



# **Marketing to the BOP**

**- A case study research**

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## Executive Summary

This thesis is set out to explore how three different MNCs have been successful in marketing to the BOP. The BOP has been a challenging market for companies that seek to make profit. While the vast majorities of companies have seen these challenges as impossible barriers, others have pursued strategies of experimentation in developing unique products and services for some of the world's most needy consumers. Although the buying power of the individual BOP consumer is low, the future potential of the market appears very attractive and as a result MNCs have been busy exploring this untapped potential by implementing innovative marketing strategies.

The relationship between the four P's of marketing – product, price, place and promotion – and the four BOP marketing challenges – awareness, availability, accessibility and affordability – provides a broad framework that is explored in the thesis. An understanding of the BOP market and the appropriate marketing strategies remain very limited, this thesis will therefore try to elaborate on the four A's and propose a theoretical framework of marketing to the BOP with the help of the MNC cases. The cases chosen have to meet the three conditions of the BOP logic, which are; that the product or service is profitable, that it is actually serving the poor and that it is good for the poor (Karnani, 2011). There are only a few positive examples of MNCs that fulfill these three criteria's in developing and selling a product or service. The three cases chosen are Tata – Swach in India, SC Johnson - Community Cleaning Services in Kenya and Nestlé Brazil – Products of the Brazilian factory. The marketing strategy that can be drawn from these three cases, is the development and the connection of the four P's to the four A's. Contributing to the four A's of the BOP marketing mix, is the fifth A – aspiration – which is equally important in the marketing process, because the people of the BOP and their aspiration is the connection to many of the informal procedures, and an important factor in making the other four A's applicable.

The thesis concludes that the three MNCs have succeeded in marketing to the BOP by changing the original four P's of marketing into the five A's of BOP aimed marketing. The dominant lesson drawn from these case studies and the marketing mix theory is, that developing BOP strategies requires companies to get back to the basic principles and rethink marketing strategies and better understanding and appreciate the consumers (Garrette & Karnani, 2010).

## Table of Contents

Executive Summary .....	1
Chapter 1: Introduction .....	5
Chapter 2: Problem definition .....	6
2.1. Problem statement .....	6
2.2. Assumptions .....	7
2.3. Delimitations .....	7
Chapter 3: Methodology .....	8
3.1. Data Collection .....	8
3.2. The deductive approach .....	9
3.3. Applying and choosing a case study .....	9
3.4. Analytical method .....	11
3.5. Validity and reliability .....	12
3.6. Structure .....	13
Chapter 4: Bottom of Pyramid .....	14
4.1. Definition of BOP .....	14
4.2. Potential of BOP .....	19
Chapter 5: Multinational corporations .....	22
5.1. Definition of a MNC .....	22
5.2. The role of the MNCs .....	22
Chapter 6: Marketing mix - the four P's .....	25
6.1. Product .....	28
6.2. Price .....	28
6.3. Promotion .....	29
6.4. Place .....	30
Conclusion .....	31
Chapter 7: Cases .....	33

7.1. Tata – Swach in India.....	33
7.1.1. Introduction .....	33
7.1.2. Company history and description.....	34
7.1.3. Product and service .....	36
7.1.4. Price and sales .....	38
7.1.5. Promotion .....	38
7.1.6. Place .....	39
7.1.7. Social issues .....	39
7.1.8. Future goals and challenges .....	39
7.2. SC Johnson - Community Cleaning Services in Kenya.....	40
7.2.1. Introduction .....	40
7.2.2. Company history and description.....	40
7.2.3. Product and service .....	41
7.2.4. Price and sales .....	42
7.2.5. Promotion.....	43
7.2.6. Place .....	43
7.2.7. Social issues .....	44
7.2.8. Future goals and challenges .....	44
7.3. Nestlé Brazil – Products of the Brazil factory.....	45
7.3.1. Introduction .....	45
7.3.2. Company history and description.....	46
7.3.3. Product and service .....	47
7.3.4. Price and sales .....	47
7.3.5. Promotion .....	48
7.3.6. Place .....	48
7.3.7. Social issues .....	48
7.3.8. Future goals and challenges .....	49

7.4. Summary of the cases.....	49
Chapter 8: Marketing to the Bottom of the Pyramid.....	50
8.1. Acceptability .....	52
8.2. Affordability.....	55
8.3. Awareness .....	58
8.4. Availability.....	60
8.5. Aspiration .....	61
8.6. Discussion about the barriers to marketing .....	66
Conclusion.....	70
Chapter 9: Reflections .....	71
Chapter 10: Conclusion .....	73
References .....	75
Appendix .....	80
Appendix 1: Twelve Principles of Innovation for BOP Markets.....	80
Appendix 2: Poverty lines .....	82
Appendix 3: Category of needs in the BOP and examples of MNCs .....	83
Appendix 4: Other case studies of MNCs in the BOP market .....	84
Appendix 5: Borden's 12 marketing factors .....	87
Figure 1: Structure of the thesis .....	13
Figure 2: The world economic pyramid (based on purchasing power parity in U.S. \$) .....	17
Figure 3: BOP global consumer market .....	19
Figure 4: The four P's .....	27
Figure 5: Improved water source in India .....	34
Figure 6: Hunger in Brazil .....	46
Figure 7: Link between four P's of marketing and four A's .....	52
Figure 8: The five A's .....	66
Table 1: Tata Swach products .....	37
Table 2: Summary of the case studies .....	49
Table 3: Price differences between sachet and bottle cost for leading shampoo brands in India .....	56
Table 4: Poverty premium in Mumbai .....	57



## Chapter 1: Introduction

*“What is needed is a better approach to help the poor, an approach that involves partnering with them to innovate and achieve sustainable win-win scenarios where the poor are actively engaged and, at the same time, the companies providing products and service to them are profitable.” (Prahalad, 2004)*

There are 2,582 million people living for less than \$2 a day (World Bank, 2005), this group constitutes the bottom of the economic pyramid (BOP). The market is so big and diverse that many organizations all over the world are trying to establish their presence in the market with their products and services. Although the buying power of the individual BOP consumer is low compared to the west, the future potential of the market appears very attractive to multinational corporations (MNCs). As a result, MNCs are busy exploring this untapped potential by implementing innovative marketing strategies.

What is unique about the BOP logic presented by Prahalad and Stu Hart is to make profit in this large market and not do it as charity (Prahalad & Hart, 2000). In addition to this, Karnani goes further by imposing three strict conditions to the BOP logic (Karnani, 2011):

1. It is profitable
2. It is actually serving the poor
3. It is good for the poor

There are only a few positive examples of MNCs that fulfill these three criteria's in developing and selling a product that meets the BOP market.

