Providing goods to the base of the pyramid: Opportunities for micro, small and medium-sized local producers

Miriam Borchardt¹, Giancarlo Pereira², Claudia Viegas³, Diego Reolon⁴, Yuri Xavier⁵, Daniel Battaglia⁶

¹Unisinos University, Brazil, miriamb@unisinos.br
²Unisinos University, Brazil, gian@unisinos.br
³Unisinos University, Brazil, claudiavv@unisinos.br
⁴Unisinos University, Brazil, diegoreolon@hotmail.com
⁵Unisinos University, Brazil, yuri_xfigueiredo@hotmail.com
⁶Unisinos University, Brazil, danielbattaglia05@gmail.com

ABSTRACT

The purpose of this research is to identify challenges and opportunities to micro, small and medium-sized producers that supply the base of the pyramid (BOP) market through small retails concerning products features and distribution system. A case study with 30 small retailers that provide goods to BOP was performed. The results indicate that for ordinary products (rice, beans, pasta, sugar), local brands have the preference and price is determinant. For aspirational products (cookies, chocolates), leading brands have the preference and local brands compete if homemade or rural taste is provided. In such cases, the local products occupy the interstices not fulfilled by leading brands. Local producers adapt the size of package to BOP’s money availability as well as introduce products innovation aiming to reduce production costs. Local producers should invest on partnership with dealers since they influence retailers’ purchase decision. The main results contribute to fulfil some academic gaps and could support local producers to develop and supply goods to BOP.

Keywords:
Micro entrepreneurs, Small and medium-sized companies, Base of the pyramid, Bottom of the pyramid, Local brands

Introduction

This research aims to answer: “How could micro, small and medium-sized local companies (MSMEs) that produce consumable goods better explore the base of the pyramid’s (BOP) market?”. Such question is relevant for many reasons. Firstly, the academic literature related to consumable products development has mainly focused on leading brands and multinational companies (MNCs) strategies to ingress and achieve the BOP’s consumers (Angeli & Jaiswal, 2015; Schrader, Freimann, & Seuring, 2012). In emerging markets, despite the MNCs’ growing involvement, the real needs of the BOP’s customers are not always easy to be understood by leading brands, which demand local partnerships for that (Barki, 2010). This aspect could be understood as an opportunity to the local companies (e.g. manufacturer, dealers and small retailers) considering that they have experience in working together with local communities partnership (Hahn & Gold, 2014) and better understanding the BOP’s needs and cultural specificities (Blocker et al., 2013; Pereira & Borchardt, 2015). MSMEs cannot afford to make mistakes when developing products because of their greater resource constraints compared to larger and global firms (Lee, Lim, & Tan, 1999; Srivastava & BarNir, 2016).

Secondly, BOP encompasses people living at the bottom of the economic pyramid or, in other words, living in poverty. It is estimated that approximately half to two-thirds of the world’s population (Pereira & Borchardt, 2015), most of them living in underdeveloped or developing countries (Kumar, Vohra, & Dangi, 2017), belong to this economic segment – BOP (Gupta & Khilji, 2013). Individually, a BOP consumer is not often a viable customer for companies, but the collective purchasing power of the BOP consumers represents a substantial purchasing power that deserves attention from the profit-oriented business firms (Gupta & Khilji, 2013; Kumar et al., 2017). BOP in Brazil, where this research was held, represents about 149 million people (approximately 75 percent of the population) that live with an
income equal to or below US$8.00 per day (IBGE, 2010). Aiming at increase sales, firms continue pursuing BOP (Nakata & Weidner, 2012). This signals the relevance of local and global companies to provide services and goods to this population.

Thirdly, local companies perform a strong economic and social role for the world economy (McGregor, 2005). In Brazil, small and medium-sized enterprises contribute up to 30 percent of the GDP and 60 percent of the formal jobs (IBGE 2010); reinforcing the importance of MSMEs to the economic and social contribution to the country. The strategies adopted by local companies to develop and commercialize products to the BOP market have received little attention from the academic literature (Ramachandran, Pant, & Pani, 2012; Chikweche, 2013).

