INTRODUCTION

Hye(1996), defined poverty as ‘the forms of social, economic and psychological deficiency taking place in the people who lack enough ownership, be in command of or right to use to resources to maintain the minimum needs of living’. Poverty is in many of the undeveloped and developing economies of the world.

According to United Nations Organization, more than 25,000 people die because of hunger every day. One person dies in each 3 and half seconds. Even though there are many charitable organizations which aid the poor in providing the basic needs, these numbers were not diminishing to the extent.

“The global companies that address the world’s major challenges including poverty, climatic alterations, and resource weakening and demographic shifts by providing goods and services and attain more customers will be the leading multinational companies of 2020.” – World Business Council for Sustainable Development, 2006.

The World Business Forum has come forward to overcome poverty globally, implementing many possible ways to eradicate poverty every year. There are many public and private organizations around the globe which helped the poor in way that the poor can buy their basic essential needs and services which are required in their day to day life. Out of them the best practices are discussed in this paper in the analysis section. This report is focused mainly on the work contributed by C. K. Prahalad, globally known personality who the father of the concepts of core competency and the fortune at the bottom of the pyramid.

LITERATURE REVIEW

In 2002, C. K. Prahalad said that “If you are searching for new customers to purchase your products, then forget about the metros, try the bottom of the pyramid, the world’s largest consumer market – world’s 4 billion poor people. If this concept of selling to the poor is implemented correctly you not only generate greater profits but also will be helpful in ending the economic remoteness among the emerging economies.”

Key Findings: Poverty in one of the biggest challenges of the World. Although with many charitable organizations, Non-Government Organizations donating depending on their capability and governments providing schemes to the poor, it is not enough for the alleviation of the poor. Now time has come for the private organizations to step forward for the eradication of the poor. This report gives information regarding the steps to be taken by the private organizations to sell their products which are affordable by the 4 billion poor people of the world. Most of the part of this paper is based on theories defined by C. K. Prahalad (globally famous management guru, founder and father of the concept – Fortune at the Bottom of the Pyramid), through which the organization can make profit by selling to the poor and contribute for the eradication of poverty.

Practical Implications: At the end of this paper there are case studies where the private organizations had implemented this concept which increased their customer base by selling to the poor and contributed for the alleviation of poverty.

Purpose: As a consultant for a multinational company, the purpose of this paper is to educate the multinational organization with the business involved at the bottom of the pyramid and to incorporate their social responsibility towards the world’s major challenge – poverty.

Approach: The methodology used is an examination of literature review and the analysis of best practices that were carried out by organizations to eradicate poverty, implement their social responsibility and get profits from these proposals.

ABSTRACT

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Research Article

ALLEVIATION OF POVERTY BY SELLING TO THE BOTTOM OF THE PYRAMID

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Key Words:
Bottom of the pyramid, poverty, social responsibility, selling to poor

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Instead of assuming the poor as a burden, recognizing them as flexible and value-conscious consumers or customers creates a brand-new world with wholesome opportunities of improving the consumer list. It is possible when the global or large corporate firms, development agencies, the local governments as well as the poor work together with a proper agenda.

The Bottom of the Pyramid (BOP)

The economic pyramid of the world is the display of the distribution of wealth and the capacity to generate income.

Figure 1 The world’s Economic Pyramid

Source: C.K. Prahalad, 2007, The Fortune at the Bottom of the Pyramid

The upper or the top part of the pyramid comprises of the wealthiest who have abundant opportunities to build up their generating power with high levels of income. The lower or the bottom of the pyramid comprises of the poor who don’t have the opportunity to generate income. There are more than 4 billion people who come under tier 5 which is the bottom of the pyramid. (Prahalad, 2007)

The consumers of the BOP market are used for the economic development of the nation. This is clearly understood by the diagrams below.

Figure 2 The commercial Infrastructure at the bottom of the pyramid

Source: C.K. Prahalad, 2007, The Fortune at the Bottom of the Pyramid

The Existing Market at the Bottom of the Pyramid

As mentioned earlier the resilient entrepreneurs and value-conscious consumers are represented by the very poor of the world. With more than 4 billion people around the globe who come at the bottom of the pyramid is an existing market with abundant opportunity to increase the consumers. The only factor required is a better approach to help the poor, involving partnership with the poor, along with innovation, achieving a constant win – win status with the dynamic participation of the poor and, the same time, generating profits to the companies offering goods and services to the bottom of the pyramid. This approach can create the world’s fastest and largest markets. This approach will also create opportunities for the poor by providing options and encouraging self-esteem. Even though there is noticeable opportunity for value creation in the BOP market, these markets were not visible for long period. (Prahalad, 2007)

The Responsibility of the Private Sector

C.K. Prahalad said that the greatest mistake many global organizations and large firms did was ignoring the poor as a whole. The benefits that are gained by the globalization were not enjoyed by the poor. They were not encouraged to an active participation and access to the products and services that represent global quality standards. The poor may be poor, but they also have the desires and needs as that of the middle and highly economical people. In order to create a lucrative market, the poor are exposed to the goods and services offered to that of the economically strong people at a low cost, affordable by the poor. The corporate organizations have to show their responsibility towards the society with the active participation of providing the goods and services to the bottom of the pyramid and recognize them as a critical sector. Once they are recognized as a critical sector, a competition grows among the private sector, giving a way to improve choices to the poor. If these organizations concentrate on the alleviation of poverty with heart, it leads to the growth of their market, drawing huge profits.

With the reality that the poverty alleviation will become a commerce development brief public among the large secret sector firms and regional BOP entrepreneurs, there must be innovative conduct of marketing the freight and navy as the old
techniques will not be valuable in creating markets at the bottom of the pyramid.

With the inclusion of BOP markets as an essential part of private sectors, the firms tend in the participation of CSR activities. BOP markets are to be made as the part of the central business of the organizations. For the successful creation of BOP markets there is requirement for the change in the operations of the MNCs, which in turn changes the operations of developing economies.

