

Impact of social capital on choices made by the bottom-of-pyramid consumer

Abstract

Access to affordable healthcare is a major challenge for poor families in several emerging economies. Healthcare choice is a critical decision due to the high cost and the potential long-term impact of wrong choice. Innovations in technology and payment mechanisms are being offered through market based business models to improve accessibility and affordability. However, adoption and acceptance of such innovations depend on consumers' preferences. Social capital has significant impact on attitudes, choices and development of consumers, including the poor. Our research focused on a micro-level examination of the impact of social capital on preferences and choices of the bottom-of-pyramid (BoP) consumers. Our focus was on understanding how social capital can lead to differential preferences in consumer choice. The specific research questions were: What are the effects of social capital types - structural, relational and cognitive - on BoP consumers' preferences for service attributes? Do different types of social capital lead to different levels of preference to the adoption of innovation? Does such preference contribute to the service choice? We applied a multi-method research process involving expert interviews, Delphi method, in depth interviews of poor patients and survey responses. The analysis of consumer preferences was conducted using conjoint-based choice modelling approach. Data was collected from a random sample of 303 respondents who were residents of a slum. The profile of respondents included female (42%), average age (36.15 years), average monthly family income (US\$ 167), average daily per capita income (US\$ 1.44) and maximum daily per capita income (US\$ 1.96). We used conditional logit analysis to assess the impact of healthcare service attributes as well as social capital constructs on the consumer utility function. We estimated the following econometric equation:

$$P(c_{ijk}|C_{ij}) = \frac{e^{\sum \beta_l X_{ijkl}}}{1 + e^{\sum \beta_l X_{ijkl}} + e^{\sum \beta_l X_{ij-kl}}}$$

where,

C_{ij} is the j^{th} choice set given to i^{th} respondent,

C_{ijk} is the k^{th} choice in the j^{th} choice set shown to i^{th} respondent,

X_{ijkl} is the l^{th} attribute of C_{ijk} alternative,

X_{ij-kl} means l^{th} attribute of C_{ij-k} alternative,

C_{ij-k} alternative means all such alternatives in C_{ij} choice set which are not equal to C_{ijk} alternative, and

β_l is the utility co-efficient from the l^{th} attribute.

Results show that higher levels of social capital lead to increased consumer preferences for better services. We also found that social capital reduces the sensitivity of BOP consumers to barriers to better services, such as price and distance. The results also show that structural social capital has a significant positive impact on preferences to adoption of innovations such as telemedicine and instalment-based payment options. Our research contributes to the literature on social capital, BoP consumers, healthcare choice, and service design. We try to bridge the gap between consumer preferences and service design. Our research underscores the importance of social capital and innovation in improving access and affordability for the BOP consumers. Managerial and policy implications have been discussed.

Keywords: Consumer Choice, Social Capital, Preferences, BOP, Healthcare Service Design