Finally, in underdeveloped and developing countries, especially in urban areas, most BOP purchases are made at the neighborhood small retailer shops (D’Andrea, Lopez-Aleman, & Stengel, 2006). In Brazil, 84 percent of the population lives in urban areas (IBGE, 2010) and it is estimated that more than 40 percent of the total food, hygiene, and cleaning products are sold by more than 300,000 small neighborhood retailers (Euromonitor, 2016). Retailers’ acceptance and perception of new products should be considered by the producers for improving products and researching opportunities (Alur & Schoormans, 2013). It is also important to understand how to make products available for retailers (Blocker et al., 2013).

The products characteristics and their distribution system linked to the BOP’s customers’ purchase decision determine the mix of the products at small retailers. This research considers that small retailers can reflect the consumers’ preferences, which has been under considered in previous academic studies (Wyma, Merwe, Van Der, Bosman, Erasmus, Strydom, & Steyn, 2012). Retailers that serve BOP could provide significant insights to MSMEs about BOP’s customers’ purchasing decisions (Bruton, Ketchen, & Ireland, 2013), their preferences concerning product features, and prices. It is important that retailers can decide how to combine the presence of leading and local brands when defining the products offered (Ramachandran et al., 2012). The aim of this paper is to identify challenges and opportunities to MSMEs that supply the BOP’s market that are derived by small retailers regarding the products features and distribution system.

In order to achieve this purpose, small retailers who provide goods to the BOP in an emerging country were studied, giving emphasis on how the products are offered. This takes into account the presence of leading and local brands and how they can determine which product characteristics are crucial to their selection. A case study with 30 small retailers was performed, focusing on food and hygiene products that represent about 40 to 45 percent of BOP’s expenses (IBGE, 2010). The managerial contributions could be useful to local producers since they are related to the products’ features, their availability, and their interference in the retailing system.

**Theoretical Review**

**Micro, Small and Medium-sized Producers: Context in the BOP’s Market**

The term base of the pyramid (BOP) was first coined by the US President, Franklin D. Roosevelt (1932), who, at the time of the Great Depression, said “many other millions of people engaged in industry in the cities cannot sell industrial products to the farming half of the Nation”. The term was also adopted by Prahalad at the end of the decade 1990, concerning low purchasing power (Gupta & Khilji, 2013). BOP’s people, the ones who live in poverty, represent at least four billion in the world (Pereira & Borchardt, 2015). There is no consensus about the range of income per day that comprises BOP; it may range from US$1.00 to US$2.00 (Chikweche, 2013), or up to US$8.00 (Guesalaga & Marshall, 2008). The conventional and dominant approach related to poverty considered in this research expresses the deprivation or need of physical and material infrastructure to the extent of impacting the people’s well-being. Poverty has usually been measured by indicators associated with income, consumption levels and infrastructure access (Blocker et al., 2013). However, poverty is much more than low income or physical deprivation, which must reflect dignity, premature mortality, illiteracy, and undernourishment (Hahn, 2012).

Early academic research about business at the BOP emphasize the role of MNCs as agents for improving the population’s quality of life through products and services (Gupta & Khilji, 2013). Initially, at the end of the decade of 1990, Prahalad and Hart identified the BOP as a potential business opportunity to the large global corporations (Gupta & Khilji, 2013). Beginning in 2000, academic literature started considering the inclusion of the BOP entrepreneurs in the value chain as input suppliers, distributors, designers, which effectively could make improvements in their income and quality of life (Kolk, Rivera-Santos, & Rufin, 2014). Discussions have also been observed about the role of micro and small companies originating in the BOP engaged in the chain of supplies of a large corporation (Bendul, Rosca, & Pivovarova, 2016). Detached from the insertion in these chains, discussions arise on how to leverage
the BOP’s quality of life through initiatives of microcredit, cooperatives, entrepreneurship as well as the establishment of public policies and actions causing social impact (Kolk et al., 2014). These discussions are aligned with other studies that examine how MSMEs develop, produce and sell products for the BOP, leveraging the operational mode of the chain on the BOP environment while easing the understanding of the needs and desires of BOP’s consumers (Blocker et al., 2013; Gbadamosi, 2013; Pereira & Borchardt, 2015).

