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Article

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Assessing Market for Multi-National Corporations at Nigeria's Bottom of the Pyramid; Hints from Consumer Behaviour

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Undoubtedly, poverty reduction has become a front-burner issue in development and business agenda. Since its announcement and defense by its advocates as a potent weapon against poverty, the Bottom of the Pyramid (BoP) concept has been bedeviled by controversies. A major controversy is whether or not Multi-National Corporations (MNCs) can serve the BoP market profitably without further impoverishing the poor. The main objective of this study therefore is to assess if there is market for MNCs at Nigeria's BoP. The primary data for this study were collected using Questionnaires administered to consumers in South Western Nigeria. The secondary data used were obtained from the National Bureau of Statistics Surveys; 2009/2010 Consumption Pattern and Consumer Expectation. Using a combination of primary and secondary data, the study employed multiple regression analysis on determinants of consumption at Nigeria's Bottom of the Pyramid. Findings of the study were mostly in conflict with the positions of the BoP advocates. On the basis of the trends in Consumer Behavior and the composition of baskets of goods at the Bottom of the Pyramid, the study concluded that the BoP market would be better served by indigenous micro, small and medium enterprises than Multi-National Corporations.

Keywords: Bottom of the Pyramid, poverty reduction, consumer behaviour, multinational corporations, micro, small and medium entrepreneurs

JEL: F23, I32, P36, P46

Poverty reduction remains a front burner issue in development discourse. International and Regional Financial/Economic Organizations (i.e. World Bank, International Monetary Fund, Asian Development Bank, African Development Bank), development fund providers, governments across the globe have over decades initiated different policies targeted at addressing the poverty scourge.

A cursory analysis of poverty indices points to the fact that in spite of multilateral and multi-prong approaches adopted, the war against

poverty appears not to have been won. It is as a result of this that poverty is now often referred to as a 'stubborn socio-economic problem'. When therefore in 2002, Prahalad and Hammond evolved the concept of Bottom of the Pyramid (BOP) to poverty alleviation as a more effective route out of poverty, the idea was received by scholars in Development Studies, Management and Economics with great excitement.

Compared to other age-long efforts at alleviating poverty, the Bottom of the Pyramid perspective is obviously a recent development. It has been described in several ways like 'Bottom of the Pyramid Strategy to Poverty Alleviation' (Karnani, 2009); 'Base of the Pyramid

Perspective on Poverty Alleviation (London, 2007: 5; Oxfam, 2007); and ‘Bottom of the Pyramid Proposition’ (Karnani, 2006). Considering the fact that this term is still a subject of serious controversies amongst Development Studies and Management scholars, we prefer to refer to the term as ‘Bottom of the Pyramid Hypothesis’. This is in line with the academic tradition that any general statement which has not been tested and accepted or found to be true is called ‘Hypothesis’.

Despite its recent nature, the ‘Bottom of the Pyramid Hypothesis’ has generated lively debates and there is today an avalanche of literature on the subject. Some have lauded it as “one of the 21st century’s most innovative development strategies, a win-win partnership between business and development” (BFP, 2012). It has also been reported that some of the world’s largest corporations have already started engaging the BoP, thereby becoming key players in global development by selling products to improve health, nutrition and overall wellbeing in the rural markets of developing countries.

Stiff oppositions have also been raised against the BoP hypothesis. While some have described it as being “nothing more than a cynical marketing ploy on behalf of the MNCs” (BFP, 2012), others allude to it as over-ambitious, unworkable, mirage and failed promise (Karnani, 2006). It is thus clear that Multi National Corporations are at the centre of the cross-fire. A noticeable feature of the early debates on the BoP Hypothesis is justification without data, making the different positions more theoretical than empirical. If grounded theory is “the

discovery of theory from data systematically obtained from social research” (Glaser and Strauss, 1967: 2), Management scholars may need to consider the possibility of evolving a grounded theory of the Bottom of the Pyramid. The fact that the dust of the debate on validity of the BoP hypothesis has not settled makes the emergence of such grounded theory imperative.

From all indications a grounded theory may be in the offing, considering the fact that systematic data are being obtained to justify validity or otherwise of the BoP hypothesis. But as at now, no such theory has emerged. This study is therefore an attempt towards the emergence of a grounded theory as it seeks to make categorical conclusions based on data systematically collected and analyzed. The BoP hypothesis as a Market-Based Solution (MBS) to poverty alleviation is very wide. It can be described as an elephant so big that you only see where you care to see. Of the various perspectives of the BoP hypothesis, this paper focuses on marketing to the BoP by multinational corporations. The reason is not far-fetched. The issue is a prominent element in the BoP crossfire. Section II is devoted to the review of literature while methodology and data analysis are discussed in section III. Discussion of results and recommendations are found in section IV.

LITERATURE REVIEW

Fighting Poverty in Historical Perspective

Poverty is a socio-economic problem with recognized severe negative consequences for an economy. Onibokun and Kumuyi (1996: 3) quoting a former Secretary General of the United Nations Organization (UNO) appraising global

poverty at the High Session of the Economic and Social Council of the UNO in 1993 described poverty thus:

"Poverty manifests itself in the sphere of economics as depravation, in politics as marginalization, in sociological issues as discrimination, in culture as ruthlessness and in ecology as vulnerability" .

This multidimensional nature of poverty has engendered multi-prong international approaches to battling poverty. A frontline proponent of seeing poverty as a multidimensional concept is Amartya Sen. Drawing from his numerous works (Sen, 1987, 1993, 1999) several other development and management scholars have built on the initial foundation he laid. Examples include Stutzer and Prey (2010), Graham (2005), Earsterlin (1974), Martin (1995), and Diener and Biswas-Diener (2002). The multidimensional nature of poverty has over the years dictated the type, structure and nature of strategies that have been evolved to tackle poverty. Major actors in the fight against poverty include International Financial/Economic Organizations, (such as World Bank, International Monetary Fund, DFID, OECD, ILO), governments of developed as well developing countries, development fund providers and non-governmental organizations (NGOs). The concern of the international community was borne out of the realization of the fact that poverty "affecting a quarter of the world's people is a global problem that makes other global problems worse" (Salinger and Strucker, 2001).

There is as today a very big network of institutions that are in the 'business' of fighting

poverty. All of them have moved from one policy/strategy to another in a bit to be more effective in combating poverty. These moves over the years have translated into enormous investment, yet the number of people in global poverty keeps rising. According to OECD (2001) through these attempts, "tangible development progress has been achieved in the developing world... but extreme poverty still ravages the level of one in four persons" . Kubzansky *et al.* (2011: 1) have equally noted that "more than two billion people still struggle to subsist on less than \$2 per day" . The implication of this is that poverty appears to have defied traditional solutions such as government expenditure, foreign and private philanthropy and international financial organization's funded programs.

The obvious failure of the traditional approaches to poverty reduction therefore calls for alternative strategies. According to Kubzansky (2011: 3) Market-Based Solutions (MBS) present possible and viable alternatives. According to him:

"In the past fifteen years, interest in private sector alternatives has increased especially in "market-based solutions", initiatives that use the market economy to engage low income people as customers, offering socially beneficial products at prices they can afford, or as business associates – suppliers, agents, or distributors – providing them with improved incomes" .

Seen from this context, the Bottom of the Pyramid (BoP) hypothesis to poverty reduction rightly belongs to the Market-Based Solutions (MBS) family.

The Bottom of the Pyramid Hypothesis

In economics, the bottom of the pyramid is the largest, but poorest socio-economic group. In the discourse on effective poverty reduction strategies, the term ‘ Bottom of the Pyramid’ or ‘ Base of the Pyramid’ (BoP) is meant to refer to the people living on less than \$2 a day.

