fund of subsistence consumers is unemployment. Thus, they have very less liquid cash in hand as a result they do not purchase variety of good.

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It can be suggest that, to solve fund problem, govt can assist the subsistenceconsumers for financial help andthe sources from where they can get easily available loans for accessories and durable products.

5. OVERDEPENDENCE ON TRADITIONAL STYLES

Most of the subsistence consumers are live in traditional style. Therefore they are not so much aware about the latest services of products. Moreover they are not so much interested in knowing about the latest products and services. Thus it effects the consumer behavior in subsistence marketplaces.

There should be proper channel through which the subsistence consumers can change their traditional habits of purchasing habits as they live in a modern world. To change this habit there must be a active campaign for the subsistence consumers so that they come to know about the positive effects of healthy living by using latest products and services.

6. POOR QUALITY PRODUCTS

As in the subsistence marketplace it is found that, consumers get poor quality product due to rural market and lack of knowledge about the nature of products and services. This factor is because of poor information of the products.

Therfore, it the responsibility of the sellers to provide good quality of products to the subsistence consumers as they are the prominent part of the society.

TABLE

Problem faced by subsistence level consumers

Table 1 **Summary of practices.**
Area of activity Generalizable managerial implications Case study example
Researching and understanding subsistence marketplaces **Identifying critical needs** **• Design research methods appropriate for common interdependencies, low literacy, and difficulties responding to traditional research instruments** **• Use participatory research methods that incorporate consumers into research process leading to better understanding of problems and more effective solutions** **• Identify needs and provide access at affordable prices**

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• Identify needs of the value chain to create opportunities for micro-entrepreneurs or to remove inefficiencies

• Develop a deep understanding of consumers and marketplaces to identify needs

• Harness one-to-one interactions and rich social networks

• Negotiate formal and informal economies, relationships grounded in social contracts, and local norms

• Challenge traditional sizing and price-markup conventions and rethink traditional ways of conducting business

CASE STUDY EXAMPLES

Participatory total community sanitation program

▪Included members of the community by asking them to participate in a mapping exercise identifying the intensity of local sanitation issues

▪Increased local support and engagement
Reliance communications

▪Set out to provide cellular services to Indian consumers for the price of a postcard.
▪Normal **Mobile phone penetration in India grew from 5.7% in 2005 to 15% in June 2005**

***Grameen Bank**

▪Targets women because they play central role in families
▪Offered micro-loans to savings circles (12–15 women) who make loans to individuals

Reliance Infocomm
▪Abandoned India-industry pricing conventions
▪Exclusive access to their system to hardware producers that pledged to offer low-priced units
▪Selling of air time in second-denominated increments, affordable to even the poorest consumer segments
Relaxo Foot

▪Employed a design approach that started with a target price and profit, and then worked back to design
▪Product made from rubber, employing a simplified design with local materials

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▪Product well-suited for subsistence consumers at a price of only RS 100 as compared to Western prices
▪Served over 90,000 patients in 2009

Participatory Total Community Sanitation Program

▪Integrated local producers into the research and design of locally produced latrines
▪Talented members of the community emerged to participate in the project
▪Resulted in a less costly design, increased adoption and the widespread implementation of sanitary practices locally, and in neighboring villages Participatory Total Community Sanitation Program
▪Empowered local villagers to develop their own latrine designs
▪Striving for zero cost, consumers designed latrines built from locally renewable materials and/or materials discarded from other projects, at a cost less than rs20
▪100% adoption of latrine usage at the village level became feasible as consumers demonstrated a preference for locally created latrines
Novartis Foundation for Sustainable Development
▪Developed blister packaging to limit loss or damage of prescription drugs
▪Helped pharmacies and doctors track the number of pills taken

Negotiating social networks

Designing the value proposition

Co-creating products

Localizing production

Develop sustainable packaging

• Understand and incorporate the needs of consumers and the marketplace by co-creating products with customers

• Localize production to increase livelihood opportunities, and awareness of company, and develop a network

Source. Primary data

***Identifying critical needs**

The analysis of successful organizations suggested a striking characteristic: their ability to identify the needs of subsistence consumers and tailor their marketing strategies and tactics to meet those needs. Many of these companies and organizations started small and aggressively engaged in pioneering research and development. Subsequently, they became leaders in their fields. Equally