Consumption represents a way of facing, on a daily basis, their sense of alienation from society and their lack of material power in achieving higher standards (Blocker et al., 2013; Gupta & Srivastav, 2015). The BOP’s aspirations increase if the consumers can choose products and services that do not remind them about their poverty. For this reason, items that may be considered luxury or non-essential (aspirational goods) are sought by the BOP’s consumers (Kumar et al., 2017). On the other hand, some authors argue that ordinary products for the BOP need to be simple, cheaper, and focused on surplus basic needs without luxury that could increase price and avoid purchasing (Cheung & Belden, 2013). This suggests that the BOP’s consumers could have a hybrid purchase behavior, as observed in a middle-income consumer. The hybrid consumer buys cheaper generics and low-end brands on some purchase occasions, and then on other occasions trades up to premium, high-end brands and happily pays for them (Ehrnrooth & Gronroos, 2013).

Such an approach suggests that companies which do not wish to compete on price should concentrate on the emotional value of their product or service. These companies need to work to turn needs into wants by differentiating their offering, not just technically, but also on an emotional level, which may require a consideration of how the product or service gets delivered (Ehrnrooth & Gronroos, 2013). Despite the hybrid behavior, consumers are becoming increasingly more and more demanding in their purchasing habits, aiming at more products for less money (Rubach & McGee, 2002).

Complementarily, BOP consumers tend to be more loyal to branded products because making mistakes is unaffordable for them, since they cannot buy twice. This way, acquiring branded goods should be a guarantee of meeting the quality expressed in the advertisements (Barki & Parente, 2010).

Such BOP’s consumers’ behavior may reinforce the power of leading brands to these consumers and their major presence to retailers (Schrader et al., 2012). In most countries from the Latin America, leading brands dominate the assortment – especially in traditional stores and small retailers where approximately 85 percent of the products are first tier brands (D’Andrea et al., 2006). Base of the Pyramid brand strategies developed by MNCs demands intensive advertisements promoting the quality and benefits of the products and services, sales schemes, and a strong sales force which promotes brand association strongly (Rajagopal, 2009).

In this scenario of fierce competition, MSMEs face severe barriers such as lack of access to capital, weak networks, precarious working conditions, limited resources and marketing, limited training, low innovation, legal issues, and lack of legal support and incentives, which leaves little room to think about strategy and professionalism (Droege & Marvel, 2009; Christensen, Parsons, & Fairbourne, 2010). Despite such barriers, they are more flexible than large corporations by having less organizational bureaucracy and being more familiar to their communities (Zimmerman, Dunlap, Hamilton, & Chapman, 2002) which favor the interaction with customers by allowing them to gain information and knowledge about the BOP’s needs and wants (Srivastava & BarNir, 2016; Chikweche & Fletcher, 2010; Reijonen, Laukkanen, Komppula, & Tuominen, 2012).

The use of local resources, both in the supply of inputs and in the distribution system, tends to be prioritized by MSMEs, although these companies may have difficulties in acquiring good quality raw materials at low volumes (London, Anupindi, & Sheth, 2010). Such aspects are challenges for local enterprises that fight to occupy the interstices not fulfilled by leading brands at BOP’s market.

**Small Retailers and Products Offering**

In Brazil, it is estimated that the BOP’s customers do 50 percent of their purchases at supermarket and 38 percent at small-scale retailers (considering the monetary value) (Barki, 2010). Small retailers need to understand emerging customer’s needs, which has been done very well in Latin America (D’Andrea et al., 2006). Small retailers in emerging markets do not have space for mistakes when buying and offering products in their shops due to scarce financial resources (Alur & Schoormans, 2013; D’Andrea et al., 2006).

Small retailers provide a small variety of goods because of their lack of physical capacity and limited financial resources to buy in bulk (Khare, 2014). Products at traditional and small self-service stores concentrates on fresh food, drinks, and basic dry goods, along with a limited selection of cleaning products, personal care items (D’Andrea et al., 2006), and aspirational products (products that are desired but considered expensive and luxurious like chocolate and cookies) (Angeli & Jaiswal, 2015). Additionally,
small-scale retailers effectively serve daily purchase needs by fractioning products (D’Andrea et al., 2006) in order to meet the BOP’s customers’ purchase capacity (Kirchgeorg & Winn, 2006).

In the Latin American retail sector, merchandise forgery is present in the region with prices 50 to 70 percent below-market price to retailers, which may lead to higher profits or artificially lower shelf prices. However, these products still represent a minor fraction of the total consumer packaged goods sector (D’Andrea et al., 2006). The presence of these goods may pose a challenge to the MSMEs that operate in this market given all the legal requirements and taxes.

