www.etimm.ase.ro

Purchasing Decisions and Consumer Behavior in BoP- Albanian Reality

Irma SHYLE
Polytechnic University of Tirana
irmitash@yahoo.com

Abstract
Poverty is a rather complex phenomenon combining several dimensions. One of the best approaches to define poverty is perhaps just to ask ordinary people how they would define it and list what features they perceive as most important. Many studies have been made about customer behavior, but few have dealt with the bottom of the pyramid. The World Bank defines extreme poverty is living on less than $1.90 per day, whereas poverty is defined as living $2–$5.5 per day. According to data from the World Bank over 2016 published in its recent Migration and Mobility report, 5.8% of the Albanian population lives in extreme poverty, while 34% live in poverty. About 25% of Albanians are living with less than US$ 2 per day. On a daily basis, the poorest people (representing 5% of the total population) struggle to eat adequately. More than half the population also lives in rural areas, where the poverty rate is 66% higher than in the capital – Tirana. Such a situation is partly explained by the lack of non-farm job opportunities. To cut the effects of poverty, the state provides economic aid to this category of people. The full amount of family economic assistance, regardless of its composition, can not be higher than 8,000 lek or US $ 65 per month. In our study, we focused only on one city of Albania (Permet). From the data of the institution dealing with the registration of the poor and the distribution of economic aid, 244 families received economic assistance at this institution. 45 questionnaires were conducted, out of which 40 were valid and were further studied to get a descriptive approach about the behaviors and habits of these consumers. The questionnaire consists on 21 closed questions, mainly about purchasing decisions and habits using Likert's scale (5 scales) according to which: 1-not important to 5-extremely important. Data analyses point out the main factors affecting purchasing decisions for BOP customers, such as: the place where they usually buy the products, the frequency of purchase and the most purchased type of food. Most BOP consumers do not adapt to the new products, they do not want to read the instructions on the packaging or reluctant to try new products because they underestimate yourself. Respondents give priority to the senses of touch, sight and wind in purchasing food products and, unlike other consumers do not focus on packaging and product advertising, but want to have on hand and see the product. The main criteria for buying a food product for these customers are the quality and the price. This means that the survival consumers seeking affordable products but are not willing to sacrifice quality. Respondents do not feel a bond or strong brand loyalty. It is assumed that the poor can not afford being loyal to the brands but they just want to satisfy their basic food needs and tend to give priority to price and quality. So the brand's impact is not important in choosing food products for survival customers.

Keywords: BoP, consumer behavior, marketing mix, Albanian consumers.

JEL Clasification: M31.

1. BOP market

According to a study of the World Bank , based on people's perception, and other sources, the following factors are important in characterizing poverty: basic needs satisfaction, health, disability, access to assets property, employment, gender, age, education, geography, ethnicity, discrimination, religion, season (for farmers and construction workers), access to public infrastructures and services, power and voice, dependency and exploitation, environment, etc. Indeed, the list can be very long.

BOP is not a homogeneous market (Subrahmanyan and Tomas Gomez-Arias 2008). The level of income, distribution of people between needs and urban and rural areas varies by region. It should be said that some researchers (Kasturi Rangan et al, 2011) have tried to distinguish some similarities within the BOP markets and define three segments:

- Low incomes (between $ 5 and $ 10 per day): This group represents about 1, 4 billion people, is composed mainly of people who have barely reached secondary education and have enough skills to enter the labor market. They also make purchases in both formal and informal markets. This segment is characterized by special needs such as good housing, education for their children and the health care service. They have a hope that their children will have a better life.

- Income to survive (between $ 3 and $ 5 per day). This group comprises about 1.6 billion people, consisting of uneducated and low-skilled people. Consequently, they do not have a regular income, but they have temporary jobs. They live in poor neighborhoods. They manage to offer daily nutrition with difficulty, suffer from deficiencies, are susceptible to disease and need education. They have little hope to somehow improve their situation.
- Extreme poverty (less than $ 3 per day). This group is about 1 billion people. They have a shortage of everything: food, water, shelter. Their insecurity prevents them from joining the market as consumers or producers. They are imprisoned by the informal market so they can not access the formal market. They are often the first victims of natural disasters or conflicts. Currently their only light of hope is the help provided by NGOs.