There is profitable untapped rampancy for integrity macrocosm (for the Bottom of the Pyramid customers, shareholders, and employees) that is covert in the Strain advertise. These markets have remained “mislaid” for too longer period.(Prahalad, 2007)

The authority of leading Logic

Hart and Prahalad (2005) said that all of us are prisoners of our odd enculturation. The lenses through which we identify with the nature are black moor by our put-up orientation, experiences, and plain structure practices. Each uncommon of the groups that is concentrating on lessening of poverty like the World Bank, economicallydeveloped nationsofferingaid, honorable organizations offering charity, governmentsectors, and the corporate sector - is hard-bitten by leading logical power.

Considering the example of India which has a noticeable section of world’s poor, with more than four hundred million poor people. India was ruled by the England before India got their independence in 1947. India’s interaction with East India Company of British has made great impact on the mindset of the government upon the private firms in a suspicious mode. This essence was connected with a bull thesis in the authority channel to do what is “irrefutable and meaning.” For example, the Indian government started an echelon of grand industrial projects in the public sectors in a clear diversification of industries such as steel, food, & orbicular trading in specific products. India’s broad hunch of the private sector controlled the size and expansion. Some sectors of lucrative stunt were chief for trivial-reach industries. In textiles, for edge, the “the handloom sector” which(Frankentel, 2001) is conquered by piddling firms was considered first. There was no credible exclamation in public project for promotion marketplace-supported ecosystems that included the imminent and tiny in an effectual dependence.(Prahalad, 2007)

There are many government schemes provided for the poor in many nations. However, with the higher amounts of corruptions in these countries, it is highly impossible for these schemes to reach the poor. Even with higher budgets provided by the governments for the eradication of poverty is not at all helping the poor to overcome their needs.

Even many private organizations have ignored the poor with their dominant logic of power. The following are the assumptions of many multi-national firms which restricted them to enter the BOP markets and look at the opportunities at the bottom of the pyramid.

- Our target market is not poor people and they don’t have the ability to afford our products and services which increase their burden. With the higher cost structure, it is not possible for us to sell the products to the bottom of the pyramid.
- Our products will be of no use to the poor. As many of our products are made keeping the high and medium profile customers, it can be implied that most of our products are not required for them. They look for their basic needs, not for the products which we sell.
- The technological innovations are honored by the economically advanced countries only. The poor do not require innovative solutions in technology, instead they look for products which can be helpful for their well-being. It can be implied that the BOP is not seeking innovations in technology.
- There is no growth and livelihood for multinational firms in the BOP market.
- With many managers grown up with the ideology of markets with strong economies, it will be very difficult to assign managers for BOP market and to bring out the best results from them.

The above assumptions have impacted the multinational firms and restricted them to enter into BOP markets.

Greed for money and hardhearted nature for the poor are few characteristics that many charitable organizations feel about the multinational companies of this generation. These charitable trusts also feel that MNCs are not to be trusted in cases of eradicating poverty. MNCs have the motive of making more money than the motive of eradicating poverty, which makes the organization do not mix well with the BOP. Many charitable organizations declared that for the elimination of poverty, a support from the private sector is a vital aspect.

It was believed in the past that the market-based solution will not help in eradication of poverty and the development of economies in the underdeveloped and developing nations. However, in the last decade the views of many multinational organizations on the bottom of the pyramid had slowly but effectively changed.

Many organizations had realized the market associated with the bottom of the pyramid. The views of these organizations have drastically changed which are listed below.

- Historically poor was consider as a setback. Now the organizations realize a huge market associated with the bottom of the pyramid.
- The poor were an untouchable segment in the target market of the business organizations. This aspect has dramatically altered. Now the organizations consider the bottom of the pyramid as a powerful and active customers or consumers.
- The view of “innovative technologies are not appreciated by the poor and they strict to old technologies which were successful in their past” has changed to “a local flavor of advanced technology is accepted by the bottom of the pyramid”.
- Previously, many multinational organizations have developed their strategies by considering the western (developed) model of development as an ideal model. This perspective has reformed into the concept of “leap-frog” and innovation.
- The spotlight of the organizations is mainly on resource constraints. The spotlight has now shifted on to the entrepreneurship and creativity.
The organizations used to efficiently work in model which is familiar to them. Now they rely on innovation for the development of a new market.

Prahalad said that if the private organizations efficiently and effectively take part in this process, they can create a huge target market which can benefit the organization as well as the bottom of the pyramid.

According to the national household survey, the bottom of the pyramid constitutes of 4 billion people with an income less than USD3000 in terms of PPP. Out of the 4 billion people, 72% i.e., 5575 million are represented by the bottom of the pyramid of the developing economies. The figure represents the USD 5 trillion BOP market. So, it can be said that the bottom of pyramid has a purchasing power of USD 5 trillion around the globe.

There is a substantial difference in the composition of bottom of the pyramid markets across different continents and different nations.

**BOP Market’s personality**

The characteristics of BOP market are very different. The following are the significant dimensions of the BOP market.

**Significant wealth at the bottom of the pyramid**

Allen L. Hammond; William J. Kramer; Robert S. Katz; Julia T. Tran; and Courtland Walker (2007) in their publication said that in contradiction to a dominating assumption about the poor that they do not have the purchasing power and hence a feasible market is not represented by them, there is some significant money at the bottom of the pyramid.

With the tremendous growth opportunities offered by the developing countries where there is heavy scope of the bottom of the pyramid market, the purchasing power of the BOP market is high. For an example, consider China. China has got a population which is greater than 1.2 billion and the mean GDP (Gross Domestic Product) of USD 1000. Currently USD 1.2 trillion economies are represented by China. With an economy of USD 5 trillion, China is the second leading economy with USA in the leading position in terms of PPP (Purchasing Power Parity). The third position is occupied by India with an economy of USD 3 trillion in terms of PPP. Representing 70% of the population in developing nations, 9 nations collectively have a population of more than three billion people which are India, Brazil, China, Russia, Mexico, Thailand, Indonesia, South Africa & Turkey. Representing 90% of the developing world’s GDP, the summary of GDP of these 9 countries is USD 12.5 trillion, which is certainly not the market that is to be unseen.
It can be seen that the composition of BOP income of Nigeria is concentrated at the lowest income segments and in case of Ukraine its highest income segments.