**Products Affordability**

Sales representatives and dealers are the primary channel for goods considered by the MSMEs to supply small retailers. There are two kinds of direct distribution: pre-sale, in which the company first sells the products and makes the delivery afterwards usually within 24 hours since they are close to their clients (retailers); and, prompt delivery, in which sales and delivery are made simultaneously because the salesperson visits the retailers with their car full of products (Barki, 2010). The main advantages of selling to small retailers through sales representatives and/or dealers include the ability to keep low costs and to establish close relationships with salespeople and distributors (Barki, 2010). These salespersons interact with retailers during new product introduction to understand the hurdles they face in new product introduction (Alur & Schoormans, 2013). They also promote their brands relevance for the producers because local retailers make product recommendations to the end consumers (D’Andrea et al., 2006). If a supplier provides a high-quality product at a favorable price and a margin with attractive advertising support that no other alternative can offer, the small retailer’s dependence on the supplier increases (Chung, 2014).

Cash and Carry stores are one option that is growing among small retailers in Brazil and is a relevant channel to reach BOP’s markets. These stores are easy to access, very well located, and provided up to 40 days for payment (Barki, 2010). Cash and Carry stores and supermarket chains can require favorable quality conditions, minimal volume, and delivery conditions at a minimum price on their suppliers (Figué & Moustier, 2009) which make it difficult for MSMEs focused on the BOP market to distribute their products through these channels. Such considerations indicate that MSMEs should choose carefully their sales representatives and maintain a close relationship that will allow them to receive the retailers’ feedback about a product’s acceptance.

**Theoretical Framework**

An analysis of the literature allows the organization of a theoretical framework. This framework and respective constructs are presented in Table 1.

**Methodology**

This research uses a qualitative method based on exploration of the practices and perceptions of the small retail establishment owner. Qualitative research is oriented towards discovery, understanding relationships, and building theory, and, for that, qualitative methods are used to describe, decode, and advance the understanding of facts, activities, actors’ actions, or decisions (Hlady-Rispal & Jouison-Laffitte, 2014). In order to conduct this qualitative research, a case study was performed with 30 small retailers. The multi-case-based research methodology has been undertaken due to the emergent nature of the BOP phenomenon as well as BOP environment complexity in terms of customer’s profile, and market-based competition (Goyal, Sergi, & Jaiswal, 2016). Case studies permit the investigation of a phenomenon in its context through a complete analysis of one or more objects, which allows a profound insight into the phenomenon studied (Yin, 2014).

**Sample Selection**

This research took place in an urban area of two cities in Southern Brazil that belongs to the capital of the state metropolitan region. This region has about four million inhabitants with around 200,000 people in each considered city. Based on the national statistics census data, two neighborhoods - those with about 85 percent of the population with an average income up to $8.00 per day per person (IBGE, 2010) - were considered as the target of this research. These two neighborhoods are about 10 kilometers from the downtown cities.

Thirty small retail owners with one to four cashiers according to D’Andrea et al. (2006) agreed to participate in the interview and to show their shops and internal spaces (e.g. products shelves and stock area). Ten retailers have their shops in their garages or in a small room in front of their houses; the others have a small shop, typically with one room for the shop and one for the stock. All of them have a mixed assortment of grocery products, soft drinks and beverages, hygiene and cleaning products, and other products to supply local needs such as horse food, household hardware, and domestic utensils. Concerning the characteristics and organizational features of the studied retailers, all of them are managed by the owner and their families. In terms of employees, 15 retailers include only the owner and/or one or two persons from the family as employees;
Table 1
Theoretical Framework