The articulation of BoP hypothesis to poverty reduction is often traced to Prahalad (2004) but the actual foundation for it was laid in Prahalad and Hart (2002). While the packaging of BoP into a concise concept may be recent, Prahalad and Hart (2002: 6) have suggested that the practice of serving the Bottom of the Pyramid might have predated the academic articulation of the concept. They reported:

“ In the 1990s, a local firm, Nirma Ltd., began offering detergent products for poor consumers, mostly in rural areas. In fact, Nirma created a new business system that included a new product formulation, low-cost manufacturing process, wide distribution network, special packaging for daily purchasing and value pricing” .

The Bottom of the Pyramid hypothesis posits that a portion of the population strata is underserved and that selling to it will raise the profit of the private sector, especially the multinational corporations that are particularly encouraged to explore the market at this stratum. The hypothesis goes further to assert that selling to this large population at the Bottom of the Pyramid will also reduce its poverty status. For having the potentials of increasing profits and reducing poverty at the same time the BoP hypothesis is often described as a win-win strategy.

There is no gainsaying the fact that in spite of being relatively new, at least compared to other traditional solutions to poverty problems, the BoP Hypothesis has generated a lot of interests. These interests cut across several issues. Kim and Mauborgne (2005) examined how business can create extra value for lower level; Pitta *et al.* (2005) focused on how Non-Governmental Organizations (NGOs) can support extra costs of BoP, especially in medical care; Wood and Franzak (2008) canvassed for empathy with BoP instead of marketing; Habib and Zurawicki (2010) categorically declared that low income people in crowded families are profitable customers; London *et al.* (2010) evaluated 64 investing companies which supported Bottom of the Pyramid; Rivera – Santos and Rufus (2010) compared features of the Bottom of the Pyramid with those of the Top of the Pyramid.

The BoP Debate

Since it was propounded, the Bottom of the Pyramid hypothesis has generated heated debates. The two sides to the debate comprise of those who see the hypothesis as capable of reducing poverty while also enhancing profit maximization for the private sector, especially multinational corporations. These are called the ‘ BoP Advocates’ . Those who consider the BoP as incapable of availing the private sector ‘ fortune at the Bottom of the Pyramid’ but strongly believe that the hypothesis is a mirage are called the ‘ BoP Skeptics’ .

The central claim of the ‘ BoP Advocates’ is that there is fortune at the Bottom of the Pyramid. ‘ The BoP Skeptics’ however believe that such a fortune is nothing more than a mirage. Other

grounds of disagreement include definition/size of the BoP market, the extent of purchasing power at the Bottom of the Pyramid, profit margins at the BoP, the buying behaviour of the BoP, appropriate methodology, organizations that can serve the BoP market best. The claims and counter claims are discussed in greater details in the immediate succeeding paragraphs.

BoP Market

Hammond and Prahalad (2004) define the poor as those living in household with incomes below \$6,000 a year and asset that with the 18 largest emerging and transition economies the BoP was 680 million household with an annual income of \$1.7trillion. But Prahalad (2005) estimated an underserved market of four billion people living below \$2 a day and arrived at a market size of over \$13 trillion. Rangan *et al.*'s (2007) contributions moved the figure to four billion people who have less than \$5 a day in disposable income. The BoP Advocates have no pretence on the existence of the confusion but as Prahalad (2006) remarks, the exact figures are less important than the overall direction of the argument. Prahalad (2007) claims that while he respects precision, his work was 'looking for dimensionality and directionality' and thus declared:

" My goal was never to measure poverty; much less with great precision... My goal is to look for an alternative to the tired tested methods including government subsidies and public sector schemes to remedy the situation... If (the BoP) is only 3.5 billion so be it, it is still a large number worthy of our attention" .

This position of the ' BoP Advocates' on the BoP market size is dangerous for two reasons. Firstly, it is unwholesome for good policy-making and poverty-targeting. This is because as long as the BoP size is not definite there will always be a mix-up of the ' middle class' with ' the poor' . The danger here has been expressed very clearly by Yunus (1998):

" The inability to reach the poorest of the poor is a problem that plagues poverty alleviation programs. As Grasham' s Law reminds us, if the poor and the non-poor are combined within a simple program, the non-poor will always drive out the poor. To be effective, the delivery system must be designed and operated exclusively for the poor. That requires a strict definition of who the poor are there is no room for conceptual vagueness" .

Secondly, recognizing that the BoP market is large is not enough. Knowing within a small margin of error what the actual market size is important, especially in estimating profit and determining if truly there is fortune at the Bottom of the Pyramid for Multi-National Corporations. Without a reasonable knowledge of the BoP market size, estimating the purchasing power of consumers at that stratum of the population will also be difficult. Yet knowledge of the size of purchasing power is fundamental in determining affordability at the BoP.

Summary of Other Grounds of Disagreement

Other grounds of disagreement that are closely related to market size are margin of profit, consumer preferences and appropriate firm to serve the BoP market (Vaveryte, 2011) While the Advocates have declared that the margins of

profit are high at the BoP, the Skeptics explained that the BoP market is not so profitable because customers are price sensitive and marketing costs are high. Consumer preference at the BoP is another issue contested by both groups. While the Advocates believe that the poor buy 'luxury items' the Skeptics hold the position that they spend 80 percent of their income on basic necessities like food, clothing, fuel etc. The final ground of disagreement which is of interest to us in this paper is the type of firm that can best serve the BoP market. Advocates posit that large multinational corporations would be more suited (Jaiswal, 2007) the Skeptics opine that small and medium enterprises are better positioned. Other issues in the BoP debate are highlighted in Table 1 (see Appendix-I).

Models of Consumer Behavior

Answering the two main research questions of this paper requires a proper contextualization of the term 'Consumer Behaviour'. Available today are several models of consumer behaviour. For the purpose of this paper, the models are divided into two; economic and non-economic.

-Economic Models

Economists, for a long time have been obsessed with theories of consumer behaviour. Classical economists held for a very long time the position that utility is the pivot around which consumer behaviour revolved. Within the economics discipline are many schools of thought of consumer behaviour. Utility theory itself is based on some basic assumptions or axioms. The basic ones are axioms of comparability, transitivity, strong interdependence and measurability.

The cardinal utility school posits that utility is not just the basic driving force propelling a consumer to patronize a product or service, but that utility can be measured in quantifiable terms. Most 19th century economists like W. Stanley Jevons, Leon Walras, Alfred Marshall were of the Cardinal Utility tradition. Common to the various schools of thought on consumer behavior in economics is utility.

Of all the axioms, the axiom of measurability generated the hottest debates. In the tradition of Cardinal Utility School, utility could be measured in quantifiable terms and that the unit of measurement was 'utils'. The school generated the concepts of marginal utility which states that there is inverse relationship between marginal utility (MU) and quantity of goods and services demanded and consumed (Q). This is an important building block in the concept of consumer equilibrium. In a multi product situation, consumer will only patronize a product at the point of consumer equilibrium defined as:

$$\frac{MU_A}{P_A} = \frac{MU_B}{P_B} = \frac{MU_C}{P_C} = \dots = \frac{MU_n}{P_n}$$

This is a necessary but not a sufficient condition. Hence the additional condition that all income of the consumer must be exhausted at this point (i.e. the concept of income or budget constraint). The implication of equilibrium of consumer in the cardinal utility tradition as exemplified in this formula is that consumer utility is maximized subject to the budget or income constraint. In other words, this equilibrium is equal to the marginal utilities per price, other things being equal.

Some economists in the 1930s, led by John Hicks and R.J. Allen attacked the Cardinal School on several grounds. First, the unit of measurement 'utils' which was said to be more mythical than real. Second, was the fact under the school, interpersonal utility comparison could not be made. The third ground of attack was its assumptions which were said to be both strong and impracticable. In the 1930s, the Ordinal Utility School of Thought arose and became the centre of another round of debate. Indifference Curve Analysis and Consumer Surplus Theory stand out as key aspects of the Ordinal School. In the ordinal tradition utility is not cardinally measureable but can be relatively ranked. The Ordinal School especially the Indifference Curve Analysis, Consumer Surplus and the Revealed Preference Hypothesis, in spite of their shortcomings they contributed a lot to our understanding of consumer behaviour. In particular, the ability to rank and maximize utility subject to the constraint of income.