Designing a business model to serve the BOP market has to start with a basic insight rather than a minor adaptation of the business model which is successful in affluent markets. Companies must shift from creating needs in existing markets to creating markets out of unmet needs (Garrette & Karnani, 2010). Therefore marketing managers are divided over identifying a suitable marketing strategy for the BOP segment. The relationship between the four P's of marketing – product, price, place and promotion – and the four BOP marketing

challenges – awareness, availability, accessibility and affordability – provides a broad marketing framework that needs to be explored. An understanding of this unique market and the appropriate marketing strategies remains very limited, this thesis will therefore try to elaborate on the four A's and propose a theoretical framework of marketing to the BOP; that can help meet the three conditions of the BOP logic. This will be done through three case studies of MNCs that operate successfully in the BOP market.

## **Chapter 2: Problem definition**

This chapter concerns the problem definition. In the following section the main problem will be stated with respect to the topic. The list of assumptions and limitations will be presented which will help to narrow down the thesis in the right direction.

### **2.1. Problem statement**

BOP has been a challenging market for companies that seek to make profit. This market is traditionally considered a domain of governments, aid agencies, nonprofits, NGOs, etc. Most large companies have chosen to leave these consumer segments to the aforementioned groups and focus on the middle and upper classes. The main reason is that the consumers in the BOP are severely constrained by lack of income and hence only certain products or services that are of practical need to the poor would have a market. If the cost of producing a reasonable quality product is high, then the BOP would be unable to afford it and hence there will be no profit at the BOP. Another reason is that increasing consumption is not necessarily sustainable in the BOP and such ideas are western and MNC oriented (Subrahmanyam & Gomez-Arias, 2008). However, when looking across the different categories of products that the BOP consumes, is it only basic needs? In which categories are successful products seen? What can BOP marketing managers learn from these examples?

Questions like these are often raised by the MNCs and while the vast majority of companies have seen these challenges as impossible barriers, others have pursued strategies of experimentation in developing unique product and service propositions for some of the world's most needy consumers.

This leads to following problem statement:

- *How have MNCs been successful in marketing to the BOP consumer?*

Which is a research based on three MNC cases.

## 2.2. Assumptions

Following assumptions have been made within the thesis.

- There is a buying market at the BOP.
- There is profit to be made by MNCs at the BOP market.
- The marketing mix strategy is different for the BOP market, than the affluent market.

## 2.3. Delimitations

A topic like BOP could raise a lot of questions that would not be relevant to the thesis; therefore following delimitations were made.

- There are numerous organizations, institutes, groups and different kinds of actors that engage in the poverty discussion, but the main focus of the thesis will be on MNCs and their marketing strategies and not fighting poverty, thus the aforementioned will not be examined.
- Ethics in regards to marketing will not be discussed. It is indirectly implied and understood that the MNCs can and should in force rules and guidelines for ethics on their own, and that it is a part of their company policy.
- Corporate Social Responsibility (CSR) will not be discussed, especially the fact that MNCs BOP market approaches have the tendency to turn into CSR projects, if they are not successful and profit making.
- The MNC cases are not to be considered as social entrepreneurship projects, as the MNCs are only interested in penetrating and expanding within the BOP market for wealth creation. They are not adopting a mission to create and sustain a social value.



## Chapter 3: Methodology

This chapter describes the systematic approach of the thesis; it explains the choices of methods that will be used in answering the problem statement.

### 3.1. Data Collection

Secondary data is the main source of information in this thesis, and all of the data was collected through desk research, where an extensive use of journals, academic articles, books, press releases and reports from reliable sources were used – all concerning the marketing topic. The primary advantages of utilizing this type of data are, that it is already available, and thus the researcher saves time and effort relative to collecting the data herself, and that the data is generally of quite high quality depending on the source. However, disadvantages include the potential lack of relevance and the often aggregated level of information (Blumberg, Cooper, & Schindler, 2005). No primary data has been used, as the point of the thesis is not to make an empirical analysis leading to a general conclusion. Therefore it was not relevant to this paper to make interviews or observations.

The data collection has been with the use of qualitative and quantitative data from secondary sources. The qualitative data has been collected by gathering information for the case studies via the internet, where company reports and research articles have been available. This was done to characterize and better describe the marketing strategies of the MNCs. The quantitative data has been used in the same manner, that is, information gathering of the cases. The descriptions of the cases contained quantitative aspects which made it unavoidable, also the method of the collections can be compared to the method of statistic gathering. The quantitative data was also used in the introduction of each case as it was important to explain why the case has been chosen with respect to the needs of BOP consumers and why the company perhaps saw a potential there.

### **3.2. The deductive approach**

Every research has to start with a design; it is there to clarify the study's aim and the strategy in which to achieve it. The strategy depends on the theoretical basis (Saunders, Lewis, & Thornhill, 2007). The researcher can choose to build on a particular theory that leads to exact assumptions, which can be verified with new study material. This is called the deduction approach (Riss, 2005). Deductive reasoning works from the more general to the more specific. The researcher begins with thinking up a theory about the topic of interest. In this thesis, it is the theory of the four P's in the context of the BOP. Then the researcher narrows it down into a more specific assumption that can be tested. In this thesis it is the assumption that the MNCs can be successful in the BOP market, by using the four P's as analysis devise, which leads to the four A's. Then it is narrowed down even further with collections of observations, in this thesis it is MNC case studies, to address the assumption. This ultimately leads to the test of the assumption with the specific data, which perhaps confirms (or not) the original theories.

The researcher could also base the approach with new material and explore patterns in it. This is called the inductive approach (Riss, 2005). Inductive reasoning works the other way, moving from specific observations to broader generalizations and theories.

In this thesis the deductive approach is used for the design and reasoning of the problem statement. Even though the deductive approach is chosen, there will also be scope to explore if some of the theory in particular has a different approach/view. This could in fact be true, because the theory and data on this topic is not yet developed and explored, and in reality a thesis will change between deductive and inductive phases.

### **3.3. Applying and choosing a case study**

Case studies are a preferred method when "how" and "why" research questions are being posed and when the investigator has little control over events (Yin, 2003).

Applying a case study for exploratory, descriptive and explanatory purposes is a widely used research approach (Blumberg, Cooper, & Schindler, 2005).

The exploratory research design tries to define the research question. In an exploratory case study, the collection of data and research occurs before theories or specific research questions

are formulated, which is not the case in this thesis. Descriptive research design goes further and describes different characteristics of a trend. The descriptive case study requires theory to guide the collection of data and research. The explanatory research design can be used when the research field has matured. This design tries to explain course of events and connect how things happened. According to Yin (2003), it is an explanatory research because it tries to answer a 'how' question. This is because such questions deal with operational links needed to be traced over time, rather than mere frequencies or incidences (Yin, 2003). It allows the researcher to retain holistic and meaningful characteristics of real-life events, a simulation of real business challenges, such as the marketing strategies the MNCs have had towards the BOP market. This is in order to breathe life and give meaning to the theory. This thesis can be seen as a combination of descriptive and explanatory research design.

Throughout the thesis, cases from three large MNCs are reviewed as part of the research design. Investigating multiple cases can contribute to valuable insights for development of BOP marketing as several opinions and experiences will be covered and explored.

