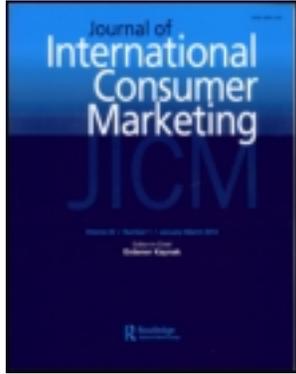


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Consumer Evaluation of Target Marketing to the Bottom of the Pyramid

Shruti Gupta
Julie Pirsch

ABSTRACT. Bottom of Pyramid (BOP) research has emphasized how marketing to the world's poor is profitable for companies and can generate significant revenue growth. But marketing targeting BOP consumers can also do harm, creating ethical concerns over exploitative marketing practices. This article measures the ethical evaluation by the average (non-BOP) consumer of target marketing to the BOP, and measures the consumer's willingness to take action against the company when it is marketing unethically. Findings show that non-BOP consumers do not consider companies to be ethically wrong in marketing to the BOP, provided marketing practices are evaluated as fair for BOP consumers. However, non-BOP consumers will take action against companies perceived to be marketing unethically to BOP consumers.

KEYWORDS. Bottom of pyramid, consumer vulnerability, target marketing, marketing ethics

Research under the topic of “Bottom of Pyramid” (BOP) has emphasized how marketing to the world's poor, defined as an individual earning approximately \$2 per day (Prahalad 2004), is a profitable endeavor for both national and multinational companies, as well as a major source for future organizational growth. This concept is summarized in the following quote:

The real source of market promise is not the wealthy few in the developing world, or even the emerging middle-income consumers: It is the billions of aspiring poor who are joining the market economy for the first time. (Prahalad and Hart 2002, 2)

This statement summarizing the BOP consumer proposition translates into a three-pronged assertion for companies:

1. There is untapped purchasing power potential at the bottom of the pyramid.
2. There is an opportunity for private companies to generate profits by marketing to the poor.
3. The onus is on multinational corporations (MNCs) to be leaders in this initiative. (Prahalad 2004, Prahalad and Hammond 2002)

The current size of the BOP market segment is estimated at approximately 4 billion people

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or approximately two-thirds of the world's population. This number is expected to grow to 6 billion people with \$5 trillion in purchasing power over the next 40 years (Karamchandani, Kubzansky, and Lalwani 2011). These stunning figures present an even more compelling case for companies to target this growing consumer segment (Pralhad and Hammond 2002; Prahalad and Hart 2002).

The prospective reward for companies who choose to target this segment with these marketing tactics include "growth, profits, and incalculable contributions to the humankind" by potentially providing a better life to the poor (Hammond and Prahalad 2004; Prahalad and Hammond 2002; Prahalad and Hart 2002). However, the size and potential of this market also create the risk of companies targeting BOP consumers through aggressive marketing practices. Aggressive or exploitative business practices accompanying marketplace transactions among low-income consumers have been pointed out by a number of researchers (Caplovitz 1963; Hill and Kozup 2007; Murphy and Lacznik 2006), and multinational involvement in marketing to the BOP presents an even greater threat for exploitation (Santos and Lacznik 2009).

These practices raise ethical concerns over the issue of target marketing (Davidson 2009; Marsh 2009). Products marketed by multinational corporations (MNCs) specifically to BOP consumers may displace local products and induce overspending by poor consumers who cannot afford it (Johnson 2005). Companies that aggressively target the BOP segment with discretionary products like shampoo, fairness cream, and tobacco products can also divert funds from the purchase and consumption of products that fulfill basic needs (Jaiswal 2008).

It is also important to recognize that the impact of targeted marketing to BOP consumers goes beyond the targeted segment itself. The choice to market to BOP consumers can affect the company's or the brand's perception among consumers in general in the marketplace and can alter consumer responses, in particular the overall ethical evaluation of a company, sometimes prompting altered behavioral responses in consumers (Smith and Cooper-Martin 1997; see also Jones and Middleton 2007).

This research article presents a framework for examining the ethical evaluation of targeted marketing of fast-moving consumer goods to the BOP consumer market. It measures the ethical evaluation by the average (non-BOP) consumer of marketing targeted at the BOP segment, as well as the average consumer's willingness to take action based on their ethical evaluation of the company's practices. Recommendations for marketers and policy makers are outlined based on these findings, arguing for changes in how BOP-targeting companies should go to market in the future when focusing on this vulnerable segment.

CONCEPTUAL BACKGROUND AND FRAMEWORK

Market segmentation and target marketing form the foundation of marketing strategy (Smith and Cooper Martin 1997), with the BOP consumer clearly pointed out as a market segment carrying the potential to offer substantial profit opportunities for multinationals (Pralhad 2004). Targeting strategies in marketing involve all aspects of the marketing mix, with a focused intention to stimulate consumer need and steer the individual to purchase the product (Jones and Middleton 2007).

Targeting strategies for products that may cause economic, physical or psychological harm have drawn considerable attention in marketing literature, particularly when focused on vulnerable consumers (Hill 2002a; McDaniel, Kinney, and Chalip 2001; Nwachukwu et al. 1997). Consensus among researchers and practitioners indicates that though marketing harmful products to any consumer population is considered unethical, marketing harmful products to a vulnerable consumer group is even more unethical (Jones and Middleton 2007).

