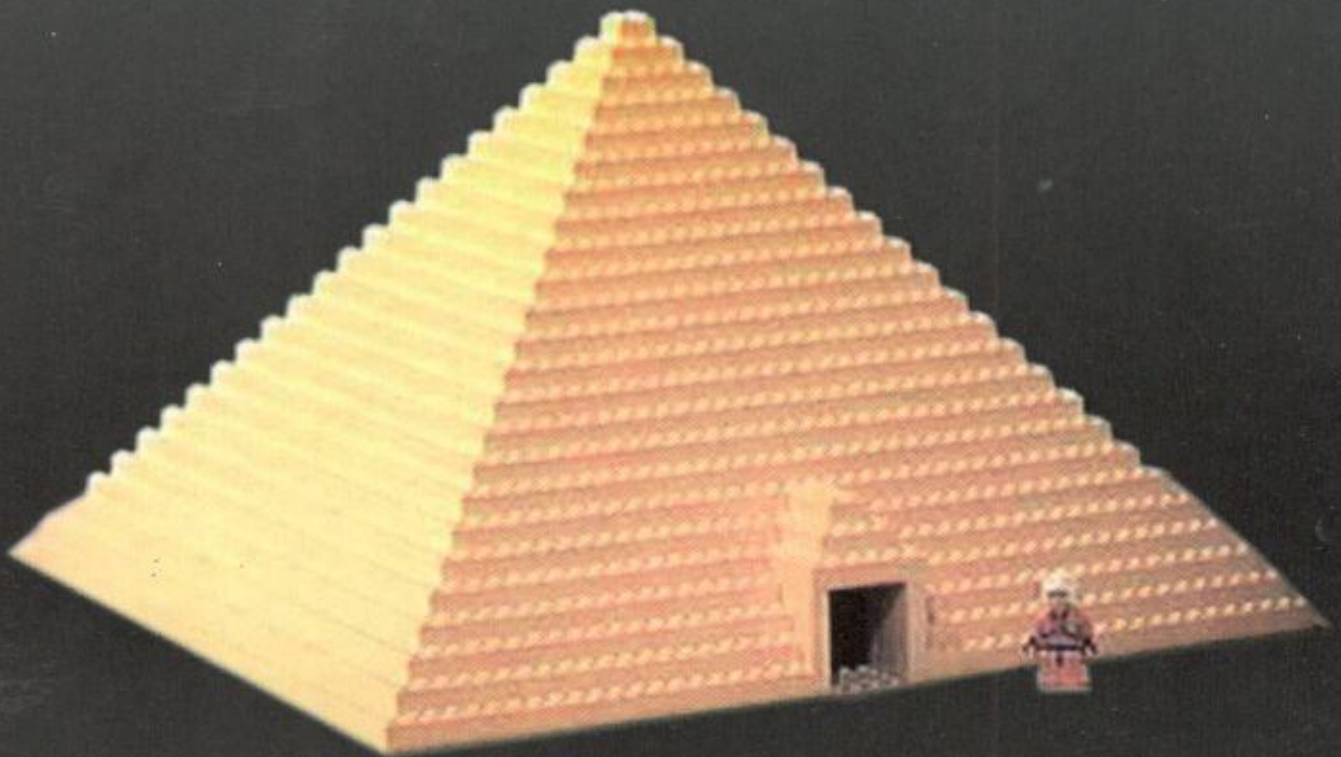


Beyond Mining Gold at the Bottom of Pyramid

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ABSTRACT

"Improving the lives of billions of people at the bottom of the economic pyramid is a noble endeavor. It can also be a lucrative one". - C.K.Prahlad

The debate on whether there lies a lucrative market at the bottom of the economic pyramid or not still exists but the endeavor of various organizations in uplifting the bottom to the new heights while making profits are available in India. Making products for the Bottom of Pyramid (BOP) market, marketing them and earning profit is a natural phenomenon but to have a long-term growth perspective and to ensure prosperity of the nation as a whole, it is important to go beyond the boundaries of marketing at BOP. Over the period of time this so called non-productive strata of the world society that has gained the attention of multinationals (MNCs) and has seen a wide assortment of products developed for them but this is not sufficient to have a sustainable development of the society as a whole. The future lies in developing and uplifting the bottom through private and public partnership and through various other corporate accomplishments in this regard. Having made a true attempt, this paper tries to showcase the transition that has taken place in the attitude of the companies towards the BOP and the strategies that were implemented by the marketers in various sectors and also tries to lay down a blue-print of the game plan for developing the BOP market.

