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INTRODUCTION

In view of the fact, during mid-1990s poverty reduction has become the top priority to the international organizations. Some national governments necessitate doing business in developing countries either to integrate poverty in their business approach or to lose export credits and other subsidies. Since 2000 this business strategy has changed and firms were asked to become partners in development projects by both governments and NGOs.(Tudler,2008). The ‘business case’ for Multinational Enterprises to ‘do something’ about poverty eradication thus has become more and more compelling. So to keep pace with the business transformation the idea of *Bottom of the Pyramid* (BOP) comes up. Where, C.K.Prahalad came up with new thinking of doing business through BOP, marketing strategy which provides new challenges of the 21st century. According to Prahalad and Stuart Hart, realizes companies should not ignore the traditionally overlooked people, which are collectively dubbed as the “Bottom of the Pyramid”. It shows that companies are innovative enough to create or tailor their products to the economic realities and a significant profit can be won. At the same time, the entry of this group (BOP) into the market would hopefully enhance the standard of living and regional economic development¹.

At present, BOP has become one of the leading ideas of discussion among practitioners, managers, academicians, policymakers. Where, they argue that instead of disregarding low-income consumers as inaccessible and unprofitable, multinational corporations (MNCs) should view them as an unexploited business opportunity. Moreover, through this, MNCs can help to improve the living conditions of the world’s poorest population. On the other hand, it is to be noted that marketing is undergoing a drastic change. Presently, a marketer needs to operate in a borderless market domain due to economic liberalization that has a global perspective. Thus, in short it can be said that bottom of the pyramid provides companies with new possibilities not only to penetrate new markets but also with new lessons and skills for competing on the basis of continuous innovation. Hence, it can be said that this new Business model (BOP) can become a key element for reducing the gap between the rich and the poor.

I. THEORY

1. DEFINING BOTTOM OF THE PYRAMID (BOP) MARKET

Nearly 3.7 billion across emerging economies occupy the bottom of the pyramid (BOP), which constitute to 78% of the global population which is more than half of the World's population live on less than US\$ 8 a day – are low income consumers. They are often referred to as 'Bottom of the Pyramid'. Conventionally, this group has been considered to be largely excluded from formal markets, since it was believed that there isn't any money there to invest upon them.. Recently, new empirical measures of their aggregate purchasing power and behavior as consumers suggest significant opportunities for market-based approaches to better meet their needs, increase their productivity and incomes, and empower their entry into the formal economy. (Hammond 2007)

Overview of the BOP market

- Nearly , 3.7 billion people Gross emerging economies occupy the base of the pyramid (BOP), they earn less than US \$ 8per day
- Within this group is a sizeable segment of potential consumers ,producers and entrepreneurs who could be engaged by companies profitably with new business models.
- Companies that are first to overcome the inherent challenges of this segment with sustainable business models will gain a competitive advantage.

Four billion low-income consumers, a majority of the world's population, constitute the bottom of the economic pyramid (BOP). "The wealthier mid-market population segment, the 2 billion people with per capita incomes between \$3,000 and \$20,000, represents a \$12.5 trillion market globally. This market is largely urban, already relatively well served, and extremely competitive". (A.L> Hammond 2007). "The challenge is to address the markets at the "bottom of the pyramid".developed by Prahalad, the Bottom of the Pyramid



Figure 1, The World Economic Pyramid,

argument is that global firms have demonstrated their ability to create wealth around the world. But both the wealth created and the markets that these global firms reach, which are middle and upper class, do not reach most of the 4billion people who live in relative

poverty at the BOP”. Businesses usually believe that profit is best achieved at the top or middle of the pyramid -the 1.5 to 1.8 billion people with an annual income of \$1500-20000 US. The wider market is at the bottom of the pyramid and comprises 4 billion people who have less than USD 3000 per year in local purchasing power. (Prahalad and Hart 2002)

Nowadays, companies around the world are increasing their engagement in emerging markets. Still many remain focused on the high-income populations across the countries.

However, the world’s low-income population ,BOP represents considerable productive and entrepreneurial potential, as well as they have untapped demand for products and services.

Yet, challenges in the business operating environment often limit the success of standard business models in the BOP market.

Understanding the BOP Market and where it lives

This BOP segment is a huge Market if served profitably. In order to tap this whole segment we need to generalize the characteristics about this group which is very vast and moreover difficult to generalize since it’s characteristics varies with the regions and with the needs and the requirements. The BOP makes up 72 percent of the 5,575 million people recorded by available national household surveys worldwide and an overwhelming majority of the population in the developing countries of Africa, Asia, Eastern Europe, and Latin America and the Caribbean -- home to nearly all the BOP .However, India and China alone account for 60% .Asia, Africa and Latin America accounts 94% of the BOP Population.

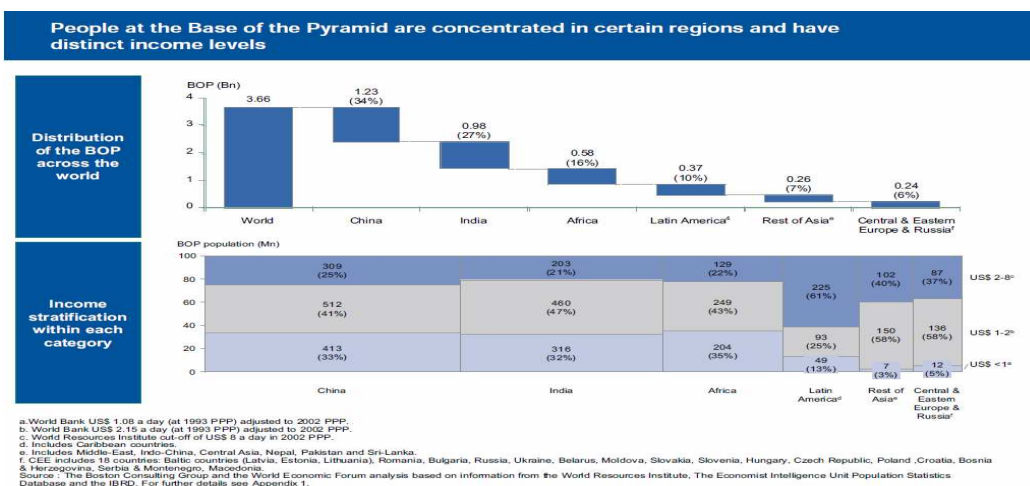


Figure 2 : Distribution of BOP Income levels across the world
 Source: World Resource Institute

This large segment of humanity faces significant unmet needs and lives in relative poverty: in current U.S. dollars their incomes are less than **\$3.35 a day in Brazil, \$2.11 in China, \$1.89 in Ghana, and \$1.56 in India**. Yet together they have substantial purchasing power: the BOP constitutes a \$5 trillion global consumer market.

1.1 THE THREE SEGMENTS OF THE BOP PYRAMID

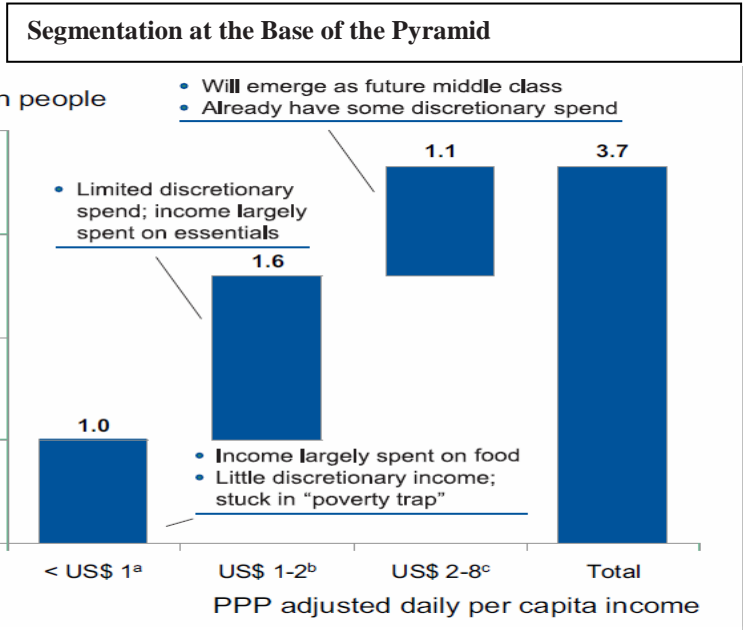
The three levels of the BOP Pyramid –low,medium and upper vary a lot from each other. The lowest segment of the BOP consist of about 1 billion people who are below the poverty line, earning under US\$ 1 per day, they often have to struggle to make ends meet. Whereas, the top most

level of the -BOP consitutes 1.1 billion.

The lowest segment of the BOP consist of about 1 billion people who are below the poverty line, earning under US\$ 1 per day, they often have to struggle to make ends meet.²

This group has the synergy and it also have a potential amount of disposable income to purchase

nonessential products. Although this segment have been higly overlooked and it din't recieve attention of business because their income are still relatively low and the income tend to fluctuate.. However, if business and oganizations help to increase its capacity and income among all range of BOP,it will foster broad based growth in the market.



a. World Bank US\$ 1.08 a day (at 1993 PPP) adjusted to 2002 PPP.
 b. World Bank US\$ 2.15 a day (at 1993 PPP) adjusted to 2002 PPP.
 c. World Resources Institute cut-off of US\$ 8 a day in 2002 PPP.

Figure 3, Segmentation at the Base of the Pyramid, *The Boston Consulting Group and the World Economic Forum analysis based on information from the World Resources Institute*

1.2.OPPURTUNITIES OF BUSINESS AT BOP

Presently,in this era of high compititiveness when the markets are becoming saturated.Businesses is looking for greater scopes of prospering in the new and unsaturated markets. Markets which can be proved to be outstanding from the previous one track market based on the stereotyped mindsets of the conventional way of making profits from only the elite group which consist of only *1billion people*. Here we will see the contrast and the changing scenario of business.The idea is that which market can prove to be more profitable .*One* that has a population of 1billion,that is the elite and the already saturated market or the other to serve the comparitively new untapped and unserved market of 4billion which is the BOP market.