This segmentation (Kasturi Rangan et al, 2011) allows us to understand which products and services are most likely to satisfy or meet the needs of some segments more than others. Buying food is a major challenge for BoP customers. The food sector represents the largest market, around 58% of the entire BoP market.

Subrahmanyan and al. (2008) focused their attention on the characteristics of poor consumption and their links to the pyramid of Maslow. They divided each sector (housing, food, etc.) mentioned by the WRI report (2007) into 5 broad categories of the Maslow pyramid. In their investigation they discovered that BoP customers sometimes spend their money on items that can be considered as luxurious or at least non-essential. Why? Because sometimes the poor want to buy special things to celebrate something like a marriage, sometimes the poor want to avoid the pressure of society or just the poor want to experience the promise of a brand (Hammond, a.l., & Prahalad 2002, 2004). The authors also added that BoP customers are not so different from other customers. These consumers also look for goods and services that bring fun, culture, or even high spirits (Kirchgeorg, M., & Winn, M.I., 2006).

2. Poverty in Albania

Albania is one of the poorest countries in Europe. Despite the strong growth of the economy in recent years, almost a quarter of the population lives at a poverty level of less than $ 2 per day. The poorest of the poor, who make up about 5 percent of the population, struggle to have food on the table every day. According to data from the World Bank over 2016 published in its recent Migration and Mobility report, 5.8% of the Albanian population lives in extreme poverty, while 34% live in poverty. The World Bank defines extreme poverty is living on less than $1.90 per day, whereas poverty is defined as living $2–$5.5 per day.

Compared to 2015 and 2014, there is a slight reduction of 2% of people living poverty, while the group living in extreme poverty has not shrunk significantly over the years.Compared to the other countries in the region, poverty levels in Albanian remain high. About 25% of the Albanian populations live with less than US$ 2 per day. On a daily basis, the poorest people (representing 5% of the total population) struggle to eat adequately. More than half the population also lives in rural areas, where the poverty rate is 66% higher than in the capital – Tirana. Such a situation is partly explained by the lack of non-farm job opportunities.

As in many countries, the poverty rate is higher in rural areas. About 57 percent of Albania's population lives in these areas and most of their income is dependent on agriculture. Poverty is 66 percent higher in rural areas than in Tirana, and is 50 percent higher in rural areas than in other urban areas.

3. Methodology

Through this study we will analyze the characteristics of the population in order to derive a general overview of the habits, behaviors and preferences of this specific population in the BOP market. The purpose of this study is to provide useful data so that marketing intentions and visions can be changed with respect to this category of consumers. The questionnaire has different sections that correspond to traditional 4P marketing and new 4A approaches. The study will present purchase practices, favorite places to buy, favorite products, and ways to be aware of new products. This step is essential for marketers in order to adapt their strategies to reality.

The questionnaire has different sections that correspond to traditional 4P marketing and new 4A approaches. The study will present purchase practices, favorite places to buy, favorite products, and ways to be aware of new products.

The questionnaire is composed of 25 closed and structured questions to be understood by this segment, including demographics, how often they buy food, the relationship between seller and customer, their knowledge about products and brands. Some questions are related to traditional 4P theory: "place", "prize", "product", "promotion" mixed with Prahalad (2011) theory 4A: "awareness", "availability", "affordability" and "accessibility."

People interviewed are people who receive economic assistance at Permet Municipality. A total of 45 questionnaires were collected, of which 40 were valid and were used for further study. Questionnaires were handed over to a representative of each family, which was mainly the person who dealt with the family shopping.

The analysis was conducted through the SPSS program.

The hypotheses that will be addressed following the study are:

H1: There is a significant link between the gender of the people that are part of the bottom of the pyramid and the impact of other people on their purchases.

H2: There is a significant correlation between the Bottom of Pyramid customer age group and brand considerations as an important criterion for judging product quality.

H3: There is a significant correlation between customer incomes and the frequency of purchasing food products.

4. Data analysis

80% of respondents were women, while 20% were men (Fig. 1). These percentages were expected due to the fact that in the case of home purchases, especially in Albanian culture, the main role is female (mothers), while men have a lower impact on purchasing decisions. In men interviewed, some of the reasons that they have played a crucial role in purchasing decisions have been because their spouse had passed away, the wife was sick, and in very few cases was a joint decision (both spouses) that men taking part in family purchases.