Ethics in Targeting

In a marketplace transaction, in addition to the effect of an exchange on the primary transacting parties, there is a residual impact on the society surrounding the parties that carries ethical implications (Adler, Robinson, and Carlson 1981; Davidson 2003; Jacobson and Mazur 1995). This

social aspect of the process of exchange means that its outcomes must be evaluated in terms of fairness and rightness on all parties (Laczniak and Murphy 1985, 2006), including the impact of the transaction on society at large. In this way, through the assessment of marketing's social impact, both marketing practice and marketing ethics become interconnected: "every marketing decision implicitly if not explicitly, has ethical dimensions" (Smith and Quelch 1993, 14).

The term *marketing ethics* is defined as "the systematic study of how moral standards are applied to marketing decisions, behaviors and institutions" (Murphy et al. 2005, xvii). The ethics of marketing practice have been categorized into two areas (Greenland 1974; Hise and McGinnis 1975): process and product. Process-related ethical issues address the use of marketing tactics such as use of deceptive or misleading advertising, while product-related issues center on marketing certain "harmful" products, such as tobacco, unhealthy food, etc.

There have been many academic discussions of the ethical ramifications of targeting of BOP consumers. And, while many companies and industries such as telecommunications, fast-moving consumer goods (FMCG), and pharmaceuticals have been successful in gaining market share within this population (Karamchandani et al. 2011), there are few examples of profitable businesses that offer socially useful goods in the BOP market (Karamchandani, Kubzansky, and Frandano 2009; Karamchandani et al. 2011).

There are also cases of companies that profit by specifically exploiting the poor through practices such as misleading sales promotion tactics, lack of fair pricing, deceptive advertising, and the appropriateness and utility of the marketed products (Garrette and Karnani 2010). The social impact of this type of targeting is exacerbated in the BOP consumer segment, as poor consumers can be more vulnerable due to lower levels of education, lack of information availability, and/or other economic, cultural, and social deprivations (Garrette and Karnani 2010).

Ethical Effects on the Nontargeted Segment

The impact of targeted marketing to BOP consumers also goes beyond the targeted

segment. The company's or the brand's image can be affected with a number of different parties including the media, special interest groups, and public officials (Smith and Quelch 1993).

Equally important from a business perspective, research shows that marketers need to consider the effect of marketing on the nontarget market segments (Grier and Brumbaugh 1999), as these consumers are also affected by the marketing message. Consumers have been shown to alter their brand perceptions and behavioral responses in a negative way when a company targets a vulnerable segment with a harmful product (Smith and Cooper Martin 1997) or otherwise take action against companies they perceive as acting unethically (Brenkert 1998). This effect will be further examined in this article by examining the effects of consumer ethical evaluation of firms targeting BOP consumers.

Vulnerable Segments

The concept of *vulnerability* refers to the "susceptibility to injury or being taken advantage of by another person" (Smith and Cooper-Martin 1997, 4). Consumer vulnerability has been defined using a number of variables and concepts, ranging from physical and mental deficiencies (Morgan, Schuler, and Stoltman 1995), to demographic characteristics (Baker, Gentry, and Rittenburg 2005), to systematic vulnerability (Commuri and Ekici 2008), to situational variables that may temporarily affect consumer judgment (Baker et al. 2005; Commuri and Ekici 2008).

Almost universally, key Individual characteristics that have been shown to affect a consumer's level of vulnerability include demographic variables such as age, gender, race, domicile, ethnicity, income, and education (including literacy) (e.g., Jones and Middleton 2007; Smith and Cooper-Martin 1997; see Baker et al. 2005 for a more complete review). Commuri and Ekici (2008) discuss the concept of "systemic vulnerability," defined as characteristics that are demographically or socioculturally enforced, while Baker and colleagues (2005) call these characteristics "biophysical" (age, gender, and race) and "psychosocial" (such as socioeconomic status and resource assets) as key individual characteristics affecting vulnerability.

Other characteristics specifically related to marketing have also been included in the discussion of consumer vulnerability. Morgan and colleagues (1995) define a vulnerable consumer as someone who is “incapable of making informed decisions at the time of purchase” (p. 272). Vulnerable consumers are considered to have lower levels of “sophistication” (Morgan et al. 1995); these consumers lack the “skills, knowledge and attitudes that enable them to make efficient consumer decisions” (Jones and Middleton 2007, 250, see also Hill 2002a and Nwachukwu et al. 1997).

This low level of “marketplace literacy” (Ringold 2005, 204; John 1999) may also include a lack of advertising knowledge and decision-making skills, among others. The individual’s state at the time of the decision, and external factors such as sociocultural biases (Commuri and Ekici 2008), lack of access to transportation or a variety of retail outlets (Garrett and Toumanoff 2010), the inability to access media, or because of the lack of availability of unbiased third-party input on products or services have also been shown to affect a consumer’s level of vulnerability.

This investigation focuses on measurable individual characteristics to determine vulnerability, specifically the targeted consumer’s level of income, and their level of formal education. These variables were chosen based on their universal usage in all definitions of consumer vulnerability, their ability to capture the primary definitional characteristics of this segment, and because of the ability to specifically define different levels of these variables for the survey respondents.

Goods for BOP Consumers

Researchers note that poor consumers value and share the same aspirational goals for material possessions that their middle-class counterparts do (Ireland and Besner 1966; Johnson 2005). The poor buy luxury items (Pralhad and Hammond 2002) and make purchases to fulfill higher-order needs above and beyond their survival needs (Subrahmanyam and Gómez-Arias 2008) just like any other consumer. While this seems to contrast with the economic and demographic characteristics of the BOP segment,

this spending pattern can be attributed to the concept of compensatory consumption (Caplovitz 1963; Gronmo 1988; Woodruffe 1997), where low-income households in developing countries spend on socially visible products to compensate for their lack of status in society.