While the various theories of consumer behavior (Cardinal or Ordinal), may have their shortcomings, through them we have been able to establish the law of demand, the various determinants of demand and the relationship among them. In addition these theories laid the basic foundation for understanding how a consumer can maximize utility function under budgetary or income constraint. Consequently, from the contributions of economics discipline, we now know that consumers irrespective of the stratum of population will maximize utility subject to income/budget constraint (Research and

Education Association, 1998; Kutosyannis, 2000; Jhingan, 2009).

-Non-Economic Models

Other disciplines apart from Economics have contributed to our understanding of the factors that influence consumer behaviour. Such disciplines include Sociology, Psychology, Marketing etc. Examples of models that have emerged from other disciplines include Maslow's hierarchy of Needs, Social Capital model, Compensatory Consumption Model, the Black Box Model etc.

These various models have contributed in no small way to the identification of factors that influence the buying behaviour of consumers. For instance from Maslow's Theory, we learn that unless lower needs are satisfied, higher needs will remain dormant. The Social Capital Model canvasses the position that communities with diverse stock of social capital will be in stronger position to confront poverty (Collier, 1998). At interpersonal level, the theory explains that subsistence consumers will more likely cope with challenges by satisfying family or communal needs rather than individual level needs (Ruth and Hsuing, 2007). Compensatory consumption model posits that individuals who cannot fulfill their primary needs, especially with regard to self-esteem or self-actualization would compensate these desires by alternative means (Gronms, 1988; Woodruffe, 1997). Shedding more light on compensatory consumption model, Variawa (2010: 15) observed that model " posits that low income households or those facing racial or ethnic discrimination will spend heavily on

socially visible products to make up for their lack of status in society” .

From the Black Box Model we learn that the final buying decision is a combination of Environmental Factor (made up of Marketing Stimuli and Environmental Stimuli), Buyer’ s Black Box (consisting of Buyer Characteristics and Decision Process) and Buyer’ s Response. See Table 2 for details.

of the Pyramid. According to Variawa (2010: 18), “ to understand buying behaviour of low-income consumers, we must go to factors that influence their buying behaviour” . Such factors can be Cultural, Social, Personal, Psychological and Marketing Mix. These factors have been divided into sub-factors by Furaiji *et al.* (2009). Table 3 presents these sub-factors. These factors constitute the explanatory variables in this

Environmental Factors		Buyer’ s Black Box		Buyer’ s Response
Marketing Stimuli	Environmental Stimuli	Buyer Characteristics	Decision Process	
Product	Economic	Attitudes	Problem recognition	Product choice
Price	Technological	Motivation	Information search	Brand choice
Place	Political	Perceptions	Alternative evaluation	Dealer choice
Promotion	Cultural	Personality	Purchase decision	Purchase timing
	Demographic	Lifestyle	Post-purchase	Purchase amount
	Natural	Knowledge	behaviour	

Table 2: Components of Black Box Model

Source: Adapted from Variawa (2010)

The subject-matter of this study is the purchasing attitude of consumers at the Bottom

study. Other studies and their findings on factors influencing buying behavior are summarized in

Researcher	Major factors
Enis (1974)	Personal factors, social factors
Cross and Peterson (1987)	Social factors, physical factors
Dibb and Etal (1991)	Personal factors, social factors, physical factors
Cohen (1991)	Marketing mix, physical factors
Zikmond and Amico (1993)	Social factors, environmental factors, individual factors
McCarthy and Perreault (1993)	Physical factors, social factors
Narayyana and Raol (1993)	Physical factors, social factors, cultural factors
Keegan (1995)	Social factors, cultural factors, economic factors, geographic factors
Setlow (1996)	Personal factors, marketing mix, environmental factors
Stanton (1997)	Social factors, physical factors, attitudinal factors
Lancaster and Reynold (1998)	Physical factors, social factors, cultural factors
Kotler and Armstrong (2007)	Physical factors, social factors, cultural factors, personal factors
Straughan and Roberts (1999)	Demographic factors, lifestyle
Pride and Ferrell (2000)	Social factors, physical factors, attitudinal factors

Table 3: Factors Affecting Consumer Buying Behaviour – Literature Review

Source: Furaiji et al. (2012: 78)

Table 3 above.

The major of these various factors, which have profound influence on this study are Cultural, Social, Personal, Psychological and Marketing Mix. Table 4 (see Appendix-II) also describes each of the adopted sub-factors.

Trade, Multinational Corporations and Poverty Reduction

The External Combustion Theory of Development posits that breaking the vicious cycle of poverty requires forces from outside the poor countries. Theoretically, such external intervention may come in form of Foreign Direct Investment (FDI) or Foreign Private Investment (FPI). By the nature of our study focus, the external intervention of interest is the FPI. According to IMF (1977: 408), Foreign Private Investment is defined as:

“ Investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor, the investor’s purpose being to have an effective voice in the management of the enterprise. The foreign entity or group of associated entities that makes the investment is termed the direct investor. The unincorporated or incorporated enterprise – a branch or subsidiary respectively – in which direct investment is made is referred to as direct investment enterprise” .

Most of Foreign Private Investment Stock is believed to be the handiwork of Transnational Corporations/Multinational Corporations. This was the major reason why Adebayo (1992: 159) observed that the “ post-war years in Africa were a period of solicitation for both foreign and private foreign Investment” .

Multinational Corporations (MNCs) and Transnational Corporations (TNCs) are sometimes confused with each other. According to Aremu (1997: 9):

“ Multinational Corporations is a group of firms that are co-ordinated vertically by a controlling national company and have annual sales of substantial magnitude. Because of its vertical integration (forward and backward), it creates for itself a system that controls vast resources and a network operation in different parts of the world through its affiliates, subsidiaries, subsidiaries, associates and branches” .

Aremu (1997: 9) also, explained that a Transnational Corporation is in existence, “ when two or more enterprises co-ordinate horizontally by merger, joint management, joint venture, agreements, posting or Research and Development etc” . In this study, we use the two terms interchangeably.

Aremu (1997) has given an insight into the hot debate on the desirability of MNCs as a good vehicle for development and poverty reduction. According to him, there are three dominant Schools of Thought in this respect; the Dependencies School, the Pro-Investment School and the Bargaining School. The Dependency School has its origin in Marxist Dependency Theory. This school posits that Foreign Private Investment is an “ imperialistic predator exploiting the entire globe for the sake of corporate few and creating a web of political and economic dependence among nations to the detriment of the weaker ones” (Aremu 1997: 19). Consequently, this school does not see

Multinational Corporations existence as beneficial to the host communities.