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<thead>
<tr>
<th>Construct</th>
<th>Synthesis</th>
<th>Authors</th>
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<tr>
<td>BOP’s consumer preferences</td>
<td>Hybrid purchase behavior: consumer buys cheaper products from low-end brands and pay extra price for aspirational (premium) products from leading brands. Ordinary products should be simple and cheaper; aspirational products should present emotional value.</td>
<td>(Cheung &amp; Belden, 2013; Rubach &amp; McGee, 2002; Barki &amp; Parente, 2010; Ehrnrooth &amp; Gronroos, 2013).</td>
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<tr>
<td>Small retailers</td>
<td>Knowledge about local customers: retailers know customers’ habits and preferences, providing goods according to the customers’ needs. Product recommendations focused on owners.</td>
<td>(D’Andrea et al., 2006; Rajagopal, 2009; Chikweche &amp; Fletcher, 2010; Reijonen et al., 2012; Barki &amp; Parente, 2010; Cheung &amp; Belden, 2013).</td>
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<td>Products offering</td>
<td>Leading brands x local brands: about 85 percent of the food and hygiene products are from leading brands. Product mix: there are few options of brands and low purchase capacity in bulk. Fractioning products and packages: small packages or fractionated products are preferable to serve daily purchase needs.</td>
<td>(Khare, 2014; D’Andrea et al., 2006; Reijonen et al., 2012; Rajagopal, 2009; Barki, 2010; Angeli &amp; Jaswal, 2015).</td>
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<tr>
<td>Products affordability</td>
<td>MSMEs supply retailers through dealers that use pre-sales or prompt delivery. Retailers are used to buying from dealers, supermarkets, and Cash and Carry. Dealers: dealer should help the small-retailers minimize the products purchased wrongly, reduce purchase processes costs, and establish long term relationship with retailers; they also could provide information about the products.</td>
<td>(Barki, 2010; D’Andrea et al., 2006; Alur &amp; Schoormans, 2013; Figuié &amp; Moustier, 2009)</td>
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15 others have between three and seven employees. Most retailers (27) are managed by men between 21 and 60 years old. Only one owner has graduated high school while the other owners have completed only primary school or some high school.

Data Collection and Data Analysis

Data collection was based on a protocol with semi structured interviews and direct observation. The questions and the aspects to observe were developed considering the constructs presented in Table 1. Direct observation was focused mainly on the retailers’ interaction with customers when suggesting new products, the products on the shelves and in the stock area (the presence of leading brands and local brands, mix of the products, shelves organization, and quantity), and on the interaction with suppliers during product delivery. Photos were taken in eight retailers to capture the leading brands and local brands identification, the mix of the products, and the prices. The others retailers did not allow photos, so notes were taken in a notebook of these items. The use of the protocol provides homogeneity among the issues covered in the interviews and supports the analytical comparison among the cases as well as the discussion regarding the theoretical foundations as mentioned by Kibler, Wainwright, Kautonen, & Blackburn (2015). However, during the interviews, the wording and sequencing of the questions were kept flexible to accommodate both the situation and the interviewees’ characteristics. The data collection protocol was tested through a pilot case with two small retailers and all items/questions were clearly understood by the respondents. The interviews and direct observations were done by two researchers and lasted between 45 minutes and two hours. Twenty interviews were recorded and transcribed; the other ten were written because the owners did not authorize the recording. The respondents’ names and/or the shops’ names were anonymized to protect the interviewees’ identities.

After reading and re-checking each interview, the main points related to the studied constructs were organized by retailer as well as the perceptions from direct observations. A cross case analysis was then performed to identify similarities and discordanaces among data. The findings were then discussed considering theoretical aspects through construct and managerial implications.
Findings and Discussion

Most retailers know the loyal customers by name and as well as their families and shopping habits. They estimate that customers spend about $1.00 to $4.00 on average per purchase. Beer, soft drink, and cigars are the most purchased products followed by salt groceries (pasta, rice, and beans), and sweet groceries (filled wafers, crackers, and peanut candies). Customers primarily value the balance between price, quality/brand and attendance as the most relevant aspect to their purchase decision. Relationships with customers at these small retailers are based on frequent contact over a long time period of time. Such conditions allow the retailers to understand the purchase decision criteria considered by customers as mentioned by Khare (2014). Listening to the retailers, observing what they offer in their shops, and providing product samples allow local producers a source of insights about customers’ needs. Table 2 presents the findings for each construct.

In terms of products, leading brands dominate the market, especially for aspirational products as pointed out by D’Andrea et al. (2006) and Barki (2010). However, these retailers do not have capacity to offer greater options of leading brand products. They choose only one or two brands for each type of product (for example: powdered soap - one leading brand, sometimes one from intermediate product, and one much cheaper powdered soap). Contrary to Barki (2010), who mentions competition between leading multinational companies and local companies, the findings of this research suggest that leading brands face great barriers to being accepted by small retailers. Similar conditions exist for local brands as they struggle against tough competition.