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important, they make services and products available to consumer groups that until recently were well beyond reach. Reliance Infocomm, recognized a market need for affordable mobile communications in India and developed a vision "to provide the latest technology"

The company entered the market with an exceptional offering, which included a free digital mobile phone, unlimited free incoming calls, free value-added services, and billing in 15-second increments, charging a one-time fee and an fruitful offer in the Indian mobile telecommunications industry (Reliance Infocomm Press, 2002). By challenging the industry's cost and pricing structures, Reliance Infocomm offered millions of previously excluded Indian consumers the opportunity to participate in the mobile telecommunications society. When Reliance Infocomm entered the Indian market in 2001, mobile phone penetration was reported at 0.25%, or 3 million persons out of a population of 1.2 billion. The company contributed significantly to increasing cell phone penetration to 5.7%, or 68 million phones, in India by June 2005. This jump represents an annualized growth rate in active cell phones of roughly 130% and an even greater growth rate in cell phone users.

Shree sham Electronics Private Ltd.(SSE) recognized the growing inefficiency and declining productivity in theindustry. Because of poor quality control, contaminated environments, and production delays,

Indian dairy farmers were excluded from the international dairy market and caught in boom-and-bust cycles that curtailed their ability to plan and invest or to address the root causes of their quality control and production problems. Overcoming a limited budget, (SSE) established the goal of helping milk cooperatives become more efficient through network , an IT-enabled system to improve dairy farm productivity and quality while accelerating payments for shipped products. This system combines automatic milk collection technology, electronic weighing capabilities that replace antiquated and fraud-prone mechanical scales, a computerize information kiosk tailored to the dairy industry, and milk analyzers that test for butter fat content). Moreover, the assembled technology is affordable for small dairy farmers in remote parts of the country. As of March 2007, the SSEcompanyreported that more than 2.5 million family farms in more than 1000 villages were using its systems, resulting in improved productivity and quicker response to market demands.

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Negotiating social networks

As discussed earlier, one-to-one interactions in a complex network of relationships between buyers and sellers characterize subsistence marketplaces. A widely pub- licized story in subsistence marketplaces is that of Grameen Bank. A key Grameen segment includes women who operate small family businesses, because of the central role they play in

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preserving their family unit's well-being and their resulting trustworthiness The women receive an opportunity to save their small income and borrow in amounts (e.g., Rs50–Rs100) suitable to their needs and business capabilities. Such transaction amounts are too small for most commercial banks, but the sheer number of clients and a 99% repayment rate make the market segment highly profitable. From its inception, Grameen Bank has reached out to poor and rural women directly, as well as worked with community organizations to empower these women while constructively attempting to overturn social customs against women holding property and dealing with outsiders. Originally, bank funding came from soft loans and charitable grants. However, Grameen Bank in 2005 became a self-sustaining, profitable enterprise. As of 2006, Grameen Bank had dispersed more than $6.0 billion to nearly 7 million borrowers who had no collateral, 96% of whom being women , and its growth continues. Large financial services organizations such as Citibank and are emulating yes bank this model.

Consumer-to-consumer interactions in designing product as per the needs of small consumers become a unique aspect of subsistence marketplaces

In the case of Grameen Bank, consumer-to-consumer interactions and interdependencies resulted in the idea of offering micro loans to savings circles (15–20 women) that in turn would extend micro-loans to circle members and, as a group, manage the circle's loan portfolio. Similar collaboration appears in the cell phone market, where Reliance Infocomm noted that groups of subsistence consumers pool their resources to purchase communally managed cell phones, a phenomenon labeled consumer co-production. Microfinance institutions have harnessed the value of existing social networks in these markets after finding that peer pressure and local norms play a substantial role in payback rates. Participating in these markets requires understanding the intricacies of both the formal and informal economies, and the ins and outs of relationships grounded in social rather than legal contracts

Designing the value proposition

Reliance Infocomm's offer of telecommunications services for the price of a postcard met affordability, visibility, and profitability objectives and brings out another key issue—designing the value proposition. By entering into exclusive agreements with hardware providers that ensured high volumes of production, Reliance Infocomm drove down the prices of handsets to a reasonable rate allowing them to operate in India. Mass production of a limited number of handset models—and then offers of those handsets to customers of competing firms in exchange for free airtime achieved additional price reductions. The company passed on savings to final consumers in the form of lower hardware costs. To implement this program, Reliance Infocomm charged slightly higher rental rates accompanied by free airtime. To cater to consumers who conduct their phone calls in short amounts of time, the company

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calculated and sold airtime in 15-second intervals rather than the one-minute increments standard in the industry. The outcome of the program was faster adoption of Reliance services, increased call volume, and lower costs—all carried out through the Reliance-owned network.