INTRODUCTION

From Street Market to Stock Market': This market metaphor of Indian culture provides us a full spectrum approach to market institutions and their usefulness from street economy to subaltern economy to corporate economy. Street market and subaltern economy represent the entrepreneurial class and stock market represents the organized business enterprises i.e., corporate economy whose performance gets reflected in stock market prices. The new and emerging linkage between GRAM (Grass Root Action and Management) and corporate market economy adds to the new vibrance for entrepreneurial class reflected in a new spirit of development of the enterprises and society". -Subhash Sharma (Management in New Age: Western Windows Eastern Doors, 2006, p 70)

The above said division of the market economy in to three categories and the linkage between them signifies that the four billion poor people of the world can write the new chapter of success for themselves, companies and the country as well if developed properly as entrepreneurs apart from being the consumers for the national and multinational products. The grass root institutions and initiatives at grass root level would lead to more actions towards innovations and sustainable development of the BOP market resulting in growing subaltern economy and leading to the prosperous corporate economy.

Prof. Prahalad observed that "If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up". Following figure gives an idea of the number of people present at the Bottom of Pyramid world wide.

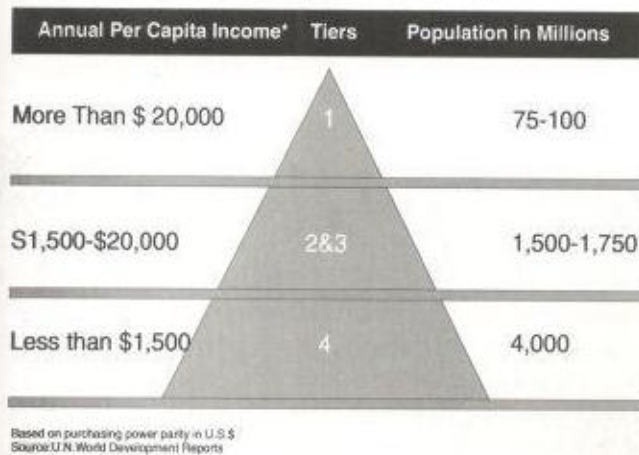


Figure 1

Mr. Kishore Biyani has divided the middle and lower income groups of the country into following three categories in his book 'It Happened in India':

- India 1: Consuming Class (14%)
- India 2: Serving Class (55%)
- India 3: Struggling Class (31%)

Mr. Biyani has been successful in targeting India 2 through January 26, 2006 sale. He further adds that in the times to come the growth will come from India 2 and India 3.

The emergence of the BOP market calls for the holistic development of the poor from the grass root level itself. The economic development and social transformations are interconnected and the responsibility for the same is not restricted to the government or private players alone rather it calls for an integrated approach through various organizations working together. In this context the concept of development matrix suggested by Prof. Subhash Sharma, Dean, Indian Business Academy, provides us a holistic view of development. This matrix suggests the activities and structure of organizations to get a holistic view of development. The same is presented in Fig 2 hereunder:

		Context of Activities	
		Market I MNCs INC's (Indian National) PSU (with market focus)	Non-Market II Government Large NGOs PSU (e.g. Defence)
Corporate	Structure	III Small size co-operatives, Small Business/Micro & Tiny enterprises	IV Grass root NGOs Social institutions like self-help groups
Non-Corporate			

Fig. 2: The Development Matrix

(Source: Social Discourse in A Globalized Era: Towards the Concept of Development Matrix, Subhash Sharma, Indian Journal of Public Administration, July-September 1998, 44:3, pp. 328-338. Also see, New Mantras in Corporate Corridors: From Ancient Roots to Global Routes, Subhash Sharma, New Age International Publishers, New Delhi, 2007, pp. 33-38.)

This matrix gives a clear view that how the nature of activities vary from market orientation to social orientation and the nature of organizations involved in performing these activities. The transitions happening at the bottom and the growing concern for sustainable economic development of the country at large needs the development of the market rather than exploiting the same.

TRANSITIONS AT BOP

Dr Madhav Mehra, President of the World Council for Corporate Governance and organizer of the 2nd Global Conference on Social Responsibility in Vilamoura held on 15-17th February, 2007 stated: "In today's economy when the gap between rich and poor is widening, the biggest challenge for corporations is to draw the poor into the market economy. Indeed 5 billion poor of the world are the biggest business opportunity and a source of great innovation. They have a right to be treated as consumers and provided with world class products and services at a cost they can afford. The good news is that today's technology makes it possible. Companies that will engage in poor markets will enhance their brand and become tomorrow's winners". The statement made by Dr Mehra is realistic in the contemporary times and there is no argument against the fact that bottom of the pyramid unleashes immense growth potential for the companies. On the basis of Prof. Prahalad's book, 'The Fortune at the Bottom of the Pyramid' following transitions can be identified which results in the growth potential at the BOP:

SATURATING TOP LAYER OF THE MARKET

In the post liberalization and globalization era in India, the focus of the Multi National Corporations (MNCs) is on the development of products to cater to the needs of the upper middle classes and upper classes of the society or the privileged class. The companies were scared of their rising cost of manufacturing, promoting and distributing their products and to meet these costs they focused their efforts on the smaller section of the society which can afford their products and the result was saturated markets with little scope for further expansion. The companies were able to derive margins from this market but volumes were difficult to achieve and this is the reason why the future growth lies at BOP and this can be cashed by the companies if they provide high quality for low prices just like the famous sachet revolution.