Multiple case study designs have distinct advantages and disadvantages in comparison to single case study designs. The evidence from multiple cases is often considered more convincing, and the overall study is therefore regarded as being more robust. At the same time the rationale for single case designs usually cannot be satisfied by multiple cases (Yin, 2003). The conduct of a multiple case studies can require extensive resources and time beyond the means of the researcher. Therefore every case chosen should serve the specific purpose within the overall scope of the problem statement. The cases must be carefully selected so that it either (a) predicts similar results (a literal replication) or (b) predicts contrasting results but for predictable reasons (a theoretical replication) (Yin, 2003). A few cases, 2 or 3 would be a literal replication; this thesis contains three cases, so the aim is to predict similar results. An important step in the replication procedures is the development of a theoretical framework. The framework of the four P's is there to help state the condition under which a particular phenomenon is likely to be found, and to be used as a analysis device in the individual case study. The overall theory is chosen first, and then the selection of the cases was made. The three cases are considered sufficient for this thesis, as they can show the replication which is significant.

The three cases are applied in order to ground the thesis practically and empirically, and to counterbalance the concentration on theory, they are used as a tool for exploring the phenomenon of marketing to BOP in a concrete MNC context.

The three cases are Tata – Swach in India, SC Johnson - Community Cleaning Services in Kenya, Nestlé Brazil – Products of the Brazil factory. The selection criteria's of the case studies was very important; they were selected on the same basis as the three conditions of the BOP logic. Firstly it was essential that all three companies are MNCs which are located in different emerging countries. Moreover, that they showed signs of success and profitability (now and/or in the long run). Secondly it was essential that the MNCs were actually serving the poor people in the BOP markets. Lastly it was essential that the product or services made by the MNC was good for the poor. These selection criteria's were also used in the making of Appendix 4, which shows other case studies of MNCs in the BOP market.

### **3.4. Analytical method**

The material in the case studies are often more colorful and diverse than regular literature texts. A case study can contain everything from notes, images, transcripts of conversations, etc (Riss, 2005). It represents a particular combination of features, and each of the three cases chosen, are unique in their own sense, therefore the case study materials can, as mentioned, include many details that have different characteristics.

To be able to analyze the case studies in the thesis, one has to link the information from each of them together into a comprehensive holistic picture. The various information is linked together in every case study, and the individual information that is drawn from the cases in the analysis of the cases, must be interpreted in light of the whole picture (Riss, 2005). The reason for this is that the information makes sense as a whole and just one change in the information can change the entire interpretation of the cases.

When then researcher interprets the case materials, they often draw from many theories (Riss, 2005), in this thesis it is the theory of the four P's, and if they want to explain a phenomenon in the case, they must usually compare the cases across each other, but often the basis for comparison can be blurry. Therefore the researcher must hold the case up against some implied normal standard which shows commonalities and differences between the three cases.

This can highlight the character of the case and its general features, which is what has been done in the summary of the three cases.

In the analysis of the case studies a somewhat subjective view has been used, because the researcher's part in the analysis process has in the end determined the outcome (Blumberg, Cooper, & Schindler, 2005), but to avoid complete biased opinions, counterarguments are provided throughout the thesis. It was only in the quantitative descriptions and later analysis, an objective view was used.

### **3.5. Validity and reliability**

It is important to be critical when gathering data; no matter if it is quantitative or qualitative. There are two significant variables that need to be taken into account when gathering data, those are validity and reliability.

Validity is when the research has relevance to the problem statement. It is defined as the degree of agreement between the theoretical and the empirical conceptual framework (Andersen, 2005).

The validity of the applied statistics from Euromonitor International and World Bank are relatively high. They are based on dependable numbers even though the factors behind the statistical research can be different. The books and articles that have been used are also considered as valid, because only highly recommended sources have been used, that also have relevance to the problem statement.

The aspect of validity could however be discussed, because there has only been the possibility for usage of desk research throughout the progress of the thesis. This could contribute to a discussion about the level of seriousness and validity.

Reliability is equal to the trustworthiness of the research (Andersen, 2005). That is to say; will another analysis turn out the same way as mine (if it has the same assumptions)?

It is very important to estimate the reliability of the compiled data and again to remain critical. This thesis can be considered reliable since a lot of the data used within the thesis comes from websites that are relevant to the subject, and are very well known and audited, that is the Nestlé, Tata, SC Johnson, WHO, etc.

Even though these websites have a high level of objectivity and reliability, they could form a subjective view of BOP marketing and not think of the many aspects there is, for example the many failures of other companies and the fact that the market is new and fairly unexamined. Supplementary websites have therefore been found, which can support and argue with the articles and data collected. The reliability could however be discussed, because it was the researcher who selected the cases, which makes it a bit subjective.

Overall, it can be concluded that from an outside point of view the compiled data has a good combination of validity and reliability and thus forming a good foundation for the thesis.

### 3.6. Structure

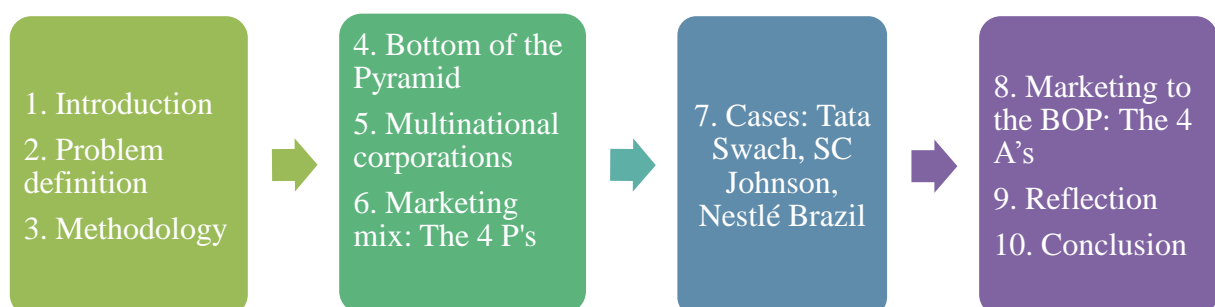
The thesis consists of ten chapters that can be divided into a preface, four descriptive and theoretical parts, one analytical part and a conclusion.

Chapter 1-3 give the reader an introduction to the thesis, why this topic is relevant, a problem definition which the thesis is going to be focusing on and the methodology, in which the work of the thesis is explained.

Chapter 4 describes the BOP in depth, the definition and the potential of it. Chapter 5 defines the MNCs and describes their role in the BOP. Chapter 6 is concentrated around strategic marketing theory, that is; the four P's. Chapter 7 gives an extensive case description of the three cases Tata Swach, SC Johnson and Nestlé Brazil.

Chapter 8 analyzes the cases via the new BOP marketing theory, the four A's, and answers the problems statement. Chapter 9 reflects on the theory and the methods used. Chapter 10 gives the reader the concluding remarks of the thesis.