Table 1 Demographic data

Demographic data	***Percentage***
Gender	
Male	20
Female	80
Age	
18-30	25
31-40	40

41-50	25
51-60	10
Incomes	
0-15,000 Lek	32.5
15,001-25,000 Lek	30
25,001-35,000 Lek	37.5

Source: Author's original finding from research

Product and acceptability

For the statement "I fit easily with new products", the answers are mostly divided into three categories "Totally agree" 29.7%, "Totally disagree" 20.3% and "Neutral" 32.8% (Figure 2). From this result it can be concluded that most respondents can not adapt to new products.

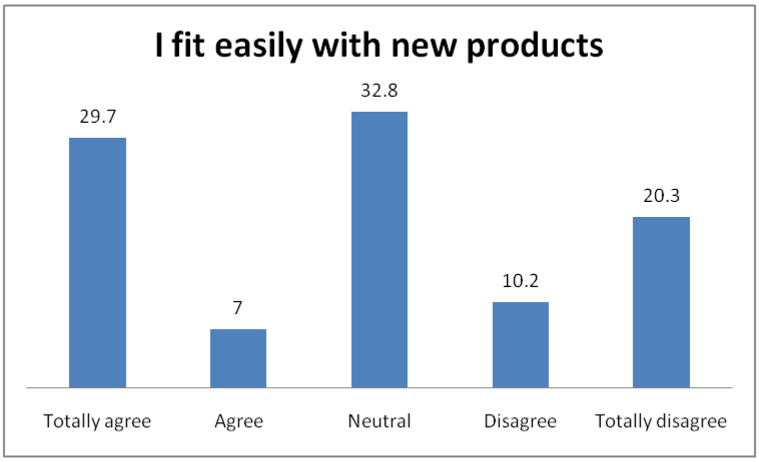

Figure 1.Adaption with new products

Source: Author's original finding from research

It is understandable because this population consists mainly of people with low education, so they do not want or can not read the instructions on packaging or are reluctant to try new products because they underestimate themselves. It is assumed that these people feel they can not understand how the product works so they do not prefer to try new products. This shows that they find it difficult to adapt to new products. Also among the 5 questionnaires that were not used and not analyzed, respondents stated that they are not able to read. This point reinforces the need for traders to design packaging guidelines that are understandable to everyone. It has been proved that drawings can overcome this literacy problem.

Mostly, respondents give priority to the senses of touch, visibility and wind of food products. Indeed, survival consumers perceive the product, smell the product to make sure it is not spoiled and see it as believing they will buy such an item and not another if it is the same product. This result should not be neglected because it shows that consumers of existence do not use the same criteria as customers of other layers when they buy food.

High-income consumers trust sellers and companies so when they want a product, they look at packaging and advertising and decide what product they want. Rather, survival consumers do not focus on packaging and product advertising, but want to see and touch the product.

This means that if the marketers launch a food product with an opaque package, the poor will not be able to see it, smell it, and touch it so it would be likely they would not buy it.

Another result that deserves to be noted is the neutral results for buying a product suggested by friends. This shows that the BoP consumers are not very susceptible to suggestions of friends and decide to buy the products themselves.

If a comparison was made between the criteria, it would be noted that the most important buying criterion with 72.5% is “Need to see the product “, followed by “Need to smell the product “by 55%, and then “Need to test the product with 50%”. So the product for this consumer category has to be persuasive in appearance.

Almost all consumers say they never need to test the product before the purchase. This is explained by the fact that food products do not offer the opportunity to try before the purchase. Also, as the customer's income is low, they do not have the opportunity to buy the product to test, and then decide if they want to consume it again.

A cross-tab of the variable "I fit easily with new products" and "The seller gives me information about the product" show that. 14 out of 40 respondents who can not easily adapt to new products do not see the information from the vendor as an important criterion. There is no strong link between information received from the seller and adaptation to new products. However, the fact that these customers are not relying on the seller can be fully explained by the fact that these customers prefer to seek help from family or make their own decision about using a new product

Price and affordability

In the table below we can see respondents' answers to the question "what are the most important criteria when buying a food product"?

