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Bottom of the Pyramid

Reperceiving Business From the Bottom Up

The Base of the Pyramid (BOP) is being heralded as the biggest potential opportunity in the history of commerce—and, at the same time, a troubling future discontinuity for many incumbent players. Which will it be? The answer, most likely, is both.

This document provides a brief introduction to BOP, a snapshot of a growing, shifting, dynamic space. The goal here is to inform and stimulate ideas, questions, and strategic conversations about BOP. To that end, this document uses the approach of applying multiple perspectives and knowledge domains with the view to explore an emerging market space and its implications for companies.

BOP in Brief

“We cannot escape the fundamental question: Whom and what is business for? The answer once seemed clear, but no longer. The terms of business have changed.” —Charles Handy

“Like the tip of an iceberg, the opportunity remains invisible to the corporate world.” —C. K. Prahalad and Stuart Hart

With the end of the Cold War, the former Soviet Union and its allies, as well as China, India, and Latin America, opened their closed markets to foreign investment in a cascading fashion. Although this significant economic and social transformation has offered vast new growth opportunities for multinational corporations (MNCs), its promise has yet to be realised.

First, the prospect of millions of “middle-class” consumers in developing countries, clamouring for products from MNCs, was oversold. To make matters worse, the Asian and Latin American financial crises have greatly diminished the attractiveness of emerging markets. As a consequence, many MNCs worldwide slowed investments and began to rethink risk–reward structures for these markets. This retreat became even more pronounced in the wake of the terrorist attacks in the United States as well as that of the worldwide recession.

The lacklustre nature of most MNCs’ emerging-market strategies over the past decade does not change the magnitude of the opportunity, which is in reality much larger than previously thought. The real source of market promise is not the wealthy few in the developing world, or even the emerging middle-income consumers: It is the billions of aspiring poor who are joining the market economy for the first time.

This is a time for MNCs to look at globalisation strategies through a new lens of inclusive capitalism. For companies with the resources and persistence to compete at the bottom of the world economic pyramid, the prospective rewards include growth, profits, and incalculable contributions to humankind. Countries that still don’t have the modern infrastructure or products to meet basic human needs are an ideal testing ground for developing environmentally sustainable technologies and products for the entire world.
Furthermore, MNC investment at “the bottom of the pyramid” means lifting billions of people out of poverty and desperation, averting the social decay, political chaos, terrorism, and environmental meltdown that is certain to continue if the gap between rich and poor countries continues to widen.

Doing business with the world’s 4 billion poorest people — two-thirds of the world’s population — will require radical innovations in technology and business models. It will require MNCs to re-evaluate price–performance relationships for products and services. It will demand a new level of capital efficiency and new ways of measuring financial success. Companies will be forced to transform their understanding of scale, from a “bigger is better” ideal to an ideal of highly distributed small-scale operations married to world-scale capabilities.

In short, the poorest populations raise a new managerial challenge for the world’s wealthiest companies: selling to the poor and helping them improve their lives by producing and distributing products and services in culturally sensitive, environmentally sustainable, and economically profitable ways.

The BOP concept champions new thinking and new ways of doing business in the world’s poor markets. While this high-level aspiration is not necessarily new, the current concept, also known as B24B (business-to-4-billion), was coined by influential business academics Prahalad and Hart in a working paper, which developed into a series of important and well-cited articles.

Important among these are: The Fortune at the Bottom of the Pyramid by C.K. Prahalad of the University of Michigan, Capitalism at the Crossroads by Stuart L. Hart of Cornell University and the first empirical article, Reinventing strategies for emerging markets: Beyond the transnational model, by Ted London of the University of Michigan and Hart. London has also developed a working paper, commissioned by the United Nations Development Programme, that explores the contributions of the BoP literature to the poverty alleviation domain.

**Four Consumer Tiers**

At the very top of the world economic pyramid are 75 to 100 million affluent Tier 1 consumers from around the world. (Exhibit 1.) This is a cosmopolitan group composed of middle- and upper-income people in developed countries and the few rich elites from the developing world. In the middle of the pyramid, in Tiers 2 and 3, are poor customers in developed nations and the rising middle classes in developing countries, the targets of MNCs’ past emerging-market strategies.
Now consider the 4 billion people in Tier 4, at the bottom of the pyramid. Their annual per capita income — based on purchasing power parity in U.S. dollars — is less than $1,500, the minimum considered necessary to sustain a decent life. For well over a billion people — roughly one-sixth of humanity — per capita income is less than $1 per day.

Even more significant, the income gap between rich and poor is growing. According to the United Nations, the richest 20 percent in the world accounted for about 70 percent of total income in 1960. In 2000, that figure reached 85 percent. Over the same period, the fraction of income accruing to the poorest 20 percent in the world fell from 2.3 percent to 1.1 percent.

This extreme inequity of wealth distribution reinforces the view that the poor cannot participate in the global market economy, even though they constitute the majority of the population. In fact, given its vast size, Tier 4 represents a multitrillion-dollar market. According to World Bank projections, the population at the bottom of the pyramid could swell to more than 6 billion people over the next 40 years, because the bulk of the world’s population growth occurs there.

The perception that the bottom of the pyramid is not a viable market also fails to take into account the growing importance of the informal economy among the poorest of the poor, which by some estimates accounts for 40 to 60 percent of all economic activity in developing countries.

Most Tier 4 people live in rural villages, or urban slums and shantytowns, and they usually do not hold legal title or deed to their assets (e.g., dwellings, farms, businesses). They have little or no formal education and are hard to reach via conventional distribution, credit, and communications. The quality and quantity of products and services available in Tier 4 is generally low.

Therefore, much like an iceberg with only its tip in plain view, this massive segment of the global population — along with its massive market opportunities — has remained largely invisible to the corporate sector.

Fortunately, the Tier 4 market is wide open for technological innovation. Among the many possibilities for innovation, MNCs can be leaders in leapfrogging to products that don’t repeat the environmental mistakes of developed countries over the last 50 years. Today’s MNCs evolved in an era of abundant natural resources and thus tended to make products and services that were resource-intensive and excessively polluting. The United States’ 270 million people — only about 4 percent of the world’s population — consume more than 25
percent of the planet’s energy resources. To re-create those types of consumption patterns in developing countries would be disastrous.

We have seen how the disenfranchised in Tier 4 can disrupt the way of life and safety of the rich in Tier 1 — poverty breeds discontent and extremism. Although complete income equality is an ideological pipe dream, the use of commercial development to bring people out of poverty and give them the chance for a better life is critical to the stability and health of the global economy and the continued success of Western MNCs.

THE INVISIBLE OPPORTUNITY

Among the top 200 MNCs in the world, the overwhelming majority are based in developed countries. U.S. corporations dominate, with 82; Japanese firms, with 41, are second, according to a list compiled in December 2000 by the Washington, D.C.–based Institute for Policy Studies.