Undoubtedly, the BOP market which constitutes the 4 billion people at the bottom of the economic pyramid (BOP) is uncommandable, we can't ignore this huge market for long.Although it is still a high hope to be considered , but the thought of capturing this huge market and gaining value from them by engaging them in the market processes gives a thoughtful vision.It is unquestionable that if any company who can capture this emerging market will not only gain a compititive advantage and will prosper with huge profits by serving the broader segment of the market.

It is not difficult to serve the BOP consumers since they also reveal the same pattern like consumers everywhere .The poor are constantly looking for products & services that improve their quality of life at an affordable price. Moreover, they are also vital producers and distributors of an immense range of goods . “It is here that companies can make smaller profits but with a larger market. There are opportunities to expand the global market system in order to provide direct benefits and expanded opportunity to poor communities, while at the same time providing new opportunities for profit for the business sector ”(A.L> Hammond 2007). Simply to add the fact there is a win-win situation for the companies as they can *sell* and *gain* together –one is by selling the products and services to them and gain knowledge and skills from them by engaging them in production and other Business processes which drives the thinking towards innovation.Thus the Companies that are smart enough to tailor their offerings to the needs of BOP consumers & entrepreneurs will surely drive in the 21st century.

1.2.1 Existence of Substantial Market at BOP

“The dominant assumption is that the poor have no purchasing power and therefore do not represent a viable market “. –C.K. Prahalad

Historically and our conventional mindsets bound us to think that does their really exist an opportunity to use this huge market and if it exist is their any way to capture this market. Although individual incomes of the BOP are low but the aggregate market is too large to serve for. “According to the estimated data of 2008,their income pool totalled slightly more than US \$ 2.3 trillion .” (Hammond 2007)

The income strata of the BOP have been growing rapidly at around 8%per annum. (A.L> Hammond 2007). Considering the fact at this stage of global economic downturn, this market still has the prospect of continued growth. It’s estimated that if the company continues to grow at the rate of 8%per annum by 2015 it can generate an income pool of approx US\$ 4trillion.(Hammond 2007)

However,it is hard to believe since our traditional mindsets assumes some false implication about the Market at the BOP

The set of assumptions often practised:

Assumption #1 The poor dont have enough money to spend ,thus they cant be target consumers because firms ort he MNCs cannot profitably compete for that market.

Assumption#2 The BOP group cannot afford to purchase or use the products and services sold in developer markets.

Assumption #3 Only Developed and elite group can only appreciate and pay for the new technology.The Poors are meant to use the previous generation of technology-Outdated and old once.

Assumption #4 Serving the BOP market doesn’t have along term viability and their is no gain or any importace to serve this section

Assumption #5 Managers are not excited by business challenges that have humanitarian dimension

Assumption #6 Intellectual excitement can only be found in developer markets .It’s hard to find talented managers who really want to serve for the welfare of the BOP market. (Prahalad 2002)

Fortunately, now in the age of Globalization , instead of ignoring this huge market and also to bring *social and ethical touch* towards the approach of doing Business.

Comapanies can serve and utilize the BOP Market. All those with incomes below \$3,000 in local purchasing power—live in relative poverty. “Their incomes in current U.S. dollars are less than \$3.35 a day in Brazil, \$2.11 in China, \$1.89 in Ghana, and \$1.56 in India. Yet together they have substantial purchasing power: the BOP constitutes a \$5 trillion global consumer market.”(Hammond 2007)

1.2.2 Characterizing BOP Markets Incomes Worldwide

The total household income of \$5 trillion a year establishes the *BOP as a potentially important global market*. Although there are significant regional and national variations in size, population structure, income distribution and other characteristics.

BOP comprises a huge market size.

The BOP market in Asia is far the largest. The BOP market in Asia (including the Middle East) is by far the largest: 2.86 billion people in 19 countries, with an aggregate income of

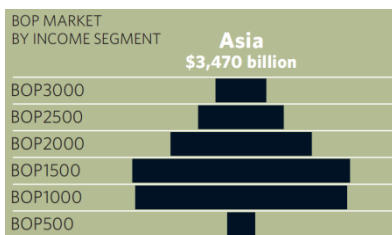


Figure 4, BOP Market by Income segment

\$3.47 trillion. The BOP market in these countries represents 83% of the region’s population and 42% of its aggregate purchasing power—a significant share of Asia’s rapidly growing consumer market. In rural areas the BOP is the majority of the market—representing 76% of aggregate China and effectively 100% in rural India and rural Indonesia.

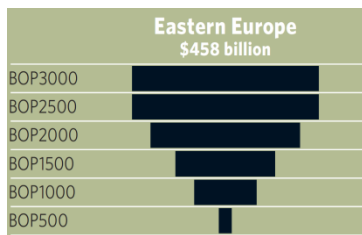


Figure 5, BOP Market by Income segment

Eastern Europe’s \$458 billion BOP market includes 254 million people in 28 surveyed countries, 64% of the region’s population, with 36% of the region’s aggregate income. In Russia, the region’s largest economy, the BOP market includes 86 million people and \$164 billion in income. (Hammond 2007)

In Latin America the BOP market of \$509 billion includes 360 million people, 70% of the

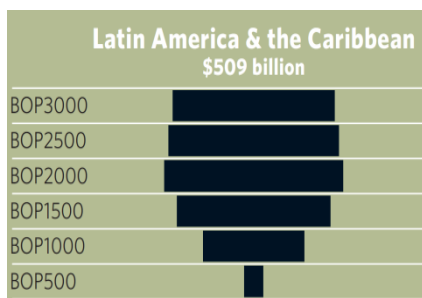
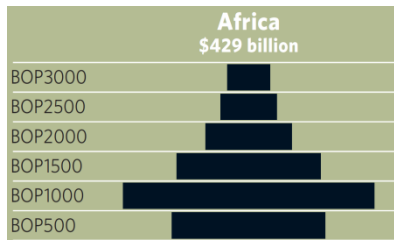


Figure 6, BOP Market by Income segment

population in the 21 countries surveyed. The BOP market accounts for 28% of the region’s aggregate household income, a smaller share than in other developing regions. *In both Brazil and Mexico the BOP constitutes 75% of the population*, representing aggregate income of \$172 billion and \$105 billion. (Hammond 2007)

In Africa the BOP market ,accounts for \$429 billion, is smaller than that of Eastern Europe or Latin America. But it's far the region's dominant consumer market ,with 71% of aggregate



purchasing power. The African BOP includes 486 million in 22 surveyed countries. South Africa has the region's strongest and most modern economy, yet 75% of the population remains in the BOP . The South African BOP market has an aggregate income of \$44 billion. Other countries in the region

Figure 7, BOP Market by Income segment

ket opputunities ,notably *Ethopia (\$84billion) and Nigeria*

(\$74billion). (Hammond 2007)

From the above survey conducted by the WRI ,gives us a clear picture that the BOP consumers accross the world have a significant discretionary income. Their aggregated income if combined together gives us significant figure. This shows BOP is a substantial global market and entrenprenurs and organizations should take an account to that. Although this BOP market have variation accross countries but still they share some common features which is presented as the sailent features of the BOP market.

2. SAILENT FEATURES OF THE BOP MARKET

In order to have a better understanding. First of all to penetrate the market, organizations need to understand the characteristics and the features of BoP that distinguishes them from other groups and the constraints that cause a hindrance.

Sailent features of the BOP Market which help us to understand them in a better way“

- They manage low and fluctuating incomes
- They cope with domestic constraints and difficult living conditions
- They are smart shoppers and investors
- They are unfamiliar with many products
- They look for trusted advice
- They demand respect
- They face disadvantages in the market

They manage low and fluctuating incomes. One of the main characteristics of the BoP is their fluctuating income and their ability to cope with it, since their income streams varies and it's highly unpredictable. As customers at this segment they may try to avoid high interest and high price goods due to lack of access to credit. However, companies might look for ways to align their prices that can maintain a flow of stable income. In addition they might design financial incentives that can encourage entrepreneurship with BOP producers. They cope with domestic constraints and difficult living conditions. Coping with the domestic constraints are the part and parcel of their everyday life. For example the living spaces of BOP households are relatively much smaller. Apart from this they have to face inconveniences which are taken for granted example – interrupted electricity, scarcity of water, unavailability of the necessary items at their doorstep due to far off retailer shop. These conditions have a direct impact on the type of products that BOP can produce and consume and their level of productivity. Companies can see through these constraints and can deliver some products solutions to these constraints

They are smart shoppers and investors. Since consumers or the customers of BOP have limited amount of money, thus each cents counts for the BOP households. Whenever they buy a product, it's only after when they think it's really going to help them and will offer long term services or satisfaction both before purchase and after purchase. In this case the

most important criteria to tailor the goods in this segment is the satisfaction and trust. They are unlikely to spend money for products or services which they don't understand and have no meaning to them and also the faith and trust plays an important role, that the product they are buying it must be reliable and are demonstratively superior at a relatively affordable price but they tend not to compromise it with a lower quality goods offered but instead the best being offered to them. That makes them a smart shopper. For example, despite the cash constraints, farmers pay a premium for high productivity seeds which they know to be the best one in order to gain profit from it. This can be seen as the opportunity for the companies to tailor the best products to penetrate into this market and also to make them familiar with the wide range of choices. In addition will give them better *Brand recognition* and the choices to select the best from them.

They are unfamiliar with many products, technologies and procedures. Due to the lack of communication channels and also due to the fact that this segment was for long have been isolated or ignored from participating in the market processes thinking they have no money to spend or are impossible to reach. Moreover, their literacy rates are also very low – mostly uneducated or illiterate belong to this segment. Often new technologies reach them much later, and they are considered often first time users of the products tailored to them thus they fall back with the recent updated technologies. These factors generates the prospect for the companies to reach them and to make them understand the need for consumer education which can be provided by product trials and demonstration to explain product benefits and usage. This can enhance the sales and also brand familiarity and customer value.

