

CASE STUDY

Zudio's Success Story: Fortune at the Bottom of the Pyramid

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ABSTRACT

Most fashion brands have focused their offerings on the elites or the middle to upper-middle-class segments. This study investigates how a value-fashion brand in India, Zudio, took the road less traveled and found fortune at the bottom of the pyramid, where most brands have either struggled or never entered at all. This case study followed 9 years of research data on Zudio's growth while specifically demonstrating competitive dynamics against key competitors. Such analysis relied on relevant market research reports, published articles, insights into executives' interviews, and their statements in the public domain. Eventually, it also manifested an appropriate business model of Zudio and key managerial lessons for business success in the BOP segment. The findings suggest the importance of key business practices of value creation (e.g., addressing demand in the underpenetrated market and offerings with affordable pricing), value capture (e.g., quick inventory turnover for high sales, FOCO model for extensive customer reach), and value delivery (e.g., accessible fashion with affordability of high-quality offerings supplemented with agile inventory). Hence, Zudio's story contributes insights into unique business practices in BOP segments with a successful working business model. It makes a case for other potential businesses to explore and find their fortune in this underserved yet highly fruitful market. Beyond the domestic context, the study also offers lessons for international business managers on how firms from emerging markets design scalable models that could be replicated across other BOP segments internationally.

1 | Introduction

The bottom of the pyramid (BOP) encompasses two-thirds of the world's poor, people living on under \$2.50 a day (Global Issues, News-2013). These are the "value-conscious consumers" (Prahalad 2005, 1) with high aspirations but low spending power. Extant research has shown that BOP markets have tremendous potential, so much so that they are expected to grow faster than the world's GDP, with a market potential of \$5 trillion (Sheth 2021). Despite this vast potential, companies have had mixed outcomes when engaging in BOP markets (Hall et al. 2012), suggesting that there may be specific rules of engagement more than just low prices. In emerging economies, the BOP market represents a unique dichotomy of opportunity and complexity in scaling a business, as it offers untapped high-growth potential provided the business can navigate the significant institutional, technological, and socio-economic challenges

(London and Hart 2004; Prahalad and Hammond 2002; Ricart et al. 2004). In one such emerging economy, India, when Trent Ltd. entered the value-fashion market through Zudio in 2016, it took a modest approach in this highly complex BOP market. However, within less than a decade, it expanded its footprint across India, opening hundreds of stores and becoming the fastest-growing value fashion retailer. This rapid growth and success of Zudio as a value fashion retailer warrants closer examination of how the firm has managed to thrive within the highly price-sensitive, fragmented, and competitive environment of this BOP market.

In the BOP market, a large population remained underserved by earlier fashion retailers despite the continuous evolution of the fashion industry, even after the advent of fast fashion in the 1970s (Kelleher 2024), which accelerated the democratization of fashion specifically for the middle-income groups. In