There are a number of conceptualizations of the types of products targeted at poor and/or BOP consumers. Subrahmanyam and Gómez-Arias (2008) describe products and services as fulfilling either survival needs (such as food, water, or health care) or higher-order needs (socially visible or luxury products such as festivities, cosmetics, and even negative goods), while others (Jaiswal 2008; Prahalad and Hammond 2002) use the terminology “essential” versus “nonessential” goods.

An alternative description of broad product classifications can be found in the concept of *consumption adequacy*, defined as “the continuous availability of a bundle of goods and services that are necessary for survival as well as the attainment of human dignity and self-determination” (Hill 2005, 217). “Essential” commodities such as food, shelter, clothing, and health care form the core of the “adequacy” bundle; these basic survival needs are complemented by goods and services like education, training, and job opportunities (Hill 2005, 217). Once consumers reach a level of consumption adequacy, or meeting their most basic needs, they are then able to seek out resources to meet their higher-order needs (Martin and Hill 2012).

Perhaps the most inclusive categorization of products and services can be found in the terms *basic* and *discretionary* (Jaiswal 2008). Basic items are those needed for survival, while discretionary items are those that are not needed for survival. In layman’s terms, basic items are “need to haves,” while discretionary items are “nice to haves.” This article uses the terminology of basic versus discretionary products and services in order to represent the differences between products and services offered to BOP consumers.

HYPOTHESES

In the most basic sense, targeting BOP consumers with FMCGs in and of itself is

TABLE 1. Study Design

Product type	Segment vulnerability	
	More vulnerable	Less vulnerable
Basic	Marketing toothpaste or shampoo to BOP consumers	Marketing toothpaste or shampoo to non-BOP consumers
Discretionary	Marketing fairness cream or high-interest credit cards to BOP consumers	Marketing fairness cream or high-interest credit cards to non-BOP consumers

not expected to be perceived as unethical by non-BOP consumer segments. In many cases, targeting BOP consumers with specific products can raise their standard of living and thus may have positive implications for the targeted group (Hahn 2009; Prahalad and Hammond 2002). The expectation is that consumers generally understand that companies will choose to do business on some level with low-income, less-educated consumers, and in many cases can provide useful products to an underserved segment.

Nor is it expected that marketing discretionary products in general will be universally perceived as unethical. Again, consumers are expected to recognize that much of their own and others' consumption is in the discretionary-goods category; this is a result of a combination of consumer demand and marketing-generated demand.

It is more likely that the combination of marketing discretionary products to BOP consumers will be perceived by non-BOP consumer segments as being ethically unsound. Further, it is expected that these non-BOP segments will be more likely to change their perceptions of the company and will alter their behavior with respect to the company when the company chooses to market discretionary products to consumers with low levels of income and education. This presents a matrix of possible outcomes for companies targeting BOP consumers, with the expected outcomes outlined in table 1.

First, this analysis will test the perception of targeting a vulnerable population, BOP

consumers, among members of a nontargeted consumer segment (non-BOP consumers). Targeting vulnerable populations of consumers has been viewed in a variety of ways. Ringold (1995, 578) notes that targeted marketing, even to more vulnerable populations, is "a positive response to growing market diversity and freedom." Increased targeting to underserved markets is argued to result in maximizing choices for these consumers and in increasing consumer welfare (Pollay, Lee, and Carter-Whitney 1992). In contrast, Witkowski (2005, 7) notes that "marketing does not always serve the needs of poor people, poor countries, and indigenous cultures," and cites the example of Nestlé marketing infant formula to uneducated mothers in third-world countries as an example resulting in direct consumer harm to this vulnerable population.

To test the main effects of targeting a more-versus less-vulnerable population, the product type is held constant, and non-BOP consumers' ethical evaluations of companies targeting each of these two groups of consumers are compared. The following results are expected:

H1: The ethical evaluation of a company will be lower when the target population is perceived as being vulnerable and will be higher when the target population is not perceived as being vulnerable.

Research also demonstrates that consumers generate different ethical evaluations of products based on their categorization in terms of potential to do harm to the targeted consumer group. For example, Ringold (1995) argues that "acceptable" products targeted at consumer segments are generally viewed as beneficial, while products perceived as more harmful to the individual or to society provoke greater criticism. A number of other studies also address this issue in the realm of cigarettes, alcohol (Smith and Cooper Martin 1997), and financial instruments (e.g., Braunsberger, Lucas, and Roach 2004).

In this analysis, it is expected that the discretionary (more harmful for the BOP consumer since its purchase diverts funds from products that fulfill consumption adequacy) products will be perceived as being less ethical than

basic (“less harmful”) products by non-BOP consumers.

H2: The ethical evaluation of the company will be lower when a company markets a discretionary product and will be higher when a company markets a basic product.

Additionally, this analysis argues that the ethical evaluation of a company’s targeting practices is not solely dependent on the selection of the target audience (more versus less vulnerable) or the product category (discretionary versus basic) alone. Research argues that the combination of consumer characteristics and the nature of the product targeted at this consumer are expected to affect ethical perceptions by the nontargeted segment (Cui and Choudhury 2003; Smith and Cooper-Martin 1997).

To measure this effect, both product type and segment vulnerability are varied to determine whether the combination of these two variables affects the non-BOP consumers’ ethical perceptions of the company. The effect should be most evident when targeting vulnerable consumers with discretionary rather than basic products.

H3a: A company targeting a discretionary product to a more-vulnerable segment will receive lower ethical evaluations than a company targeting a basic product to a less-vulnerable segment.

Conversely, consumers should have higher ethical evaluations of companies marketing basic rather than discretionary products to vulnerable consumers.

H3b: A company targeting a discretionary product to a more-vulnerable segment will receive lower ethical evaluations than a company targeting a basic product to a more-vulnerable segment.