Considering the case of BOP market in a developing economy, let’s remove the dominant assumption that the poor have no money to spend. The poor has the ability of high purchasing power. The 4 billion poor of the world are to be considered as the super power of the future.

**Access to BOP Market**

Another assumption which is regarding the accessing of BOP market is that it is very difficult to access the BOP market and the large firms face lot of obstacles for participating.

According to C K Prahalad, the poor is attracting towards the urban areas. He assumes that by 2015 the number of cities in Africa will increase to 225, Asia may have 903 cities and in Latin America the number of cities might increase to 225. The number of cities in the developing nations will increase at a high speed. Prahalad expects that there will be at least 23 cities in the developing organizations with a population which exceeds 10 million. On a whole, about 1.5 to 2 billion people can be representing these cities, out of which around 35 to 40% are represented by the bottom of the pyramid market with a higher scope of opportunities for the companies to access the bottom of the pyramid.

In the other case of rural poor, it is a big challenge for the organizations to access the distribution for the BOP market. Even though the technology is advancing at a rate which is highly unexpected, there are some parts of the world where there is no access to audio and television also. They have no knowledge about the products of the multinational organizations, its uses and how to use the product. The solution to this problem is using the wireless connectivity the organizations have to bring the awareness of the products which are helpful for the public in rural areas.

As the BOP is not restricted to a single solution, there are many experiments going on by the organizations to penetrate in to the market of rural bottom of the pyramid. In accordance to these experiments, Project Shahkhi of Hindustan Lever Ltd. in India has started the direct sale of product in some areas of rural world where it is very difficult to reach the market. As the part of the strategy of Hindustan Lever Ltd., they recruited few local women and trained them about distribution of products, provided them with wholesome of knowledge and education & advice, accessibility of these products in their villages. Hindustan Lever Ltd., named these women entrepreneurs as “Shahkhi Amma”. With the training session conducted by the organization made them gain the knowledge of what kind of products does the villagers in their villages were expecting. These in women indeed became vital aspects for the development of BOP market in their villages. With their knowledge about the market, these women became educators for the other people in the women. This led to the opening of rural BOP markets. The same approach is being implemented in Brazil by Avon, a leading cosmetic manufacturer. Avon has appointed 800000 “Avon Ladies” to create awareness about the products in the remote areas of Amazonia.

**Brand Consciousness of the BOP Market**

![Figure 6 BOP Market segmentation of Asia, Africa & Eastern Europe](image)

**Figure 6 BOP Market segmentation of Asia, Africa & Eastern Europe**

Source: The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid

The above figures represent the composition of BOP markets in 3 different continents – Africa, Asia and Eastern Europe. It is clearly seen that the BOP market of Africa is concentrated at the lowest income segments; the BOP market of Asia is concentrated at the medium level income segments, whereas the BOP market of the European is concentrated at the highest-level income segments. The purchasing power of the bottom of the pyramid market of Africa is USD429 billion, Asia is USD 3470 billion and Eastern Europe is USD 458 billion. Similarly, in the cases of the nations, the BOP market is concentrated at different levels of income.

![Figure 7 BOP market segmentation of Nigeria and Ukraine](image)

**Figure 7 BOP market segmentation of Nigeria and Ukraine**

Source: The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid
Many organizations assumed the poor to be unaware of brands. In contradiction to this concept, the poor are heavily brand-conscious. Based on the necessity of the product, the poor are enormously value-conscious.

The two largest producers of electronic appliances – Casas Bahia of Brazil, Elektra of Mexico have experienced this concept of brand consciousness among the BOP markets while they were distributing their products in their nations. There is no surprise in brand consciousness among the poor, as every human has a desire of leading a luxurious life and improve their quality of living. The BOP market is no exception to these aspirations and desires. In order achieve these aspirations; the consumers of BOP market expect a price and quality of the product to be affordable by them. In order to cash these aspirations and desires the challenges for the brands is that they have to distribute the products at price which is affordable by the BOP market consumers. These aspects impose new challenges for the CEOs of these brands in providing at these costs, they should make necessary changes in the manufacturing and distribution of these products.

**The Connected BOP Market**

Historically, the organizations had an assumption that the BOP market is not connected to the technology, and enjoy the privileges offered by using the technology. However, proving this assumption as false many BOP consumers are getting connected to the technological advancements and exploits the advantages of information systems and information technology.

To prove this point let us consider the wireless devices sector. The sales of mobile phones in India and China are increasing at a very fast rate. With many organizations increasing in this industry suggest the value of market growth that this sector represents. In 2005, the Indian mobile phone industry is growing at a rate which no one expected. Around 1.5 million mobile phones have been sold per month. With the highly penetrating rate of wireless network towards the growth of the market, it is suggested that BOP market is a significant factor in the growth of the global wireless handset sector. With the organizations realizing the importance of BOP in their growth, the organizations are providing the handsets to the consumers of the BOP at a price which can be affordable by them. There is a huge growth in this industry globally. Many organizations seek growth by providing the handsets at a very low price, to mention few of them – ‘Reliance mobile’ in India, ‘Grameen Phone’ in Bangladesh and ‘Telefonica’ from Brazil.

Another industry associated with technology which is rapidly growing at a high rate is computation industry. Historically, the PCs and laptops were being used by high profile customers only. With a very high advancement in the information technology, there has been incredible increase in the sales of computers, with the computation industry developed the computers targeting the bottom of the pyramid market. With the easy access of internet using PCs help the consumers to participate in the video conferences using internet. This ability of interacting with the people, who are far away, really impacted the lives at the bottom of the pyramid. This ability of interacting with people from different parts of the world is been provided at a very low cost by the internet providers. The internet service providers are also targeting the BOP market, as a result of which the cost of the internet service is decreasing every day. The internet as gave opportunities for the rural population to interact with the larger community of the globe. The information about the good and bad aspects of the products and services are being circulated very quickly with ease. Considering the example of Cadbury, a largest and successful multinational organization, this had been influenced very badly with the fact that some customers noticed few worms in the chocolates prepared by Cadbury. This scenario cannot be seen few years back with no advancement in technology (like TV, media, internet, telephones), and this information couldn’t have passed to these many people.