The position of the Pro-Investment School is that Foreign Private Investment is beneficial to the

is a major driver in effective demand. At the Bottom of the Pyramid, an individual should be able to earn an income. From the theory of income and investment, earned income (or better

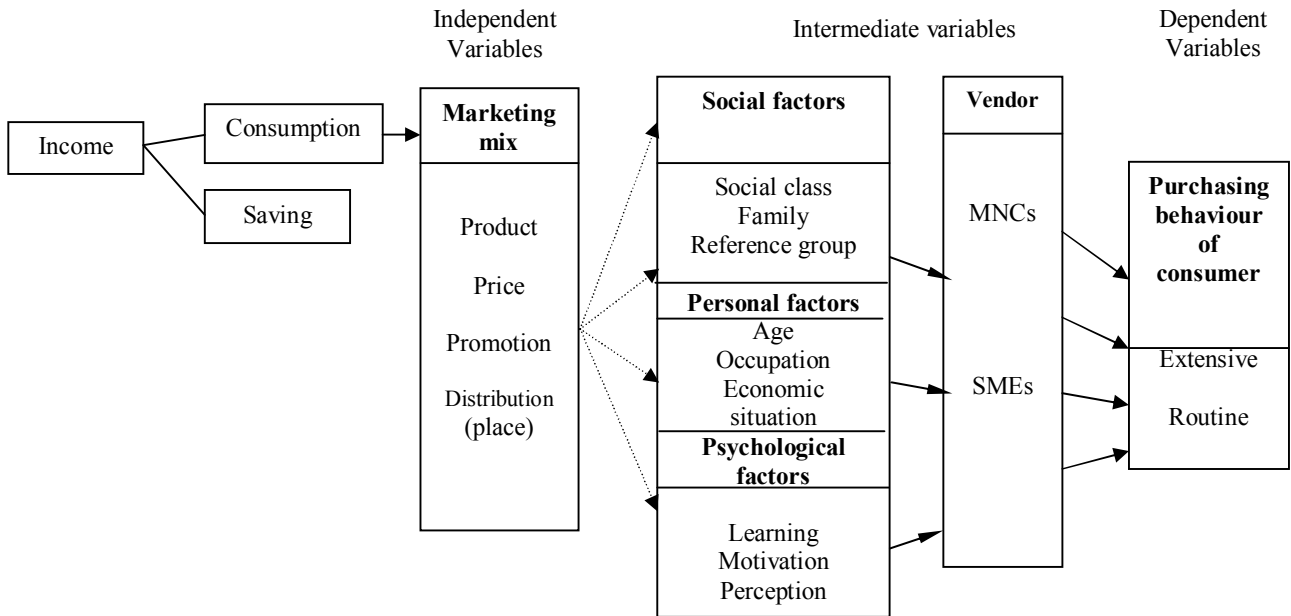


Figure .1 Conceptual Framework

host countries. This according to the school is because Multinational Corporations add new resources in terms of capital, technology, management and marketing to the economies of the countries (Adebayo, 2000).

The Bargaining School maintains as an intermediate position between the Dependency and Pro-Investment Schools. Adebayo (2000: 105) asserted that in line with School, activities of Multinational Corporations can be “ handled in such a way to trade off the advantages and disadvantages in a way that will bring the foreign private investors and their host economies mutual benefits” .

Conceptual Framework

Effective demand is one backed up with ability to buy. Consequently, income/purchasing power

still and disposable income) can be disposed into either Consumption or Saving. This study is concerned with the portion of income set aside for consumption.

From the various theories and models of consumer behaviour already discussed, the decision to buy at the Bottom of the Pyramid is influenced by independent and intermediate variables which are also explanatory variables of this study. These variables which exert great influence on consumption ultimately, determine the purchasing behaviour of the consumers. This behaviour may however be extensive or routine. Consequently the flow, directions and interaction of these variables are shown in figure 1.

Statement of the Problem

The most contentious issues of the BoP debate include invitation/attraction of Multinational Corporations to serve the BoP at a profit, size of purchasing power at the BoP, marginal propensity to save and the consumer behaviour at the BoP. These issues are interwoven. The 'BoP Advocates' affirm that there is much 'untapped' purchasing power at the Bottom of the Pyramid and that the poor often buy 'luxury' items. It is on the basis of this premise that this school of thought concludes that Multi-National Corporations MNCs have a large margin of profits waiting to be harvested at the Bottom of the Pyramid (Werhane, Kelley and Hartman, 2009; Wilson and Wilson 2006; Weiser, Kahane, Rochlin and Landis, 2006; Rangan *et al.*,2007).

Contesting these issues, the 'BoP Skeptics' declared that the supposed fortune at the Bottom of the Pyramid is a mirage. They contend that since the marginal propensity to save at the BoP is very low, that segment of the economic pyramid has little or no 'untapped' purchasing power'. As a result of this, consumer preferences at the BoP will tilt more in favour of 'necessary' rather than 'luxury' items. Such 'necessary' items are not, in their opinion stock-in-trade for Multi-National Corporations. In addition markets that are profitably served by MNCs, are usually characterized by economies of large scale production, which again is not available at the BoP (Karnani, 2011; London, 2007; Oxfam, 2007).

From available literature neither the 'BoP Advocates' nor the 'BoP Skeptics' has provided convincing empirical support for their

positions. Since consumer is at the centre of the BoP debate, empirical validation of the two dominant positions will require investigation of consumer perception which ultimately influences his behaviour. Significance of this is three-fold. First, it leads to a revelation of both the *raison d'être* and the nature of products purchased. Secondly, through such revealed preference the role of income-constraint is affirmed. Thirdly, the issue of appropriate firm size to serve the BoP market can be resolved since the type of products can be a well indicator of the type of firms that can well serve the market.

This study has therefore been conducted in an attempt to see what empirical support is there for these Schools of Thought within the Nigerian economy.

In line with the foregoing, the main research question is: Is there a market for Multinational Corporations at Nigeria's Bottom of the Pyramid? Other subsidiary questions are:

- (a) What are the dominants of consumption items at Nigeria's BoP?
- (b) What are the basic factors that influence consumer behaviour at Nigeria's BoP?
- (c) Do consumers at Nigeria's BoP save significantly?
- (d) Which of MNCs and domestic SMEs can best serve Nigeria's BoP?

Study Background

With a population of over 140 million, Nigeria is recognized as the most populous country in Africa, accounting for 47 percent of West Africa's population (World Bank, 2007). Although an oil-rich country, a significant

population of Nigeria lives in poverty. Handley *et al.* (2009) noted that approximately 70 million people in the country, live on less than US\$1/day (World Bank and DFID, 2005), 54 percent of Nigerians live below the poverty line (UNDP, 2006) and over one-third live in extreme poverty (i.e. those who cannot afford 2,900 calories per day) (UNDP, 2006).

Several programmes have been floated in the past to attack poverty headlong in Nigeria. In the Pre-Structural Adjustment Programme (i.e. before 1986) the country experimented with not less than 18 poverty reduction programmes. These programmes failed to achieve the objective of reducing poverty. Between 1986 (when the Structural Adjustment Programme came afloat) and now not less than 7 new poverty reduction programmes have been mainstreamed (Ogwumike, 2002). Even with these, there is ample evidence that Nigeria's poverty situation has grown worse. For instance, poverty incidence which was 54.4 percent in 2004 had risen to 69 percent by 2010. Population in poverty which was 68.7 million in 2004 rose to 112.47 million in 2010 (NBS, 2012a).

With this background, Nigeria appears a quintessential example of hopelessness of the traditional solutions to poverty alleviation. The BoP hypothesis if proved right may therefore be a respite for Nigeria's poverty situation and a big relief for the country's policy makers. This paper is therefore targeted at evaluating the workability of BoP hypothesis in Nigeria, and especially if truly Multinational Corporations can profitably serve the country's BoP market without further impoverishing the poor.

METHODOLOGY

Study Sample

The study area is Nigeria, which accounts for 47 percent of West Africa's population (World Bank, 2007). The country which has 36 states, excluding the Federal Capital Territory of Abuja, is also sub-divided into 6 geopolitical zones. The zones, with their respective 2006 census population are shown in Table 5.