They look for trusted advice. As discussed earlier they are comparatively new and had limited access to the products and the ranges of products served in the global market due to the lack of information sources, they everytime look for a trustworthy sources, whose experience or suggestion they can most likely rely on. Another medium of communication or the tool to reach them is the word of mouth. The experiences of relatives, friends -good and bad. Moreover the decision making process can be fasten by the direct experience through product testing and demonstrations. For that reason, encouraging local groups to advocate products and services

They demand respect. Every individual have a self respect and their own identity as an individual.. There's no such person in this universe who dont like to be respected. Specially in order to support this idea in terms when it comes to the customer-client relationship, a smart entrepreneur or manager always respect it's customer's respect. We often heard of the phrase 'A customer is always right'. This phrase is stated as a matter of respect to its client advocated by Marshall Field's department store in USA . Whenever a customer is paid respect automaticaly a customer gets inclined and somehow a long term value is added in the relationship of the client with firm or the organization. *Being treated equitably and with dignity influences the BOP's choice.* (Hammond 2007)

For example BOP consumers often prefer neighbourhood shops which deliver a sense of familiarity and more personalized services over supermarkets which may seem intimidating. The role of Companies in this respect can be to consider this sensitive yet important issue to treat BOP consumers or employees with respect.

They face disadvantage in the market. Due to the spending power barrier among the BOP consumers and due to the limited access to the products and the services –lack of awareness, in most cases they tend to served by inefficient supply chains. That often results in paying higher prices for inferior goods, this inequity often referred to as the 'BOP penalty'. Seeing the positive side it can be a tremendous oppurtunity for the companies to enter into this market and introduce cost dynamic and to offer better quality and more affordable options for the poor.

3. NEW PERSPECTIVE: GENERATING CAPABILITY

Can Low Income Consumers be served profitably?

The answer to this question is yes.

Worldwide the Business Opportunities in doing business with BOP is undoubtedly high and it will surely rise in the near future with the rising neck to neck competition.

Also doing or engaging BOP in the inclusive model of business processes not only provides a company with a Competitive advantage but also generate profits. “This huge BOP market includes the poor on the demand side as clients and customers and on the supply side, as employees, producers and business owners.”(Hammond 2007)

This new approach of doing business which can benefit from the fulfillment of basic needs and from increased productivity, income and empowerment, will enhance and build bridges between business and the poor for the benefit of both.

To address the low income consumer. Much of the conventional wisdom is the major setback in the emerging economies which stands in the way of further growth opportunity among the BOP.

This market remain largely unrealized because of the *market constraints* that are characterized below :

1. Poverty : a lack of market information
2. Spotty regulatory environment
3. Underdeveloped infrastructure
4. Scarce knowledge and skills
5. Limited access to financial services

However ,in the admist of these challenges there are are few steps which can further provide the opportunity among the BOP ,which presents a new perspective on looking things in a different way from the deep seated beliefs.

- Affording access rather than ownership
- Create Awareness
- Acceptability
- Availability
- Monetizing hidden assets
- Bridging the gap between public goods through private enterprise
- Governing through influence rather than authority

The Four A's of addressing low-income consumers Availability, Affordability, Acceptability and Awareness .

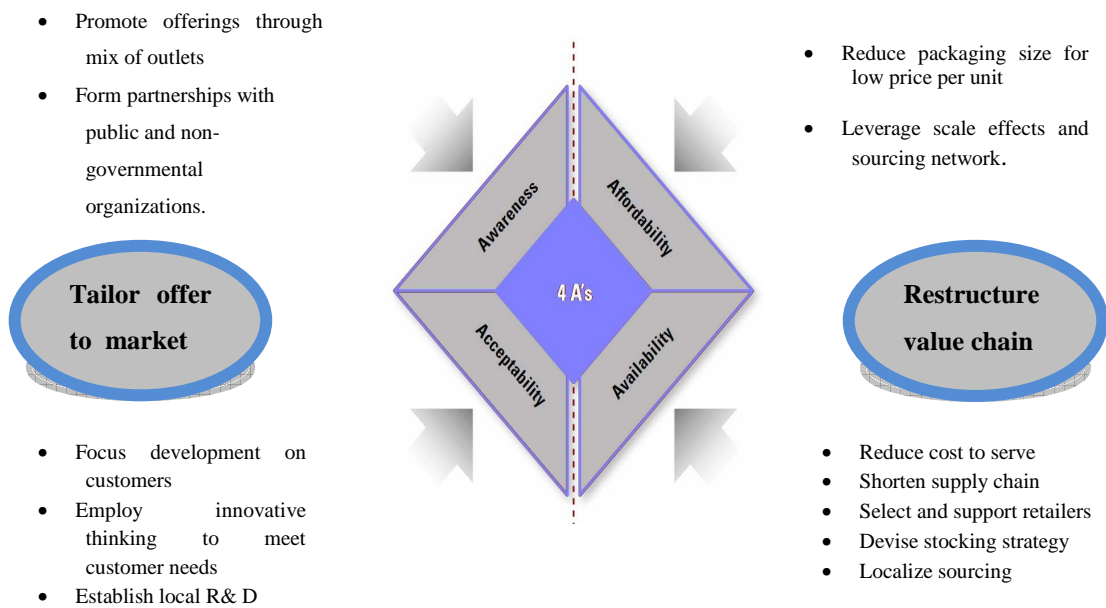


Figure 8,The concept of the 4A's is proposed in Jamie Anderson and Niels Billou, 'Serving the World's Poor: Innovation at the Base of the Economic Pyramid'" in journal of Business strategy ,Vol 28,No.2,pp 14-21
 Secondary Source : Management Agenda ,Serving the Low-Income Consumer, pp.50

Affordability

The most pressing issue that the people in the BOP sector have is the little chance to save money in order to make large investment. Generally, companies can address affordability by reducing packaging size to single sachets, since BOP consumers have limited income and they tend to shop for daily needs since they are often paid by the day. Sachets can bring high priced products within reach of the BOP consumers while maintaining the perception high price stands for high value. On the other hand, affordability within the BOP can be increased by generating affording access rather than ownership. In this case, the organization or a company thinks about 'who can use the product' and provide access to the products instead of thinking 'who can buy the product', by means of *shared-usage model* or through entrepreneur who *leases* the product to the BOP consumers. In this way they can practically use the product without ownership. Also, keeping in mind, their relatively low and fluctuating income and designing an offer that benefits a large group of consumers or producers and permits pooling of revenue streams so that the company is protected from individual consumer's volatile income.

For example, in Bangladesh, *Grameen Telecom* equipped village women with mobile handsets and small fee, the women make the handsets available to others for both incoming and outgoing calls. Overtime many of these customers have bought their own mobile handsets – often choosing the same model of Grameen mobile, since they have become familiar with its usage and with the brand and have grown a trust over it. Thus, here comes the picture of *brand recognition*, *user-friendliness* and the advantages of providing 'affording access' to the users. This in turn, reduces the gap between the company and the consumer.

This way of thinking and generating affordability and accessible products in the BOP market focusing on the features that will have high impact on the livelihoods has opened up markets for a number of companies.

To look up from a different scenario from the point of view of Health and Safety- and providing service to them at lower cost, which is one of the prerequisite factors to tap the BOP households especially in the lower income segments where there is limited access to clinics and hospitals and proper health care facilities are considered to be far reaching.

In spite of these constraints, this BOP market is unimaginably huge. The surveyed reports across various countries around the globe show that:

“The measured BOP health market in Africa (12 countries), Asia (9), Eastern Europe (5), and Latin America and the Caribbean (9) is \$87.7 billion. This represents annual household health spending in the 35 countries for which standardized data exist and covers 2.1 billion of the world’s BOP population. The total BOP health market in these four regions, including all surveyed countries, is estimated to be \$158.4 billion, accounting for the spending of 3.96 billion people. Asia has by far the largest measured regional BOP health market—\$48.2 billion, reflecting a large BOP population (1.5 billion). The total BOP health market in Asia (including the Middle East) is estimated to be \$95.5 billion, accounting for the spending of 2.9 billion people. Latin America follows, with measured BOP health spending of \$20.1 billion by 276 million people and an estimated total BOP health market of \$24 billion (360 million people). Eastern Europe’s measured BOP health market is \$11.2 billion, covering the spending of 124 million people, and the estimated total BOP market is \$20.9 billion of 254 million people.

The successful examples of Aravind Eye Care hospitable (case discussed below) and the Kenya’s Child & Family Wellness shops (CFW) new franchise business serving more than 400,000 customers and are doing profitable business are a few success stories which have generated affordability to health care into the lives of BOP households justifies that the companies can make a profitable business by serving the BOP market.

Availability

As the major part of the BOP consumers live in the remote villages or urban communities. Reaching these consumers requires creative thinking and finding alternative means of transportation. One way can be by building entrepreneurial skill and spirit of many low income consumers. For example, the microfinance institutions that give small loans to help the poor rural residents establish their own businesses. Emergence of these microenterprises often sell its products to the other BOP consumers in the neighborhood. For this they need to reach out to remote villagers.

Sometimes, creating completely new ways to sell is the best way. For example, *Nestle, Brazil* established a direct sales channel for women to sell yoghurt, pre-cooked pasta, cereals, chocolate beverages and soluble coffee and biscuits from their homes. In Brazil, altogether 3800 women sell Nestlé products door to door. They get their supplies at small distribution centers placed in local communities, situated to reach urban outskirts and rural

areas. Many customers are given two weeks to pay, so they can arrange for the money and pay for their purchases.

Meanwhile in India, Hindustan Lever Ltd's (HLL) initiated a project 'Shakti'. Project Shakti was initiated to stimulate a new demand at the lower end of the market by creating self-sustaining cycle of "business growth through people's growth". This project was planned with win-win partnership with rural self groups (SHGs) by helping team to access micro credit, buy HLL products and sell them in near villages. Hindustan Unilever provides personal care product such as soap and shampoo for women's 'SHAKTI' self help groups to sell in their villages.

The project could expand the company's coverage and help more than 30,000 entrepreneurs earn a living by serving potentially up to 500,000 villages, each with than 2,000 residents in India.