Consumers should also have a higher ethical evaluation of the company marketing discretionary products to less-vulnerable consumers than a company marketing discretionary products to more-vulnerable consumers.

H3c: A company targeting a discretionary product to a more-vulnerable segment will receive lower ethical evaluations than a company targeting a discretionary product to a less-vulnerable segment.

Last, it is important to determine whether negative ethical evaluations of companies based on their marketing practices will increase the likelihood that consumers will take action against the company targeting BOP consumers. As Smith and Cooper-Martin (1997) point out, there have been cases (RJR’s Dakota cigarette brand, Heileman Brewing’s malt liquor beverage) where consumers, public policy makers, and the media have taken specific action against companies in protest of their targeting strategies (see also Holland and Gentry 1999 for examples of protests about unethical advertising). In this case, it is argued that a negative ethical evaluation of a company targeting BOP consumers (more vulnerable) will lead to an increased likelihood that a consumer will change their behaviors related to the company.

H4a (H4b): Intentions to engage in disapproving (approving) behaviors will be related negatively (positively) to the ethical evaluations that a strategy receives.

METHOD

These hypotheses were tested in a between-subjects experimental design that differs by product type and consumer vulnerability. The design used a 2 (basic/discretionary need) × 2 (high/low vulnerability) full factorial where each cell represented one of the four strategies as shown in table 1. Two basic/discretionary pairs of products were compared: toothpaste and fairness cream (a cream marketed to whiten skin, a desirable trait among many Indian women), and shampoo and high-interest credit cards. Consumer vulnerability was measured through two target characteristics: income and education. *Highly vulnerable consumers* were defined as individuals who earn approximately Rs. 100–250 per day and have either no education or at the

most a few years of elementary school education but no more than high school.

A pretest confirmed manipulation checks for consumer vulnerability and product type. A group of non-BOP consumers were asked to indicate their perception of consumer vulnerability of a particular population. Each consumer profile was manipulated to illustrate relevant levels of education and income in India. The same sample indicated whether the products such as toothpaste, detergent, shampoo, skin whitening cream, fortified yogurt, and antibacterial bar soap were considered basic or discretionary. These products and target descriptors (income and education) were chosen from those that have been cited in the BOP literature.

The research was conducted in India for two reasons. First, the country has occupied center stage in BOP research, with a great many success stories (Pralhad 2004; Prahalad and Hammond 2002). Second, India has a BOP population (those with annual incomes below US\$3,000 in local purchasing power) of nearly 925 million, the largest in the world (Hammond et al. 2007). With its large BOP population, India carries the potential to become one of the most profitable BOP markets in the world, thereby making a compelling case for companies interested in tapping the purchasing power at the bottom of the economic pyramid.

Independent Variables

BOP consumer vulnerability was operationalized as a combination of demographic characteristics generally perceived to limit the consumer's ability to maximize utility and well-being in economic transactions: an income of Rs. 100–250 per day (or approximately Rs. 3000–12,500 per month), and the educational level for highly vulnerable consumers was described as either no education or at the most a few years of elementary school education but no more than high school. Less-vulnerable consumers were defined as earning approximately Rs. 1000 per day (or Rs. 30,000 per month or more). The education level for less-vulnerable consumers was described as having at least a "graduate" degree (i.e., B.Sc., B.A., or B.Com). This degree is the U.S. equivalent of a four-year undergraduate degree.

Product type was operationalized as a product perceived to fulfill a basic or discretionary need. The same products were used across all four strategies to prevent variations between product classes from affecting results. All brand names were avoided to prevent influence from previously held opinions.

Dependent Variables

Ethical Evaluations

To measure the ethical evaluation of the scenarios, Reidenbach and Robin's (1990) multidimensional ethics scale (MES) was adopted. Strong support for reliability and validity of the scale exists in literature (with Cronbach alphas of 0.71 to 0.92) for each of the three MES subscales (Jones and Middleton 2007; Reidenbach and Robin 1990; Smith and Cooper-Martin, 1997). The measurement scale is widely used to measure ethical judgments (e.g., Jones and Middleton 2007; Smith and Cooper-Martin 1997). The scale instructions were modified to explain the terms "unspoken promise" and "unwritten contract," as done in the study in Smith and Cooper-Martin (1997).

The three dimensions or subscales are moral equity, relativism, and contractualism. The moral equity dimension "relies heavily on lessons from our early training that we receive in the home regarding fairness, right and wrong as communicated through childhood lessons of sharing, religious training, morals from fairy tales, and fables" (Reidenbach and Robin 1990, 646). The relativism dimension is "more concerned with the guidelines, requirements, and parameters inherent in the social/cultural system than with individual considerations" (p. 646). The contractualism dimension represents the social contract between business and society (Donaldson and Dunfee 1994). In addition, open-ended questions asked respondents to explain their position or opinion further in their own words.

Behavioral Intentions

The second dependent variable will measure the likelihood of performing each of five disapproving behaviors (e.g., stop buying the company's products) and two approving behaviors

(e.g., tell friends to buy the company's products). The items were adopted from the Smith and Cooper-Martin (1997) study. One disapproving behavior will be modified to fit the context of consumer activism in India. An open-ended question asked respondents to suggest other behaviors that they might engage in to indicate their disapproval of the company and support the previously suggested action.

Sampling Procedure

To test the hypotheses, an Internet-based survey was administered. An online sample was recruited from an Internet panel owned by a private marketing research company. Subjects were invited to participate through e-mail, which provided a link to the web survey.