So it is not surprising that MNCs’ views of business are conditioned by their knowledge of and familiarity with Tier 1 consumers. Perception of market opportunity is a function of the way many managers are socialised to think and the analytical tools they use. Most MNCs automatically dismiss the bottom of the pyramid because they judge the market based on income or selections of products and services appropriate for developed countries.

To appreciate the market potential of Tier 4, MNCs must come to terms with a set of core assumptions and practices that influence their view of developing countries. The following were identified as widely shared orthodoxies that must be re-examined:

Assumption 1: The poor are not our target consumers because with our current cost structures, we cannot profitably compete for that market.

Assumption 2: The poor cannot afford and have no use for the products and services sold in developed markets.

Assumption 3: Only developed markets appreciate and will pay for new technology. The poor can use the previous generation of technology.

Assumption 4: The bottom of the pyramid is not important to the long-term viability of our business. We can leave Tier 4 to governments and nonprofits.

Assumption 5: Managers are not excited by business challenges that have a humanitarian dimension.

Assumption 6: Intellectual excitement is in developed markets. It is hard to find talented managers who want to work at the bottom of the pyramid.

Each of these key assumptions obscures the value at the bottom of the pyramid. It is like the story of the person who finds a $20 bill on the sidewalk. Conventional economic wisdom suggests if the bill really existed, someone would already have picked it up! Like the $20 bill, the bottom of the pyramid defies conventional managerial logic, but that doesn’t mean it isn’t a large and unexplored territory for profitable growth.
Consider the drivers of innovation and opportunities for companies in Tier 4. (Exhibit 2.) MNCs must recognize that this market poses a major new challenge: how to combine low cost, good quality, sustainability, and profitability.

### Exhibit 2: Innovation and MNC Implications in Tier 4

<table>
<thead>
<tr>
<th>Drivers of Innovation</th>
<th>Implications for MNCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased access among the poor to TV and information</td>
<td>Tier 4 is becoming aware of many products and services and is aspiring to share the benefits</td>
</tr>
<tr>
<td>Bergulation and the diminishing role of governments and international aid</td>
<td>More hospitable investment climate for MNCs entering developing countries and more cooperation from nongovernmental organizations</td>
</tr>
<tr>
<td>Global overcapacity combined with intense competition in Tiers 1, 2, and 3</td>
<td>Tier 4 represents a huge untapped market for profitable growth</td>
</tr>
<tr>
<td>The need to discourage migration to overcrowded urban centers</td>
<td>MNCs must create products and services for rural populations</td>
</tr>
</tbody>
</table>

Furthermore, MNCs cannot exploit these new opportunities without radically rethinking how they go to market. Exhibit 3 suggests some (but by no means all) areas where an entirely new perspective is required to create profitable markets in Tier 4.

### Exhibit 3: New Strategies for the Bottom of the Pyramid

<table>
<thead>
<tr>
<th>Price Performance</th>
<th>Views of Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Product development</td>
<td></td>
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<tr>
<td>• Manufacturing</td>
<td></td>
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<tr>
<td>• Distribution</td>
<td></td>
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<tr>
<td>• New delivery formats</td>
<td></td>
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<tr>
<td>• Creation of robust products for harsh conditions (heat, dust, etc.)</td>
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<table>
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<tr>
<th>Sustainability</th>
<th>Profitability</th>
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<tr>
<td>• Reduction in resource intensity</td>
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<td>• Recyclability</td>
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<td>• Renewable energy</td>
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<tr>
<td>• Investment intensity</td>
<td></td>
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<td>• Margins</td>
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<tr>
<td>• Volume</td>
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### Tier 4 Pioneer

Hindustan Lever Ltd. (HLL), a subsidiary of Great Britain’s Unilever PLC and widely considered the best-managed company in India, has been a pioneer among MNCs exploring markets at the bottom of the pyramid. For more than 50 years, HLL has served India’s small elite who could afford to buy MNC products. In the 1990s, a local firm, Nirma Ltd., began offering detergent products for poor consumers, mostly in rural areas. In fact, Nirma created a new business system that included a new product formulation, low-cost manufacturing process, wide distribution network, special packaging for daily purchasing, and value pricing.

HLL, in typical MNC fashion, initially dismissed Nirma’s strategy. However, as Nirma grew rapidly, HLL could see its local competitor was winning in a market it had disregarded. Ultimately, HLL saw its vulnerability and its opportunity: In 1995, the company responded with its own offering for this market, drastically altering its traditional business model.
HLL’s new detergent, called Wheel, was formulated to substantially reduce the ratio of oil to water in the product, responding to the fact that the poor often wash their clothes in rivers and other public water systems. HLL decentralised the production, marketing, and distribution of the product to leverage the abundant labor pool in rural India, quickly creating sales channels through the thousands of small outlets where people at the bottom of the pyramid shop. HLL also changed the cost structure of its detergent business so it could introduce Wheel at a low price point.

Today, Nirma and HLL are close competitors in the detergent market, with 38 percent market share each, according to IndiaInfoline.com, a business intelligence and market research service. Unilever’s own analysis of Nirma and HLL’s competition in the detergent business reveals even more about the profit potential of the marketplace at the bottom of the pyramid. (Exhibit 4.)

Contrary to popular assumptions, the poor can be a very profitable market — especially if MNCs change their business models. Specifically, Tier 4 is not a market that allows for the traditional pursuit of high margins; instead, profits are driven by volume and capital efficiency. Margins are likely to be low (by current norms), but unit sales can be extremely high. Managers who focus on gross margins will miss the opportunity at the bottom of the pyramid; managers who innovate and focus on economic profit will be rewarded.

Nirma has become one of the largest branded detergent makers in the world. Meanwhile, HLL, stimulated by its emergent rival and its changed business model, registered a 20 percent growth in revenues per year and a 25 percent growth in profits per year between 1995 and 2000. Over the same period, HLL’s market capitalisation grew to $12 billion — a growth rate of 40 percent per year. HLL’s parent company, Unilever, also has benefited from its subsidiary’s experience in India. Unilever transported HLL’s business principles (not the product or the brand) to create a new detergent market among the poor in Brazil, where the Ala brand has been a big success. More important, Unilever has adopted the bottom of the pyramid as a corporate strategic priority.

As the Unilever example makes clear, the starting assumption must be that serving Tier 4 involves bringing together the best of technology and a global resource base to address local market conditions. Cheap and low-quality products are not the goal. The potential of Tier 4 cannot be realised without an entrepreneurial orientation: The real strategic challenge for managers is to visualise an active market where only abject poverty exists today. It takes tremendous imagination and creativity to engineer a market infrastructure out of a completely unorganised sector.
Serving Tier 4 markets is not the same as serving existing markets better or more efficiently. Managers first must develop a commercial infrastructure tailored to the needs and challenges of Tier 4. Creating such an infrastructure must be seen as an investment, much like the more familiar investments in plants, processes, products, and R&D.