Although improving availability often requires labor intensive distribution, low labor costs can leveraged. For example, self employed Shakti saleswomen in India earn \$15 to \$22 a month, about 8percent of sales. Furthermore, the direct selling approach can quickly establish a sales network.

Reaching the BOP or the low income customers isn't easy. In emerging markets, Procter & Gamble (P&G) estimates that 80% of people buy their wares from mom-and-pop stores no bigger than a closet. Crammed with food and a hodgepodge of household items, these retailers serve as the pantries of the world's poorest consumers for whom both money and space are tight. However, where basic sales channels already exist, companies simply need to be more fastidious in their support. Procter& Gamble told the *Wall Street Journal* that it is training BOP consumers in Mexico through its 'golden store' program. Golden stores are tiny mom and pop shops that carry 40 or more P&G products and display them together on the shelf rather than next to competing brands. In return these merchants get regular visits from P&G reps who spruce up the displays.

Initially, P&G had its own exclusive sales force in Mexico to supply store owners with its products. Then, in 2005, the company decided that it lacked the scale and resources to maximize distribution -- *especially in far-flung regions*. P&G began offering basic sales training to independent agents and encouraged them to build their own teams. Today, the company is experimenting with allowing agents and their workers to earn commissions from markups on products sold to stores.

‘For P&G the stakes are high. Sales of P&G products in developing markets currently total \$20 billion, up from \$8 billion five years ago. In recent years, emerging markets have contributed about 40% of the company's "organic" sales growth, which excludes gains from acquisitions. The company still lags other consumer-product rivals. Last year P&G derived 26% of sales in these regions -- a far cry from Unilever and Colgate-Palmolive Co., which manage to snag about 40% of their business in developing markets’ (Jain et al. 2009)

Enabling availability to goods and services as for example selling products in small sachets or through single use or other packaging strategies that lowers price barriers or through new distribution strategies as for example in the case of new distribution channel adopted by Procter & Gamble (in packaging and selling small unit sizes). And cutting across many sectors are financing strategies that range from microloans to mortgages.

In Ghana, Barclays Bank has engaged traditional money collectors, known as Susu collectors, to offer a wider, safer range of savings and loan products to low-income citizens thus generating availability by providing microfinance services through traditional Susu collectors to the low income consumers or BOP consumers to use products and services more effectively.

Barclays also offers its end users education on financial management and insurance. In the long run, this education will benefit Barclays, because more end users will appreciate the value of savings and channel theirs to the bank through the Susu collectors.

Acceptability

Acceptability comes from the ability to adapt a new concept or ideas. Many low income consumers retain traditional concepts, religious motivation and other unique cultural factors which can be considered as the acceptability factors.

While targeting the BOP segment, circumstances surrounding daily life of the BOP consumers should taken into account. It's about understanding their requirements and knowing their related needs is an important factor for creating and designing products and rendering services as per their needs. For example Unilever in India realized that in rural areas of India, soaps are also used for washing hair, so Unilever tailored a body soap that contain healthy ingredient for hair as well. Likewise it served the 2 in 1 soap serving both purpose. Subsequently, Unilever gained a large market scale in rural India.

In this case below, a Chinese appliance manufacturer, assigned a dedicated R&D team to understand the expectations of the rural low income customers. (Jain et al. 2009)

In mid 1990s Haier Group, a leading home appliance manufacturer in China was once called to service a clogged drainpipe in one of its clothes-washing machines. The Company found out many rural consumers used their washing machines not only for washing clothes but also for also for washing vegetables. The unusual cause for this was potatoes. Millions of people in the Sichuan region grew potatoes and used washing machines to rinse of the mud off. Instead of blaming customers for misuse. Haier dedicated an R&D team to incorporate this matter. They modified that product by installing wider pipes that would not clog with vegetable peels. They also added instructions on the modified washers, with easy to understand directions on how to clean potatoes and other vegetables using the machine. They continued getting feedback from observing their rural customers and they also developed a modified washing machine to make cheese from milk. Strategies like these increased the acceptability of washing machines and the result was the strong increase in use of Haier's products among the low income consumers.

Source: <http://www.merit.unu.edu/publications/wppdf/2008/wp2008-024.pdf>

Awareness

The degree of awareness among the BOP consumers or the low-income consumers is fairly low. Due to the reason, they are considered to be far reached- inaccessible and were ignored to be considered as target customers by any companies. Also with the long term absence of conventional advertising in the lives of BOP consumers, they are mostly not conscious about the recent activities and the up gradation of the new products in the market.

Awareness among the low income consumers also relates to the know-how of the benefits of the products and services and also the knowledge concerning what is good and bad also in terms of their health.

Reaching out to the BOP consumers can be seen both as an opportunity as well as an challenge.

The question arises how can we know about their lifestyle and how can we reach them?

How they will know about the new product in the market? How we can create awareness among the BOP consumers.

The main goal is to bring the less aware segment of the BOP consumers into the circle of awareness by creative approach of building awareness in order to tap their potentials and make them familiar with the update knowledge and activities. Media: TV, Radio, word of mouth play an important role in the transformation of the information. As information travels faster by word of mouth among the BOP consumers. For example in rural India, Colgate and Palmolive took its marketing campaign on the roads with video vans that shows local movies and advertising for personal care. (Case discussed below: **COLGATE BRUSHES UP ON MARKETING IN RURAL INDIA**).

When addressing about building awareness about health and nutrition issues, the idea is to reach them to get close to them and to make them understand the utility of the health products like medicines or other items-and how it can benefit them.

The major role can be imparted by spreading knowledge. It can be done by collaborating with other non-governmental or non-profit organizations which can broaden communication channels and foster mutual success. Organizations with this capability include schools and universities, health services and public administration.

In the recent years some companies have made profit forays which is evident and can be seen as a opportunity of success to target this BOP market by creating smaller packages or finding innovative ways to cut short costs and prices

One of the example of this type of firm is Colgate who have gone farther by rethinking stereotypes and altering the business models into the lives of BOP consumers.

Monetizing Hidden Assets

BOP consumers are the pool of hidden assets. The term 'assets' refers to a broad array of resources that can generate wealth. In order to coin the wealth of potential residing within the BOP communities, organizations must mobilize the community as a whole. To tap the local knowledge present in the informal networks for sources of hidden assets, identifying the local partners with best access to community information is required. As BOP community have strong community ties, companies can integrate local community entrepreneurs into their value chain. In this way, it not only broadens the prospect of generating profit and also increases its customer base.

- **Strengthening Value Chains-** The firms operating locally having low profit and poor business value chains –due to unavailability of the required resources or due to the lack of efficient tools and skills. Producers, suppliers, distributors, retailers and franchisees from this segment can incorporate and expand supply and lower their risk factors. This will help to reduce costs and increase flexibility from the local businesses to a more specialized or high skilled activity.(

Restructure Value Chain

Fair-trade networking to supply the supermarkets

Juliana-Jaramilo is a group of about 70 farmers in the Dominican Republic who sell 100 percent of their crop of bananas to Fairtrade. The farmer live near the border with Haiti, the poorest country in Latin America. The level of education in rural areas throughout the Dominican Republic is low: 35% cannot read or write.

In the 1950s, the giant Granada Food Company was farming bananas in the area, but when it moved out in 1962, the government divided about 15% of the land among the workers, giving each worker about 2 hectares each.

With help from a Dutch development aid agency 39 local farmers started supply to the Dutch Fair trade market in 1996. Whereas the farmers around them were mainly supplying to the domestic market in the Dominican Republic and were at the mercy of market prices rising and falling, the Fair-trade farmers were assured a steady demand for their crop throughout the year and a guaranteed minimum price.

Now the farmers sell to Sainsbury's supermarkets through a UK-based company called Mack Multiples. An excellent relationship has been built up between Mack Multiples and the farmers, who work together to improve the quality of their fruit to the standards demanded by the export market, which are much higher than those of domestic market. At an annual meeting, the farmers decide how to use the Fair-trade 'premium', a bonus on sales that can be spent on joint community project.

Source: ADAPTED FROM http://www.FAIRTRADE.ORG.UK/ABOUT_BENIFITS_HOW_IT_BEGAN.HTM

Secondary Source: Isobel Doole & Robin Lowe, International Marketing Strategy, Edition 5th, pp. 149

- **Expanding the labor pool** - Another most important factor which contributes to cultivate the maximum assets from them is the Human resource. Human Resource includes the large pool of people who can become source of labor, producers, or entrepreneurs with adequate trainings. The advantage of hiring them as employees go beyond cost savings. With adequate trainings to the poor and to provide local producers with expertise tools will deliver high quality products and services. Likewise, this will helps to meet the company's standards.

By building employee and supplier knowledge, it increases the productivity, quality and reliability and in turn adds value to the business.

For example, Denmor garments provide training to its Low-income employess for enhancing their productivity and sales.

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Guyana's **Denmor**, a clothing manufacturer, spends over \$250,000 a year training low-income employees providing them training sessions where they can learn about the basic skills needed.

“Denmor Garment Manufacturers Inc (Guyana) has always applied high labour standards providing jobs and training to women who are underprivileged, school dropouts, socially ostracized, single parents or otherwise disadvantaged. With *increasing international competition, this investment in highly motivated and multi-skilled employees has proven to be the key to the company's continued success* as it modifies its business strategy to focus on the rapid delivery of both large and small orders of diverse high-quality garments“.

Bridging the gap in Public Goods through Private Enterprise

Developing infrastructure is a major setback for the developing countries. Organizations that set out to engage the BOP segment as consumers and as producers are often hindered by the the lack of basic infrastructure that they take for granted while serving the BOP mass market.

However, the cost of this basic infrastructure greatly increases the cost of engaging with the poor, designing products for them and collaborating with them for the purposes of production and sourcing.

This infrastructure include both the '*hard*' infrastructure and the '*soft*' infrastructure. The hard infrastructure includes roads, warehousing and public utilities for water and electricity. The soft infrastructure includes producer organizations, educational and training programmes and basic information on consumers and credit histories that allow companies to target them for specific products and services. Both these infrastructure enables market activity and value creation.