The technology advancements had drastically influenced the lifestyle of the people of urban and rural areas. The remote areas which are used to be in no connection with the outer world are now in the verge of getting the information about the products and services offered by different organizations which can be afforded by the BOP market. There by a great potential market is created in the remote areas of the world. From the above analysis provided by Prahalad clearly suggest the Bottom of the pyramid is getting connected to the world.

**Recognizing the highly developed Technology by the consumers of BOPmarket**

In contradiction to the assumption that the consumers of BOP market do not accept the advancements in the technologies, the customers realize and recognize the importance of technology and accept it.

As discussed earlier the technology advancements have influenced the lifestyle of the consumers of BOP market. Prahalad considered the example of ITC (Indian tobacco Company) which helped the farmers in getting the price for their trade. With the introduction of e-Choupal (choupal is a meeting place of villagers) where the Indians farmers are connected with the global economy using internet. The farmers were allowed to verify the prices at the local market (generally termed as ‘mandis’) and compare it with the prices at the other markets globally. This advancement in technology is been accepted by the farmers of rural India, by which the decision making on the price of the commodity is influenced (benefitting the farmers). In the same way, in south India, Women were trained the computer basics like communicating through video conferences, chat rooms, etc., by which they discussed all different issues of the daily lives like different loans offered by different banks (the advantages and disadvantages). The heavy use of internet by the women entrepreneurs has surprised many people as the chat room activities were busy all the times. The use of technology had drastically improved the life style of the fishermen of India. The technology is used to make some notes of very important and less important works. As it is not possible to remember everything in life, technology helped them to notice the actions to be taken at the right times.

From the above concepts Prahalad has given the idea that the dominant assumptions made on the poor that they don’t adopt the technology advancements, is wrong.
The Essential Market Development Strategies

One of the market expansion activities is the conversion of poor to the customers. The market development is influenced by both the organizations and the customers. By the development of business strategies targeting at the bottom of the pyramid, the consumers are benefitted in huge amounts. The following are the relevant steps to be undertaken by the organizations which benefit the consumers of the BOP market.

Creation of Consumer Capacity

In order to convert the poor into a consumer market, consuming capacity is to be created. That means the necessary commodities have to be sold at a consuming capacity of the BOP market. The BOP market is to be accessed in a different manner for the creation of consumer capacity among the BOP consumers. Historically, to create the capacity to consume among the BOP market, the charitable organizations used to offer the products and services at free of costs. This is a part of corporate philanthropy. It is not possible for the charitable organizations to provide the goods and services at free of costs to the consumers of the BOP market all the year. They can provide these goods and services at times when they have the budget to generate the products and services. This is definitely not a helpful solution for the eradication of the poverty.

The organizations have to encourage the consumers of the BOP market to buy products by reducing the costs along with the quantity of the commodities, so that the poor can afford to buy the products. Consider the example of purchasing shampoo. The poor in many undeveloped and developing organizations do not carry huge amounts of money with them every time. There are some essential products that they have to purchase for a daily use. Consider the example of purchasing shampoo. As said earlier they won’t carry huge amounts to purchase a big bottle of shampoo. Instead by introduction of single use sachets will help the poor to use it whenever they can afford to buy the shampoo and use it. This single serve packaging had become a revolution in the BOP markets of the developing countries. There are many products in the market now which are produced in the form of single use sachets, to name few – shampoo, ketch-up, tea-powder, coffee powder, tooth paste, hair dyes, fairness creams, and many skin care and hair care products etc.

Even though the cost of production of these single serve packaged products is high, there is a high quantity of product is sold. As more quantity is sold the organizations get the profit from those sales.

For the creation of consuming capacity among the consumers of BOP market Prahalad defined a simple three A’s concept – Affordability, Accessibility, Availability.

Affordability

Affordability is the concept of providing the products and services to the BOP market, such that those products are affordable by the consumers of BOP market without any sacrifice of quality.

Accessibility

The distribution of these products should be easy to access by the consumers of the BOP market. Most of the employees (either low or high income) will complete their work in the offices at 5pm in the evening. If the distribution centres are open around 7pm, the consumers have easy access to purchase the products.

Availability

Many times, the buying decisions of the consumers depend on the availability of the money with them. So, the availability of money and the products is a vital factor on the buying decision of the consumer.

Many researchers of Indian rural market agreed with the above 3 A’s concept of rural market and suggested to add ‘Awareness’ making it a 4 A’s of Rural marketing.

Awareness

Creation of awareness about the products in one of the vital aspects for selling the products to the consumers of the BOP market. Creating awareness about the harmful events will sometimes increase the sales of the products. The reason for this is that around 40 percent of the remote areas of the world are not having access to media. Using automobiles with electronic displays and audio, awareness is created about the products. It is one of the marketing techniques for the rural market.

The private organizations can create an enormously huge and new market if they focus on the improvement of consuming capacity of the consumer of BOP market. The organization now have to focus on the development of some creative and innovative products so that the consumer has to buy the new innovative products, and making sure that the consumers are not attracting to the traditional products.

The Requirement of Innovative Products and Services

The constant commitment of the organizations to concentrate on the creative and innovative development of new products and services at the affordability of these products to the consumers of BOP market will favor the growth in the organization such as ATM centres, small sizes of pizza, etc., which if focused for the development of BOP.

Dignity and Choice

As the poor is converted to the consumers, they will gain more access to the goods and services. Historically poor were not having the choices to buy for their daily necessities, which make them to by the traditional products from many years. This focus of organization on the BOP market made the consumers of BOP market to choice from a variety of products which are affordable by them.