Further, contrary to more conventional investment strategies, no firm can do this alone. Multiple players must be involved, including local governmental authorities, nongovernmental organizations (NGOs), communities, financial institutions, and other companies. Four elements — creating buying power, shaping aspirations, improving access, and tailoring local solutions — are the keys to a thriving Tier 4 market. (See Exhibit 5.)

Each of these four elements demands innovation in technology, business models, and management processes. And business leaders must be willing to experiment, collaborate, empower locals, and create new sources of competitive advantage and wealth.

**Creating Buying Power**

According to the International Labour Organization’s *World Employment Report 2001*, nearly a billion people — roughly one-third of the world’s work force — are either underemployed or have such low-paying jobs that they cannot support themselves or their families. Helping the world’s poor elevate themselves above this desperation line is a business opportunity to do well and do good. To do so effectively, two interventions are crucial — providing access to credit, and increasing the earning potential of the poor. A few farsighted companies have already begun to blaze this trail with startlingly positive results.

Commercial credit historically has been unavailable to the very poor. Even if those living in poverty had access to a bank, without collateral it is hard to get credit from the traditional banking system. As Peruvian economist Hernando de Soto demonstrates in his path breaking work, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*, commercial credit is central to building a market economy. Access to credit in the U.S. has allowed people of modest means to systematically build their equity and make major purchases, such as houses, cars, and education.

The vast majority of the poor in developing countries operate in the “informal” or extralegal economy, since the time and cost involved in securing legal title for their assets or incorporation of their microenterprises is prohibitive. Developing countries have tried governmental subsidies to free the poor from the cycle of poverty, with little success. Even if the poor were able to benefit from government support to start small businesses, their dependence on credit from local moneylenders charging usurious rates makes it impossible to succeed. Local moneylenders in Mumbai, India, charge interest rates of up to 20 percent per day. This means that a vegetable vendor who borrows Rs.100 ($2.08) in the morning must return Rs.120 ($2.50) in the evening.

Extending credit to the poor so they can elevate themselves economically is not a new idea. Consider how I.M. Singer & Company, founded in 1851, provided credit as a way for millions of women to purchase sewing machines. Very few of those women could have afforded the steep $100 price tag, but most could afford a payment of $5 per month.
The same logic applies on a much larger scale in Tier 4. Consider the experience of the Grameen Bank Ltd. in Bangladesh, one of the first in the world to apply a microlending model in commercial banking. Started just over 20 years ago by Muhammad Yunus, then a professor in the Economics Department at Chittagong University, Bangladesh, Grameen Bank pioneered a lending service for the poor that has inspired thousands of microlenders, serving 25 million clients worldwide, in developing countries and wealthy nations, including the United States and Great Britain.

Grameen Bank’s program is designed to address the problems of extending credit to lowest-income customers — lack of collateral, high credit risk, and contractual enforcement. Ninety-five percent of its 2.3 million customers are women, who, as the traditional breadwinners and entrepreneurs in rural communities, are better credit risks than men. Candidates for loans must have their proposals thoroughly evaluated and supported by five nonfamily members of the community. The bank’s sales and service people visit the villages frequently, getting to know the women who have loans and the projects in which they are supposed to invest. In this way, lending due diligence is accomplished without the mountain of paperwork and arcane language common in the West.

With 1,170 branches, Grameen Bank today provides microcredit services in more than 40,000 villages, more than half the total number in Bangladesh. As of 1996, Grameen Bank had achieved a 95 percent repayment rate, higher than any other bank in the Indian subcontinent. However, the popularity of its services has also spawned more local competitors, which has cut into its portfolio and shrunk its profits over the past few years.

In addition, Grameen Bank’s rate of return is not easy to assess. Historically, the bank was an entirely manual, field-based operation, a structure that undercut its efficiency. Today, spin-offs such as Grameen Telecom (a provider of village phone service) and Grameen Shakti (a developer of renewable energy sources) are helping Grameen Bank build a technology infrastructure to automate its processes. As the bank develops its online business model, profitability should increase dramatically, highlighting the importance of information technology in the acceleration of the microcredit revolution.

Perhaps the most pertinent measure of Grameen Bank’s success is the global explosion of institutional interest in microlending it has stimulated around the world. In South Africa, where 73 percent of the population earns less than R5,000 ($460) per month, according to a 2001 World Bank study, retail banking services for low-income customers are becoming one of the most competitive and fast-growing mass markets. In 1994, Standard Bank of South Africa Ltd., Africa’s leading consumer bank, launched a low-cost, volume-driven e-banking business, called AutoBank E, to grow revenue by providing banking services to the poor. Through the use of 2,500 automated teller machines (ATMs) and 98 AutoBank E-centres, Standard now has the largest presence in South Africa’s townships and other under-serviced areas of any domestic bank. As of April 2001, Standard served nearly 3 million low-income customers and is adding roughly 60,000 customers per month, according to South Africa’s Sunday Times.

Standard does not require a minimum income of customers opening an AutoBank E account, although they must have some regular income. People who have never used a bank can open an account with a deposit of as little as $8. Customers are issued an ATM card and
shown how to use it by staff who speak a variety of African dialects. A small flat fee is charged for each ATM transaction. An interest-bearing "savings purse" is attached to every account to encourage poor customers to save. Interest rates on deposits are low, but superior to keeping cash in a jar. Sunday Times also reported that Standard Bank is considering a loan program for low-income clients.

Computerisation of microlending services not only makes the overall operation more efficient, but also makes it possible to reach many more people — lending money to individuals with no collateral and no formal address. Since there is lower overhead and little paperwork, AutoBank’s costs are 30 to 40 percent lower than those at traditional branches.

At the 1999 Microcredit Summit, the United Nations, in conjunction with several major MNCs, such as Citigroup Inc. and Monsanto Company, set a goal of making basic credit available to the 100 million poorest families in the world by the year 2005. Unfortunately, the success of this undertaking has been slowed by high transaction costs, a lack of automation, and poor information and communications infrastructures in rural areas.

To address these issues and accelerate the development of microlending, French banker Jacques Attali, the founding president of the European Bank for Reconstruction and Development and a former chief aide of French President François Mitterand during the 1980s, has created PlaNet Finance. Its Web site, www.planetfinance.org, links thousands of microcredit groups worldwide into a network to help microbanks share solutions and lower costs.

Ultimately, the development of an automated solution for tracking and processing the millions of small loans associated with microlending should be possible. If processing and transaction costs can be reduced enough, they can then be bundled together and sold in the secondary market to multinational financial institutions like Citigroup. This would greatly expand the capital available for microlending beyond the current pool from donors and governments.