**Figure 1: Structure of the thesis**





## Chapter 4: Bottom of Pyramid

This chapter concerns the bottom of the economic pyramid, how it is defined and its potential. It will begin with a definition of poverty in the BOP market. It is important that this term gets defined first, so that it can be of assistance in determining the nature and the scope of the market. This will lead to the explanation of the BOP market and the potential it has.

### 4.1. Definition of BOP

#### Poverty

The definition of poverty has been a debate for many years. In this thesis poverty will be defined as a multifaceted phenomenon having three main dimensions. First, poverty is the lack of income and assets needed to attain basic necessities, such as food, shelter, clothing and fuel. Second, poverty means the lack of access to basic services that directly affect the material welfare of the poor, such as public health, education, safe drinking water, sanitation, infrastructure and security. Third, poverty means the social, cultural and political exclusion of its victims, and includes such issues as gender, racial and ethnic discrimination, and lack of civil rights (Karnani, 2011).

The definition of poverty is straightforward in theory. However, to identify the poor people, and measure the number of poor people has proven hard in reality.

Income is perhaps the most important measurement of poverty; it is also relatively easy to measure quantitatively. Poverty is therefore often measured in monetary terms and defined as consumption below a certain benchmark. Countries have varying definitions of poverty, and comparing them can be difficult. National poverty lines tend to have higher purchasing power in rich countries, where the standard used is more generous than in poor countries. There are also regional differences, for instance a person can be poor by global standards, but not compared to his countrymen or neighbors. In order to compare poverty across countries, a consistent international poverty line must be used to measure poverty. Poverty measures based on an international poverty line attempts to hold the real value of the poverty line constant across countries, including when making comparisons over time (World Bank, 2011). It is well known that income comparisons based on market exchange rates tend to understate real income (or real purchasing power) in developing countries. Market exchange rates can be expected to eventually compare purchasing power only over internationally

traded goods. But there are also non-traded goods, such as services, which are cheaper in countries with lower wages. Purchasing power parity (PPP) rates adjust for this difference, which allows more valid income comparisons, and are therefore used instead of market exchange rates in measuring global poverty. The poverty line is then converted to local currency using the PPP rates, and the local consumer price indices are then used to adjust for inflation (Karnani, 2011).

So where is the poverty line drawn? For poor people the difference in \$1 and \$2 per day is significant and can make a huge impact on their lives. People below the extreme poverty line of \$1 per day cannot meet basic needs for survival; nutrition, health care, safe drinking water, sanitation, education, adequate shelter, and clothing. Yet this definition of extreme poverty is probably too conservative. Another commonly used standard, which is more representative of the middle-income (but still at developing economies), is \$2 per day. At this level basic survival needs are met, but just barely (Karnani, 2011). People who survive on less than \$2 per day have very different needs and priorities than people of the developed world, who sometimes consume more than four times as much.

Overall, whether using \$1, \$1.25, \$1.45 or \$2, these measures have generally been accepted as the international standard for poverty. In this thesis the poverty line will be at \$2, because in reality it is the growing middle class of developing economies that is the attractive market. It is also important that MNCs estimate the size and the purchasing power of the market, to be able to set the price right and not out of reach of their target audience.

## **Bottom of the Pyramid**

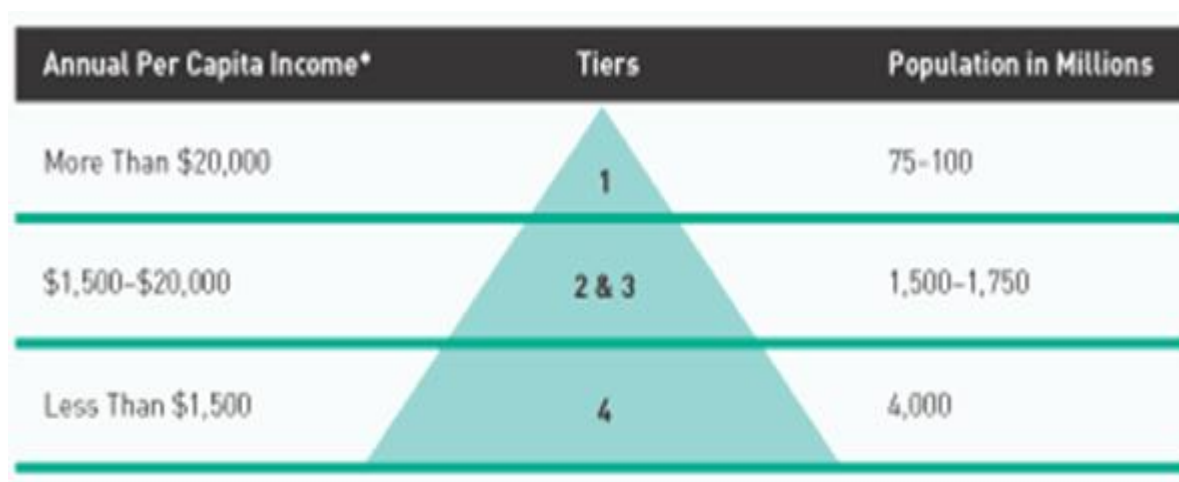
The bottom of the pyramid has also been defined several times by several different people. This untapped market and its opportunities have caught the attention of numerous companies across the world. While low income may have provoked companies to stay away from this segment, the sheer size of the market is likely to drive product innovation and profit in the coming years (Evalueserve, 2008).

Prahalad was one of the first who saw the potential of the market. In his book *“The Fortune at the Bottom of the Pyramid”* he provided 12 principles of innovation in the BOP market, which are useful for MNCs when entering and operating in the BOP (Prahalad, 2004). See Appendix 1. These principles are also useful in the context of marketing, as Prahalad argues

that the MNCs need to adapt their existing product to the poor consumers, they have to understand the needs of this market in order to innovate on the product, rather than pushing irrelevant products upon it. It does not necessarily mean cheap innovations, because the poor are also value conscious consumers and would be willing to pay for products that are relevant for them, which could in the end create profits for the MNCs as a result of the aggregated purchasing power.

According to the Hammond et al. study (Hammond, Kramer, Katz, Tran, & Walker, 2007), it is said that the BOP is estimated to have 4 billion people with incomes below \$3,000 per annum in local purchasing power. Also that BOP markets are predominantly rural with the majority living in Africa, South Asia, Eastern Europe, Latin America and the Caribbean. As well as the BOP itself is not a homogenous segment and incomes can vary across regions and countries. Figure 2 shows the economic pyramid, estimating the BOP market according to Hammond et al. The pyramid demonstrates that, the market opportunity are not lying on the wealthy few in the developing world, but the huge number of aspiring poor who are to join the market economy for the first time. At the very top of the pyramid there is only a small fraction of global consumers corresponding to the affluent market in the developed countries, and this is where most MNCs originate (Prahalad & Hart, 2000). Therefore most MNC managers' views on business are accustomed by their knowledge and familiarity with Tier 1 consumers. At the bottom of the pyramid, there is the emerging BOP consumer, where the majority live in rural areas (Prahalad & Hart, 2000). Because of the MNCs familiarities with the top, Tier 3 and 4 have largely been invisible to the corporate sector.