From the words of the farmers at the ITC e-Choupal, it is very clear that the farmers used to have no choice of selling the commodities to the local market at the price which is declared by the mandi. With introduction of e-Choupal, farmers have a variety of choices which can heavily influence his decision making on the commodities.

Similarly in case of women entrepreneurs, they discuss about the different choices of bank loans offered by different banks. This discussion helped them to identify various options of getting the loans at a cheaper interest, which is used for their growth.
Trust is a Prerequisite

Historically, both the parties (the firms and the consumers of BOP market) were not having trust on each other. With the private organizations focusing on the BOP market, this situation of hostility is slowly decreasing and the trust is slowly developing in both the parties.

Principles for the Innovative Ideas for the development of the BOP markets

Price-Performance

Focus on the price of the product to make it affordable to the consumers of BOP market. It doesn’t always mean to reduce the price of the product. It is about setting a price which enhances the growth of the product in the BOP market.

This is one of the most important principles for the organizations to be successful in creating a market at the BOP. In contradiction to the pricing strategies that are developed for the consumers of the developed nations, organizations have to understand the relationship between the price and the performance at the BOP market and create new pricing strategies.

In some cases it requires to decrease the prices of the products, in some cases it won’t. Considering the mobile industry in a developing economy like India, it is been observed that the mobile phones were sold at high prices in olden times. With the focus on the consumers of BOP market by a mobile phones manufacture and service provider named ‘Reliance Mobile’, there is been a significant decrease in the cost of the mobile phones. They introduced very basic models of the mobile phones for the consumers of BOP market. As the consumers of BOP do not have the ability to purchase a mobile of high features, have purchased mobile phones which have less features and served at low price. With the high population at the BOP market, these phones were sold at a very rapid pace, resulting in high profits for the organization. Just by decreasing the quality and the price of the product, the organizations can produce the product that can be affordable by the consumers at the bottom of the pyramid.

In many cases the decrease in the price of mobile handsets has changed the lifestyle of poor. Consider the case of a poor automobile repairing mechanic. With the availability of a mobile phone at a very low price which is affordable by him made a create thought of making a small hording of his mobile number on the highways. Whenever a car or motor bike breakdowns, the owners of the car used to call this guy and this guy comes to them and repairs the car at the spot. He developed his business by spreading all over the highway, rather than restricting to a part of the area.

This is a very good example of how mobile phones have changed the lives of the poor by providing the mobile handsets at a cost affordable by the consumers at the BOP market and how the price-performance strategy can influence in developing the local businesses.

In the latest report Prahalad said that the increase in the sales of mobiles has already reached 3 billion of the world’s poor. He poses a question to the multinational organizations that “If the mobile handset industry can make a difference in the lives of the 4 billion BOP market, then is it not possible to sell all the products to the consumers of the BOP market.

Innovations

The traditional methods for making business at BOP will not work. There should be some great innovative technology aspect to be added in the business strategy of the organization.

The consumers of BOP have been fed up with old traditional products. If they can have the ability to purchase the products which are affordable by them, they really look forward for the purchase of these products. These innovations are to be made by the highly advanced technology. These innovations are used in not only the commercial products, but also in the development of health care products of the consumers of BOP. If consider the example of salt in India and Africa, it is seen that there is a rapid growth in sales of iodized salt products. In the past years many children and women were been suffered with iodine deficiency disorder (IDD). Manufacturers of salt used the advanced technology for the fortification of iodine in the salt. Because of the use of this technology, they could produce the salt which consists of iodine. With this innovation in production of salt had increased the sales of the salts drastically, particularly in the BOP market.

This technology also gave life to production of flour with iron. The fortification of flour with iron increased the sales of flour which is affordable by the consumers of the BOP market. Hence by using this technology the organizations are contributing to the poverty eradication.

Scalable Operations

Because of the large nature of the BOP market, the solution developed in this market must be portable and scalable, so that it is easily adapted in different BOP markets of the world. It might be India, China, Brazil or any other country with BOP market.

If these solutions are successful in one of the economy, then it should have the scalability of being easily developed and adopted in many undeveloped and developing countries. As there are 4 to 5 billion people at the BOP market there is high scalability of these successful solutions for the alleviation of poverty.

These successful operations for selling to the poor can be developed by different organizations in different countries or they can be developed by the large multinational organization operating in different countries.

Developing Sustainable Products

One of the most important principles for the organizations operating towards the BOP market is the waste management – elimination, reduction and recycling of waste. This is very different to the principle which is being under action in large developed markets who manufacture the products for high profile economically strong customers.

If the solutions developed for the eradication of poverty are developed with production of sustainable eco-friendly products, then the organizations can also contribute for the social and economical welfare of society and involve in their corporate social responsibility.
Identification of the difference between the developed market and the BOP markets

To be successful at the BOP market, it is very vital for the organizations to understand the BOP market thoroughly. Small alterations to the products that are developed for the high profile economically strong customers will not help in attaining success in these markets. The organizations should create ideas out of the box to penetrate in the BOP market.

Consider motor cycle industry as example. There is a huge demand for the use of motor cycle in developing countries like India, China and many other countries. Unlike the developed countries where it is very expensive to buy a motorcycle, it is affordable for the consumers of the BOP market. However, there is a difference in the manufacturing of the motor cycle, in the use on different climatic conditions and the roads used in the developing countries. This means the design of the products which can be easily accessed in the targeted market. It doesn’t necessarily mean to increase the price of the product for creating extra features so that it can have a sustainable life. This will be helpful in developing the products for the customers of BOP in the underdeveloped and developing economies.

Building a logistical and manufacturing Infrastructure

Innovations in processing the product are very vital in the BOP market similar to that of innovation in product development. It is very difficult to identify the potential customers of the BOP market and the organizations has to take some very crucial steps so as to create awareness about the products that can be helpful for the consumers of BOP market in their daily life.