Organizations that seek to do business with the BOP must overcome the infrastructure constraints in two ways:

- They can form partnerships with public sector to improve the circumstance of BOP
- To find innovative ways often in collaboration with others to bridge the gap in public goods.

Apart from this one of the many measures can be if organizations can also work towards improving financial information systems through tools such as credit bureaus and smart cards. It can serve as the more accurate ways of identifying BOP consumers and outreaching the BOP consumers determining their needs. This could be established through a consortium of companies or banks that can be benefitted from this effort. For example, A little World .Zero, Technology company based in Mumbai, India launched a project empowering 3 million people for branchless micro- banking at the lowest cost functioning with a consortium of six banks.

Zero is based on providing new generation Near Field Communications (NFC) mobile phones; contact-less RFID smart cards; integrated biometrics authentication system and a transaction server to enable cost effective and convenient mobile transaction solutions for Customer Service Points (CSPs) and merchants to carry out banking and financial

transactions. 'Zero' has enabled many villages and rural areas to overcome the menace of poverty and inequality .

Not only has this system made it possible to offer banking services but also built some invaluable soft infrastructure in the form of credit information that can be used by many other industries over time to accurately identify and track their customers. This allows companies to expand their boundaries and partner with companies to share investments and returns.

Thus, bridging the gap and the private intervention can support the creation of public goods not just for philanthropic reasons but also to ensure long term profitability in low income markets.

Interventions in the public domain by many companies around the world have demonstrated

that they can add value for customers as producers.

For example, Tsinghua Tongfang (THTF) brought affording computing to farmers in China. Who have never accessed computer before. In order to accommodate their lack of computer literacy ,the company created software that was intuitive to use. Through such strategies and innovations many companies can contribute to avoid market constraints, the constraints that are difficult to remove like the inadequacy of physical infrastructure.

Governing through influence rather than authority

When considering doing business with BOP communities, companies often get concerned with the monitoring costs that might be required to ensure compliance with quality standards. A better approach is to reduce the need

For monitoring by aligning the interests of the employees with those of the company so that the employees are motivated to deliver better results.

This can be achieved by developing shared aspirations and values , distributing profits so that employees benefits when the organization benefits.

In order to influence the companies that lack experience in doing business with the poor can started with leveraging poor people's strengths. Some of the greatest resources for conquering the challenge is found among the poor themselves- i.e by working with them and building on their social network. Moreover, poor people are efficient and reliable at linking their communities to the broader market. When the poor take over some tasks in a

business model, transaction costs for the business decrease while the poor receive new income opportunities.

One of the succeeded example which has benefitted from this approach is the Kenya's Health Store Foundation, a franchisor of for-profit child and family wellness (CFW). The Health Store Foundation engaged the local nurses and community health workers as microfranchisees for profit pharmaceutical outlets and clinics. The Foundation operates similar to a typical franchisor, selecting franchise owners nurses and community health workers to deliver healthcare and also offered nurses who run their local clinics shares in the company. That motivates the nurse owners to provide high quality and reach out to the community with CFW shops and clinics provide access to much needed and affordable health care, while generating enough revenue to pay their nurse-owners and staff competitive annual salaries.

From the above success stories it's evident, companies that have aligned the interest of the communities and have engaged individuals or the employees with a high degree of autonomy have eventually served as a great success and also have unlocked great potential while reducing the overhead costs of monitoring. The key to success lies in viewing community members as partners, not just salaried employees and in aligning the interest of all stakeholders towards a common goal with a clear economic benefit.

4. CREATING SUCCESSFUL BOP MODELS: DESIGNING NEW APPROACHES FOR SUCCESS

1.1 Creating successful business models targeting the BOP consumers demands companies to innovate their business models by engaging them in business processes as consumers, producers or entrepreneurs.

As to formulate the perfect principles and rules to tap the BOP market, there is no silver bullet to tap this market. As this BOP sector is huge having different constraints factors to deal with, which makes the BOP market unique and unpredictable yet potentially active. It can be undoubtedly said that BOP market has the latent potential energy which has to be unleashed or transformed by the companies to kinetic energy which can be visible and will have the force to drive the whole economy forward and also upgrade the lives of the people.

It begins with understanding the *specific needs and constraints of the BOP* market which are sorted below and the actions which can be taken to overcome those hindrances.

Main Constraints governing the BOP

1. Access to financial services
2. Lack of knowledge and skills
3. Lack of physical infrastructure
4. Regulatory environment
5. Lack of Market information

Strategies applied for governing the BOP

1. Adapt products and processes
2. Invest in removing market constraints
3. Leverage the strengths of the poor
4. Combine resources and capabilities with others
5. Engage in policy dialogue with government

FIVE STRATEGIES at work and FIVE CONSTRAINS to be dealt with which stands in the way for the abundant opportunity

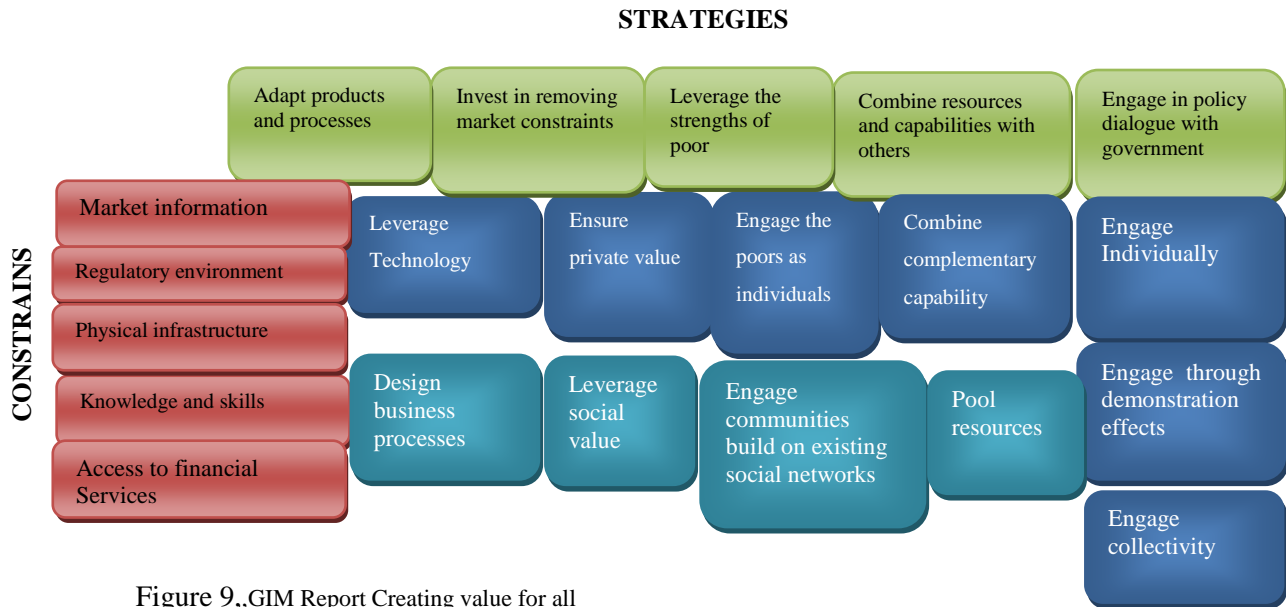


Figure 9,,GIM Report Creating value for all

As known earlier the BOP market which is considerably big and have immense potential, although it came into focus quite recently. But the question arises with the opputunities so great why haven't more businesses taken advantage of them earlier?

Simply to analyze the market conditions or the market constraints surrounding the poor makes doing business difficult, risky and expensive. In a way thus these constrains factors have long excluded deterred companies from doing business with the BOP market sector.

4.1 FIVE MAIN CONSTRAINTS

1. Limited market information – Companies or organizations din't knew or had lack of information about the poor. Firstly, the conventional mindset of the people dint allow the big companies to even focus and tailor their products and services to this BOP sector and hence not much survey was done about this market. As a result they have lack of information about the BOP consumers like for example what they prefer and what product and services they should offer to them. How much the BOP consumers can afford to buy. This lack of market information is one of the most obvious constraint factors which shrank the possibility of doing business with the BOP sector earlier.

2. Ineffective regulatory environments- Historically, the BOP market is considered to be far reached and hardly businessmen explored these markets before. As a result these markets were isolated and detached and it lacks regulatory frameworks that allow business to work. People and enterprises lack access to opportunities and protections afforded by functioning legal system.

3. Inadequate Physical infrastructure – Another great challenge is the lack of physical infrastructure like lack of transportation to reach them in the far flung areas. Lack of water, electricity, sanitation and telecommunication networks are also lacking in there.

4. Lack of adequate knowledge –As most of the BOP group are illiterate or have little education that hinders them to understand the utility of the products or they lack skills to use those products.

In turn they don't buy the products they don't understand. This may cause a setback for the company aiming to deliver their products to them. In order to avoid this, companies can offer training courses, trial usage and availability of information should be initiated to overcome this constraint.

5. Restricted access to financial products and services – Their affordability capability is limited. They donot have access to immense wealth at a time. Therefore, they can't make huge purchases at a time.To keep in mind by the entrepreneurs that BOP consumers and producers have fluctuating incomes and have limited credit to buy expensive products in large quantity.

Though all the businesses carried out in the BOP market have some or the other constraint factors which reveals some common patterns but it has to tackled with the adapted strategies that may work in BOP sector.

4.2 FIVE STRATEGIES AT WORK

Despite of all these challenges we see a growing number of business are operating successfully in the poor markets in reference to the cases discussed above. The succesful eamples shows that their are wide range of countries and companies who have benifitted by targetting the BOP market. As there is no silver bullet in this market.Each featured business developed a specialized solution allowing it to succeed in its local context and then expanding according to its objective.

