Marketing at the Base-of-the-Pyramid with Fairness and Equity

Nicholas J C Santos

Marquette University, nicholas.santos@marquette.edu
Marketing at the base-of-the-pyramid with fairness and equity:
An integrative justice approach

Nicholas J.C. Santos, Ph.D.
Marquette University, Wisconsin
Delineating the BoP market

The Bottom- or Base-of-the-Pyramid (BoP) Market

- **Tier 1**: Purchasing power parity in U.S. dollars > $20,000
  - Population in millions: 75 – 100

- **Tier 2-3**: $1,500 - $20,000
  - Population in millions: 1,500 – 1,750

- **Tier 4**: $1,500
  - Population in millions: 4,000

- **Tier 5**: < $1,500

Delineating the BoP market (cont’d)

- Rangan, Chu and Petkoski (2011)

1.4 B LOW INCOME [$3 - $5]
1.6 B SUBSISTENCE [$1 - $3]
1 B EXTREME POVERTY [<$1]

Growing Interest in the BoP Market

The Next Billions: Unleashing Business Potential in Untapped Markets

Prepared in collaboration with The Boston Consulting Group

World Economic Forum
January 2006
Marketing at the BoP: Opportunity or Threat?

- Promise of inclusive capitalism
  - Including those kept at the periphery of development
  - Increase in employment opportunities
  - Better standard of living

- Threat of increased exploitation
  - Unconscionable labor practices
  - Predatory lending
  - Tainted insurance
  - Exorbitant rent-to-own transactions

- Vulnerabilities of BoP consumers and desire of these for better quality products and improved quality of life
The ethical issue at stake: the “fair” treatment of people at the BoP

Are the benefits and burdens of rapid economic development being fairly allocated among the parties to the expanded economic transactions
The Integrative Justice Model (IJM)

- Normative ethical framework for marketing to impoverished market segments
- Constructed using the normative theory building process in philosophy proposed by John Bishop (2000)
- Integrates the notion of “fairness” or “equity” in marketing transactions as developed in different strands of thought in moral philosophy and management theory
An Integrative Justice Model for Impoverished Markets

VALUE INPUTS
- Authentic engagement with consumers, particularly impoverished ones, with non-exploitative intent
- Co-creation of value with customers, especially those who are impoverished or disadvantaged
- Investment in future consumption without endangering the environment
- Interest representation of all stakeholders, particularly impoverished customers
- Focus on long-term profit management rather than short-term profit maximization

BUSINESS FIRM

EXCHANGE TRANSACTIONS

IMPOVERISHED MARKET SEGMENTS

OUTCOMES
- Long-term relationships
- Customer empowerment
- Sustainable business initiatives
- Creation of a fairer marketplace

Publications to date

♦ Journal of Business Ethics [2009]
  ♦ “Just” Markets from the Perspective of Catholic Social Teaching

♦ Journal of Public Policy & Marketing [2009]
  ♦ Marketing to the Poor: An Integrative Justice Model for Engaging Impoverished Market Segments

♦ Journal of Macromarketing [2011]
  ♦ The Integrative Justice Model for Marketing to the Poor: An Extension of S-D Logic to Distributive Justice and Macromarketing

♦ Business and Politics [2012]
  ♦ Marketing to the Base of the Pyramid: A Corporate Responsibility Approach with Case Inspired Strategies
Working papers

- The “Integrative Justice Model” as a transformative justice framework for base-of-the-pyramid marketing
  - Focuses on the “set of institutions” component of the 2007 AMA definition of marketing

- Marketing Planning for Social Entrepreneurs: A Preliminary Investigation

- Social Entrepreneurship That Truly Benefits the Poor: An Integrative Justice Approach
  - The two papers above attempt at applying the IJM to the contexts of social entrepreneurship and subsistence marketplaces
Future directions

- Operationalizing the IJM
- Metrics for evaluating implementation of the IJM
- Extension of the IJM to other vulnerable and disadvantaged populations