**Figure 2: The world economic pyramid (based on purchasing power parity in U.S. \$)**



*Source: U.N. World Development Reports*

The number 4 billion, is a bit overestimated, because the newest (which is not that new) report from World Bank shows that there are 2,582 million people in the world living for less than \$2 a day, and 1,398 million people in the world living for less than \$1.25 a day (see also Appendix 2 for a country specification) (World Bank, 2005). One of the reasons for the overestimation could be that there are different definitions of the poverty line, as previously mentioned, which can push the BOP market size upwards.

The market is nevertheless large, and the BOP approach implies that MNCs can make a fortune by selling to the poor who have been neglected as potential consumers, and that the consumption choices available to the poor can be increased by targeting various products and services, and by lowering the prices but not the quality. As a market, the BOP provides a new growth opportunity for the private sector and a venue for innovations. But old business models won't work. Tapping into markets at the BOP can provide MNCs with access to a fast growing population that is potentially the most exciting growth opportunity of the future (London & Hart, 2004). Serving the BOP consumers will demand innovations in technology, products and services, and business models.

### **Expenditure in BOP**

One of the most comprehensive and in-depth studies that quantifies expenditures and spending among the world's poor is also the one by Hammond et al. (Hammond, Kramer,

Katz, Tran, & Walker, 2007). An understanding of what and how much is spent on each category can be the starting point to examine where there is need for products and services. Especially because of the reluctance the MNCs have towards investing in the market. The MNCs assume that poor people with such low incomes have little to spend on good and service and that the money that they do have goes to basic need like food and shelter (Prahalad & Hammond, 2002). Below are shown consumer expenditures in various sectors or categories, given in the Hammond et al. study.

- |                                       |                                      |
|---------------------------------------|--------------------------------------|
| – Food \$2,895 billion (58 percent).  | – Information and Technology \$51    |
| – Energy \$ 433 billion (9 percent).  | billion (although the report         |
| – Housing \$ 332 billion (7 percent). | estimates it could be double of this |
| – Transportation \$179 billion        | by the time it was printed given     |
| (4 percent).                          | rapid growth rates) (1 percent).     |
| – Health \$158 billion (3 percent).   | – Water \$20 billion (0.4 percent).  |
|                                       | – Other \$932 billion (18 percent).  |

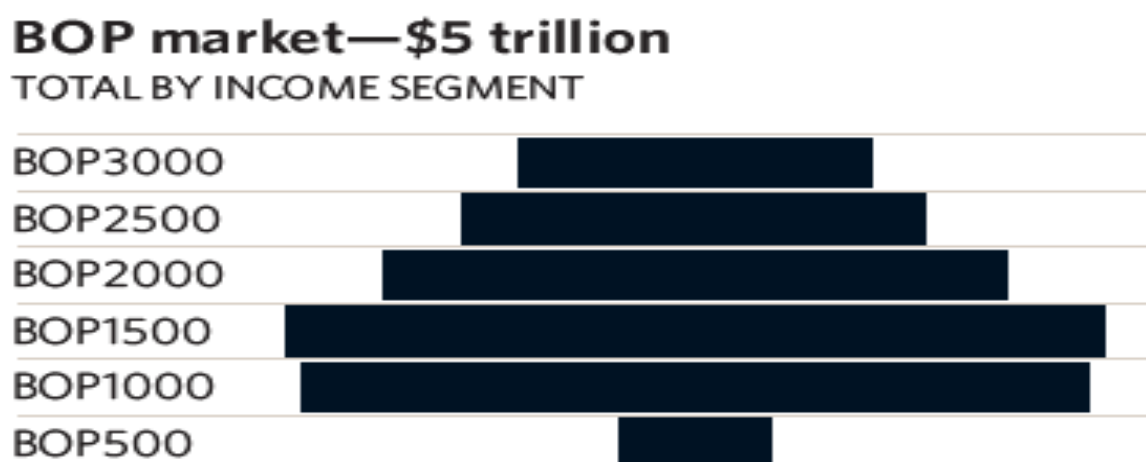
It is obvious that in the BOP the first needs that require to be taken care of, are the basic needs which Maslow (1943) displayed in a pyramid covering five steps, starting at the bottom with psychological needs, covering the obvious and basic need of survival (air, food, water, shelter, sex, sleep) (Maslow, 1943). The needs of the BOP are made up of the most basic needs, and once the lowest level of needs have been met, people can move on to the next level of needs. The Hammond study gives an idea of what poor people spend their money on beside the basic needs. The full overview can be seen in Appendix 3. This gives a counterargument to Karnani who says that the poor people do not have necessity for these categories of needs (Subrahmanyam & Gomez-Arias, 2008). Yet addressing these unmet needs of the BOP market is essential for raising welfare, productivity, income and thereby consumption. Moreover understanding the strengths and weakness of Maslow's pyramid of needs is also important for MNCs, since evaluating the different needs, values, drives and priorities of people, influences the marketing strategy.

## 4.2. Potential of BOP

At present, BOP consumers spend the majority of their income on food, beverage, tobacco, transportation and housing. However, by 2025, the spending on food, beverage and tobacco is estimated to decline as the poor's disposable income increases. Meanwhile the spending on transportation, healthcare, personal products and services, recreation and education are likely to increase gradually (Evalueserve, 2008). The size of the BOP market is expected to expand at a faster rate than that of the top of the pyramid. The changing spending pattern has required a change in marketing strategies to be able to unlock the full potential of the BOP market (Evalueserve, 2008). It is also a neglected market, which gives great growth opportunities, compared to the developed and saturated market. Therefore the potential and the opportunities of the BOP market are enormous for the private sector (as well as the public sector). The BOP marketing strategies need to focus not only on lowering price points for existing products and services, but also on creating and offering customized products to address the unmet needs of BOP consumers.

The 4 billion people at the BOP are, as mentioned, all those with incomes below \$3,000 per annum in local purchasing power. Their incomes in current U.S. dollars are less than \$3.35 a day in Brazil, \$2.11 in China, \$1.89 in Ghana, and \$1.56 in India. Together they have a significant purchasing power; the BOP constitutes a \$5 trillion global consumer market, which of course has large variations across regions, countries, and sectors in size and other characteristics (Hammond, Kramer, Katz, Tran, & Walker, 2007).

**Figure 3: BOP global consumer market**



*Source:* (Hammond, Kramer, Katz, Tran, & Walker, 2007)



The wealthier mid-market population segment, the 1.5-1.75 billion people with per capita incomes between \$3,000 and \$20,000, represents a \$12.5 trillion market globally. This market is largely urban, already relatively well served, and extremely competitive.