Work-Deskilled

With the fact of knowledge regarding the low level skills of employees at the BOP market. Deskilling comes into picture. The skill level, underprivileged employees and the difficulties in accessing the services in remote areas are to be considered in the designing process of the products for the consumers of the BOP market. If an organization is setting a business in the remote areas of the developing organizations, it is necessary to employ the employees from the local people. So the organizations require to train the employees for achievement of better results and profits, as well as to improve the needs of the poor.

Educating Customers

Educating the consumers regarding the usage of the products is a key for the success of the product in the BOP market. In the same way of having innovative ideas in development and processing of the products for the BOP markets, innovative methods are to be used for the education of the consumers of BOP market. As many of the remote areas are unaware of the media aspects, few such innovative approaches are like creating part time stall near the communities, having a voice transmitted with videos on the trucks which educate the consumers of the BOP will help in the demonstration of the product directly to the consumers of the BOP market.

In 2006, few surveys suggest that more than 40 percent of the population of the underdeveloped is not able to access the media reports because of the lack of televisions, as they are not able to purchase them. So it is the organizations’ responsibility to go in to the consumers of the BOP market and educate them to regarding the uses of the products. Dettol joined hands with the local social health organization to create an awareness regarding the diseases caused by the dirty surroundings in the remote areas of India. By doing so they actually made some advertisement tactic which influenced the sales of Dettol anti-septic liquids, soaps and hand washes. They also altered the price of the products which are affordable by the consumers of the BOP market.

Structuring the products for the Hostile Infrastructure

The organizations have the opportunity to sell the products in the hostile conditions. This is to be considered by the organization in the designing of products for the hostile conditions. These opportunities are the extra opportunities for the organizations to develop another product for the consumers of the BOP market.

With the project of connecting the farmers with the outer world is e-Choupal, which is developed by ITC in India. Connecting the PCs in the rural world, they worked in the very hostile condition in the form lack of electrical energy supply. They have to generate electricity using other resources using generators. In order to get enough power supply, there should be the minimum levels of water to generate the electrical energy. If the water is used for the generation of electricity, they will not be able to have the enough drinking water. More in the rural areas, the drinking water is contaminated with pollution. So they introduced mineral drinking water which is purified and nutritious at the price affordable by the consumers of the rural population. The water is purified in the urban areas where there are enough water levels.

Distribution Methods

The greatest challenges that an innovative team of organizations is to understand the heterogenic nature of the consumers of BOP market. These include the local languages, cultural aspects, skills acquired, etc. Under these factors the innovation teams of the organization should strive for the research to a friendly interface with the consumers of BOP market.

Interfacing with the customers

The innovations in the development and distributions of the products targeted at the consumers of the bottom of the pyramid are to be reached to the consumers of the BOP market. The organizations should consider a low density of customer base in the rural market and the highly populated urban market as two different markets in which the organizations have opportunities to innovate in the form of distributing methods. Most of the innovative products designed for the consumers of the bottom of the pyramid are the first time users of that product.

Focus on the broad architecture of the product

As the consumers of BOP are not subjected to the use of many innovative products, it is the time for the organizations to produce some of the very good innovative products, making it prototype base. These innovative products should be designed with great amounts of broad view of future developments of these products.
Teachings for the multinational organizations from the BOP market

The most important lesson that the organizations learned from the market of the BOP is the price-performance relationship, by which the organizations have to focus on the pricing strategy for the BOP market.

The following are aspects where the organizations have learned the lesson from the BOP market:

Capital Intensity

It is the ability of the organizations to invest on the products for the rich customers and BOP market customers. The organizations are concentrating on the customers of the BOP market, only when the customers are dried up. But for the products which are used daily will not have dried customer market. To reach the new customers the organizations will reduce the cost of products at a very low price by reducing the quality of the product, which is achieved by reducing the capital investment. This reduction in the quality of the product will sometimes come against the sales of the product. For example, HLL is a detergent manufacturing company. The detergent Surf is manufactured by HLL, which has good standards. It reduced the capital investment to the suppliers for supplying lower quality detergents. By doing so the cost of production is decreased they can produce the product at which the consumers of the bottom of the pyramid have the ability to purchase by the name Wheel. In spite of the fact of increasing sales of the product by decreasing the cost of the product, the number of sales of the product fell down which in never expected. The main reason for this decrease in the sales is the decrease in the quality of the product which doesn’t clean stains from the clothes.

Innovation

As discussed earlier, the innovation of the products plays a vital role in the development of new products which are useful for the consumers of the bottom of the pyramid. This innovation gives rise to the further development of the product. If there is a requirement of 10 to 30 percent of innovation then the organizations have to make only that percent of innovation in the product. If the organization innovate the product from 30 to 50 percent, then it gives almost a different product. Consider the example of finger print recognition and voice recognition technology for the need of user interface. PRODEM FFP introduced this technology for the consumers of the BOP market in Bolivia and Elektra in Mexico, which has achieved good response over there. When this product is introduced in the BOP markets of Africa, it experienced completely different results. In the BOP markets of underdeveloped economies, the price-performance strategy plays a vital role. The consumers of these BOP markets cannot afford the expensive products, as they have different basic needs. From this experience the organization learned about the extent which the innovation to be implemented, depending on the 4 A’s of the rural market.

Development of Sustainable Products

With the increasing demand for the eco-friendly products made the organizations learn a lesson. It is the responsibility of the organization to produce eco-friendly products and show their CSR activities in the social and environmental factors. Saving our planet is very important for every person. In order to reach the consumers of BOP markets many shampoo manufactures are selling the single serve packets which are packaged with plastic. These packages are harmful for the environment.

Many automobile manufacturers are manufacturing automobiles at a low price in order to reach the consumers of the BOP markets. There are huge amounts of sales in this industry with many manufactures manufacturing different automobiles. However, the pollution caused by these vehicles is harmful for the environment. It is the responsibility of these manufacturers to innovate the automobiles, such that they emit less pollution and become the contributors for social and environmental welfare.