Table 2.The most important criteria in buying a food product

	N	Minimum	Maximum	Mean	Std. Deviation
Price	40	2.00	5.00	4.2750	.96044
Quality	40	1.00	5.00	4.0750	1.04728
Brand	40	1.00	5.00	3.0500	1.39505
Taste	40	1.00	5.00	3.7250	1.08575
Seller's reputation	40	1.00	5.00	1.7000	1.22370
Product popularity	40	1.00	5.00	3.0000	1.26085
The closeness of the shop	40	1.00	5.00	3.0250	1.44093
Valid N	40				

Source: Author’s original finding from research

The two most obvious answers are "Quality" and "Price". This proves that survival customers are looking for affordable products but are not willing to sacrifice quality. Though these people are poor, they still focus on price / quality performance because they can not afford to spend their money on poor quality products that will quickly break down. The third most important criterion is "Taste" which is understandable as the study is focusing on the food product. Although the subject is a food product, respondents' responses show that "Taste" is not as important as "Quality and Price".

This ranking shows that BoP customers are not affected by the reputation of retailers and the popularity of food products. They prefer to rely more on criteria such as price and quality than product popularity.

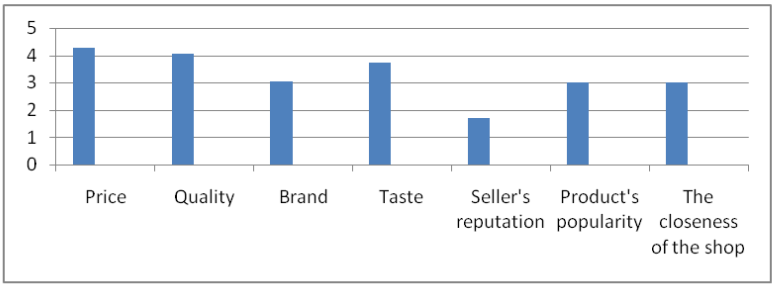

Figure 2.Average results regarding the most important criteria for buying a food product

Source: Author's original finding from research

Almost 83% of respondents (33 of them) are not willing to raise their money to buy expensive food.

Promotion and awareness

The results shown in figure 3 refer to how BOP customers are informed about products.

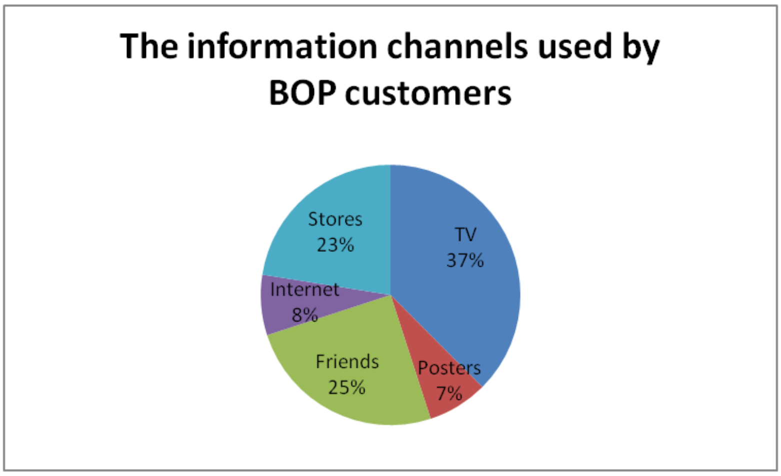

Figure 3.The information channels used by BOP customers

Source: Author's original finding from research

The goal was to assess whether BOP consumers tend to be more affected by ads or people. From the data analysis we notice that TV is the main medium for getting information about products, followed by discussions with friends and shops.

The lowest percentage is the internet and advertising posters. Television is one of the first non-basic products purchased, because it is a tool to discover new things, to spend fun time watching, to forget their bad conditions and to get a higher status.

There is a slight predominance of respondents who care about brands, but without doubt these results are not enough to draw an indisputable conclusion (figure 4).

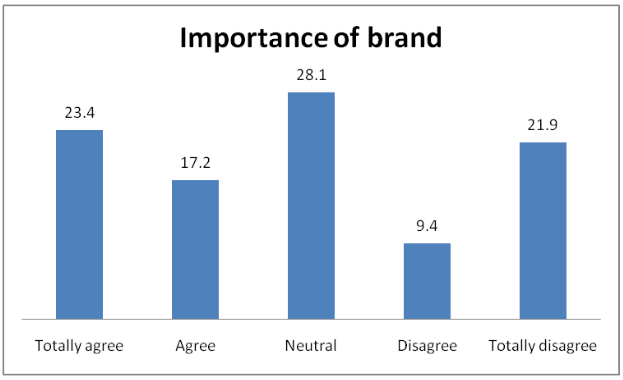

Figure 4.Importance of brand to BOP consumers

Source: Author's original finding from research

Respondents do not feel a strong bond with brands or strong brand loyalty as is shown in figure 5. It is assumed that the poor can not afford to be loyal, they just want to satisfy their basic food needs and tend to give priority to the price and quality to any brand either.