In the United States, microlending has also taken root over the past decade in poor urban neighborhoods. For example, the ShoreBank Corporation, formerly South Shore Bank, has demonstrated the profitability of banking for the poor in Chicago’s troubled South Side. Project Enterprise, a Grameen-like program based in New York City, is aimed at minority entrepreneurs.

Several multinational banks are beginning to offer microbanking services in developing countries. Citigroup, for instance, is experimenting in Bangalore, India, with 24/7 services for customers with as little as a $25 on deposit. Initial results are very positive.

**S H A P I N G  A S P I R A T I O N S**

Sustainable product innovations initiated in Tier 4, and promoted through consumer education, will not only positively influence the choices of people at the bottom of the pyramid, but may ultimately reshape the way Americans and others in Tier 1 live. Indeed, in 20 years, we may look back to see that Tier 4 provided the early market pull for disruptive
technologies that replaced unsustainable technologies in developed countries and advanced the fortunes of MNCs with foresight.

For example, Unilever’s HLL subsidiary has tackled the lack of practical, inexpensive, low-energy-consuming refrigeration in India. HLL’s laboratories developed a radically different approach to refrigeration that allows ice cream to be transported across the country in standard nonrefrigerated trucks. The system allows quantum reductions in electricity use and makes dangerous and polluting refrigerants unnecessary. As a bonus, the new system is cheaper to build and use.

Electricity, water, refrigeration, and many other essential services are all opportunities in developing countries. A U.S.-based NGO, the Solar Electric Light Fund (SELF), has creatively adapted technology and applied microcredit financing to bring electrical service to people in remote villages in Africa and Asia who otherwise would spend money to burn hazardous kerosene, candles, wood, or dung for their light and cooking. SELF’s rural electrification system is based on small-scale on-site power generation using renewable resources. A revolving loan fund gives villagers the financial means to operate these electrical systems themselves, also creating jobs. Since its founding in 1990, SELF has launched projects in China, India, Sri Lanka, Nepal, Vietnam, Indonesia, Brazil, Uganda, Tanzania, South Africa, and the Solomon Islands.

The success of SELF and other NGOs focused on small-scale distributed energy solutions has begun to attract the attention of Western companies such as the U.S.’s Plug Power Inc. (fuel cells) and Honeywell Inc. (microturbines). They see the logic in moving into a wide-open market in Tier 4 rather than trying to force their technology prematurely into applications for the developed markets, where incumbents and institutions stand in their way. With several billion potential customers around the world, investments in such innovations should be well worth it.

**Improving Access**

Because Tier 4 communities are often physically and economically isolated, better distribution systems and communication links are essential to development of the bottom of the pyramid. Few of the large emerging-market countries have distribution systems that reach more than half of the population. (Hence the continued dependence of the poorest consumers on local products and services and moneylenders.) As a consequence, few MNCs have designed their distribution systems to cater to the needs of poor rural customers.

Creative local companies, however, lead the way in effective rural distribution. In India, for instance, Arvind Mills has introduced an entirely new delivery system for blue jeans. Arvind, the world’s fifth-largest denim manufacturer, found Indian domestic denim sales limited. At $40 to $60 a pair, the jeans were not affordable to the masses, and the existing distribution system reached only a few towns and villages. So Arvind introduced “Ruf & Tuf” jeans — a ready-to-make kit of jeans components (denim, zipper, rivets, and a patch) priced at about $6. Kits were distributed through a network of thousands of local tailors, many in small rural towns and villages, whose self-interest motivated them to market the kits extensively. Ruf &
Tuf jeans are now the largest-selling jeans in India, easily surpassing Levi’s and other brands from the U.S. and Europe.

MNCs can also play a role in distributing the products of Tier 4 enterprises in Tier 1 markets, giving bottom-of-the-pyramid enterprises their first links to international markets. Indeed, it is possible through partnerships to leverage traditional knowledge bases to produce more sustainable, and in some cases superior, products for consumption by Tier 1 customers.

Anita Roddick, CEO of The Body Shop International PLC, demonstrated the power of this strategy in the early 1990s through her company’s “trade not aid” program of sourcing local raw material and products from indigenous people.

More recently, the Starbucks Corporation, in cooperation with Conservation International, has pioneered a program to source coffee directly from farmers in the Chiapas region of Mexico. These farms grow coffee beans organically, using shade, which preserves songbird habitat. Starbucks markets the product to U.S. consumers as a high-quality, premium coffee; the Mexican farmers benefit economically from the sourcing arrangement, which eliminates intermediaries from the business model. This direct relationship also improves the local farmers' understanding and knowledge of the Tier 1 market and its customer expectations.

Information poverty may be the single biggest roadblock to sustainable development. More than half of humanity has yet to make a single phone call. However, where telephones and Internet connections do exist, for the first time in history, it is possible to imagine a single, interconnected market uniting the world’s rich and poor in the quest for truly sustainable economic development. The process could transform the “digital divide” into a “digital dividend.”

Ten years ago, Sam Pitroda, currently chairman and CEO of London-based Worldtel Ltd., a company created by a telecommunications union to fund telecom development in emerging markets, came to India with the idea of “rural telephones.” His original concept was to have a community telephone, operated by an entrepreneur (usually a woman) who charged a fee for the use of the telephone and kept a percentage as wages for maintaining the telephone. Today, from most parts of India, it is possible to call anyone in the world.

Other entrepreneurs have introduced fax services, and some are experimenting with low-cost e-mail and Internet access. These communication links have dramatically altered the way villages function and how they are connected to the rest of the country and the world. With the emergence of global broadband connections, opportunities for information-based business in Tier 4 will expand significantly.

New ventures such as CorDECT in India and Celnicos Communications in Latin America are developing information technology and business models suited to the particular requirements of the bottom of the pyramid. Through shared-access models (e.g., Internet kiosks), wireless infrastructure, and focused technology development, companies are dramatically reducing the cost of being connected. For example, voice and data connectivity typically costs companies $850 to $2,800 per line in the developed world; CorDECT has reduced this cost to less than $400 per line, with a goal of $100 per line, which would bring telecommunications within reach of virtually everyone in the developing world.
Recognising an enormous business and development opportunity, Hewlett-Packard Company has articulated a vision of “world e-inclusion,” with a focus on providing technology, products, and services appropriate to the needs of the world’s poor. As part of this strategy, HP has entered into a venture with the MIT Media Lab and the Foundation for Sustainable Development of Costa Rica — led by former President Jose Maria Figueres Olsen — to develop and implement “telecenters” for villages in remote areas. These digital town centres provide modern information technology equipment with a high-speed Internet connection at a price that is affordable, through credit vehicles, at the village level.