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<tr>
<th>Construct</th>
<th>Observed Aspect</th>
<th>Findings</th>
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<tr>
<td>BOP’s consumer preferences</td>
<td>Purchase behavior</td>
<td>Hybrid purchase behavior: for aspirational products, in general leading brands are preferable although some local brand products with homemade or rural taste appeal have good acceptance; for ordinary products, customers prefer local brands that are cheaper than leading brands. Customers’ purchase daily portions.</td>
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<tr>
<td>Small retailer</td>
<td>Knowledge about local customers</td>
<td>Customers trust on retailers’ opinion.</td>
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<td></td>
<td>Product recommendations</td>
<td>Advertisement influences the purchase decision especially for aspirational products.</td>
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<td>Products offering</td>
<td>Leading brands x local brands</td>
<td>Sales prices of leading brands normally are more than the double of the cheapest similar product; local brands are more profitable per unit but leading brands sell more.</td>
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<td>Product mix</td>
<td>The retailers firstly select the brand (leader, intermediate, and cheaper) and, for each brand, provide some variety of flavors and size (for example: strawberry, chocolate, or cream filled wafer of the same brand, spaghetti or screw-type, or instant pasta). It means that they have few brands but some variety for each brand.</td>
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<td>Fractioning products and packages</td>
<td>Customers prefer compact or single pack. They consider the price for package; local manufacturers have adapted the size of the package fixing the price (e.g. for an inflation of 10 percent per year, the price of the product will be the same but the amount of the product will be reduced in 10 percent); Fractionating food was observed for meat, cheese, ham, and cold cuts in general; leading brands usually have more attractive package and frequently use some fashionable character to induce the sales.</td>
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<tr>
<td>Products affordability</td>
<td>Purchase process</td>
<td>Dealers are the most important supplier for retailers, followed by supermarket and cash and carry; multi brand dealers, that supply local brands, offer more favorable payment conditions than leading brands. Trustfulness with dealers is considered relevant and multi brand dealers are closer (in terms of relationship) than leading dealers; delivery time is considered appropriated; producers supply directly the retailers, what reinforces the relationship between them and the acquisition costs to retailers; in some cases, forgery products (without label or invoice) were observed.</td>
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<tr>
<td></td>
<td>Dealers’ behaviors and relationship with retailers</td>
<td>Dealers are the most important supplier for retailers, followed by supermarket and cash and carry; multi brand dealers, that supply local brands, offer more favorable payment conditions than leading brands. Trustfulness with dealers is considered relevant and multi brand dealers are closer (in terms of relationship) than leading dealers; delivery time is considered appropriated; producers supply directly the retailers, what reinforces the relationship between them and the acquisition costs to retailers; in some cases, forgery products (without label or invoice) were observed.</td>
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Table 2

Findings
For ordinary products such as rice, pasta, and beans, price is important and local brands do much better. It is easier for small retailers to purchase more options of ordinary products from local brands because the suppliers are more flexible concerning quantity and payment conditions than leading brand suppliers. Additionally, some retailers consider that the local producers of these products should be aware about the balance among quality, package, and the products price.

A customer hybrid purchase behavior as commented by Ehrnrooth and Gronroos (2013) was observed. These customers look for leading brands and cheaper products according to the product purpose (pleasure and emotional or basic needs). The most demanded aspirational products include chocolates, cookies, cakes, yogurts, and tuna. For these products, whenever there is a financial availability, the consumers give preference for leading brands. Local brands with similar products and with much lower prices are the option in the event of limited resources. Chocolate powder offers a great example: the price for 200g from a leading brand is $1.50 and the price of 400g from a local brand is $0.70. Some local brands, produced by MSMEs, compete through differentiation by providing products with a local taste that has higher prices than leading brands. The valorization of homemade or rural taste by the customers indicates to the MSMEs that the competition through differentiation may require attention to the product characteristics. It is possible that a homemade or rural taste valorization is linked to psychological needs (or memories) considering that the oldest urban BOP population in Brazil migrated from country and rural sites in the last 20 or 30 years. This finding is in line with Ehrnrooth & Gronroos (2013) and may be useful for further research that promotes strategies for the challenges faced by MSMEs on emerging markets (Droege & Marvel, 2009).