In order to do that five core strategies have been formulated :

1. Adapt products and processes
2. Invest in removing market constraints
3. Leverage the strengths of the poor
4. Combine resources and capabilities with others
5. Engage in policy dialogue with government

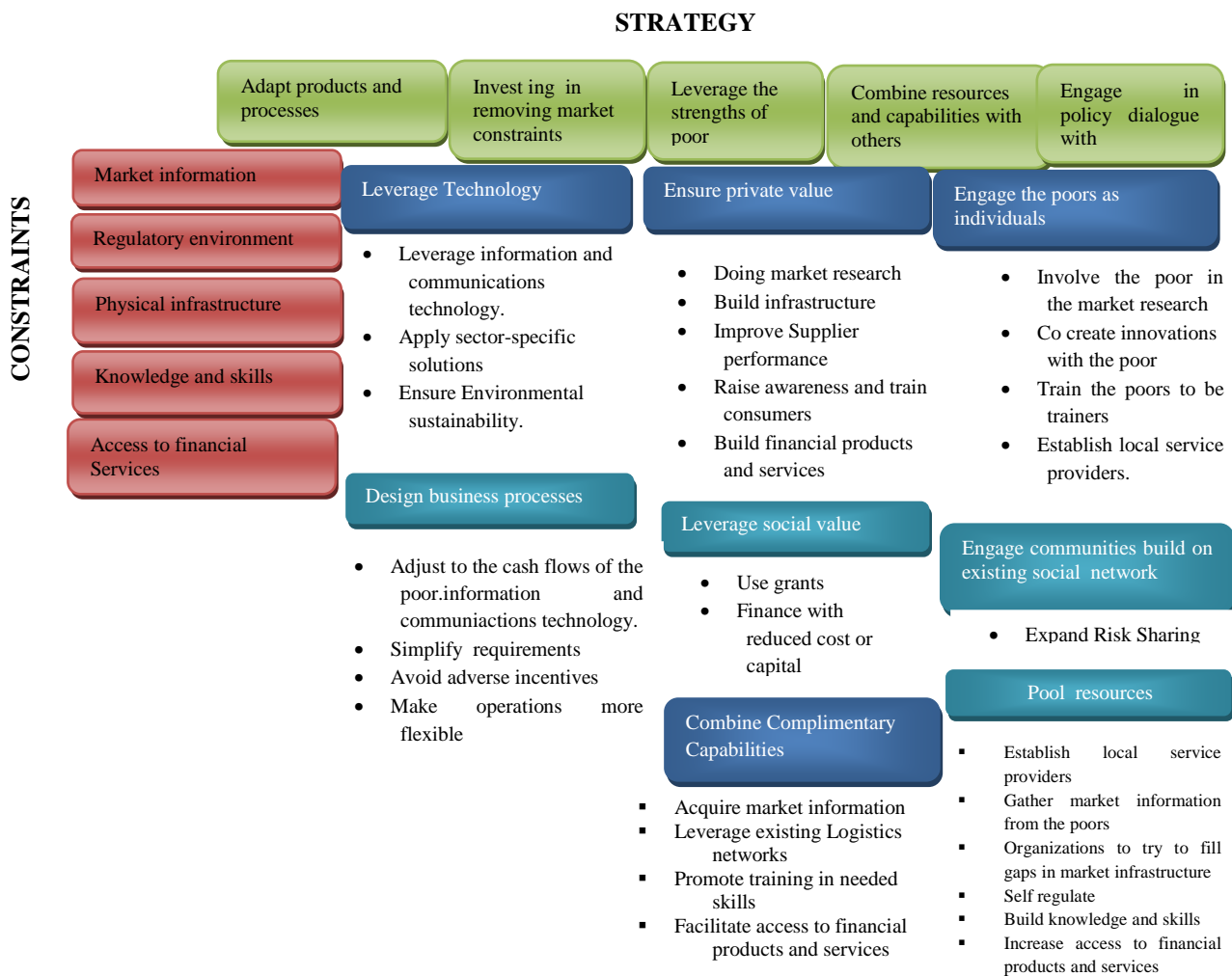


Figure 10,GIM Report Creating value for all.2008

Engage in policy dialogue with government .Engaging in policy dialogue is an important part of doing business with the poor. Policymaking is complex and continual and businesses can provide good information about the problems and their possible solutions,

such as encouraging government to provide the public goods or services, the company need to operate in particular location.

Collaborate to form non-traditional partnerships. This includes collaborating with govt. Such arrangements are a good way to reduce production costs. Whereas, collaboration with the BOP producers captures the untapped resources and local knowledge proving to be profitable for the company and also increasing local incomes. In doing so companies will be able to share costs. (GIM 2008)

Engage Individually. Sometimes the individual efforts of entre entrepreneurs and companies can have larger implications, such as changing market structures or even opening new markets. Tiviski, a camel dairy in Mauritania, is an example: through the individual efforts of Tiviski's founder, the European Union is creating a market for camel dairy imports where none existed before. (GIM 2008)

Engage through demonstration effects of products and services by the firms and organizations that improve livelihood and trigger the economic situation that allow overcome their constraints like for example the mobile banking. Companies need to adapt their products and prices to the specific needs of the BOP and also giving demonstration about its utility or the services it offers. *Sharing products and assets* can also be another way to serve the BOP Market. Companies can partner to bundle several products and services together, often making those products more affordable.

Forming deep collaboration with unconventional partners. Serving the BOP consumers and forming collaboration will require them to go beyond traditional forms of partnership, that is to include civil society organizations and even competitors. In doing so companies will be able to share costs, as well as capabilities and knowledge.

Engage collectively. As most of the BOP consumers reside in the rural areas where both distribution and sourcing is a challenge. In order to engage the local producers and consumers. Companies can reconfigure *the supply chain* which broadens the access and the *distribution network* of micro traders. Another way is to *broaden reach and save costs by leveraging local distribution channels*. Service providers can work with local entrepreneurs to leverage existing low cost distribution channels. For example in Brazil,

Nestle outsources the last mile distribution network to women entrepreneurs in small villages. Thus working collectively companies incur to reach and serve the BOP market. This also enable the provision of customized products for local preferences and also build trust and credibility for the company's brand and also reduces the cost to reach them.

Presenting the applied strategies and measures to overcome the market constraints, it surely reveals the fact that the BOP market constraints can be tackled or can be overcome with the entrepreneurial spirit, innovations and the motive to serve for the BOP market.

However, these applied strategies are important for the success at the BOP market but the private sector cannot stand alone. Another key factor governing the success and contributing to the efforts towards the success in the BOP market is the govt, Civil Organizations, policy makers, Non Profit Organizations (NGOs).

5 THE MARKET FRAMEWORK

The Marketing Framework of the BoP market and the key role players whose co creation role are responsible for making business possible with BOP sector and to overcome the challenges faced by the BOP sector.

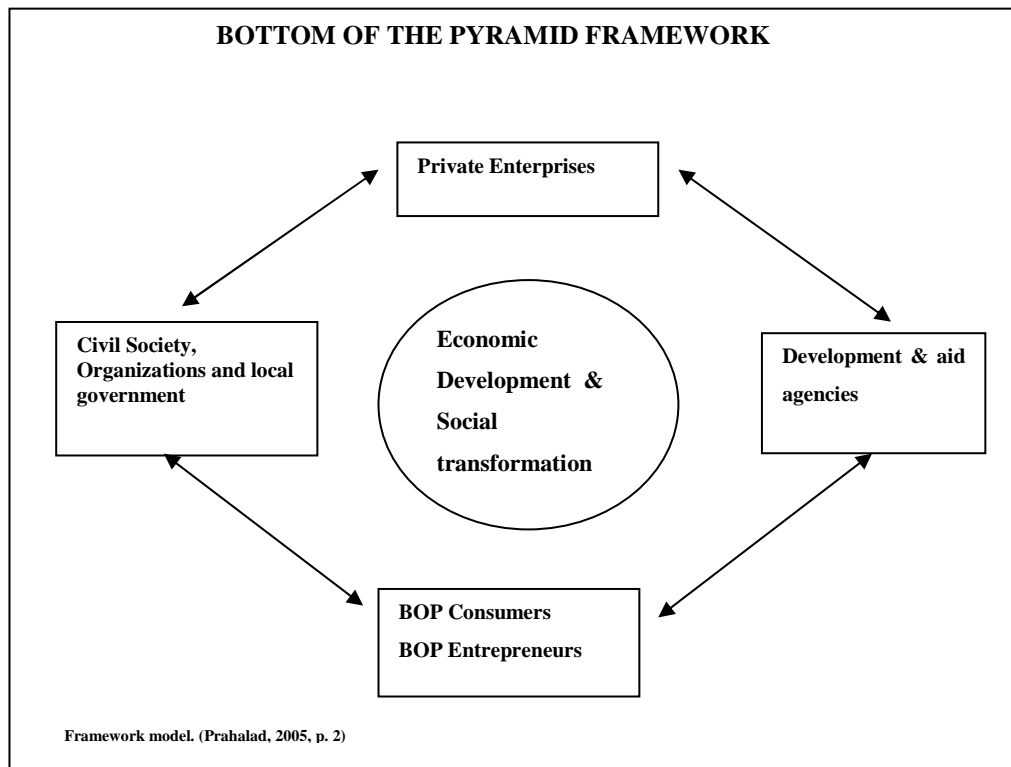


Figure 11, Bottom of the Pyramid framework model (Prahalad, 2005, p.2)

From the framework model, Prahalad (2005) and from the above mentioned success stories, it makes it obvious to realize that a company cannot single handily execute a business strategy in the BOP market. The key participants as mentioned by Prahalad in his BOP framework are Private Enterprises, Government, Development and aid agencies, Civil Society Organizations, BOP Consumers and Entrepreneurs when bind together and contribute to the welfare and serve the BOP Market creating new ways of sourcing, creating, producing and delivering products and services to them with the common mission, will gain considerable advantage.

By working together in partnerships they take advantage of each others strengths in order to reach their own goals and at the same time increase economic development and social transformation. Prahalad (2005) suggests that each country and market will have

different power balance and conditions for cooperation between the actors in the framework, but none the less they all exist in various forms. The people at the BOP market are in this model called BOP consumers and BOP entrepreneurs since they can take both forms, simultaneously. (Prahalad, 2005).