No specific consumer criteria were used to recruit the sample. All respondents were non-BOP consumers, earning on average between Rs. 25,000 and 50,000 per month (roughly US\$450–900). Each subject read a scenario regarding either basic or discretionary products (randomly assigned) and then answered the items for ethical evaluation followed by those for disapproving and approving behaviors (in a random order). Each scenario included a target description in terms of low or high levels of consumer vulnerability traits (education and income) and a product identified as either basic or discretionary. This process was then repeated for the same subject for a second basic or second discretionary product.

Respondents answered manipulation check questions for perceived product differences (three items) and perceived target vulnerability (two items). Discretionary products were perceived as being significantly different from basic products in both scenarios (toothpaste versus fairness cream: $3.31 < 3.94$, $p < .05$; shampoo versus high-interest credit cards: $2.91 < 4.75$, $p < .05$). Respondents also perceived a significant difference between less-vulnerable consumers and highly vulnerable consumers in both scenarios ($3.68 < 4.29$, $p < .05$, $3.68 < 4.29$, $p < .05$).

DATA ANALYSIS

Sample

In total, 261 respondents completed the surveys online (173, or 66%, of respondents were

male). Median age range for the sample was 31–40 years old, and the median college education was graduate school. Median hours per week spent on the computer was 15–21 hours, and respondents self-assessed their computer knowledge at 5.5 on a scale of 1 = novice, 7 = expert.

Hypothesis Tests

Hypothesis testing was performed using an ANOVA method. Tests were performed for the main effects and for all two-way interaction effects. A separate test was conducted for each of the three dimensions of the ethical evaluation dependent variable. Table 2 shows the results for the main effects outlined in Hypotheses 1–2.

Results show that for both paired comparisons, moral equity (practice is just/unjust) is perceived as being significantly lower when the target population for the company's product is vulnerable than when the target population is not considered vulnerable (toothpaste and fairness cream sample: $p < 0.5$, hair shampoo and high-interest credit card sample: $p < .05$). When comparing the perception of the company's relativism (adheres to society's ethical guidelines), the toothpaste and fairness cream sample demonstrated a significantly different ethical evaluation of the company ($p < .05$), but the hair shampoo and high-interest credit card sample showed no significant difference for company marketing to less- versus highly vulnerable consumers. There was no perceived difference in the contractualism component (obligation to society to be ethical) between marketing to highly and less-vulnerable populations for either of group. Therefore, H1 was partially supported.

H2 examined the ethical evaluation of companies marketing discretionary versus basic products. The toothpaste and fairness cream sample showed no support for differences in the ethical evaluation of marketing a basic versus a discretionary product to consumers across any of the three components of ethical evaluation. The hair shampoo and high-interest credit card sample showed a significant difference in the consumers' perception of the company's moral equity and relativism evaluations but no significant difference for contractualism. Results

TABLE 2. H1 and H2 Means

	Stimulus 1 (toothpaste and fairness cream)			Stimulus 2 (shampoo and high-interest credit cards)		
	Mean responses (from 1–7 scales, where 7 was more ethical)			Mean responses (from 1–7 scales, where 7 was more ethical)		
	Moral equity	Relativism	Contractualism	Moral equity	Relativism	Contractualism
Consumer vulnerability high (S3 and S4) ($n = 129$)	4.36	4.609	4.287	3.86	4.27	4.14
Consumer vulnerability low (S1 and S2) ($n = 132$)	4.78	4.966	4.258	4.17	4.34	4.11
p value	$p < .05$	$p < .05$	n.s.	n.s.	n.s.	n.s.
Product type basic (S1 and S4) ($n = 129$)	4.65	4.93	4.27	4.66	4.84	4.29
Product type discretionary (S2 and S3) ($n = 132$)	4.50	4.65	4.26	3.39	3.79	3.96
p value	n.s.	n.s.	n.s.	$p < .05$	$p < .05$	n.s.

offer partial support for H2, and can be seen in table 2.

H3a–c results are reported in table 3 for two stimulus pairs, toothpaste versus fairness cream, and shampoo versus high-interest store credit cards. For both stimulus pairs, consumers perceived significant differences in moral equity and relativism for discretionary products marketed to vulnerable consumers, relative to basic products marketed to less-vulnerable consumers. No support was found for the contractualism dimension for either group.

When contrasting toothpaste and fairness cream, consumers found companies to be less ethical on the dimensions of moral equity and relativism (at the $p < .10$ level) when companies marketed discretionary products to vulnerable consumers versus marketing basic products to these same consumers but no significant difference for contractualism. When contrasting shampoo and high-interest credit cards across highly versus less-vulnerable consumers, no dimension of ethical evaluation showed a significant difference between these consumer groups.

When contrasting toothpaste and fairness cream, results examining marketing discretionary products to either highly vulnerable or less-vulnerable consumers only showed signifi-

cance across the relativism dimension of ethical evaluation of the company. Moral equity and contractualism showed no significant difference between marketing to these two populations. When contrasting shampoo and high-interest credit cards, results examining marketing discretionary products to either highly vulnerable or less-vulnerable consumers showed significance across moral equity and relativism.

H4a and H4b address the predicted behavioral outcome of the consumer's ethical perceptions about the company's actions. Table 4 shows the correlation results for ethical evaluations and behavioral intentions. Across the moral equity dimension of the consumer's ethical evaluation, all disapproving behaviors were significant at the $p < .05$ level, with the exception of calling or writing to the company to complain about the company's actions related to moral equity perception. Across the relativism and contractualism dimension, all disapproving actions were shown to have a significant negative correlation.

Examination of correlations between approving behaviors and the consumer's ethical evaluations shows that all dimensions of ethical perception were significantly correlated with positive behavioral intentions. This shows support for H4a and H4b.