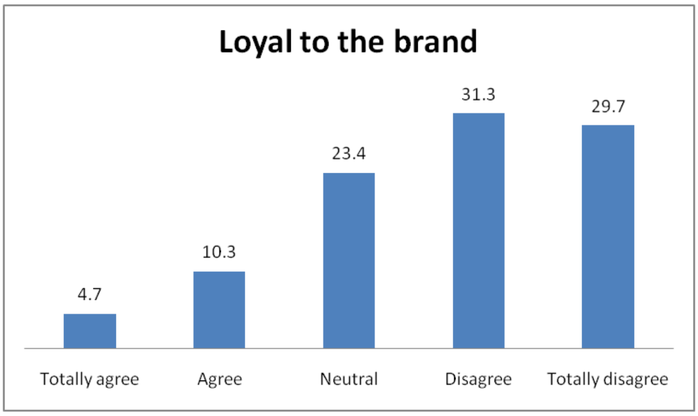

Figure 5.Loyality to the brand for BOP consumers

Source: Author's original finding from research

BOP customers not only are not loyal to the brands, but it does not matter to them even the country of origin from these brands or products. 30% of them are neutral and 52% are not affected by the country of origin while choosing food products.

<u>Place and availability</u>

Table 3 presents cross tabulation to see if there is a link between "the frequency customers buy food" and "if these customers tend to buy mostly fresh food or canned food". The result is meaningful because as many people consume fresh food, the more often they buy food.

Table 3.The frequency of purchases and the type of food consumed

		Types of food consumed		
		Usually buy fresh food	Usually buy canned food	Total
Frequency of purchases	Every day	18	0	18
	2-3 times a week	15	0	15
	Every week	2	4	6
	2-3 times a month	0	1	1
Total		35	5	40

Source: Author's original finding from research

Most of the respondents, 47%, responded that they usually buy the food on the open market (figure 6). BOP customers buy in open markets because food there is somewhat cheaper than in stores or supermarkets.

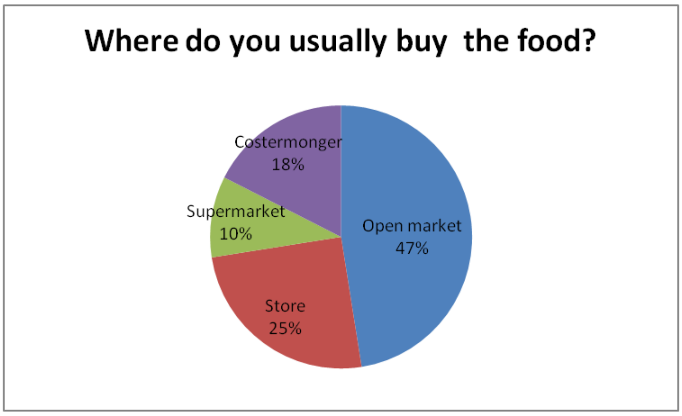

Figure 6. Place buying usually the food

Source: Author's original finding from research

BOP customers are not rich enough to buy large quantities of products as usually can happen in the supermarket. There are many other reasons why most respondents go to "open markets" such as: it is the place to talk, to listen the others' opinions, to feed a relationship with a salesman, to find affordable products or because their friends go to the market etc.

H1: There is a significant link between the gender of the individuals that are part of the bottom of the pyramid and the impact of other individuals on their purchases

Table 4. The correlation test between gender and 'suggestion of a friend as an important criterion for the purchase of a food product

			Gender	Suggest by a friend as an important criterion for buying
Spearman'rho	Gender	Correlation Coefficient	1.000	-.371*
		Sig.(2-tailed)	.	.018
		N	40	40
	Suggest by a friend as an important criterion for buying	Correlation Coefficient	-.371*	1.000
		Sig.(2-tailed)	.018	.
		N	40	40

Source: Author's original finding from research

According to the results in table 4, there is a moderate negative correlation between the gender and the consideration of a friend's suggestion as an important criterion for buying a food product. It turns out that respondents no matter of gender, have different tendencies of the criterion of influence from other people in their purchases. However, the link is considered to have statistical significance, and serving as a strategic reason for management products for companies operating in this segment and the importance of 'word of mouth' as an important element of marketing.