Zone	Population (Both Sexes)	Percentage
North West	35,915,467	25.6
North East	18,984,299	13.5
North Central	20,369,956	14.5
South West	27,722,432	19.7
South East	16,395,555	11.7
South South	21,044,081	15.0
Total	140,431,790	100.00

Table 5: Nigeria's 2006 Population by Geopolitical Zone

Source: NPC (2010)

For a number of reasons, the study used Ibadan metropolis in South Western Nigeria in representative capacity for the entire country. Firstly, political terrorism in Northern Region (made up of North West, North East and North Central geopolitical zones) has made difficult to use it as part of the study sample. Heightened terrorism in the region has made it impossible for markets to fully open for business. Secondly, the South West is the second most populous zone (19.7%) coming after North West (25.6%). Thirdly and having regard to Table 6, South West has the lowest indices of poverty. Finally, Ibadan metropolis within South West is made up of five local governments (see Table 7) and has long

been recognized as the most indigenous urban centre in Africa South of Sahara (Adeniji-Soji, 1996). Ibadan metropolis plays host to almost all tribes in Nigeria and certainly all the major ones. As a result, Ibadan metropolis from which the sample of this study has been drawn is a miniature of Nigeria. Consequently, the choice of Ibadan metropolis provides the possibility of making findings from this study applicable to Nigeria.

Zone	Food poor	Absolute poor	Relative poor	Dollar per Day
North Central	38.6	59.5	67.5	59.7
North East	51.5	69.0	76.3	69.1
North West	51.8	70.0	77.7	70.4
South East	41.0	58.7	67.0	59.2
South West	24.4	49.8	59.1	50.1
South South	35.5	55.9	63.8	56.1

Table 6: Nigeria's 2006 Population by Geopolitical Zone

Source: NBS (2012)

Local Government	1991	2006
Ibadan North	300,939	306,795
Ibadan North-East	272,979	330,399
Ibadan North-West	246,759	152,834
Ibadan South-East	227,865	266,046
Ibadan South-West	274,028	282,585
	<u>1,322,570</u>	<u>1,338,659</u>

Table 7: Population Distribution of Ibadan Metropolis by Local Government 1991 and 2006

Source: National Population Commission, Census Report 1991 National Population Commission, Census Report 2006

Type of Data

The study used primary data. For the purpose of collecting data on consumer behaviour and its determinants at Nigeria's Bottom of the Pyramid, a questionnaire was designed. The result of the study was however compared with some findings from a recent survey undertaken by the country's National Bureau of Statistics (NBS)

to assess the extent to which both are in comparable.

The study also used secondary data from two different surveys conducted by National Bureau of Statistics; Consumption Pattern and Consumer Expectation. These were to confirm results from the analysis of primary data.

Structure and Administration of the Questionnaire

The questionnaire was divided into three sections. Section one solicited for socio-economic and demographic information from the respondents. Questions in this section were important to establish the economic background of the respondents and confirm that they conform to our operational definition of consumers at the Bottom of the Pyramid in this study. Section two asked questions about factors influencing purchasing behavior, while, section three was specific to the consumption items of the respondents. Since purchasing behaviour of consumers at the Bottom of the Pyramid is the ultimate goal of this study, there was the need to examine underlying factors influencing this. Consequently, questions in section two were directed at this. A major point of debate between Advocates and Skeptics of the Bottom of the Pyramid Hypothesis is types of goods (luxury or necessity) consumed at the Bottom of the Pyramid. Questions in section three were therefore related to Baskets of Consumer Goods and Services. Likert Scale was adopted for sections two and three. The questionnaire was adapted from NBS (2012a) and Gooding (2011).

The questionnaire was administered through research assistants that were given three days of intensive training before being sent to the field. The training focused mainly on the purpose of the

study, targeted locations and procedure for data collection. Popular markets in Ibadan metropolis were the principal targeted locations. The customers of these markets were approached at random for the purpose of data collection. The questionnaire was administered for a period of four months (April – July 2012). These months are significant in purchasing trend and pattern in Nigeria. April, May and June are free from hustling and bustling on New Year purchases, which may make the emergent consumer behaviour superficial and unreliable. The month of July is the first month in the second half of the year and is also free from purchases associated with Easter festivities.

Method of Data Analysis

The dependent variable was Consumption Expenditure. The predictors or independent variables were factors influencing purchase decisions. Multiple Regression Analysis was used, since the dependable variable is continuous rather than discrete or categorical.

The general regression equation was thus

$$COEX_i = \beta_0 + \sum_{j=1}^n X_{ki} + e \dots\dots\dots(1)$$

where

COEX = Consumption Expenditure

X = a vector of explanatory variables of determinants of consumer behavior.

The model in explicit form is given as:

$$COEX = \beta_0 + \beta_1^{SOCL} + \beta_2^{GRPS} + \beta_3^{FMLY} + \beta_4^{AGLC} + \beta_5^{OCPN} + \beta_6^{ECST} + \beta_7^{PEPN} + \beta_8^{LERN} + \beta_9^{PROD} + \beta_{10}^{PRCE} + \beta_{11}^{PRMN} + \beta_{12}^{PLCE} + e \dots\dots\dots(2)$$

Where,

- COEX = Consumption Expenditure
- SOCL = Social Class
- GRPS = Groups
- FMLY = Family
- AGLC = Age & Life cycle
- OCPN = Occupation
- INCM = Income
- PEPN = Perception
- LERN = Learning
- PROD = Product
- PRCE = Price
- PRMN = Promotion
- PLCE = Place
- e = error term

RESULTS

A total of 700 copies of the questionnaires were distributed for the purpose of collecting relevant data from respondents in six different markets of Ibadan metropolis. A sample of 700 consumers was selected using Purposive Sampling. The six markets were spread over the five local governments of the metropolis. They were carefully chosen bearing in mind the need for objectivity, which in this sense was the choice of markets that offered well balanced Baskets of Consumers Goods and Services where available. Only 580 copies of the questionnaire were returned. In other words about 24 percent of the questionnaire was not returned. This relatively high rate of poor return was unexpected considering the nature of the respondents and the high degree of rush for which most of the selected markets are known.

This study is focused on the Bottom of the Pyramid, considered to be the lowest economic

stratum of the society. With the unsettled controversy of the precise definition of the term, this study recognized those who live below the absolute poverty line as constituting the lowest economic stratum and therefore the Bottom of the Pyramid. For the purpose of this study also, the poverty line was defined as US\$1.25 per day at 2011 foreign exchange rate.

Table 8 shows that 20 copies of the returned questionnaire were not properly filled and could not be used. 30 respondents were living above the absolute poverty line and hence cannot be part of the Bottom of the Pyramid. Ultimately therefore only 530 copies of the questionnaire were available for analysis in this study.

Number of Questionnaire prepared	700
Number Returned	580
Number improperly filled	20
Number usable for analysis	560
Number of respondents with income above Poverty line of \$1.25 per day	30
Number of questionnaire available for final analysis	530

Table 8: Study Sample Statistics – Distribution and Administration of Questionnaire

Source: Field Survey, 2012

–Distribution by Bio Data and Employment Profile

From Table 9, 57 percent of the respondents were female. The remaining 43 percent were male. Most of the respondents were between 18 and 60 years. These age groups accounted for 97 percent of the respondents. 175 or 33 percent of the respondents came from the youth category, while 339 or 64 percent were in middle/late adulthood. From this it is clear that a very high percentage of the respondents belonged to the active labor force, with ability to

work and earn decent living. With most of the respondents in these groups, a high level of maturity was envisaged and hence high level of consciousness in decision making process. This is important in a study like this where behaviour is a key focal point.