Management of Costs involved

The improper management of the costs can make the difference in the organization in the negative shade. Without proper management of the resources it is highly impossible to achieve success at the BOP market. There several reasons for unsuccessful of products; however if the product is affordable by the consumers of the BOP market and if the management system of the organization is a failure then it may cause failure to the entire product. One such example for the failure of the management is ICICI bank in India. ICICI was providing micro finances to the consumers of the BOP market. ICICI had more than 200000 customers from this market which are helped by providing micro-finance. It had only 16 managers for the whole 200000 customer base. There was a failure in the management of the costs of the bank which led to the product failure for some time.

Analysis

There are many organizations which are selling to the bottom of the pyramid, eventually participating in the corporate social responsibility. The following are few best practices which helped in the alleviation of poverty and also drawn a good amount of profits to the organizations which promoted these ideas.

Business Solutions to Energy Poverty: GDF SUEZ

One of the key drivers of the economic improvement and social advancement is electrical energy. It remained as a challenge to the poor (low – earning) communities in emerging economies to get access to energy.

GDF SUEZ is an energy – based French organization which is active in the generation of electrical energy, natural gas and renewable energy. GDF SUEZ realized the role of the private organizations in the designing and delivering of innovative clarification to link the ‘energy divide’ and sustain a shift to a low-carbon energy future in the emerging economies. The organization made the access of energy for the low-earning people through tailor-made ideas and investment in devoted projects.

In 2009, GDF SUEZ inaugurated the Sao Salvador dam in Brazil, which is used for the generation of electricity to supply it in a city with more than a million citizens. Out of the 10000 jobs generated for the construction of this project fifty percent were occupied by the local workers. Ten percent of the total investment in devoted for the environmental and social
development programs which included the protection of fauna and flora, relocation of dislocated people.

To sustain electrification in numerous shantytowns in Casablanca, a project was developed by GDF SUEZ, through the Group’s subsidiary LYDEC in Morocco. Before this project, inhabitants routed to law-breaking leaks and network connections, which lead to many awful accidents. In order to avoid these accidents, an access to a safe and reliable electricity supply system is provided by LYDEC which has set up partnership with local authorities and society.

In excess of 30,000 households got connected to this safe and reliable electricity supply system in this electrification program. This program was managed by the street representatives of the local society with proper coordination of daily operations and provision of technical support to the poor (the users).

By the end of 2009, the aim of connecting more than 145,000 households to fight against poverty, this project has been integrated as widespread national project, providing access to essential urban services like water, waste and electricity.

**Allianz’s Micro Insurance program for Reducing the Risks of the Poor**

Insurance is an essential commodity for every person. The poor of the developing and undeveloped countries cannot afford this service even though it is important for them. In December 2009, a natural calamity (Tsunami) hit the lives of South-East Asia, leaving many families homeless. Since 2005, after this devastating disaster which made the lives miserable for the poor, Allianz Group realized the risks of the poor in developing and undeveloped economies, and is been very active in providing micro-insurance to the poor.

With insurance markets in developing countries got saturated as almost every individual has insurance, not giving any insurance company to increase its customers, Microinsurance in developing countries seems to have a greater growing potential which draws huge profits to the insurance companies. Allianz realized the benefits of providing microinsurance to the poor which also covers the risks of the poor, aimed to reach 3 million new customers by the end of 2009. With more than 155000 employees worldwide the Allianz Group is one of the leading global insurance providers, banking organization and asset management provider. Total revenue of over 92.5 billion Euros was accomplished by Allianz group in the financial year of 2008.

Even though Allianz is one of the leading insurance providers, it cannot go directly into the local markets of the poor of the developing and undeveloped economies, as they are aware of the market lacking experience.

**Hewlett Packard’s i-community program in Mogalakwena**

The global world today is completely dominated by the use of the internet, right from some kids to elders. Despite of the impact of internet in our daily lives, there are more than 70% of the world populations who do not have access to the internet. Hewlett Packard came forward to fill this gap in South Africa. Mogalakwena is a community in which 65 percent of the population lie below the poverty line of Africa. The aim & vision of Hewlett Packard in this region is to develop the literacy rates of the community and increase the socio-economic values of the community and also make awareness about the AIDS. By doing so, the livelihood of the community’s people increases.

In order to achieve these objectives, HP made partnerships with the local, national and the municipal authorities for the development of an eco-system among the local community for the deployment of an ICT infrastructure.

This partnership allowed HP to develop the ICT and business skills among the local community, later it focused on the creation, development and maintenance of self-sustained business opportunities.

**The HP’s i-community program was successful in creating**

- Bearable information technology and communication infrastructure.
- Self-developed new employment opportunities.
- Profits earned by accessing new economies
- Enhancing leadership qualities among the people of the society

**Care Shop Ghana’s improvement program for easy access of essential medicines/drugs in Ghana**

With almost 300 licensed medical or chemical stores in Ghana, Care Shop is one of the largest drug suppliers in the low-resource areas of Ghana. The aim of the store is to make the poor access to the essential drugs which can be affordable by them, which can increase their profits and tend to work for the development of the people of the local income community.

There are lot of infectious disease invading Ghana such as malaria, diarrheal diseases and many more which can be easily prevented. But because of the low incomes of the poor, they are not affordable to buy medicines to prevent these diseases, resulting in death of humans.

The insufficient healthcare schemes of the government did not help the local communities to take care of their health and make precautionary measures that are affordable by the poor. Many licensed medical stores are available for the service of many private hospitals.
Care Shop was founded in 2002 by the Ghana Social Marketing Foundation Enterprises Limited (GSMFEL) in order to sell medicines for the prevention of infectious diseases at a low price that the poor can buy. The profits for GSMFEL are generated by selling the inexpensive high-quality medicines directly at the franchises.

Over the past five years, Care Shop had made a great difference in the lives of the low-income families of Ghana and made splendid improvement in generating the profits facing many challenges.

**Akzo Nobel’s Anemia Fighting program**

Akzo Nobel focused on reducing the pervasiveness of iron deficiency anemia in the developing and underdeveloped economies, making a profitable trade. According to the UN children’s fund of UNICEF, there are more than 500 million women who are suffering the problems of iron deficiency. Iron is very essential for a human body in transporting oxygen to all the tissues, which is transferred with the help of RBC (Red blood cells). There is every chance for the failure of the functionalities of human body due to lack of iron in the body. Iron deficiency anemia affects the human in the form of less ability of ability to work, weaken the physical activity, reduced resistance towards infections and diseases and most of all it will affect the maternal organs.