H2 : There is a significant correlation between the age of BOP consumers and considering the brand as an important criterion to judge the quality of the product.

Table 5. Correlation test between age and brand as an important criterion for buying a food product

			Age	Brand as an important criteria to buy the food
Spearman'rho	Age	Correlation Coefficient	1.000	-.126
		Sig.(2-tailed)	.	.440
		N	40	40
	Brand as an important criteria to buy the food	Correlation Coefficient	-.126	1.000
		Sig.(2-tailed)	.440	.
		N	40	40

Source: Author's original finding from research

The relationship between age and brand impact is in a weakly negative correlation but it does not have a statistical significance between branded product and customer age groups. Consequently, the second hypothesis fails because it seems that the age difference does not have influence on the reaction of consumers to brands. The data obtained show no significant connection or are not statistically significant between these two parameters.
H3: There is a significant correlation between customer incomes and the frequency of purchasing food products.

Table 6. Correlation test between incomes and frequency of food's purchasing

			Incomes	Frequency of food's purchasing
Spearman'rho	comes	Correlation Coefficient	1.000	-.731
		Sig.(2-tailed)	.	.045
		N	40	40
	Frequency of food's puchasing	Correlation Coefficient	-.731	1.000
		Sig.(2-tailed)	.045	.
		N	40	40

Source: Author's original finding from research

The test shows that there is a strong negative correlation between revenue and the frequency of purchases, which means that with increasing of incomes, the frequency of consumer purchases will decrease.
This is explained by the fact that consumers with lower incomes tend to buy more often products because their incomes are fluctuating and are never fair, and it 'forces' them to buy food once they offer a certain amount of money. On the other hand, consumers with relatively high incomes, have a regular interval to make sure their income, so that their purchases will be at regular intervals. Consequently, there is a statistically significant correlation between incomes and frequency of purchases for BOP customers.

5. Conclusions

Companies wishing to enter this market segment should consider living conditions and key features of the BOP customer segment. Food products belong to the largest purchase group because consumers buy them regularly and often. Most BOP customers do not adapt to new products, they do not want to read the instructions on packaging or are reluctant to try new products because they underestimate themselves.

Respondents give priority to touching, visibility and wind senses to a food product. They do not focus on packaging and advertising the product but want to have it in hand and to see the product. Marketers should focus in particular on the packaging of the product they will offer. This involves the creation of a simple and understandable packaging, and on the other hand the packaging must be resistant to conserve the food in the longest possible period.

The main criteria for buying a food product for these customers are the quality and price. This means that BOP customers are looking for affordable products but are not ready to sacrifice quality. Respondents are not loyal to brands. This is because the poor can not afford being loyal, they just want to satisfy their basic food needs and tend to give priority to the price and quality of any brand. So, brand influence is not important to consumers survival related to food products.

The age difference does not have any impact on customer response to brands. There is a strong negative correlation between incomes and the frequency of purchases. The age difference does not have any impact on customer response to brands. This study made it clear that BOP customers should be informed about using the product. Marketers should therefore design a product that will be understandable to them.

References

HAMMOND, A.L., & PRAHALAD, C.K. 2004. *Selling to the poor*. Foreign Policy

KIRCHGEORG, M., & WINN, M.I. 2006. *Sustainability marketing for the poorest of the poor*. Business Strategy and the Environment.

PRAHALAD, C.K., & HAMMOND, A. 2002. *Serving the World's Poor, Profitably*. Harvard Business Review

PRAHALAD, C.K. 2011. *Bottom of the pyramid as a source of breakthrough innovations*. Journal of Product Innovation Management,

KASTURI RANGAN ET AL, 2011, *Segmenting The Base of The Pyramid,* Harvard business review 89

SUBRAHMANYAN, S., & GOMEZ-ARIAS, J. 2008. *Integrated approach to understanding consumer behavior at bottom of pyramid.* Journal of Consumer Marketing, 25 (7), 402-412.

WORLD RESOURCE INSTITUTE 2007. *The Next 4 Billion.*Washington. DC: World Resources Institute.

WORLD BANK 2016, Migration and Mobility report