In contrast, BOP markets are often rural, very poorly served, dominated by the informal economy, and, as a result, relatively inefficient and uncompetitive. It is also a fact that the BOP population segments for the most part are not integrated into the global market economy and do not benefit from it. Engaging the BOP in economy is a critical part of any profit making and general growth strategy for an MNC (Hammond, Kramer, Katz, Tran, & Walker, 2007).

An analysis of the BOP market can help MNCs think more creatively about new products and services that meet BOP needs and about opportunities for market-based solutions. It is an important first step towards identifying business opportunities, considering business models, developing products and marketing strategies, and expanding investment in BOP markets. As earlier mentioned new empirical measures of the BOP consumer behavior and their aggregated purchasing power suggest significant opportunities for market-based approaches to better meet their needs. A market-based approach starts from the recognition that being poor does not eliminate commerce and market processes: nearly all poor households trade money or labor to meet some kind of a basic need. Therefore a market-based approach focuses on people as consumers and perhaps producers and on solutions that can make markets more efficient, competitive, and inclusive. It looks for solutions in the form of new products and new business models that can provide goods and services at affordable prices. Those solutions may involve market development efforts with elements similar to traditional development tools; mixed business strategies that incorporate consumer education; microloans, consumer finance, or cross-subsidies among different income groups; franchise or retail agent strategies that create jobs and raise incomes. Yet the solutions are ultimately market oriented and demand and profit driven and many successful MNCs are starting to adopt such strategies. Perhaps most important, traditional approaches do not point toward sustainable solutions, while a market-oriented approach will recognize that only sustainable solutions can scale to meet the needs of the BOP market (Hammond, Kramer, Katz, Tran, & Walker, 2007).

Business interest in BOP markets is rising. MNCs have been pioneers, especially in food and consumer products. But why are some companies succeeding in meeting BOP needs, and

others are not? Successful companies operating in these markets use four broad strategies that appear to be critical:

- 1) Focusing on the BOP with unique products, unique services, or unique technologies that are appropriate to BOP needs and that require completely reimagining the business, often through significant investment of money and management talent. Examples are found in such sectors as water (point-of-use systems), food (healthier products), finance (microfinance and low-cost remittance systems), housing, and energy.
- 2) Localizing value creation through franchising, through agent strategies that involve building local ecosystems of vendors or suppliers, or by treating the community as the consumer, all of which usually involve substantial investment in capacity building and training. Examples can be seen in health care (franchise and agent-based direct marketing), ICT (local phone entrepreneurs and resellers), food (agent-based distribution systems), water (community-based treatment systems), and energy (mini-hydropower systems).
- 3) Enabling access to goods or services, financially (through single-use or other packaging strategies that lower purchase barriers, prepaid or other innovative business models) or physically (through novel distribution strategies or deployment of low-cost technologies). Examples occur in food, and consumer products (in packaging goods and services in small unit sizes, or “sachets”) and in health care (such as cross-subsidies and community-based health insurance) and across many sectors, financing strategies that range from microloans to mortgages.
- 4) Unconventional partnering with governments, NGOs, or groups of multiple stakeholders to bring the necessary capabilities to the table. Examples are found in energy, transportation, health care, financial services, and food and consumer goods. (Hammond, Kramer, Katz, Tran, & Walker, 2007).

Companies often use more than one of these strategies successively, or in combination.

Moreover converting the very poor into active consumers will foster innovations in technologies and business models. It will challenge managerial (and public policy) assumptions about sustainable and competitive business development. Most importantly, conceiving such a huge market will force a reexamination of the price/quality/cost relationships for products and services, thereby perhaps demanding a new level of capital efficiency. It requires a total transformation of managerial practices in established MNCs in the BOP (Prahalad & Hart, 2000).

## **Chapter 5: Multinational corporations**

This chapter introduces shortly the definition of a multinational corporations and the role they play in the BOP market.

### **5.1. Definition of a MNC**

According to the ILO, the definition of a multinational corporation is an enterprise operating in at least one country other than its home country. Such corporations have offices and factories in different countries and usually have a centralized head office where the global management is coordinated (International Labour Organization, 2011).

With the developed market becoming saturated, MNCs have turned to the developing BOP markets for new opportunities. But their business models and products have been similar to those in the developed world, and therefore their efforts in entering the BOP market have not been an overwhelming, hyped or inspiring success (London & Hart, 2004). The fact that the developed world consists of 20% of the population, yet uses 80% of the world's resources, implies that raising the economic condition of those in the developing world will require a different model of development (Hart, 1997). Let's take a look at the role MNCs have and can have in the BOP.

### **5.2. The role of the MNCs**

There are several reasons why MNCs should embark themselves on to the BOP market. Just to name a few; they get the advantage of customizing and adapting their product and services to serve the local needs and thereby having the advantage in bringing together a global knowledge base, that is unique and not easily copied. Also MNCs can act as leaders in building the commercial infrastructure, bridging and providing access to knowledge, managerial imagination, and financial resources. Moreover they can have the capacity to transfer innovations from BOP to the affluent markets. The BOP is a test bed for more sustainable ways of living and many of the innovations from the bottom can be adapted for use in the affluent market (Prahalad & Hart, 2000).

The majority of the BOP population operates primarily in the informal economies, which are large, hidden and not recorded in official gross national product (GNP) or PPP statistics (London & Hart, 2004).

The incentives encouraging entrepreneurs and companies to participate in the informal, as opposed to the formal economy, are fundamentally different in the developed world from those in the developing world. In developed countries the informal economy is much smaller, and a primary objective is to avoid taxes. In the developing world, on the other hand, it is simply too costly or complicated for many entrepreneurs and small companies to enter the formal economy. Consequently, the informal sector plays a different and considerably a more important role than in the developed world (London & Hart, 2004).

The informal markets are also mostly low quality and exploitative towards the consumers. This gives the MNCs the possibility to gain a better relationship by treating consumers better, which in the end gives an opportunity of generating both profits and consumer surplus (Prahalad & Hammond, 2002). This term is called embeddedness, and it takes time to develop. Embeddedness increases MNCs understanding of the different segments in the market, as well as the economic activities in the developing world. Thus for a company investing in developing their local capability will benefit from an advantage that cannot be quickly copied by competitors (London & Hart, 2004). This fact is nearly ignored or at least undermined, even though this potential base of consumers have an annual PPP of 5\$ trillion, as previously mentioned.

MNCs may not be able to rely on capabilities in global efficiency and national responsiveness to slowly adapt current products and extend existing business models to the BOP consumers (London & Hart, 2004). They have to take action themselves. The MNCs have a wrong mindset by focusing on wealthy consumers and partner organizations who participate in the formal economy; they are only seeing the tip of the previously mentioned BOP pyramid (London & Hart, 2004). The existing capabilities of MNCs do not directly fit in the BOP market.

Entering the BOP market requires a different strategic approach from the MNCs. Reaching these markets involves bridging the formal and informal economies. In the informal economy, relationships are grounded primarily on social, not legal, contracts and the organizations with

the most expertise in serving these markets have a strong social orientation (London & Hart, 2004).