Bringing such technology to villages in Tier 4 makes possible a number of applications, including tele-education, telemedicine, microbanking, agricultural extension services, and environmental monitoring, all of which help to spur microenterprise, economic development, and access to world markets. This project, named Lincos, is expected to spread from today’s pilot sites in Central America and the Caribbean to Asia, Africa, and Central Europe.

**TAILORING LOCAL SOLUTIONS**

In the new century, the combined sales of the world’s top 200 MNCs equal nearly 30 percent of total world gross domestic product. Yet these same corporations employ less than 1 percent of the world’s labour force. Of the world’s 100 largest economies, 51 are economies internal to corporations. Yet scores of Third World countries have suffered absolute economic stagnation or decline.

If MNCs are to thrive in the 21st century, they must broaden their economic base and share it more widely. They must play a more active role in narrowing the gap between rich and poor. This cannot be achieved if these companies produce only so-called global products for consumption primarily by Tier 1 consumers. They must nurture local markets and cultures, leverage local solutions, and generate wealth at the lowest levels on the pyramid. Producing in, rather than extracting wealth from, these countries will be the guiding principle.

To do this, MNCs must combine their advanced technology with deep local insights. Consider packaging. Consumers in Tier 1 countries have the disposable income and the space to buy in bulk (e.g., 10-pound boxes of detergent from superstores like Sam’s Club) and shop less frequently. They use their spending money to “inventory convenience.” Tier 4 consumers, strapped for cash and with limited living space, shop every day, but not for much. They can’t afford to stock up on household items or be highly selective about what they buy; they look for single-serve packaging. But consumers with small means also have the benefit of experimentation. Unburdened by large quantities of product, they can switch brands every time they buy.

Already in India, 30 percent of personal care products and other consumables, such as shampoo, tea, and cold medicines, are sold in single-serve packages. Most are priced at Rs. 1 (about 1¢). Without innovation in packaging, however, this trend could result in a mountain of solid waste. Dow Chemical Company and Cargill Inc. are experimenting with an organic plastic that would be totally biodegradable. Such packaging clearly has advantages in Tier 4, but it could also revolutionise markets at all four tiers of the world pyramid.
For MNCs, the best approach is to marry local capabilities and market knowledge with global best practices. But whether an initiative involves an MNC entering Tier 4 or an entrepreneur from Tier 4, the development principles remain the same: New business models must not disrupt the cultures and lifestyles of local people. An effective combination of local and global knowledge is needed, not a replication of the Western system.

The development of India’s milk industry has many lessons for MNCs. The transformation began around 1946, when the Khira District Milk Cooperative, located in the state of Gujarat, set up its own processing plant under the leadership of Verghese Kurien and created the brand Amul, today one of the most recognised in the country.

Unlike the large industrial dairy farms of the West, in India, milk originates in many small villages. Villagers may own only two to three buffaloes or cows each and bring their milk twice a day to the village collection centre. They are paid every day for the milk they deliver, based on fat content and volume. Refrigerated vans transport the milk to central processing plants, where it is pasteurised. Railroad cars then transport the milk to major urban centres.

The entire value chain is carefully managed, from the village-based milk production to the world-scale processing facilities. The Khira District cooperative provides such services to the farmers as veterinary care and cattle feed. The cooperative also manages the distribution of pasteurised milk, milk powder, butter, cheese, baby food, and other products. The uniqueness of the Amul cooperative is its blending of decentralised origination with the efficiencies of a modern processing and distribution infrastructure. As a result, previously marginal village farmers are earning steady incomes and being transformed into active market participants.

Twenty years ago, milk was in short supply in India. Today, India is the world’s largest producer of milk. According to India’s National Dairy Development Board, the country’s dairy cooperative network now claims 10.7 million individual farmer member–owners, covers 96,000 village-level societies, includes 170 milk-producer unions, and operates in more than 285 districts. Milk production has increased 4.7 percent per year since 1974. The per capita availability of milk in India has grown from 107 grams to 213 grams per day in 20 years.

**PUTTING IT ALL TOGETHER**

Creating buying power, shaping aspirations, improving access, and tailoring local solutions — the four elements of the commercial infrastructure for the bottom of the pyramid are intertwined. Innovation in one leverages innovation in the others. Corporations are only one of the actors; MNCs must work together with NGOs, local and state governments, and communities.

Yet someone must take the lead to make this revolution happen. The question is, Why should it be MNCs?

Even if multinational managers are emotionally persuaded, it is not obvious that large corporations have real advantages over small, local organisations. MNCs may never be able to beat the cost or responsiveness of village entrepreneurs. Indeed, empowering local
entrepreneurs and enterprises is key to developing Tier 4 markets. Still, there are several compelling reasons for MNCs to embark on this course:

- **Resources.** Building a complex commercial infrastructure for the bottom of the pyramid is a resource- and management-intensive task. Developing environmentally sustainable products and services requires significant research. Distribution channels and communication networks are expensive to develop and sustain. Few local entrepreneurs have the managerial or technological resources to create this infrastructure.

- **Leverage.** MNCs can transfer knowledge from one market to another — from China to Brazil or India — as Avon, Unilever, Citigroup, and others have demonstrated. Although practices and products have to be customised to serve local needs, MNCs, with their unique global knowledge base, have an advantage that is not easily accessible to local entrepreneurs.

- **Bridging.** MNCs can be nodes for building the commercial infrastructure, providing access to knowledge, managerial imagination, and financial resources. Without MNCs as catalysts, well-intentioned NGOs, communities, local governments, entrepreneurs, and even multilateral development agencies will continue to flounder in their attempts to bring development to the bottom. MNCs are best positioned to unite the range of actors required to develop the Tier 4 market.

- **Transfer.** Not only can MNCs leverage learning from the bottom of the pyramid, but they also have the capacity to transfer innovations up-market all the way to Tier 1. As we have seen, Tier 4 is a testing ground for sustainable living. Many of the innovations for the bottom can be adapted for use in the resource- and energy-intensive markets of the developed world.

It is imperative, however, that managers recognise the nature of business leadership required in the Tier 4 arena. Creativity, imagination, tolerance for ambiguity, stamina, passion, empathy, and courage may be as important as analytical skill, intelligence, and knowledge. Leaders need a deep understanding of the complexities and subtleties of sustainable development in the context of Tier 4. Finally, managers must have the interpersonal and intercultural skills to work with a wide range of organisations and people.

MNCs must build an organisational infrastructure to address opportunity at the bottom of the pyramid. This means building a local base of support, reorienting R&D to focus on the needs of the poor, forming new alliances, increasing employment intensity, and reinventing cost structures. These five organisational elements are clearly interrelated and mutually reinforcing.