TABLE 3. H3 a–c Means

Hypothesis	Toothpaste vs. fairness cream			Shampoo vs. high-interest credit cards		
	Moral equity (means, <i>p</i> value)	Relativism (means, <i>p</i> value)	Contractualism (means, <i>p</i> value)	Moral equity (means, <i>p</i> value)	Relativism (means, <i>p</i> value)	Contractualism (means, <i>p</i> value)
H3a: Discretionary products/highly vulnerable populations < basic products/less-vulnerable populations	4.30 < 4.85, 0.025	4.35 < 4.97, 0.019	4.39 > 4.37, n.s.	3.22 < 4.76, 0.000	3.67 < 4.76, 0.000	3.98 < 4.27, n.s.
H3b: Discretionary products/highly vulnerable populations < basic products/highly vulnerable populations	4.30 < 4.70, 0.095	4.35 < 4.95, 0.025	4.39 > 3.57 n.s.	3.22 < 3.57, n.s.	3.67 < 3.92, n.s.	3.98 < 3.94, n.s.
H3c: Discretionary products/highly vulnerable populations < discretionary products/less-vulnerable populations	4.30 < 4.43, n.s.	4.35 < 4.95, 0.026	4.39 > 4.55, n.s.	3.22 < 4.55, 0.000	3.67 < 4.92, 0.000	3.98 < 4.32, n.s.

DISCUSSION

This research examines the relationship between a consumer's ethical perceptions of a company's in-market behavior, the company's decision to target vulnerable consumers, and the consumer's willingness to change behavioral intentions toward that company in response to this targeting. The premise of the research is that when companies market discretionary products to a vulnerable population at the bottom of the economic pyramid, non-BOP consumers will react negatively to this practice in terms of ethical perception and will follow through on punishing behaviors toward the company. From the data gathered, several key points emerged.

Consumers Perceive Differences in Marketing to Highly Vulnerable Consumers and Less Vulnerable Consumers

Findings show that average Indian consumers sampled perceive a difference in the fairness and

moral "rightness" of marketing to highly versus less-vulnerable consumers. Non-BOP consumers often have a more-negative assessment of companies marketing to vulnerable populations like BOP consumers than companies that market to less-vulnerable populations.

Consumers also can perceive a difference in whether it is culturally acceptable to market to highly vulnerable consumers. Consumers often perceived ethical differences between marketing these products to highly vulnerable and less-vulnerable consumers, again assessing marketing to more-vulnerable populations as being less ethical with respect to the cultural norms of society.

Interestingly, while non-BOP consumers objected to the ethics of marketing to non-BOP consumers in terms of rightness and cultural acceptability, these same consumers did not believe companies have a social contract with non-BOP consumers and are not obligated to stop marketing to the more-vulnerable consumer population.

TABLE 4. H4a and 4b, Correlation between Ethical Evaluations and Behavioral Intentions

	Moral equity		Relativism		Contractualism	
	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2
Disapproving behaviors						
Stop buying the company's products.	-.233**	-.284**	-.326**	-.296**	-.338**	-.288**
Complain to your friends about the company's products.	-.263**	-.286**	-.363**	-.263**	-.338**	-.276**
Tell your friends to stop buying the company's products.	-.295**	-.274**	-.416**	-.299**	-.340**	-.266**
Complain to a media source.	-.229**	-.311**	-.265**	-.271**	-.283**	-.348*
Complain about the company on a social media website.	-.246**	-.324**	-.244**	-.267**	-.300**	-.287**
Call or write to the company to complain about the company's actions.	-.075	-.086	-.132*	-.148*	-.273**	-.185**
Write to local NGO or nonprofit agency to criticize the company.	-.158*	-.135*	-.203**	-.212**	-.241**	-.300**
Approving Behaviors						
Tell friends to buy company's products.	.362**	.327**	.201**	.113	.243**	.177**
Call or write to the company to praise their actions.	.291**	.284**	.197**	.142*	.153*	.101

*Correlation is significant at the .05 level (two-tailed).

**Correlation is significant at the .01 level (two-tailed).

Consumers Perceive Differences in Marketing Some Basic versus Discretionary Products

Results from this study show that in some cases, consumers perceive ethical differences in companies that market basic products versus companies that market discretionary products. For example, when contrasting results for marketing hair shampoo and marketing high-interest credit cards, consumers considered it morally wrong to market credit cards (discretionary products). Marketing discretionary products was also seen in some cases to violate the culturally acceptable norms of society, leading to a more-negative ethical assessment of the company.

Once again, however, while consumers sometimes judged that companies should not market discretionary products due to moral concerns, these consumers did not indicate that companies were obligated to stop selling these products under a social contract between the company and society. This suggests that many consumers embrace the "market and let market" philosophy for organizations, even if they may disapprove of the products the company is marketing.

The Type of Discretionary Products Marketed May Matter to Non-BOP Consumers

Significant responses across moral equity and relativism occurred when examining consumer assessments of marketing hair shampoo in contrast to marketing high-interest credit cards. This same contrast was not significant when consumers answered questions about toothpaste in contrast to fairness cream.

These results suggest that while consumers may consider certain products to be discretionary products, they may assess the ethics of marketing specific products in this category differently. An open-ended question in the survey asking about the consumer's opinion of the company's marketing practices specifically related to the (basic or discretionary) product yielded some interesting anecdotal comments to illustrate this issue. For example, with respect to fairness cream:

The company who manufactures and sells their cream are [*sic*] not to be blamed. Because every girl or lady wants to be fairer, so it depends on them as to whether

to try that cream or not. And the last thing this companies [*sic*] sell dreams of becoming fairer and we middle class people always dream. (Male respondent, 31–40 years old)

As the company marketing fairness cream do [*sic*] not violate the unwritten contract between the company and the consumer, the products reach the common people so that they can acquire within their financial limits without [a financial] pinch. My general impression on this matter is positive. (Male, older than 60)

The company's marketing practices is [*sic*] fair and just until and unless anybody is hurt. (Female, 31–40 years old)

Certainly, other consumers responding to this question answered negatively in response to the company's marketing practices as well. However, these comments may help to illustrate why as a whole these consumers did not see a significant difference in marketing a discretionary product like fairness cream to Indian consumers.