Food Fortification is one of the important methodologies for the intervention of iron. Intake of fortified flour will help in developing iron efficiency in the body. Many countries identified fortification of flour with iron as a compulsory factor while producing flour products.

Akzo Nobel (Netherlands) was very active in this sector with more than 60 thousand workforces working towards the fortification of the flour with iron in more than 80 countries globally at a low price which is affordable by the poor. This made the organization earn profits of around 15 billion euros in 2006. With the expertise of producing the form of iron which can be simply captivated by the body, Akzo Nobel worked with Ferrazone which add iron from green plants in to food and beverages.

This program resulted in increasing the iron efficiency in more than 25 million people around the world. In 2007, huge amounts of food with iron were supplied around the world which can alleviate the iron deficiency in more than 30 million people particularly in India and Africa. With the profits that this company earned in the past five years, there are many companies which came in competition to Akzo Nobel. Even with the heavy competition in the market Akzo Nobel was successful with the quality of the food which it produces.

**Newmont Mining Corporation supporting economic growth in Ghana**

Newmont Mining Corporation is a huge producer of mines over five continents creating lot of employment worldwide. In 2006, company developed a project in a region in Ghana. It employed more than 3500 local people for the project. As the area is poverty hit area, it not only created employment in the local area but also helped in improving the road and transport facilities, supply of electricity and also improved the mobile coverage in the area. It also started a program called Ahafo three year linkage programs which consist of supporting the development of the people by creating self-employment. It provided business support, training and services for the people to establish their own businesses. As its project terms of lease, it provided lot of support in improving the area and the local economic growth and also helped the local people to get out of poverty. (WBCSD, 2009)

**Providing rural areas with proper health care services by Royal Philips Electronics**

With the support of DISHA (Distance Healthcare Advancement), Royal Philips Electronics started a project in the rural areas of India by providing proper healthcare services as the people spend a lot for their health by taking loan for the huge interest rates. In order to help them by providing high class healthcare services to the poor for a low and affordable price, Philips started this initiative. They have tie-ups with private hospitals which provide ambulances and doctors as well as the equipments. They conduct mobile checkup camps in the rural areas giving treatment to lot of poor people for affordable prices. The project aims to be on the road giving treatment for almost 300 days a year by treating more than 15000 people. It is helping the poor by giving them proper health services they need and educating them with the precautions to be taken for the disease prevention. (WBCSD, bringing healthcare services to rural communities:royal philips electronics, 2005)

**ICICI Bank helping the poor with rural finance**

ICICI Bank is helping the poor people in rural areas by giving the micro finance with a low interest rate of 18% which seems high but compared to the non-profit financial institutions and the local money lenders it is charging a low interest. It has concentrated on Self Help Groups (SHG) by providing them with the loans. It hires some coordinators and gives them the responsibility in training and reviewing them with the loan proposals. From the year 2001, the program of helping the SHG’s having grown in a huge number reaching 8000 and keeps on growing. The Bank is also providing loans to the farmers through ITC e-choupal and others as they issue the farmers the seeds and fertilizers and they pay off the money when they sell their crops. It is benefiting both the farmers as well as the Bank. It is also providing crop loans to the farmers who are in need of money and unable to wait till they get the money of the crop, Bank will provide them loan on the crop by
checking the quality of the crop and offer them a loan on a condition to repay it when their crop is sold. By serving the poor rural areas, ICICI Bank is also expanding its business by establishing strongly in low income markets as well as helping the poor according to their needs. (Markson, 2003)

**ITC e-choupal**

ITC e-choupal is helping farmers by eliminating the middlemen and dealing directly with the farmers. The company is providing the seeds, fertilizers and transport of their crops for a low price. A field officer will be observing the way crop is grown and also suggests for the proper fertilizers to be used in order to get high productivity for the farmers. When the crop is ready for harvest, the company will be providing transport for the crop to reach their respective warehouses, measure the quality and quantity by their machines electronically and then the farmer is paid for the crop. Company pays at least 2.5% higher than the mandis (local market yards). In this way, ITC is helping the farmers to grow better and also helping in reducing the farmer’s suicides because of lack of good value for their products. It is also playing important role in eradicating poverty in the rural areas, especially farmers. (Dangi, 2010)

**CONCLUSION**

Prahalad’s research on the opportunities at the bottom of the economic pyramid had a significant influence on the emerging economies and under-developed organizations. With more than 4 billion poor at the bottom of the pyramid was seen as a huge market which is ignored by the large organizations. Prahalad believed in the eradication of the poverty is achieved by the large corporations of the world, with a profit-making concept to the organizations. This concept was incorporated by many organizations which changed the lifestyles of the poor and also benefitted the organizations with huge profits. This concept gave rise to different innovative products such as micro insurance and micro finance. The organizations also seen that there is no high growth in the markets of developed economies. There is very less probability of making profits. As discussed, the world biggest challenge today is poverty. With more than 4 billion people come under the Bottom of pyramid, it is the responsibility of each and every individual to contribute towards the eradication of poverty. It is possible when the governments, multinational organizations, charitable organization and the consumers of the BOP market contribute together. It is seen earlier, how the lifestyle of the poor has changed with availability of mobile handsets to the customers of the BOP market. If the mobile industry had made the difference in the lives of poor, it is possible to change the lives of the poor with organizations of all industries believe in the 4 billion BOP market of the world.

Not only selling the products to the poor, but also the buying the products from the poor also helps in the eradication of the poverty. Above we have seen that the introduction of e-Choupal by ITC helped the poor farmers to sell their products at a highest price.

It can be concluded that if more and more organizations come forward to sell their products to the consumers of the BOP market, as well as buy from them will definitely eliminate the poverty or at least a huge part of it.

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