Another company that has achieved high consumer acceptance because of its value proposition is Relaxoo Foot. The Indian creator of Relaxoo Foot employed a product development approach that started with a target price and profit and worked back to design. As the Relaxoo Foot is made of rubber, the company achieved mass production capabilities, used locally sourced materials, and employed a simplified design. The products have the additional advantage of being crafted for the special needs of Indian consumers, being easy for owners to repair themselves, and accommodating habits, such as squatting (rather than sitting) to converse with friends, and climbing trees. The results have been extraordinary
A cornerstone of effective marketing in subsistence marketplaces is that "innovations must achieve a significant price reduction—at least 90% off the cost of a comparable product or service.

Affordability, in other words, is indispensable for success in subsistence marketplaces. To present a value proposition in subsistence marketplaces, organizations must challenge industry conventions in areas such as product and packaging design, sizing, and price markups, and rethink how they traditionally conduct business.. This admittedly short-term strategy ignores that, as quality of life and expectations rise, labor costs also rise. Initially however, labor costs will be low compared with the cost of imported automation, which may enable producers to charge lower prices. By reducing fixed and variable costs, companies can deliver products and services that subsistence consumers can afford and still earn profits. Although discretionary spending varies between countries, even at income levels slightly above Rs2 per day, some discretionary spending is possible, as in the case of low-income Indian consumers' willingness to pay for their children's education and health-care

Managing adoption processes in subsistence marketplaces

These cases point to the central role of managing adoption processes in subsistence marketplaces. When SSE rolled out NETWORK, the IT-enabled dairy production system early marketing efforts to rural farmers in India were met with quiet resistance—none of it hostile or openly directed at the company. Acknowledging and understanding the sources of this resistance, SSE instituted a consumer education process and free trial option, in the belief that hands-on experience among opinion leaders and positive word of mouth from satisfied customers would overcome customer reluctance. The company identified and then won over influential farmers in each community by respecting village norms and social influence networks.

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Reliance Infocomm undertook a different method to manage the adoption process.. Creating visibility for its products and services in the broader market through usage situations that encouraged positive testimonials and consumer-to-consumer trials was the company's primary objective. Response was brisk, and the added credibility extended by consumers affiliated with the company who used its products proved valuable. Anecdotal evidence suggests significant role of management of the adoption process on Reliance Infocomm's success, although this effect is not quantifiable.

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

4. Conclusion

This research suggests that firms must think and act locally to address the unique aspects of subsistence marketplaces and the myriad differences between different settings. Organizations seeking to serve subsistence marketplaces must understand the context in which their products will be positioned and consumed, and insights from those localized contexts should feed back to different marketing decisions within the organization. Companies should involve subsistence consumers as co-producers in all aspects of their marketing activity. Innovative solutions emerge when consumers participate in the design of products, as in the cases of latrines and cell phone services. Marketing research, pricing, distribution, and promotion can harness the same co-productive abilities. Kalayan Dental Hospital, for example, can successfully conduct Dental camps when empowering local villagers to seek out the best candidates and frames tooth surgery as a good option in terms of local values and customs. The local villagers thus serve as co-producers of the distribution and promotional activities. In subsistence marketplaces, localized production does not necessarily result in higher operational costs, and consumer co-producers are often more effective.

Firms should remain flexible and avoid formalizing procedures or creating bureaucracies to support their current activities. The lives of subsistence consumers are fraught with uncertainty, and as a result, they adopt products and activities with a relatively short time horizon in mind. Serving subsistence consumer markets requires adaptivity to respond to constant changes within and across local markets. In subsistence marketplaces, organizations that hope to succeed need to be flexible, taking a cue from the consumers they seek to serve. Firms that consider subsistence consumers and integrate them into all facets of the marketing process will likely emerge as leaders in the marketplace. Including

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consumers in the early stages of the research process as well as during the creation of solutions will result in more effective product or service offerings.

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