SCATTERED BUT SUBSTANTIAL PURCHASING POWER AT BOP

Another reason for serving the BOP market is the existence of purchasing power with the poor. The earlier researches conducted in this area advocates that no matter the buying power of the BOP customers is incomparable with the purchasing power of other customers but if we take the aggregate of their purchasing power than by virtue of their number they represent the significant latent potential. The studies also reveal that the BOP customers pay more for the goods and services against their Top of the Pyramid counterparts. For example they pay more interests on their loans to the local money lenders and pay more prices per phone call. The following table adapted from 'The Poor and High Cost Economics Ecosystems' by C.K. Prahalad and Allen Hammond, Sep. 2002, further strengthens the growth prospects at the BOP:

	Dharavi	Warden Road	Poverty Premium
Credit (annual int.)	600-1000%	12-18%	53.0
Water (/cu. Mtr.)	\$1.12	\$0.03	37.0
Phone (/min)	\$0.04-0.05	\$0.025	1.8
Diarrhea Med.	\$20.00	\$2.00	10.0
Rice (/Kg)	\$0.28	\$0.24	1.2

This data clearly shows the growth prospects lying at the BOP for the marketers who want to have sustainable growth in the long-run by empowering the BOP customers with schemes like micro-credit and finance at reasonable interest rates.

HIGH MOBILITY OF BOP CUSTOMERS

The accessibility to the rural customers is still a challenge in a developing nation like India with poor infrastructure and inaccessibility of audio and television signals leading to 'media dark' places but the mobility of the poor towards the urban areas in search of jobs has created the distribution access for this market. These customers keep of moving from town to town for various jobs like construction etc. Moreover the towns near the villages and other tier I and metro cities has been the nodal centers since decades for the under privilege and poor to come and do work in the industrial area. Apart from this the initiatives like "Project Shakti" by Hindustan Lever Limited also created the direct distribution network to reach hard-to-reach areas. Thus, the mobility and presence of BOP customers all around make it possible for the companies to serve them.

ASPIRATION FOR BRANDED PRODUCTS

Contrary to the common believe that the BOP customers are not brand savvy the fact is that they too aspire to have brands which deliver them high quality and value at an affordable price. The proof of the same can be seen in the mud and thatch houses of the maid and house hold workers in the slumps of the cities in form of branded televisions and CD players. They don't have the buying power to consume more at a time, but they too aspire to buy in bulk quantity and to use regularly good quality of shampoos and cosmetics. The task for the marketer over here is to promptly deliver choosy products at affordable prices.

GROWING ACCEPTANCE FOR TECHNOLOGY

The charm to be acquainted with technology and spread of wireless devices like PDAs, PC Kiosks by the organizations like ITC has also unveiled the growth potential at the BOP. The ITC e-Choupal (Retail kiosk outlets) has made the use of technology common among the rural and BOP people and thus creates potential market for the technological products as well. The adaptation of technology can lead to the growth of entrepreneurs and entrepreneurship associations which will generate income and buying power among the people.

NURTURING THE BOP: FUTURE DIRECTIONS AND STRATEGIES

Whether the growth exists at the bottom of the pyramid or not is highly debated among the researchers and scholars but the fact that it constitutes a huge market of 800 million people in India itself justifies the rationale behind entering and serving this market. The success of the companies like Indian Tobacco Company (ITC), Hindustan Unilever Limited (HUL), and ICICI, have highlighted the benefits of serving the untapped poor market by being socially responsible on one hand and improving their bottom lines at the other.

One of the concrete direction for making fortune at the BOP is in innovating products and services for the four billion poor making sure they are also eco-friendly and eco-efficient. The strategy is summed up in POISED (Poor Oriented Innovation for Sustainable and Eco-friendly Development) and can be achieved through eleven simple steps termed as PROACTIVATE: pricing non financial capital, radically increasing resource productivity, public private partnerships for innovating products for the poor, abolishing all subsidies, conserving natural resources, turning all products to services, introducing designs robust enough to stand heat, dust, humidity and mishandling but simple in skill levels, diversity in work force, mobilizing and activating women groups, transparency in governance and education for entrepreneurial skills⁴.