The Role of Government and other Stakeholders for the Success of the BOP Market

In connection to the roles of the stakeholders, contributing an important role in the chain of success to prosper in the BOP market is the combined efforts of the government, civil society and the BOP Consumers & entrepreneur and NGOs can build the foundations for new markets. Governments must unleash the power of business by improving market conditions where poor people live and removing barriers to their economic participation. Not-for-profit organizations, public service providers, microfinance institutions and others already working with the poor can collaborate and pool resources with businesses to help seize opportunities. Donors can facilitate dialogues between businesses and governments or other partners.

In relation to the collaboration with the private sectors, they can partner with the private sector for fund investments in better market conditions, to collaborate in operating business models and to facilitate and lead dialogues for policy change. Socially minded investors and philanthropists can supply the funds to make these time-intensive and uncertain ventures possible. Business models that include the poor require broad support, but they offer gains for all.

5.1. KEY ROLES FOR STAKEHOLDERS TO DEVELOP AND SCALE BOP BUSINESS MODELS

Shareholder Group	Primary Role	Actions and Capabilities
Businesses	Develop and implement commercially sustainable business models	<ul style="list-style-type: none"> • Understanding specific needs and constraints of the BOP • Invest in R&D and new development for the BOP market • Invest in capacity building of BOP suppliers and distributors • Partner or collaborate with others to align complementary investments, share supply and distribution costs
Government	Provide key Public infrastructure and services Defining and implement policy and regulation	<ul style="list-style-type: none"> • Create regulations and policies that encourage innovation and effective collaboration • Educate and support the BOP, create and empower consumer forums by conducting public education campaign • Foster public-private partnerships by aligning and mobilizing stakeholders around common common priorities
Civil Society Organizations	Support communities in improving livelihoods Advocate for community needs	<ul style="list-style-type: none"> • Strengthen the technical ,commercial and agricultural capabilities of the BOP to enable higher quality and efficiency of production • Creating consumer forums to protect the public interest. • Creating enabling market infrastructure such as producers associations • Supporting by providing a distribution system to efficiently deliver products and services as well as education and skills for the BOP
International Organizations, Donors, R&D Organizations	Defining priorities for stakeholder action Monitor and access results Share knowledge on best practices	<ul style="list-style-type: none"> • Conduct research to identify business and market • Undertake or fund R&D for new product development targeted at the BOP • By funding the start up phase of new business models to enable experimentation • Collect and share best practices – monitor, evaluate and assess impacts of business models on an ongoing basis

5.2 SUSTAINABLE MARKET DEVELOPMENT MODEL AT BOP

Three words that summarize the market framework are *innovation, partnership and profit*.

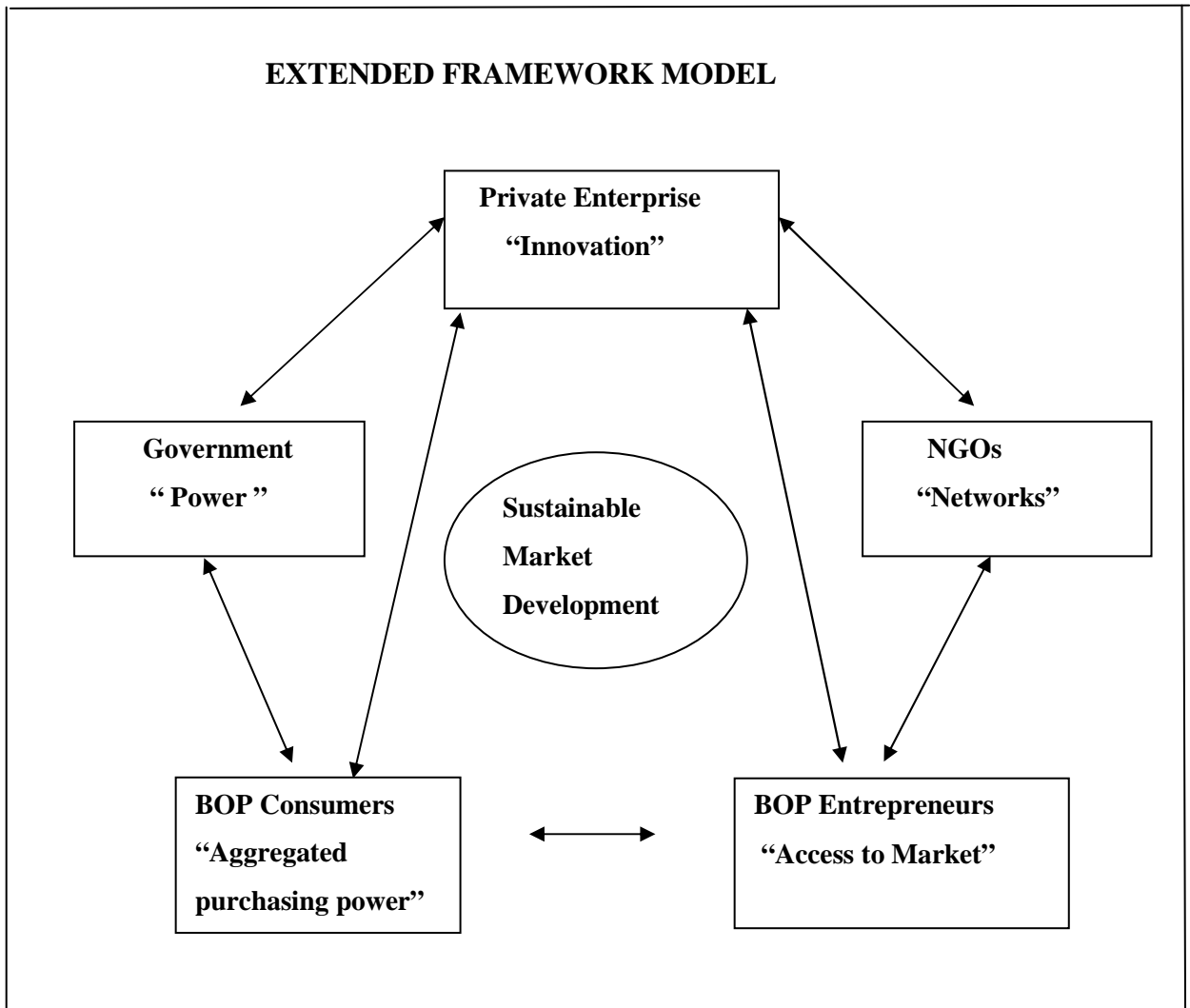


Figure 12 Extended framework model

The above extended model signifies the respective roles played by each participants to create a Sustainable Market Development.

The driving force of each participants that controls the functioning of the whole cycle. The Private Enterprise is responsible for *Innovation* targeting the BOP consumers with aggregated purchasing power by understanding their specific needs and providing

opportunities to the BOP entrepreneur to take part in the market processes and contributing as producers or entrepreneur.

The role of the NGOs is to penetrate the BOP market and create 'networks' directly with the BOP sector and to convey their voice to the Private Enterprise which in turn will help the Private Enterprise to interact and to understand the BOP consumers & producers more effectively. The authority role who has the ultimate *power* to facilitate the whole business process is role of the Govt who will create regulations and policies that encourage innovation also investing in public infrastructure, providing essential services to them. (GIM 2008)

Building business in the markets of the poor works best when all stakeholders contribute their strengths. When this happens, inclusive business models will proliferate and grow. Markets will include more poor people. And value will be created for all through profits, through increased incomes and through concrete progress. Thus it will lead to Sustainable market development.

II. ANALYSIS

6. GOALS & RESEARCH METHODOLOGY USED

This report is based on the analysis of 4 main case studies in different sectors where the bOP business was successful. The development of the analytical framework and messages of the thesis is followed an inductive approach. The guiding idea of the thesis is how to make business work with the Low income consumers for the benefit of the benifit of the business and also for the upliftment of the poor.

To identify business strategies that work, the approach is to learn from businesses that already include the poor successfully.

The objective or the goal of the thesis is to identify patterns and insights beyond the individual case study without relying on any preconceived hypotheses.

The research methodology can be described as a multiple case study research design, following

- Facts and figures to provide evidence
- Selecting the case studies to be analyzed.
- Analyzing reasons of its suces

The Case study research was guided by the overall principles of the Growing BOP Markets initiatives by puting the developing countries in focus, a core on business emphasis, BOP upliftment and sustainable development approach guided by the changing trend of doing business with the poor.

6.1. CASE STUDY 1

COLGATE BRUSHES UP ON MARKETING IN RURAL INDIA

Two-thirds of the people in India still live in rural farm areas. Many don't have life's basic comforts. For example, three out of four use wood as a fuel to cook. Only about 40% have electricity and less than 20% have piped water. Most can't afford refrigerator. A person who works on sugarcane fields, for example earns only \$1 a day.

While these rural villagers do not have much money, there are about 1 billion of them. So they are an important potential market for basic products like toothpaste and shampoo. Marketing Managers of Colgate know that. However, many rural Indians have never held a tube of toothpaste. Rather they clean their mouth with charcoal powder and the stems of local plant. But Colgate can't rely on U.S. style ads or the local drugstore to do the selling job. Half of the rural population can't read and very few have a TV. They also don't go to stores often. Rather, once a week the men go to a central market in a nearby village to get basic supplies they can't grow themselves. But to advertise for this kind of product Colgate can't rely on U.S. Style ads or the local drugstore. Half of the rural population can't read and very few have TV. They often don't go to stores. Rather, once a week the men go to the central stores in a nearby village to get basic supplies that they can't grow by themselves.

In spite of these challenges, in the past decade Colgate has about doubled its sales and rural Indians are now buying over 17,000 tons of toothpaste a year.

What's the trick? Colgate sends a van that is equipped with a generator and a video gear into a village on market day. Music attracts the shoppers and then an entertaining half-hour video explains the benefits of using Colgate toothpaste. The van reaches only about 100 people at a time, but many of those who see the video try the toothpaste.

Of course, not many want to spend day's wages to buy a standard tube. So, Colgate offers a small (30gram) tube for six rupees (about 18cents).

Colgate's approach is expensive but managers in the firm are thinking about the long run return on the marketing investments. Thus, they really made a significant difference to their sales at present and generating profit at the same time.