- **Build a local base of support.** Empowering the poor threatens the existing power structure. Local opposition can emerge very quickly, as Cargill Inc. found in its sunflower-seed business in India. Cargill’s offices were twice burned, and the local politicians accused the firm of destroying locally based seed businesses. But Cargill persisted. Through Cargill’s investments in farmer education, training, and supply of farm inputs, farmers have significantly improved their productivity per acre of land. Today, Cargill is seen as the friend of the farmer. Political opposition has vanished.
To overcome comparable problems, MNCs must build a local base of political support. As Monsanto and General Electric Company can attest, the establishment of a coalition of NGOs, community leaders, and local authorities that can counter entrenched interests is essential. Forming such a coalition can be a very slow process. Each player has a different agenda; MNCs have to understand these agendas and create shared aspirations. In China, this problem is less onerous: The local bureaucrats are also the local entrepreneurs, so they can easily see the benefits to their enterprise and their village, town, or province. (See “Profits and Perils in China, Inc.,” First Quarter 2002.) In countries such as India and Brazil, such alignment does not exist. Significant discussion, information sharing, the delineation of benefits to each constituency, and sensitivity to local debates is necessary.

• **Conduct R&D focused on the poor.** It is necessary to conduct R&D and market research focused on the unique requirements of the poor, by region and by country. In India, China, and North Africa, for example, research on ways to provide safe water for drinking, cooking, washing, and cleaning is a high priority. Research must also seek to adapt foreign solutions to local needs. For example, a daily dosage of vitamins can be added to a wide variety of food and beverage products. For corporations that have distribution and brand presence throughout the developing world, such as Coca-Cola Company, the bottom of the pyramid offers a vast untapped market for such products as water and nutritionals.

Finally, research must identify useful principles and potential applications from local practices. In Tier 4, significant knowledge is transmitted orally from one generation to the next. Being respectful of traditions but willing to analyse them scientifically can lead to new knowledge. The Body Shop’s creative CEO, Ms. Roddick, built a business predicated on understanding the basis for local rituals and practices. For example, she observed that some African women use slices of pineapple to cleanse their skin. On the surface, this practice appears to be a meaningless ritual. However, research showed active ingredients in pineapple that cleared away dead skin cells better than chemical formulations.

MNCs must develop research facilities in emerging markets such as China, India, Brazil, Mexico, and Africa, although few have made a big effort so far. Unilever is an exception; it operates highly regarded research centres in India, employing more than 400 researchers dedicated to the problems of “India-like markets.”

• **Form new alliances.** MNCs have conventionally formed alliances solely to break into new markets; now they need to broaden their alliance strategies. By entering into alliances to expand in Tier 4 markets, MNCs gain insight into developing countries’ culture and local knowledge. At the same time, MNCs improve their own credibility. They may also secure preferred or exclusive access to a market or raw material. We foresee three kinds of important relationships: Alliances with local firms and cooperatives (such as the Khira District Milk Cooperative); alliances with local and international NGOs (like Starbucks’s alliance with Conservation International in coffee); and alliances with governments (e.g., Merck & Company’s recent alliance in Costa Rica to foster rain forest preservation in exchange for bioprospecting rights).

Given the difficulty and complexity of constructing business models dependent on relationships with national or central governments (e.g., large infrastructure development), we envision more alliances at the local and regional level. To succeed in such alliances,
MNC managers must learn to work with people who may not have the same agenda or the same educational and economic background as they do. The challenge and payoff is how to manage and learn from diversity — economic, intellectual, racial, and linguistic.

• **Increase employment intensity.** MNCs accustomed to Tier 1 markets think in terms of capital intensity and labor productivity. Exactly the opposite logic applies in Tier 4. Given the vast number of people at the bottom of the pyramid, the production and distribution approach must provide jobs for many, as in the case of Ruf & Tuf jeans from Arvind Mills: It employed an army of local tailors as stockers, promoters, distributors, and service providers, even though the cost of the jeans was 80 percent below that of Levi’s. As Arvind demonstrated, MNCs need not employ large numbers of people directly on their payroll, but the organisational model in Tier 4 must increase employment intensity (and incomes) among the poor and groom them to become new customers.

• **Reinvent cost structures.** Managers must dramatically reduce cost levels relative to those in Tier 1. To create products and services the poor can afford, MNCs must reduce their costs significantly — to, say, 10 percent of what they are today. But this cannot be achieved by fine-tuning the current approaches to product development, production, and logistics. The entire business process must be rethought with a focus on functionality, not on the product itself. For example, financial services need not be distributed only through branch offices open from 9 a.m. to 5 p.m. Such services can be provided at a time and place convenient to the poor consumer — after 8 p.m. and at their homes. Cash-dispensing machines can be placed in safe areas — police stations and post offices. Iris recognition used as a security device could substitute for the tedious personal-identification number and card for identification.

Lowering cost structures also forces a debate on ways to reduce investment costs. This will inevitably lead to greater use of information technology to develop production and distribution systems. As noted, village-based phones are already transforming the pattern of communications throughout the developing world. Add the Internet, and we have a whole new way of communicating and creating economic development in poor, rural areas. Creative use of IT will emerge in these markets as a means to dramatically lower the costs associated with access to products and services, distribution, and credit management.

**A Common Cause**

The emergence of the 4 billion people who make up the Tier 4 market is a great opportunity for MNCs. It also represents a chance for business, government, and civil society to join together in a common cause. Indeed, we believe that pursuing strategies for the bottom of the pyramid dissolves the conflict between proponents of free trade and global capitalism on one hand, and environmental and social sustainability on the other.

Yet the products and services currently offered to Tier 1 consumers are not appropriate for Tier 4, and accessing this latter market will require approaches fundamentally different from those even in Tiers 2 and 3. Changes in technology, credit, cost, and distribution are critical prerequisites. Only large firms with global reach have the technological, managerial, and financial resources to dip into the well of innovations needed to profit from this opportunity.
New commerce in Tier 4 will not be restricted to businesses filling such basic needs as food, textiles, and housing. The bottom of the pyramid is waiting for high-tech businesses such as financial services, cellular telecommunications, and low-end computers. In fact, for many emerging disruptive technologies (e.g., fuel cells, photovoltaics, satellite-based telecommunications, biotechnology, thin-film microelectronics, and nanotechnology), the bottom of the pyramid may prove to be the most attractive early market.

So far, three kinds of organisations have led the way: local firms such as Amul and Grameen Bank; NGOs such as the World Resources Institute, SELF, The Rainforest Alliance, The Environmental Defence Fund, and Conservation International, among others; and a few MNCs such as Starbucks, Dow, Hewlett-Packard, Unilever, Citigroup, DuPont, Johnson & Johnson, Novartis, and ABB, and global business partnerships such as the World Business Council for Sustainable Business Development. But to date, NGOs and local businesses with far fewer resources than the MNCs have been more innovative and have made more progress in developing these markets.

