

Small Packs in the Bottom of the Pyramid: Price, Product Variety, and Performance

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Abstract

Small packs are ubiquitous in resource-constrained environments such as the bottom-of-the-pyramid (BOP). Firms can sell small packs at a discount, premium, or uniform price relative to large packs, but each pricing strategy entails tradeoffs. How firms balance these tradeoffs and set prices for small packs is an important question. We examine the interplay between pack size, product variety, and pricing strategies in a market with large BOP population. Analyzing granular data on shampoo products in India, we find evidence of price discounts for small packs. Greater product variety in the large pack category is associated with larger discounts on small packs. Offering a small pack product is associated with better performance in the large pack category of the brand, and demand spillovers aided by the use of promotions is an underlying channel driving the superior performance.

Keywords: competitive strategy; pricing; product variety; small packs; bottom-of-the-pyramid.