Source: William D. Perreault, Basic of Marketing "A global Marketing Approach pg15

Colgate known as an International brand known worldwide which began in New York City early in the 19th century is now a truly global company serving hundreds of millions of consumers worldwide. Their recognition worldwide lies in the strength and innovation that Colgate has used to constantly transform their Company and to identify new opportunities. One of the most succeeded strategy that the Colgate initiated in the market by reaching the India's rural population. The population that resides in the remote areas where the

light of development haven't reach there but Colgate did find its way to penetrate into that market and the outcome it gained is recordable.

Targeted group

The BOP consumers who were living in India in the distant villages and were not considered to be the part of market processes

Marketing Goals

To overreach the consumers residing in the far flung and rural parts of India. Colgate's goal is to capture this new target market who were considered to be unreachable. Colgate capture the most ignored market and also made foothold there among the BOP market present in the rural parts of India. In this way it also gained brand recognition and also captured the BOP consumers customer value. The marketing goal of colgate is to enter that market , by making its products affordable for the BOP consumers .

and persuading for its consumers to buy it. Colgate's idea or the mission is to serve this new market, opening new opportunities of sale for the make Colgate

Method

In the above case Colgate came up with a brilliant idea to persuade its target audience and motivate them to buy products in small tube of toothpaste (30grams) which made it affordable for the BOP consumers to buy and use it.

Colgate took its marketing campaign on the roads with video that shows local movies and advertising for personal sector. Colgate used the effective use of distribution channels like the Vans with music and showing advertisement to capture viewers attention .

Why it is successful ?

Colgate became successful because it targeted the BOP consumers residing in the far flung areas of India where they were not familiar with the product targeted at them like colgate toothpaste paste was new to them, this opened up opportunity to increase its number of users- thus increasing the market size. Colgate used the correct tool for advertising to penetrate into the market , like the use vans showing videos to public, firstly grabbing the attention of the consumers and then showing the film and explaining about the utility of using toothpaste. The marketing strategy of Colgate was perfect and profitable with not so expensive propaganda yet effective. Colgate studied the needs and requirements of the BOP consumers and then tailored its products according to its customers affordability in small packets.

6.2. CASE STUDY 2

Integrated Tamale Fruit Company

The Integrated Tamale Fruit Company—operating in the Savelugu-Nanton District in Ghana’s Northern Region, an area of widespread poverty—cultivates certified organic mangoes for local and export markets. To boost its power in the export market with higher production volumes, the company established a scalable business model that includes local farmers. Instead of acquiring a very large piece of land—physically and financially impractical—the company produces high volumes through an outgrower scheme, which started in 2001 and today includes 1,300 outgrower farmers. Each has a farm of about an acre, with 100 mango trees that supplement the nucleus farm of 160 acres. The company provides an interest-free loan to the outgrowers through farm inputs and technical services, and farmers start paying for the loan from selling mangos only after the trees yield fruit. This arrangement allows the company to reliably source a large volume of quality organic mangoes, and the farmers can enter mango production with long-term income prospects. The nucleus farm’s profits are on track to reach \$1 million a year by 2010. The case examines the key challenges of the outgrower scheme and its implications for the company’s business.

Author(s): Robert Darko Osei

Type of company: Local small or medium-sized enterprise

Sector: Agriculture

Tamale Fruit Company is an exporter based in Ghana, has made substantial investments to remove constraints in its suppliers’ knowledge, skills and access to finance to the farmers

Strategies

-It applied approaches to engage the consumers to uplift themselves and also increase level of income.

-The company provided loans farm inputs—cutlasses, seedlings, fertilizer, water tanks and water service and technical assistance to mango farmers in its outgrower network.

-The Company provided the financial assistance to the who would otherwise need to invest about \$7,000 over five years before seeing real returns from their crops. The cost of the loaned inputs is repaid, without interest, starting in the fifth year. About 30% of sales go towards repayment.

- The company also provides education to the outgrowers, whose ability to repay the loans depends on their ability to produce good crops.

Why it is successful ?

the Integrated Tamale Fruit Company offered mango outgrowers loans for their initial investments (the loans are not due until three to six years after planting, when the trees bear fruit) to fight against the market constraints and generating high productivity with skilled knowledge. Since illiteracy makes it difficult for the farmers to meet international standards. The company began training the farmers in best practices. Another important skill to the success of the outgrower scheme was the farmer's capacity for selfrepresentation. The company organized farmers into an *Organic Mango Outgrowers Association*, which acts as an intermediary between the farmers and the company, serving as the farmers' voice. This helped the company to be in direct contact with its producers. In this way it ensured good production standards and also engaged the BOP producers to become successful producers.

6.3. CASE STUDY 3

Celtel and Celplay

Celtel International—the leading pan-African mobile communications group, with operations in 15 countries—entered the Democratic Republic of Congo in 2000, when the civil war was still raging. It faced a market with widespread insecurity, poverty, depleted human capacity and political and regulatory uncertainty. There was little or no infrastructure and no banking network. The potential customer base seemed very small, with few ways to reach out to them. Despite those obstacles, Celtel has gained more than 2 million customers in the country, allowing communities previously isolated by war and poor infrastructure to exchange information. Celtel also established Celplay previously part of Celtel and now owned by FirstRand Banking Group—as a mobile banking system to compensate for the lack of a national banking network. The case outlines each obstacle and details how the company addressed them.

Author(s): Juana de Catheu

Type of company : Multinational corporation

Sector : Information and communications: technology / Financial services

Celtel International is a leading pan-African mobile communications group, with operations in 15 african countries. Celtel entered the Democratic Republic of Congo (DRC) market in 2000,revisted its Business modelsand adopted numerous changes to achieve commercial success.

Positive Outcomes for the Poor

- Reduction of transaction costs.
- Employment generation (both directly by Celtel and by all business benefiting from mobile communications, such as phone-renting businesses, fund transfers, trade and microenterprise).
- Cash injections at the local level, which all have a positive multiplier effect on growth.
- Rebuilding of trust and restoration of the social fabric.
- Training of local technicians and sales force.

- Improved access of women and youth to production factors such as capital, work and education.

Positive Outcomes for the Business

- Over 2 million new customers.
- Celtel earns more per customer in Democratic Republic of Congo than it does in more developed markets (in part because of low penetration of landlines and mobile phones).
- The Democratic Republic of Congo is now sub-Saharan Africa's fourth largest market for mobile phones, and Celtel is well placed to capture a large share.
- The Democratic Republic of Congo worked so well as a pilot for other "challenging" countries and markets, that Celtel can apply lessons learned to other new (to Celtel) markets, like Sudan.

Key Constraints

- *Regulatory environment:* The post-conflict environment meant that telecommunications regulation was ill-formulated and evolving.
- *Physical infrastructure:* Lack of banking infrastructure and security risks associated with lowdenominational, high-volume cash transactions.
- *Knowledge and skills:* Lack of technical capacity in the Democratic Republic of Congo for people to work in telecoms and in general corporate management.

Key Strategies

- *Adapt products and processes:* Celtel set up a subsidiary, Celpay, to develop a system to wire funds across Democratic Republic of Congo using encrypted SMSes. Most widely used to pay staff, bills and transfer prepaid airtime.
- *Invest in removing constraints:* Celtel invested in training programmes to target dynamic youth and more experienced managers, using knowledge and experience sharing from its staff at HQ and other African countries.
- *Engage in policy dialogue with governments:* Celtel built strong relationships with relevant government authorities and worked in collaboration with the banking regulator and telecommunications authority to develop a favourable and appropriate regulation.

CONCLUSION

Recently the trend of business strategies is gaining focus in the BOP market. Multinational companies are looking forward for this untapped market which constitutes more than half of the population of world. This BOP market brings a edge to the new working environments, targeting new customers and innovating new ideas that will bring a competitive edge to the Company. From the case studies, it is evident that BOP market can bring success and prosperity in various sectors like telecommunications, micro financing, health care and agricultural sectors.

The BOP sector can be classified as a homogeneous market with a mixture of broad range of consumers across the world with different needs and wants specified to different regions and conditions, that makes this BOP market so unique.

However, this market also have the constrain factors like lack of accessibility, lack of physical infrastructure, lack of education which makes it difficult for the BOP consumers to act promptly and to understand the utility of the products.

In order to remove this barrier entrepreneurs who want to penetrate this market have to look for innovative ways to remove those constraints or find ways to work surrounding those constraints by means of collaborating and partnering with the BOP consumers and entrepreneurs and gaining value from them. This is will eventually open up cost saving opportunities; bring profits and ways of innovation by serving the BOP.

The idea is to present a framework that will bind the BOP consumers, companies, NGOs, Government in a network with the vision to encourage the BOP sector to uplift them and the key roles will be played by the contribution of each participant in the network. So that the business models targeting the BOP are bound to be successful.

Undoubtedly the business opportunities at the bottom of the pyramid are real and open to any MNCs willing to engage in a meaningful way In conclusion the business opportunities at the bottom of the pyramid are real and open for exploration

The mission and vision of the organization should be to Think high - Act fast and Go outside the common markets

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LIST OF ABBREVIATIONS

Base of the pyramid (BOP)

The 3.7 billion people populating the lowest income strata in the world, who earn up to US\$ 3,000 per person per year (in 2002 PPP\$), or roughly US\$ 8 per person per day (in 2002 PPP\$).

The 3.7 billion people populating the lowest income strata in the world, who earn up to US\$ 3,000 per person per year (in 2002 PPP\$), or roughly US\$ 8 per person per day (in 2002 PPP\$).

Multinational Corporation

MNCs

Non Governmental Organizations

NGOs**Purchasing power parity (PPP)**

The value of a given amount of foreign currency, expressed in terms of the US dollar value of a similar basket of goods. PPP is based on the theory of long-term equilibrium exchange rates, which states that exchange rates of any two countries tend to equalize their purchasing power in the long term. In 2005 for example, US\$ 1 could be exchanged for 7.6 Chinese Yuan. However, the PPP value of US\$ 1 in China was 1.8 Yuan, meaning that it would take 1.8 Yuan to purchase goods and services valued at US\$ 1 by the World Bank.

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