Before entering the BOP market it is also important that the MNC recognizes what is required of the managers and the company. MNCs have to build an organizational infrastructure before they are ready for managing this opportunity (Prahalad & Hart, 2000). One of the requirements is to build a local base of support. When a MNC creates a consumer base out of the poor it threatens the existing power structure of the society. Therefore the MNC need to build a local base, but forming such a partnership of NGOs, community leaders, and local authorities can be a very slow process. Each player has his own agenda and the MNCs have to understand and respect these agendas and create among them a common ambition (Prahalad & Hart, 2000). Another requirement is the conduction of global and local R&D. Global research focuses on major issues that all of the world's consumers face. Local research, on the other hand, has three distinct aspects. First, local research must focus on the unique, basic needs of those at the BOP in a particular region or country. Second, local research must seek to adapt solutions from other markets and other applications to local needs. Finally, local research must examine local practices to identify useful principles and potential applications (Prahalad & Hart, 2000). The MNC also needs to form new alliances, since no firm can create the commercial infrastructure at the BOP alone. By entering into alliances, MNCs gain insight into developing countries' culture and local knowledge, and improve their own credibility. MNCs are accustomed to thinking in terms of capital intensity and labor productivity, but the BOP requires exactly the opposite. Given the large number of people at the BOP, the production and distribution approach must provide jobs for many and thereby increase labor intensity (and incomes) among the poor and groom them as new consumers (Prahalad & Hart, 2000). The last requirement is to reinvent cost structures. It is obvious that in order to serve the BOP, managers must reduce cost. There is a need for a fundamental rethinking of the entire process with a focus on functionality and not on the current product and process forms (Prahalad & Hart, 2000).

In spite of the requirements and overall challenges, a growing number of MNCs are now beginning to recognize and explore the enormous business opportunity at the BOP. They see the market potential, and the potential to make a profit, even though it is a hard and long path, and as Karnani said, there are no easy unexploited opportunities to make money by selling to the BOP market (Karnani, 2011). And many of the MNCs are already serving the world's

poor in ways that generate profit and lead to greater operating. These MNCs have a step up in competitive advantage as the market for the BOP develops (Prahalad & Hammond, 2002).

## **Chapter 6: Marketing mix - the four P's**

This chapter concerns the four P's of marketing. The marketing mix framework of the four P's is used as a device and tool for data gathering in every case study. The four Ps are also later used to analyze the cases, this is where the four P's develop into the four A's of the BOP. The four P's will now be explained in depth, so that the data gathering and development of the cases is easier.

The marketing mix has its origins in the 60's. Neil Borden (1964) identified twelve controllable marketing factors that could if properly managed result into a "profitable business operation"(see Appendix 5). Later Jerome McCarthy (1964) reduced Borden's factors to a simple four-element framework: Product, Price, Promotion and Place. This framework was and still is embraced by marketing managers and academics as an essential element of marketing theory and operational marketing management (Constantinides, 2006).

And by identifying the four P's as the controllable parameters likely to influence the consumer buying process and decisions (Constantinides, 2006), could be the first steps to further development of a BOP marketing strategy.

A marketing strategy specifies a target market and a related marketing mix, and thereby the consumer. It is the big picture of a company objective in some market. Moreover a marketing strategy can have some different changes, because managers who embrace the marketing concept realize that they cannot just define their line of business in terms of the products they produce or sell. They have to think about the basic consumer needs they serve, how those needs may change in the future and how they can improve the value they offer to consumers. Marketing oriented managers are always looking for attractive opportunities (Perreault, Cannon, & McCarthy, 2010).

The company should try to obtain a competitive advantage to increase its chances for profit or survival. Competitive advantage means that a company has a marketing mix that the target



market sees as better than the competitors mix (Porter, 1998). A marketing mix won't get competitive advantage if it just meets the consumer needs in the same way as some other company. So in evaluating possible strategies a marketing manager should think about whether there is a way to differentiate the marketing mix, make it more distinct and better than what is available from the competitor. Sometimes the difference is based on just one element in the mix, but the company should of course be aware of the other elements and if they match with the marketing mix as a whole. This is to make the differentiation more consistent to the consumer's specific needs in the distinctive target market (Perreault, Cannon, & McCarthy, 2010).

Target marketing says that a marketing mix is tailored to fit some specific target consumers. It is not limited to small market segments, but homogenous ones. The basic reason to focus on some specific target consumer is so that you can develop a marketing mix that satisfies those consumers' specific needs better than the competitors. When a company carefully targets its marketing mix, it is less likely to face direct competition (Meldrum & McDonald, 1995). Therefore superior consumer value is achieved with the benefits provided by the whole marketing mix rather than just relying on a lower price.

In the end there are many possible ways to satisfy consumer needs of the target market, the four P's in the marketing mix help organize and simplify the many possible variables. All four P's are tied together and are equally important. When a consumer makes a purchase or engages in an exchange, what they are responding to is not just the product, but a range of variables which constitutes to the offer. Therefore the four P's are the company's demand influencing variables (Meldrum & McDonald, 1995).

The consumer is not a part of the four P's, he or she is the target of all marketing efforts, and is therefore placed in the center, see Figure 4. The C stands for a specific consumer, which is the target market (Perreault, Cannon, & McCarthy, 2010). Furthermore the four P's represent the company's view of the marketing tool available to influence the consumers, and not the buyers view.

**Figure 4: The four P's**



Source: (Perreault, Cannon, & McCarthy, 2010)

*“The skillful marketer is one who is a perceptive and practical psychologist and sociologist, who has keen insight into individual and group behavior, who can foresee changes in behavior that develop in a dynamic world, who has creative ability for building well knit programs because he has the capacity to visualize the probable response of consumers, trade, and competitors to his moves”* (Borden, 1984). The four P's will now be further explained.

## 6.1. Product

When developing the right product for the target market, it could either involve a physical good, a service or a combination of both (Perreault, Cannon, & McCarthy, 2010).

Many companies see the product to be the heart of its marketing efforts. Kotler argues that one of the keys to a product's marketing success is its differentiation (Kotler, 2000), but whom and what makes the product stand out is another question. In an ideal environment, it takes input both from buyers and sellers. Another aspect is the demand for rapid development of new products and services, the product should not remain as a fixed, unchanging unity. The speed at which the marketplace functions requires companies to be fluid and flexible. The company should learn to see its output as flexible in terms of development and adaption, just like the other elements of the marketing mix (Meldrum & McDonald, 1995). Furthermore, in most industries, one can forget about a three to six year product development cycle or strategy, unless you want to be left behind in regards to the competitors.

Questions that need to be asked when defining the product are; what type and range of product should we provide? (Meldrum & McDonald, 1995) What does the consumer want from the product (in terms of features, size, color and use)? What should be the name of the product? How should it be branded? How is it differentiated from the competitors? In the end the company should ask its self “Does each product we offer provide relevant and desired benefits for today’s consumer needs?”