It was observed that many local companies supply the small retailers with typical Southern region products from Brazil. Examples include polenta, certain types of beans, dairy products known regionally as ordinary products; special types of cakes named ‘cuca’, colonial cheese, and typical salami with pepper as aspirational products. This suggests increasing market demand for these products as well as the influence for MSMEs to use local raw materials, either by geographical proximity with their suppliers or the network that is formed in which companies can develop joint strategies for operation in the market. It was also observed that, even in the provision of aspirational products, local companies have been seeking alternatives to reduce production costs and the final price to the consumer. As an example, a regional sweet peanut, called ‘rapadura’, has been in part replaced by soy, a commodity widely produced in the region and with lower cost than peanuts. This innovation reduces production costs and adds an element of differentiation since the product packaging highlights to consumers the soy benefits. This finding suggests an adaptation of local producers and the availability of regional products, which generates shorter and local supply chains. Some respondents pointed out that during times of recession, the offering of non-legal products made at home increases because they are cheaper than legal products. These findings are aligned with the idea that micro-enterprise structure creates a unique net of trustfulness, which helps them adapt to circumstances which are not always favorable (Blocker et al., 2013).

During these times of recession, there is often a decreased access to aspirational products. Firms that produce these products could attempt to expand their target market. BOP is characterized by a wide range of incomes, and, just above this layer of the population, there is another group which have their basic needs met and usually have access to other opportunities (Pereira & Borchardt, 2015). These consumers still use and value their small neighborhood markets (Barki, 2010). Future studies may analyze the aspirational products acceptance by various consumers’ profiles as well as evaluate a possible price elasticity of the product depending on the consumer’s profile.

Besides the product characteristics, the product packaging should be attractive and affordable to the BOP’s customers. Some leading brands reduce the package size to provide affordable pricing per package, but not in relative terms (Nakata & Weidner, 2012). According to the respondents, local brands do not present attractive packages although they do offer affordable sizes and prices while reducing the quantity.

The relationship with multi-brand dealers is, in general, good and based on trust. On the other hand, leading brand dealers do not provide discounts or promotions to the retailers because of the amount that they buy. This study focused on urban areas. Accessibility for dealers is not a great challenge although there is a large market of the small retailers served by them. Cash and carry has been a good opportunity for the retailers to buy leading goods with 30 or 40-day terms. However, MSME producers rarely commercialize their goods in supermarkets. Some goods have been delivered directly by the producer as an opportunity to reduce delivery costs.

Conclusion and Implications

This research analyzes the challenges and opportunities to MSMEs that supply the BOP market through small re-
Retailers. In academic terms, the first contribution indicates that the BOP’s customers have a hybrid purchase behavior similar to the one identified for a middle-income consumer by Ehrnrooth and Gronroos (2013). It means that purchase decision considers both the uses and attributes of the products. Listening to small retailers may be a relevant source of insights to local producers as they develop their products.

The second finding of this research is that ordinary products from local producers have more room in the BOP than leading brands. In terms of the mix of products, small retailers provide one leading brand on their shelves for each type of product. This shows that leading brands compete for this space and local producers can occupy the niches that leading brands cannot fulfill. For local producers, it was observed that local brands that offer homemade or rural tastes are preferred even if they are more expensive. These findings, together with the price elasticity accepted by the customers to these products, could help local producers in their product development strategies. Local brands should balance quality and price while focusing on small packages with lower prices and reduced quantities.

The third contribution concerns product availability. Small retailers, in general, manage well the mix of products. The small retailers argue that there are no problems regarding product availability. These MSMEs supply retailers through dealers. Local producers should consider dealers’ partnerships as an important source of product availability and should invest in connecting with these dealers.

This research studied how local brands are present in small retailers. It is noteworthy that the MSMEs that serve the BOP compete with leading brands. These leading brands have a great capacity to organize a global chain of suppliers and distribution channels. The MSMEs, on the other hand, make use of local inputs and establish partnerships with dealers to distribute their products regionally. How these MSMEs relate to their suppliers, form networks of enterprises to expand their capacity for acquisition and distribution, structure themselves organizationally and professionally with access or not to development and resource agencies originating from public policies, remains as a suggestion for the continuity of this work.

One limitation that is noted is that this research was based on the small retailers’ point of view and their purchase choices when deciding about hygiene products, food and beverage. Additionally, this study focused on only two urban neighborhoods in the South of Brazil. The entire country should to be taken in account in further research as well as the cultural diversity. Therefore, these results should be considered in the scope of the metropolitan region that was targeted.

Acknowledgement

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