It is tragic that Western capitalists have implicitly assumed that the rich will be served by the corporate sector, while governments and NGOs will protect the poor and the environment. This implicit divide is stronger than most realise. Managers in MNCs, public policymakers, and NGO activists all suffer from this historical division of roles. A huge opportunity lies in breaking this code — linking the poor and the rich across the world in a seamless market organised around the concept of sustainable growth and development.

Collectively, we have only begun to scratch the surface of what is the biggest potential market opportunity in the history of commerce. Those in the private sector who commit their companies to a more inclusive capitalism have the opportunity to prosper and share their prosperity with those who are less fortunate. In a very real sense, the fortune at the bottom of the pyramid represents the loftiest of our global goals.

**BOP Experiments in the Field**

"Furious activity is no substitute for understanding," wrote H. H. Williams. This is what the BOP space feels like at present. Clearly, much work needs to be done to develop better analytical tools, empirical research, and operational models to understand who is doing what, where, how, why, and with whom—and then to evaluate what is working and what is not. This is important because the cost of evaluating the quality of these projects is currently quite high. But it is also complicated—experimentation is happening all over the world, by a wide range of organizations and actors both large and small, often in far-flung and culturally challenging places. Fortunately, the empirical foundation supporting the BOP logic is starting to be built by academic hubs like the BOP Lab at the University of North Carolina. However, we are still a few years away from seeing any results.

Meanwhile, sitting at the crosshairs of both private and public spheres, we are witnessing a Cambrian explosion of activity within the social or citizen sector—a sector now comprising millions of organizations around the world that have emerged to fill certain social needs and value vacuums. David Bornstein, author of the inspiring forthcoming book, How to Change the World,5 likens the birth of this sector to the creation of the commercial sector after the
Middle Ages, when the barriers to entrepreneurship fell as the feudal and guild system, which restricted entry, collapsed. It took another 200 years to create the structures, institutions, and norms that support entrepreneurship and business—things we take for granted today like limited liability, joint stock ownership, operating standards, and formal management education. Similarly, the barriers to becoming a social entrepreneur are dropping, as the public sector devolves and deregulates and the private sector’s role shifts as well.

We are also just starting to create the support structures for this sector to thrive, with experiments in venture philanthropy and a shifting perception of social entrepreneurship as a viable career path. As increased competition within this sector weeds out the bad ideas from the good, it will become a fertile place to look for future BOP ideas, experiments, organizational models, and trends. The social innovation that happens there is almost certain to have implications and applications for both private and public sectors. Bornstein also sees a convergence between business entrepreneurs and social entrepreneurs; the latter know how to manage a particular client set and distribution network, while the former have production capacity and know-how.

A BOP TYPOLOGY

The innovators, actors, and leaders that are emerging in the BOP space fall into seven broad categories, spanning the continuum from private to public sectors. Three of these categories—corporate pure-play experiments, catalysts and enablers, and social entrepreneurs—have particular relevance for companies, and are characterized by their faster-moving entrepreneurial style and motivations. Also mentioned briefly are four other categories whose full exploration lies beyond the scope of this paper.

1. Corporate pure-play experiments. These projects tend to be 100 percent for-profit businesses, or have the near-term intention of being so. They are the star cases in the BOP literature because they best stick within business managers’ existing frame of reference.

2. Catalysts and enablers. This diverse group includes everything from academic institutions and think tanks to foundations and NGOs to niche financial organizations and consultancies. These organizations often perform a brokerage function, act as intermediaries, and are highly networked. As such, they are interested in creating the “middleware” to make BOP ideas work, such as new tools, processes, blueprints, and the hard and soft infrastructure for sustaining further marketspace creation. They tend to be small in size and flexible and opportunistic in nature. In terms of funding models, they run the gamut from for-profit to self-financing/sustaining to nonprofit.

3. Social entrepreneurs. These are actors who are putting their ideas into action in the field and providing services to clients and customers. Most of these organizations are for-benefit and have had some government funding and outside help, but often no more than any other for-profit startup. Significantly, some use this initial support to migrate to for-profit organizations. Within these categories are three important subcategories: eco-design and digerati entrepreneurs, the ex-big-business group, and grassroots and national champions.
Four additional categories that will not be explored here in greater depth are:

4. **Multilateral institutions and development agencies.** Organizations like the World Bank, the UNDP, and USAID are also important enablers of social entrepreneurship and market creation; they fund many programs and activities that improve the business environment for economic activity. What distinguishes this group from the “catalysts and enablers” group is its slower pace and traditional public-sector approaches to development. Among some senior people, there is notable ambivalence and suspicion about BOP projects—some of which could be attributed to a concern that BOP project might replace the work of governments and development programs. But the biggest question for these institutions and agencies is: How do we make these programs work more effectively, legitimately, and in concert with other sectors and developments? With so much activity in this space, duplication and inefficiency are the norm.

5. **Advocates.** NGOs, social activists, and citizen and religious groups have historically been the strongest advocates for remedying the ills and injustices of the world’s poor. In many ways, this group is the most in touch with BOP issues; its members are intensely cause-oriented and mission-driven and thus have a strong normative agenda. Many in this group see business as part of the problem and not the solution, and so the positioning of business as a positive agent of change is often a difficult sell for these folks (OXFAM and Greenpeace are high-profile examples). Of course, many of these groups are also quite pragmatic, blur into the social entrepreneur category, and play a key role in making the BOP work. Developing processes to include these groups is increasingly critical.

“For-benefit” has replaced “not-for-profit” as the term of preference because it is more descriptive and avoids definition by negation.

6. **Corporate philanthropy.** Corporate philanthropy is another vector for the BOP. As Michael Porter and Mark Kramer argue, this corporate function is often undervalued and underleveraged, but with the right approach it can be essential to a company’s competitive advantage. While they don’t mention the BOP, their framework clearly applies.

7. **Transnational networks.** These networks of nested networks provide global scale and scope to local and regional groups and individuals, mainly through the Web and mobile telephony. Some networks are ad hoc and transient; others are practical and technically focused; still others are designed to support social movements and global causes, as we have seen most powerfully with the anti-globalization coalitions. For example, in Uganda, Woman Information Resource Electronic Services (WIRES) provides technical support for start-up companies. The international movement La Via Campesina coordinates peasant organizations of small and middle-class producers, agricultural workers, rural women, and indigenous communities in Asia, Africa, America, and Europe.