In contrast, negative comments concerning offering high-interest store credit cards offered these anecdotal insights:

Although getting a department store credit card can sound promising, it can often be a bad idea. Department store credit cards are offered by stores to their customers and usually include special cardholder sales or special financing offers. It's not uncommon for a department store to offer a one-time discount to people who sign up and begin using their credit card right away. However, the long-term disadvantages of using a department store credit card far outweigh the benefits. The biggest problem with department store credit cards is their notoriously high interest rates. While you can easily find a zero percent interest rate or a low interest rate credit card online, department store cards have interest rates that often hover around the 20–30 percent range. Even with sales or discounts, department store cards still end up costing

customers a lot of money in the long run. (Male, 18–30 years old)

The company's marketing practices cannot be supported as forcing the low income people to be indebted which is unjust in my opinion. (Male, over 60)

When the banks offer loans @ 12 to 14% interest, charging 40% is atrocious!!! I am sure this company would market it as "ONLY 3.3% interest per month" and thus dupe the gullible. (Female, 41–50 years old)

Future research will explore the differences in consumer perceptions of different discretionary products to the BOP consumers and how these marketing practices are perceived ethically by non-BOP consumers. It will be interesting to learn what characteristics of discretionary products drive more-negative ethical assessment among consumers. At this point, it is important to note that these differences do exist and that consumers are mixed in their ethical assessments of marketing discretionary products in general.

Perceived Vulnerability of the Population Matters, but Companies Are Not Morally or Ethically Obligated to Refrain from Marketing to More-Vulnerable Populations

Generally, non-BOP consumers perceived an ethical difference in marketing to a less-vulnerable versus a more-vulnerable population. Specifically, consumers noted this difference in the context of this action being right or wrong (moral equity) and in meeting the cultural norms of common business practices (relativism). Consumers generally perceived marketing to more-vulnerable consumers to be less ethical than marketing to less-vulnerable consumers.

But while non-BOP consumers judged these marketing practices to be somewhat unfair and contrary to basic cultural norms, these consumers did not perceive that there was an inherent social contract between businesses and society obligating businesses to refrain from marketing to this population. While respondents

perceived that refraining from marketing to vulnerable populations was the right thing to do and was generally accepted as a positive business practice, companies were not socially obligated to follow this norm. It may be that consumer attitude is more of a "market and let market, but beware of the possible ramifications of this choice." This suggests that public policy limiting companies' ability to market to the poor would not be well received by the general population.

Behavioral Intention to Punish or Reward the Company Depends on Its Ethical Evaluation

Consumers indicate they are willing to undertake action against companies who market in an unethical way and reward companies who market ethically. When consumers perceive that a company is marketing an inappropriate product to an inappropriate market, they indicate that they are willing to take actions such as refraining from buying the company's products and using word of mouth (in person or thorough social media) to let others know of the company's negative ethical decisions. Consumers are also willing to let others know about positive decisions a company makes and are willing to tell the company about their satisfaction with the company's marketing practices.

This suggests that non-BOP consumer behavior is influenced by marketing practices targeting a different segment than theirs. When companies target vulnerable populations, responsive actions by nontargeted consumers can include decreased purchase, complaining to friends about the company and its products, discouraging friends from purchasing from the company, and complaining on electronic media such as a company's website or in reviews. Not only are consumers withholding purchase of the company's products, but they are also willing to spread the word about their displeasure with the company's marketing practices. The impact of these perceived unethical marketing choices, then, can have an ever-increasing effect, particularly in the electronic world of social media and word of mouth.

CONTRIBUTION

Results from this study provide tangible evidence for a debate on the ethics of marketing to the BOP that has been ongoing in the marketing literature. Both Davidson (2009) and Karnani (2007) have argued against the exploitation of the BOP consumers by marketers in pursuit of the fortune at the bottom of the pyramid (Prahalad 2004). This study offers empirical evidence to concerned groups over the ethics of targeting the BOP consumer by examining both the issues of product need for the BOP consumer and the perception of consumer vulnerability that highlights the role of targeting strategy in potential exploitation.

Though marketing managers are expected to care about the ethics of doing business with the BOP segment, results from this study that point to the expected approving and disapproving behaviors will carry a greater impact in influencing marketing choices. Results showing the lack of consumer support for a company that receives a weaker ethical evaluation offers insights as to whether current companies should continue to pursue a similar strategy in the marketplace. Not only will these marketing practices lead to decreased purchasing by nontargeted consumers, but the end result could present a significant challenge for companies in the form of negative brand associations or negative consumer-generated publicity.

For public policy makers, the results of this study provide preliminary evidence to ascertain the degree of exploitation of the BOP consumer. Though Prahalad (2004) argues that BOP consumers are aspirational and do spend on luxury products like their middle-class counterparts in the society, it is important that public policy makers examine the need for restricting targeting. This might translate into either restriction on marketing tactics and/or the inclusion of public service announcements that increase the level of awareness among BOP consumers to increase the likelihood of making an informed purchase decision. Often, the view of imposing restrictions on targeting of vulnerable consumers is disputed by industry representatives who point out that it is paternalistic (Smith and Cooper-Martin 1997) and that government intervention

restricting consumer choices for vulnerable groups might be too imperialistic or elitist in nature (Sowell 1981).