From Table 9 also, 480 or 90.6 percent of the respondents were employed, while the

	Frequency	Percentage	Cumulative Percentage
Sex			
Male	228	43.0	43.0
Female	302	57.0	100.0
	530		
Age			
<18 years	11	2.0	2.0
18 years – 25 years	175	33.0	35.0
26 years – 60 years	339	64.0	99.0
Above 60 years	5	1.0	100.0
	530		
Employment Profile			
No Employed	480	90.6	90.6
No unemployed	50	9.4	100.0
	530		
Type of Employment			
Public Sector	80	16.7	16.7
Informal Sector Employee	106	22.0	38.7
Organized Private Sector	24	5.0	43.7
Self-employed	270	56.3	100.0
Combination	480		

Table 9: Bio Data and Respondents Employment Profile on of Questionnaire

Source: Field Survey, 2012

remaining 50 or 9.4 percent were unemployed. This is a reflection of the fact that most of the respondents earned their livelihood. The table also shows that 270 out of the 480 or 56.3

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percent respondents that were employed ran their own privately owned businesses. This is closely followed by employment in the informal sector (106 respondents or 22%) and public sector (80 respondents or 16.7%). Only 24 of the respondents accounting for 5 percent of those working were employed in the Organized Private Sector.

–Distribution of Respondents by Earnings, Savings and Borrowing Profile

Table 10 (see Appendix–III) presents data relating to respondent' s earnings, savings and borrowing profiles. Majority of the respondents earned less than or equal to ₦5,500. 339 of the respondents accounting for 64 percent fell into this category. 80 respondents or 15 percent earned between ₦5,501 and ₦10,000, while 53 respondents or 10 percent earned between ₦20,001 and ₦40,000. 6 percent of the respondents earned between ₦40,001 and ₦50,000. Only 26 respondents or 5 percent of the study sample earned above ₦50,000.

Also from the table, 443 of the respondents accounting for 83 percent had no savings. Although the remaining 17 percent said they saved, it is clear that the savings were very marginal. For instance, 58 respondents or 11 percent saved less than ₦1,000 per month, while 32 respondents (6%) saved between ₦1,001 and ₦5,000.

The borrowing profile of the respondents speaks volume of high level of their impoverisation. Apart from very low capacity to save, most respondent resorted to borrowing to satisfy their needs. 72 percent borrowed often, while 21 percent of them borrowed occasionally.

In other words, a sizeable percentage of 93 percent of the respondents engaged in one form of borrowing or another. The remaining 7 percent rarely borrowed.

From Table 10 also, most of the respondents who went a borrowing found respite in family and relations. 83 percent of them used this source. Banks and local money lenders were the least popular sources of borrowing. They accounted for 3 percent and 4 percent respectively. 10 percent of the respondents satisfied their borrowing needs from Cooperative Societies. This trend was not unexpected. Interest rates often charged on loans by both banks and local lenders are usually too high, whereas, hardly would family and relations charge any interest. In essence loans from family and relations are usually soft.

Most of the respondents in the study sample never paid tax. This group constituted 79 percent of the study sample. The remaining 111 respondents (21%) claimed they paid taxes. This again is not surprising. Most of the respondents were either self–employed or were waged earners under organizations in the informal sector. This sector has been recognized as one in which the culture of tax payment is very poor. Most of these who paid tax would have been from the public and organized private sector. Where the Pay As You Earn (PAYE) is the order of the day. From Table 10, it is also clear that tax revenue from those who paid would be very small.

–Distribution of Respondents by Consumption Pattern and Market Location

A summary of amount of income spent on food and non–food items is provided in Table 11 (see Appendix–IV). From here, we discover that the

respondents who spent between ₦3,001 and ₦5,000 of their income on food items were 445, accounting for 84% of the study sample. This is followed by those who spent between ₦5,001 and ₦7,000 (6%), between ₦1,001 and ₦3,000 (5%), greater than ₦7,000 (3%) and less than or equal to ₦1,000 (2%).

From Table 11 also we observe that respondents who spent less than ₦1,000 on non-food items were 85 percent followed by those who spent between ₦1,001 and ₦3,000 (10%). Those who spent between ₦3,001 and ₦5,000 and between ₦5,001 and ₦7,000 were 3 percent and 2 percent respectively. None of the respondents spent more than ₦7,000 on non-food items.

From the foregoing, it is clear that a large number of consumers at Nigeria's Bottom of the Pyramid spent higher percentage of their income on food items. When Table 11 (see Appendix-IV) is compared with data on Table 10, it can be deduced that most of them spent close 100 percent of their income on food items alone. When considered against the stipulations in Engel's law, this is a reflection of Nigeria's worsening poverty situation.

From the multiple regression analysis results (Table 13), the R Square is 0.835. This indicates that 83.5 percent of variation is explained by the model. From the results also, most of the predictors were not significant at 5 percent level. Only three of the predictors, price (-0.786), product (0.406) and Income (-0.394) were significantly different from zero at 5 percent level. When this is compared with the sample's response in Table 11 on whether or not the BoP

population would buy more or less if income increases, the nature of the product consumed by the Bottom of the Pyramid becomes very clear. Since 96.4 percent of the sample would buy less as income increases, the basket of goods at the BoP was predominantly made up of Giffen Items.

Theoretically, goods consumed may be Giffen or Veblen. A giffen good is a type of inferior good that people buy more when income goes down. In other words, such goods are substituted for more superior goods. A Veblen good on the other hand is expensive; an index of 'wealthiness' and status symbol. Such good is a superior good with respect to income. With 96.4 percent of the respondents affirming they would be less of their current baskets of goods of the Bottom of the Pyramid is largely made up of Giffen Goods.

These results are in conformity with findings of the National Bureau of Statistics (NBS 2012), which was a survey on Nigeria's Household Expenditure by type of Commodity for 2009/2010 (Table 12 - see Appendix-V). From the table, foods accounted for 64.68 percent while non-food components accounted for 35.32 percent of the basket of goods of the entire Nigerian population. Going by the Percentage Income Spent on Food (PISF) Index, this composition implies a highly impoverished population. This is because the rule in PISF Index is that the higher the percentage of income spent on food, the poorer the population.

Dominant in the food component in the expenditure profile were tubers, vegetables, and other cereals which accounted for 48.46 percent of the consumption expenditure. This is also in

perfect alignment with the empirical results from this study (see Appendix–VI).

In the non–food component, rent and footwear, other services and fuel/light and household goods were the most dominant. They accounted for 85.4 percent of the non–food and 30.17 percent of the total expenditure.

FINDINGS

From this study, the dominant consumption items (i.e. the basket of goods) at Nigeria' s Bottom of the Pyramid were principally of food components. Most of the respondents spent more than 80 percent of their earnings on this component (see Table 11). Complemented by the 2009/2010 Household Consumption Expenditure Survey , the dominant items of the food components consisted of tubers, vegetables and other cereals, which accounted for about 48.5 percent (see Table 12). The study indicated that most of the respondents would buy giffen rather than Veblen goods. This finding contradicts the position of BoP Advocates (Prahalad and Hart, 2002; Pitta, *et al.*, 2008; Habib and Zurawicki, 2010) that consumers at that stratum of the population buy luxury goods.

Twelve determinants of Consumer Behaviour which cut across cultural, personal, social and marketing factors were derived from literature. The multiple regression results indicate only three of them were significantly different from zero. These are Price (–0.786), Product (0.406) and Income (–0.394) (see Table 13). This is an indication that consumers at the Bottom of the Pyramid were very sensitive to price of goods, nature of products and size of their income in

making purchasing decisions. This finding is perfectly in line with the position of BOP Advocates (Karnani, 2011; NBS, 2012b).

Marginal propensity to save at Nigeria' s Bottom of the Pyramid was low. 83 percent of the study sample lacked the ability to save at all. The study indicates that earnings at the Bottom of the Pyramid were hardly adequate to meet the most essential needs at that stratum of the population. This is further confirmed by revelation in Table 10 that 72 percent and 21 percent borrowed often and occasionally, respectively. This implies that effectively about 93 percent of the study sample had to resort to borrowing before needs could be satisfied. This is against the position of the BoP Advocates that there is untapped purchasing power at the Bottom of the Pyramid. These findings are summarized in Table 14 (see Appendix–VII).