The strategies and future directions for converting the poor and under-privileged class in to a growing and profit producing entrepreneurs and customer base for the future growth are:

CONCERN

The concern and care for the poor rather than treating them as the begging bowl of the ecosystem is the direction in which the companies need to work. The concern which Hindustan Unilever Limited has shown for curing the diarrhea diseases among the poor masses by leveraging health message for Lifebuoy soap among the rural people by creating awareness among them: for hand-wash as a preventive measure to eradicate the diseases. The result was the revitalization which the brand enjoyed as a result of this campaign. Another example which displays concern for the poor is of the Switzerland based pharmaceutical major Novartis AG had been continuously increasing its expenditure on philanthropic activities. It has been using differential pricing of life-saving drugs for the poor people in underdeveloped countries to cure malaria and TB⁴.

CONNECT

Another area where the companies need to work upon is to improve the connectivity with the masses at the BOP. The BOP can be further segmented into Urban BOP and Rural BOP. Rural BOP includes majority of farmers which are scattered over a large number of villages through out the country. The initiatives taken by ITC, through e-Choupal has played an important role in connecting the villages and

farmers. The e-choupals, information centers linked to the Internet, represents an approach to seamlessly connect subsistence farmers with large firms, current agricultural research, and global markets. This helps the farmers to realize better prices for their crops, better yield through better practices, and a sense of dignity and confidence in being connected with the rest of the world. Now that ITC e-chaupal has built a network, it can further accommodate other ancillary providers of farm inputs, such as financing, crop and rain insurance, better seeds etc which can flow through the same system which will lead the growth of both farmers as well as of the service providers.

MOBILIZING SAVINGS

The ICICI experience with the rural and BOP customers provides insights on how formal banking can empower the poor and also convert them into customers. Since decades it is a known fact that BOP customers pay a premium to the local moneylenders as compared to their counterparts, may be because they come under the high risk zone. ICICI efforts of partnering with MFIs and NGOs and developing a micro-finance model in the field have been successful. They have been successful in mobilizing the savings of the BOP and mitigating the risk factor when eventually providing credit.

CREATE CAPACITY TO CONSUME

One of the famous initiatives from Global context can be seen in the case of Micro Finance agency Casas Bahia from Brazil which provided credit even for consumers with low and unpredictable income streams and provided access to high-quality appliances to consumers who could not otherwise afford them. The various micro-finance and credit schemes for the products like televisions and bikes in India also suggest the ways through which on the one hand the companies are able to increase their market share and on the other hand they make those products available to the underprivileged which were earlier dream products beyond their reach.

EDUCATION AND EMPOWERMENT

Another key area where the companies can seek future growth is providing skills and educating the future customers. Few years back Usha Sewing Machines, started customer-friendly program by imparting tailoring education and required skills to the women in rural and BOP areas free of cost and at the completion of the program these women can purchase the sewing machines on credit/easy installments. These kind of initiatives have been taken earlier also by organizations like Lizzat papad which have not only educated the rural women but also empowered them by raising their skills and standard of living. These initiatives further provide the employment and entrepreneurship to the people at the BOP.

INNOVATIONS

What is needed is a better approach to help the poor, an approach that involves partnering with them to innovate and achieve sustainable win-win scenarios where the poor

are actively engaged and, at the same time, the companies providing products and services to them are profitable. One such innovation is the Joint Venture (JV) between Danone Foods a major food conglomerate and the Grameen Group a Bangladesh-based group with interests in the energy, microfinance, fisheries, and telecommunications sectors which established itself a Social Business Enterprise (SBE). As a part of the Health and Nutrition scheme, the joint venture had taken initiatives to address the nutritional deficiencies in the countries like Bangladesh. It fortified some of its products with additional vitamins and minerals like Danonino, a yoghurt brand for children, were modified to address the nutritional deficiencies of children in 12 countries. -3

PARTNERSHIPS

The formations of cooperatives, associations and partnerships of private and public bodies is the another direction which is must for the development of the BOP. The world famous AMUL (Anand Milk Union Limited) the brand of Gujarat Cooperative Milk Marketing Federation was such an initiative taken by the farmers and it emerged as a revolution and changed the entire landscape. Many more partnerships like these are now required to solve the problems like illiteracy, poor infrastructure and other in order to ensure sustainable economic development.



Figure 3

CONCLUSION

The economy as a whole is in the transition phase, the saturation of the rich class is certain and in the developing nations like India where still there is a long time for the companies to survive on the repeat purchases the time has come to penetrate in the BOP. The challenge before the organizations seeking to enter in to the BOP market is not only to develop and innovate the products and prices as per the BOP requirements but to emerge as a solution provider to their finance and development problems as well. There are many instances where new companies are coming with new name like Splendor Plus which rechristened from company Splendor but also adding plus to your marketing efforts while entering the BOP. The time has come to make them grow by empowering and educating them and then grow with them taking a holistic view as suggested in the

concept of development matrix and the GRAM and corporate economy connectivity. Further, companies need to position themselves as a socially conscious corporate citizen, which is not only looked on high by customers and investors in the stock market but also helps them in reaching to the vast and untapped pockets in the country to make their fortune.

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