The findings presented in this research also raise the importance of ethics and responsibility in marketing to the poor. The debate over whether BOP marketing helps or harms the poor presents a daunting challenge for marketers who address conflicting demands from multiple stakeholders—the company, investors, and society.

Alwitt (1995) discussed two key foundations marketers often rely on in order to conduct business in an ethical manner: *deontology*, which proposes the idea that universal principles should guide one's behavior, and *utilitarianism*, which takes into account social benefit versus cost, advocating the idea of the maximum good for the most people. However, these ethical rules also present opposing views and may lead to conflicts when trying to balance opposing demands from multiple stakeholders (Robin and Reidenbach 1987). Therefore, it is important for companies to work toward reducing the conflicts by making compromises between demands from various stakeholders groups (Hill 2002b).

For marketers, this research is a wake-up call to examine the likely consequences of their marketing actions to tap the business potential of BOP markets. Are companies behaving in a responsible manner by aggressively marketing to the BOP consumers? The research here suggests that in order to constrain any negative consequences of BOP marketing in the future, companies may choose to serve the poor by further splitting the BOP market into two distinct segments: the extreme poor and the poor.

Marketers can use a variety of criteria to define these two market segments. Broadly, the extreme-poor segment consists of people living in abject poverty and, as per the World Bank, earning less than a dollar a day. The remaining BOP population can be identified as the poor segment, earning between \$2–\$4 per day.

We suggest that a more effective way to serve the extreme-poor segment is through corporate social responsibility (CSR) initiatives. Initiating various CSR programs for the extreme poor would enable the fulfillment of “the economic, legal, ethical and discretionary expectations that

society has of organizations at a given point in time” (Carroll 1979). These CSR programs not only benefit the entire society but also benefit the organization undertaking them. In the case of the extreme poor, CSR initiatives by companies may also translate into socially responsible pricing for essential products, as is the case of price decisions of life-saving drugs in developing nations (Vachani and Smith 2004) and innovating new products to improve the quality of life for this segment. For example, Danone in South Africa has introduced an affordably priced version of yogurt in the BOP market that does not need refrigeration (a utility largely absent in this market) and thus provides a nutritional product to the segment.

When marketing to the poor segment, one strategy for BOP marketers is to adopt the philosophy of selective consumption (Jaiswal 2008). This concept stresses facilitating the “appropriate” choice decisions using interventions to encourage and discourage consumptions of certain goods and services. Determining “appropriate” products comes through taking into account the consumers' nature and characteristics as well as the likely consequences their consumption would have on the overall welfare of the poor.

However, this strategy comes with some inherent risks. When companies market nonessential and luxury (discretionary) products to the BOP consumers, the consumers' scarce resources can be misplaced at the sacrifice of their general well-being (Belk 1986; Sarin and Venugopal 2003). Including these consumers in a marketing initiative may have negative results for them, but excluding these consumers can make goods and services inaccessible. For example, a pharmaceutical company may decide to not offer a prescription drug because it believes that the customer cannot afford the drug sold at a particular price. Or a company may elect not to offer crop insurance to BOP consumers, despite the fact that the product reduces the risk of crop failure; companies may forego offering health insurance to BOP consumers for similar reasons.

For public policy makers, this research also suggests the need for a closer examination of current BOP target marketing practices that may be unethical from two points of view. First, nonprofit organizations like Oxfam have

articulated concern that aggressive marketing by MNCs might displace local products and induce overspending by poor consumers who cannot afford it (Johnson 2005). Other researchers, like Karnani (2007), Jaiswal (2008), and Pitta, Guesalaga, and Marshall (2008), argue that BOP initiatives encourage poor consumers to divert money from outside of the core bundle of consumption adequacy. This argument suggests that serving the BOP from a target marketing perspective might be exploitative and subsequently unethical (Davidson 2009).

Second, there is concern about the vulnerability of the poor as a consumer segment (Davidson 2009; Hill 2002a). BOP consumers are considered a vulnerable market segment due to illiteracy and/or lower levels of education, which can result in an inability to evaluate and resist marketers' messages (Davidson 2009; Smith and Cooper Martin 1997), and therefore it is morally wrong of companies who might exploit this lack of knowledge and sophistication.

Findings from this article show the susceptibility of the BOP consumers to aggressive target marketing practices. Therefore, this article serves as a call for public policy makers to evaluate companies' target marketing strategies toward the BOP and shepherd regulatory initiatives that recognize the issue of consumer vulnerability and suggest mechanisms to restrict or regulate marketers from unethical target marketing. In the words of Ronald Hill (2002a), "public policy makers interested in improving the consumer lives of the poor are urged to pass legislation that is resource sensitive, recognizing the inherent benefit of building on strengths instead of compensating for weaknesses" (p. 213).

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

This study was limited to India, which, though the largest BOP market in the world, may not be identical to BOP markets in other parts of the world. Therefore, future research in this area could replicate the study in other BOP markets, such as Brazil, South Africa, and other countries in South America and Asia. Additionally, World Bank data suggest that based on personal daily

income, the poor may be further split between the extreme poor and the poor. Therefore, future research might choose to investigate ethical evaluation of companies who target FMCGs to these two segments in order to offer recommendations to all stakeholders on how to best serve the BOP market. It would also be interesting to investigate the difference in consumption behavior of urban and rural BOP populations. Unlike their urban counterparts, BOP consumers in deep rural areas are not exposed to modern media and aggressive advertising programs of the marketers. Rural markets are still far from being penetrated by the companies. Cultural norms such as sociality and status concern vary significantly across urban and rural consumers.

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