Literature is well stocked with reports of several works done on the Bottom of the Pyramid Hypothesis, but their focal points have been significantly different from the emphasis of this study. For instance, Prahalad and Hart (2002) was on increasing BoP purchasing power while Wood and Franzak (2008) canvassed for empathy with BOP instead of marketing. Similarly Habib and Zurawicki (2010) reported from their study that low income people in crowded families are profitable customers, Bang and Joshi (2008) using findings in another study concluded that different cultures in BoP level is an obstacle for integrated strategy. Most of these studies were not based on any strong theoretical foundation.

The uniqueness of this study and its theoretical contribution lies not only in providing theoretical

and conceptual foundations but also in evolution of theoretical/conceptual framework which has integrated different theories and concepts from different disciplines. In the framework, the antecedent variables of Income, Consumption and Savings, were from Economics, the independent variables of Product, Price, Promotion and Place were from Marketing discipline. The intermediate variables of Social Class, Family, Reference Groups, Learning, Perception etc were from Sociology and Psychology disciplines.

The effort in this study has therefore emphasized the need for an interdisciplinary approach to the study of the BoP. Such an integrated approach will lead to generate strong and functional policies and robust empirical results which will improve economic well-being of the people at the Bottom of the Pyramid.

CONCLUSION

Several findings of this are in conflict with the various positions of the Bottom of the Pyramid Advocates. Firstly, there is no 'untapped' purchasing power at the Bottom of the Pyramid. On the contrary, most people at the Bottom of the Pyramid exhibited very low marginal propensity to save.

Secondly, the position that the poor often buy 'luxury' items has found no support in this study. In actual fact, the study has shown that more than 84 percent of the sample spent more than 86 percent of their earnings on food alone. The results of the multiple regression analysis also indicated that income (-0.394) was significant but negative determinant of Consumption Expenditure at the BoP. The

implication is that consumption items were Giffen Goods and not Veblen Goods as posited by the BoP Advocates.

Thirdly, and drawing from 2009/2010 Survey of Consumption Expenditure in Nigeria, basket of goods was dominated by food items, especially tubers, vegetables and other cereals. These consumption items are definitely not stock-in-trade for Multinational Corporations. Even if the MNCs would be 'dragged' into the production of these agricultural products, such actions rather than reduce poverty would rather accentuate it in the country. The reason for this is obvious: such a policy will lead to the displacement of indigenous micro, small and medium scale farmers. Losing the meager income from their sometimes poor harvests will further impoverish the society.

RECOMMENDATIONS

The following recommendations are based on the findings and conclusions from this study. Firstly, as confirmed through the study, Multinational Corporations (MNCs) are not in a good position to serve the Bottom of the Pyramid going by the composition of the basket of goods at the stratum of the population. It is therefore recommended that Multinational Corporations be encouraged to stick to their traditional markets in Nigeria.

Secondly and having recourse to the position in Wilson and Wilson (2006), Multinational Corporations through the enterprise channel and government revenue channel can contribute meaningfully to poverty reduction. It is necessary to mention that Wilson and Wilson (2006) have identified three ways through which large

companies especially Multinational Corporations can help alleviate poverty. These are:

- i) through poor people as customers (distribution channel),
- ii) through poor people as employees and suppliers (the enterprise channel) and
- iii) through developing country governments as recipients of tax paid on company profits (government revenue channel)

From the findings of the study the first route (distribution channel) may be inimical to Nigeria's Bottom of the Pyramid. This is because the dominant consumption items at Nigeria's BOP from this study are agricultural, which constitute the mainstay of poor farmers. Taking this over by the MNCs will obviously rob the poor of their means of livelihood and further impoverish them. The remaining two channels are however viable routes to poverty reductions if well handled. Provision of employment by Multinational Companies (MNCs) to the Bottom of the Pyramid will improve the earnings of the poor at this stratum of the population, which will enhance poverty reduction. Similarly, payment of taxes will ease off government expenditures. If the expenditures profile pays greater attention to provision of social amenities, creation of safety nets, financial empowerment of the poor, then the lots of the people at the Bottom of the Pyramid would be greatly enhanced.

LIMITATIONS

The following limitations of this research are presented to engender further studies.

Firstly, the sample for this study came predominantly from South Western part of Nigeria, although the country has six geopolitical

zones. The reasons for this choice have been discussed earlier. Further studies based on a more nationwide collected data may be undertaken.

Secondly, this study covered four months in the same year. It may be necessary to increase the number of months and across different years to see if inter-temporal analyses will produce results that are significant from those in this study.

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Appendix-I

Fortune at the BoP	Mirage of a Fortune
BoP market size is \$13 to %15 trillion	BoP market size is only \$0.36 trillion
There is much 'untapped' purchasing power at the BoP	The poor have low savings rates, and little 'untapped' purchasing power
Profit margins in BoP markets are high	BoP markets are not so profitable because customers are price sensitive, and the cost of serving them is high, given the small size of transaction and poor infrastructure
The poor often buy 'luxury' items	The poor spend 80 per cent of their meager income on food, clothing, and fuel alone, leaving little room for luxuries.
Companies should reduce prices dramatically without reducing quality	A significant improvement in technology could reduce prices dramatically without reducing quality. Such as in computers, telecommunications and electronics. But in most other product categories, the only way to reduce prices significantly is to reduce quality. The challenge is to do this in a way that the cost-quality trade-off is acceptable to the poor.
Single serve packages increase affordability.	Single serve packages do increase convenience and help the poor to manage cash flow. But the only way to increase real affordability is to reduce the price per use.
Large MNCs should take the lead role in the BoP initiative to sell to the poor.	Markets for selling to the poor usually do not involve significant scale economies, and small to medium sized local firms are better suited to exploiting these opportunities.

Table 1: Major Grounds of Disagreement between Proponents and Opponents of the BoP Hypothesis

Source: Karnani (2009)

Major factor	Sub-factor	Description
Cultural Factors	Culture	Factors refer to the set of basic values, wants and behaviours learned by a member of a society from the family and other important institutions.
	Sub-culture	Each culture contains smaller sub-cultures. Sub-culture includes nationalities, religions, racial groups and geographical regions
Social factors Single serve packages increase affordability.	Social class	Society's relatively permanent and ordered divisions, the members of which share similar values, interests and behaviours. Social class can be determined by a combination of occupation, income, education, wealth and other variables.
	Groups	Society's relatively permanent and ordered divisions, the members of which share similar values, interests and behaviours. Social class can be determined by a combination of occupation, income, education, wealth and other variables.
	Family	Members can strongly influence a buyer's behaviour. Marketers are interested in the roles and influences of the husband, wife and children on the purchase of different products and services.
	Roles and status	The person's position in each group can be defined in terms of both role and status. Each role carries a status that is conferred by society.
Personal factors	Age and life cycle stage	People change their purchases over their lifetimes. Marketers define their target markets in terms of family life-cycle stage and develop appropriate plans and products for each stage.
	Occupation	A person's occupation affects the goods and services bought.
	Economic situation	A person's economic situation affects product choice. Marketers of income-sensitive goods should monitor trends in personal income, savings and interest rates.
Psychological factors	Motivation	When a consumer recognizes that they have a need, the inner drive to fulfil the need is called motivation. A motivated person is ready to act.
	Perception	It is the process by which people select organize and interpret information to form a meaningful picture of the world.
	Learning	When people act, they learn. Learning can be described as changes in an individual's behaviour arising from experience.
Marketing mix	Product	It is a tangible good or an intangible service that is mass produced or manufactured on a large scale with a specific volume of units.
	Price	The price is the amount a customer pays for the product.
	Promotion	It represents all of the communications that a marketer may use in the market place. Promotion has four distinct elements: advertising, public relations, personal selling and sales promotion.
	Placement	A way of getting the product to the consumer and/or how easily accessible it is to consumers.