Of course, all of these categories overlap in a dynamic web of collaboration and—while it’s not said in polite company—increasing competition for funding, reputation, and mindshare. So the topography of this web is uneven, with some groups having more power and influence than others. It should also be said that even among collaborations there remains a great deal of creative tension, prejudice, territoriality, and values collision, which makes working on shared issues difficult in practice. “Show me a private-public sector partnership
model that works!” is a frequent cry from business managers. A fruitful area of action research, then, is figuring out optimal processes for managing these multi-stakeholder collaborations.

WHAT’S NEXT FOR BOP?

Looking ahead, many questions remain about the future of the BOP space. One key set of uncertainties revolves around the current and evolving geopolitical situation and its impact on the BOP. At the same time, the many dilemmas facing business at the BOP level—the challenges of scaling small economies, high transaction costs, distribution challenges, overcoming cultural and organizational barriers—may prove formidable. Questions have also been raised about how well these experiments are really working in practice and how the BOP will ultimately connect or clash with the citizen sector.

On the other hand, what could be more certain? Indeed, the robust and elegant aspect of this concept is that it is riding on the back of so many deeper driving forces. Many argue that the BOP is already a given, “locked in” as a model for the future; what we don’t know is how many other existing BOP initiatives remain undetected by the Western corporate eye. Can and will BOP ideas emerge from the bottom-up and disrupt existing industry structures and incumbents? More broadly, what is this then signalling in terms of global systemic change and the BOP’s role as an artefact of our times?

Switching to a normative viewpoint, if entering BOP markets is a good idea and strategy for companies, what needs to happen to make this a reality? While some projects can be undertaken by individual actors, like corporations, others will need to happen collaboratively and in concert with broader stakeholders. The resulting division of labour may look quite different from past models. We also need to seek out and evaluate the best practices and models to date and connect the people and organizations that are developing them.

The right hybridisation of conceptual tools and practical techniques will provide some rich opportunities for action research and learning, which will tell us a great deal about the promises and pitfalls of the BOP concept. In the wake of September 11, the timing may be right to start dealing with the above questions. New horizons of hope are needed, and fresh ideas about development must be tested and tried. In a world “where intangible assets like trust and reputation account for an increasing proportion of the market value of companies,” corporate leaders are now thinking hard about their legacies, the vulnerability of their brands, and the long-term viability of their organizational design and metrics.

HOW TO GET STARTED: THE CONCEPTUAL FRAMEWORK FOR BOP INNOVATION

Corporations can approach the BOP opportunity from a number of directions. Here are three important aspects of the BOP innovation framework developed by C. K. Prahalad and Stuart Hart.

CHALLENGE CORE BELIEFS AND EMBEDDED ASSUMPTIONS ABOUT POOR PEOPLE AND MARKETS
These assumptions include: what poor people “really” need and desire and how they consume; perceived barriers to market entry such as distribution hurdles and other transaction costs; and deep-seated feelings and fears about non-Western cultures and countries. Education and training will be required to build skills, competencies, and new “mental maps” of what is and is not possible in these markets. Western companies in particular need to check their reflexive “West knows best” attitude and ask themselves what they might stand to learn from other markets and people.

**INNOVATE BUSINESS DESIGNS FROM THE BOTTOM-UP**

Many current business models in many industries were configured for a different market space and time and will not work as well in the BOP context. As a consequence, new business designs need to be created that are better suited to these specific conditions. The challenge of innovating from the bottom-up, however, will be the creation of sustainable and robust new business ideas and technologies that can “cross over” to the developed world. How do you marry quality, low cost, sustainability, and profitability simultaneously? How do companies tap the latent demand for products and services that are badly needed in these markets? In part, perhaps, by beginning the innovation process with the following points in mind:

Rethink technology platforms and their supporting business models. This might include radical innovations, or a mix of high-tech and low-tech solutions. The end result: simpler, better, more accessible, cheaper, and cleaner technologies.

Focus on meeting functional needs and services, not just producing more product. This will require identifying new sources of value through a demand-side lens. It may also require unlearning existing product profiles and developing a beginner’s mind to product innovation.

Focus on capital efficiency, not just labour productivity. The latter is less important where labour is cheap and abundant and people need employment. In most BOP cases, there is zero working capital involved, which is an inspiring achievement.

Explore shared use/access models that disaggregate access from ownership but widen the consumer base. The result: increased asset productivity. Think of a community of users instead of a single user in a BOP world.

Replace assets with information. For instance, cell phone services now provide weather, soil, and pricing data to framers in rural markets. They are also procurement vehicles.

Shift from a “bigger is better” economies of scale mentality. Instead, think about marrying world-scale capabilities with more distributed small-scale operations.

Focus on different metrics. Managers are trained to concentrate on margins, but unit volume sales are often more relevant for BOP markets.

Tap into diverse knowledge sources across disciplines. Learning to see old problems in a new light may come from a different perspective or practice.
INVEST IN A BUSINESS ECOSYSTEM

Enable marketspace creation in collaboration with other groups, institutions, and stakeholders. New business designs are unlikely to succeed without a broader, four-pronged strategy, which includes creating buying power (through increased access to credit and income generation); shaping aspirations (through consumer education and sustainable development choices); tailoring to local solutions (through bottom-innovation and targeted product development); and improving access (through novel approaches to creating distribution systems and enhancing communication links). Of course, if companies and institutions get this right, it will create a virtuous circle of market creation, thus ensuring them customers in the future, which was an unquestioned assumption up until now. But this will require nothing less than a “new mode of international engagement, sharing resources and skills on a global scale.” This, in turn, will require a completely new attitude toward risk by all stakeholders.

BoP Conferences

There have been a number of academic and professional conferences focused on the BoP. A sample of these conferences is listed below:

Eradicating Poverty through Profit - December 2004 in San Francisco, CA - hosted by the World Resources Institute (WRI).

Business Opportunity and Innovation at the Base of the Pyramid - August 2005 in São Paulo, Brazil, September 2005 in Mexico City, Mexico - two sister conferences co-hosted by WRI, the Multilateral Investment Fund and Ashoka.

Research at the Base of the Pyramid - May 2006 in Ann Arbor, MI - co-hosted by the William Davidson Institute (WDI) and the Ross School of Business at the University of Michigan.

Business with Four Billion - September 2007 in Ann Arbor, MI - co-hosted by WDI and the Center for Sustainable Global Enterprise at Cornell University.

Sustainable Innovations at the Base of the Pyramid - September 2008 in Helsinki, Finland - hosted by the Helsinki School of Economics.

"The Bottom of the Pyramid in Practice" - June 2009, hosted by the Institute for Money, Technology and Financial Inclusion at the University of California, Irvine, and sponsored by Intel Research, the UC Discovery program, and the Center for Research on Information Technology and Organizations at UC Irvine.

"Impact of Base-of-the-Pyramid Ventures" - November, 2009 in Delft, the Netherlands - hosted by the Delft University of Technology.
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The Base of the Pyramid Protocol - Full Download Available