Table 4: Major Factors Affecting Consumer Behaviour

Source: Adopted from Furajji et al. (2012: 79)

Appendix-III

Earnings per Month	Frequency	Percentage	Cummlative
₦			
* ≤ 5,500	339	64.0	64.0
* ₦5,501 – ₦10,000	80	15.0	79.0
* ₦10,001 – ₦20,000	53	10.0	89.0
* ₦20,001 – ₦40,000	32	6.0	95.0
* ₦40,0001 – ₦50,000	26	5.0	100.0
* > ₦50,000	-	-	-
	530		
Savings per month			
Nil	440	83.0	83.0
* ≤ 1,000	58	11.0	94.0
* ₦1001 – ₦5,000	32	6.0	100.0
* > ₦5,000	-	-	-
	530		
Borrowing Profile			
Borrow Often	382	72.0	72.0
Borrow Occasionally	111	21.0	93.0
Borrow Rarely	37	7.0	100.0
Never Borrow	-	-	-
	530		
Borrowing Sources			
Bank	16	3.0	3.0
Co-op	53	10.0	13.0
Local Money Lenders	21	4.0	17.0
Family/Relations	440	83	100.0
Others	-	-	-
	530		
Tax Payment			
Number Paying Tax	111	21	2.0
Number Not Paying Tax	419	79	100.0
	530		
Amount of Tax Paid			
Less ₦1000	16	14.4	14.0
Between ₦1001 – ₦2000	5	4.5	4.5
₦2001 – ₦3000	85	76.6	76.6
₦3001 – ₦4000	5	4.5	4.5
₦4001 – ₦5000	-	-	-
Above ₦5000	-	-	-
	111		

Table 10: Distribution of Respondents by Earnings, Saving and Borrowing Profiles

Source: Field Survey, 2011

	Frequency	Percentage	Cumulative
Amount Spent on Food Items Per Month			
* ≤ ₦1,000	11	2.0	2.0
* ₦1,001 – ₦3,000	26	5.0	7.0
* ₦3,001 – ₦5,000	445	84.0	91.0
* ₦5,001 – ₦7,000	32	6.0	97.0
* > ₦7,000	16	3.0	100.0
	530		
Amount Spent on Non-Food Items Per Month			
* ≤ ₦1,000	451	85.0	85.0
* ₦1,001 – ₦3,000	53	10.0	95.0
* ₦3,001 – ₦5,000	15	3.0	98.0
* ₦5,001 – ₦7,000	11	2.0	100.0
* > ₦7,000	-	-	-
	530		
Whether more or Less would be Bought If Income Increases			
Less:	512	96.4	96.4
More:	18	3.6	100.0
	530		
Market Location			
Bodija	117	22.0	22.0
Agbeni	90	17.0	39.0
Old Gbagi	74	14.0	53.0
Iwo Road	90	17.0	70.0
Gege/Oritamerin	106	20.0	90.0
Dugbe	53	10.0	100.0
	530		

Table 11: Distribution of Respondents by Pattern of Consumption and Market Location

Source: Field Survey, 2012

Appendix-V

S/N	Commodity	Expenditure Nigerian Naira (NGN)	Percentage of food	Percentage of Total Expenditure
Food				
1.	Maize	745,591,888,308.67	4.75	3.07
2.	Rice	1,397,928,262,310.25	8.91	5.76
3.	Other Cereal	1,635,936,079,663.3	10.43	6.75
4.	Bread & Similar Foods	586,287,068,386.48	3.74	2.42
5.	Tubers and Plantains	3,545,548,100,772.56	22.6	14.62
6.	Poultry	91,558,294,033.21	0.58	0.38
7.	Meats	462,928,721,187.21	2.95	1.91
8.	Seafood	670,,176,425,506.33	.27	2.76
9.	Dairy Products	174,357,580,933.05	1.11	0.72
10.	Oils, Fats and Oil rich nuts	587,208,074,677.47	3.74	2.42
11.	Fruits	294,162,613,610.86	1.88	1.21
12.	Vegetables excludes pulses	2,421,106,476,408.03	15.43	9.98
13.	Beans & Peas	1,517,399,036,392.62	9.67	6.26
14.	Sugar, Jam, Honey, Chocolate and Confectionary	174,188,422,160.96	1.11	0.72
15.	Non Alcoholic	627,497,560,281.93	4.00	2.59
16.	Alcoholic	82,192,845,211.53	0.52	0.34
17.	Food consumed in restaurants and canteens	182,374,622,152.41	1.16	0.75
18.	Other Non-Food items	490,226,971,084.87	3.13	2.02
	Sub-Total	15,686,669,043,081.7		64.68
Non-Food				
S/N	Commodity	Expenditure	Percentage of Non-Food	Percentage of Total Expenditure
1.	Clothing and foot wear	1,160,723,405,087.62	13.55	4.79
2.	Rent	2,939,490,895,025.23	34.31	12.12
3.	Fuel/Light	1,074,320,625,394.37	12.54	4.43
4.	Household Goods	1,050,934,978,178.33	12.27	4.33
5.	Health Expenditure	177,134,167,017.34	2.07	0.73
6.	Transport	823,237,450,437.44	9.61	3.39
7.	Education Expenditure	140,305,866,521.55	1.64	0.58
8.	Entertainment	78,966,613,172.95	0.92	0.33
9.	Water	31,447,536,201.87	0.37	0.13
10.	Other Services	1,090,439,547,640.41	12.73	4.5
	Sub-Total	8,567,001,084,677.10		35.32
	Total	24,253,670,127,758,,80		

Table 12: Household Expenditure by Type of Commodity: National 2009/10

Source: NBS (2012) b

Model	Un-standardized Coefficient		Standardized coefficient	t	Sig
	β	Std. Error	β		
Constant	-232.076	30.005			
SOCL	-0.162	0.110	-0.144	-1.469	0.149
GRPS	-0.152	0.130	-0.132	-1.325	0.134
FMLY	-0.187	0.143	-0.152	-1.413	0.162
AGLC	-0.750	0.120	-0.142	-1.503	0.148
OCPN	-0.183	0.125	-0.130	-1.401	0.153
INCM	0.530	0.156	-0.394	3.393 ***	0.002
PEPN	-0.160	0.115	-0.128	-1.327	0.171
LERN	-0.168	0.121	-0.147	-1.151	0.175
PROD	1.298	0.252	0.406	5.159 ***	0.000
PRCE	1.254	0.165	-0.786	7.584 ***	0.000
PRMN	-0.210	0.101	-0.098	-1.130	0.150
PLCE	-0.210	0.145	-0.164	-1.120	0.168

Table 13: Multiple Regression Results of Determinants of Consumer Behaviour

Diagnostics

$R^2 = 0.850$

Adjusted $R^2 = 0.835$

*** significant at 1% level

Predictors:

- a) (constant), SOCL, GRPS, FMLY, AGLC, OCPN, ECST, PERN, LERN, PROD, PRCE, PRMN, PLCE

Dependent variable: Consumption Expenditure

Appendix-VII

S/N	Issues	Findings	Remarks
1	Consumption Items at the Bottom of the Pyramid	Food-accounting for 80% of Consumption Expenditure	Using the Percentage of Income Spent on Food (PISF) Index this is reflective of worsening poverty conditions.
2	Dominant Items of Food Components	Tubers, Vegetables, other Cereals	These are Giffen rather luxury goods; much in support of BoP Skeptics and against position of BoP Advocates
3	Factors Influencing Consumer Behaviour at the BoP	Price, Product and Income	Implies that consumers at the BoP were sensitive to price, nature of goods and income.
4	Ability to save	Very low: 83% did not save	No 'untapped' purchasing power at the BoP as claimed by the BoP Advocates.
5	Types of business to serve the BoP Market.	Indigenous micro, small and medium enterprises.	This is based on dominant items of consumption.

Table 14: Summary of Findings

Source: Compiled by Author from this Study