## 6.2. Price

Price is the only one of the four P's that brings in money. Here, there are many factors to consider such as incentives, discounts and channel pricing. With price, the goal should be to attract buyers by creating the positive perception of worth. People don't always buy the lowest price items, but they do expect value for their investment. A manager must then try to estimate consumer reactions to possible prices. He or she must also know current practices to markups, discounts, and other sale terms. (Perreault, Cannon, & McCarthy, 2010)

Also, price needs to be viewed in conjunction with cost of products or services sold as well as breakeven points and profit goals. Price setting must consider the kind of competition in the

target market and the cost of the whole marketing mix. Increasingly, price is becoming a more strategic initiative that requires careful consideration and market testing.

There are many ways to connect to a consumer through the product price. It is essential that the price is set right; because it could either increase a short term profit, or the price could be set to high, which means that the product won't be purchased by anyone. The fear amongst many managers is that unless they offer the lowest possible price they will not win over the consumers, this is true for some businesses, but rarely the case for market leaders. It depends on the value that the consumer puts on the quality of the product or service, and the price should reflect this. Price is an important element and can have a big impact on a company's marketing strategy in the long term, but can also help to differentiate the product or service from those of the competitors (Meldrum & McDonald, 1995).

When setting the price for the product or service following questions are relevant; what is the value of the product or service to the consumer? Is the consumer price sensitive? What kind of discount should be offered? Are there established prices for products or services in this area? How will your price compare with your competitors?

### **6.3. Promotion**

Promotion is concerned with how a company communicates with its potential consumers and its present consumers. Promotion includes personal and impersonal promotion, and it is the marketing manager's job to blend these methods of communication (Perreault, Cannon, & McCarthy, 2010).

Personal promotion is usually done through a sales force or sales assistance, and has a number of advantages. It gives the consumer the opportunity to ask questions about the product; it gives a tailored sales message to the consumer in terms of the needs; the price, the delivery or the special requirements which can be negotiated, and a personal relationships with the consumer can be developed. Personal selling has also some disadvantages, it involves a lot of time waste, such as preparing sale aids, travelling for appointments, administration and research; it is also quite costly and needs to be monitored, so that the return is good compared to the costs and efforts. (Meldrum & McDonald, 1995)

Impersonal promotion is in the form of advertising. It could for example involve spots on television, billboards, radio, brochures, ads in newspapers and even simple things like, logos on pens, calendars etc. This form of advertising could fit any company, and therefore it needs

to be managed properly and needs to be looked as an investment. The different combinations of message and media should be managed as an integrated marketing communication approach, which can be tailored to fit most companies. To achieve a return on this investment, the company must have a good understanding of its potential and present consumer, it must know what interest and motivates them to purchase. (Meldrum & McDonald, 1995)

Impersonal promotions are also in the form of sales promotion, which are short term campaigns that influence the consumer to buy more. They offer a money incentive, such as two for one pricing, coupons, price reduction, etc. (Meldrum & McDonald, 1995).

Advertising, public relations, sales and direct marketing have always focused on messages and mediums. More recently, companies use strategies such as social media, guerilla marketing and so on, which encourages marketing managers to use unconventional methods of promotion by relying on time, energy and imagination instead of big budgets. With promotion, the name of the game is testing – test the message, test the delivery mechanism, test the response.

Therefore questions that need to be asked in regards to promotion are such as “How do we best communicate with our target market consumers and persuade them to buy our offer? (Meldrum & McDonald, 1995) Where and when can we get across our marketing messages to our target market (the press, TV, radio or billboards)? When is the best time to promote? How do our competitors promote? And how/what should our response be?

#### **6.4. Place**

Place is concerned with all the decisions involved in getting the right product to the target markets place. A product isn't much worth to a consumer if it isn't available when and where it is wanted.

A product reaches consumers through a channel of distribution. A channel of distribution is any series of companies or individuals that participate in the flow of products from producer to final consumer. Sometimes a channel of distribution is short and runs directly from a producer to a final user or consumer. This is common in business markets and in the marketing of service. Sometimes a channel of distribution is long, this is when a marketing

manager has several different target markets and hence several different channels of distribution may be needed (Perreault, Cannon, & McCarthy, 2010).

Depending on which channel is chosen, the cost will vary. To keep the costs reasonable it is important to choose the channel that the company can control. A company can also chose several different channels, and the choice of distribution can in the end help a company differentiate their product. (Meldrum & McDonald, 1995)

Technology has radically altered the perception of place in the marketing mix, thanks to online buying and servicing, and its fight with traditional retailers. When the four P's concept was first developed, place meant distribution and all of its related necessities such as supply chain, warehousing, inventory control, logistics, etc. Although technology has increased efficiency for many companies, it has still not changed the need for those basic requirements.

To determine the place for ones product, follow question are excellent to ask: What channels of distribution and what levels of service are appropriate? (Meldrum & McDonald, 1995) Where do consumers look for our product or service? How can we access the right distribution channels? Is a sales force necessary? What do our competitors do, and how can we learn from and/or differentiate?

## Conclusion

When an MNC enters the BOP market, it is important to estimate the size and the purchasing power of the specific market, the latter could be measured with income. The size of the BOP is overestimated with 4 billion, because it covers different and higher measures of daily income. If the market is \$2 a day, the size of BOP is 2,582 million people. The purchasing power of the BOP constitutes of a \$5 trillion global consumer market, which has large variations across regions, countries, and sectors in size and other characteristics.

To be able to enter this enormous market, MNCs need to make a bridge between the formal and informal economies. They need to obtain embeddedness, to be able to benefit from an advantage that cannot be imitated by the competitors. The MNCs need to focus on the BOP with unique products, services and technologies. They also need to localize value creation



through franchising, local ecosystems of vendors or suppliers, and they need to enable access to goods or services, financially or physically, as well as the use of unconventional partnering with governments, NGOs, or groups to bring the necessary capabilities to the table. A growing number of MNCs are starting to recognize and explore the potential business opportunities the BOP market has to offer. However to be able to take the potential of the BOP to an implementation step the MNCs need a marketing mix.

A solid marketing mix cannot be developed without the framework provided by the knowledge of the company's prospects and consumers, and how the company's products and services will be represented in the marketplace. But the overall strategy employed in a marketing mix is the creation of longer range plans and procedures dictated in part by past empiricism and in part, if the management is a good one, by management foresight as to what needs to be done to keep the company successful in a changing world. As the world has become more and more dynamic, the company is considered lucky if it has managers who have foresight, who can study trends of all kinds (natural, economic, social, and technological) and, guided by these, develop plans that give promise of keeping the company successful (Borden, 1984).

The marketing mix needs to be developed to suit the BOP market. The four Ps will now be used to analyze three case studies, concerning MNCs at the BOP market. From this analysis it can be seen how the four P's develop into the 4 A's, which suit the BOP market better.

## **Chapter 7: Cases**

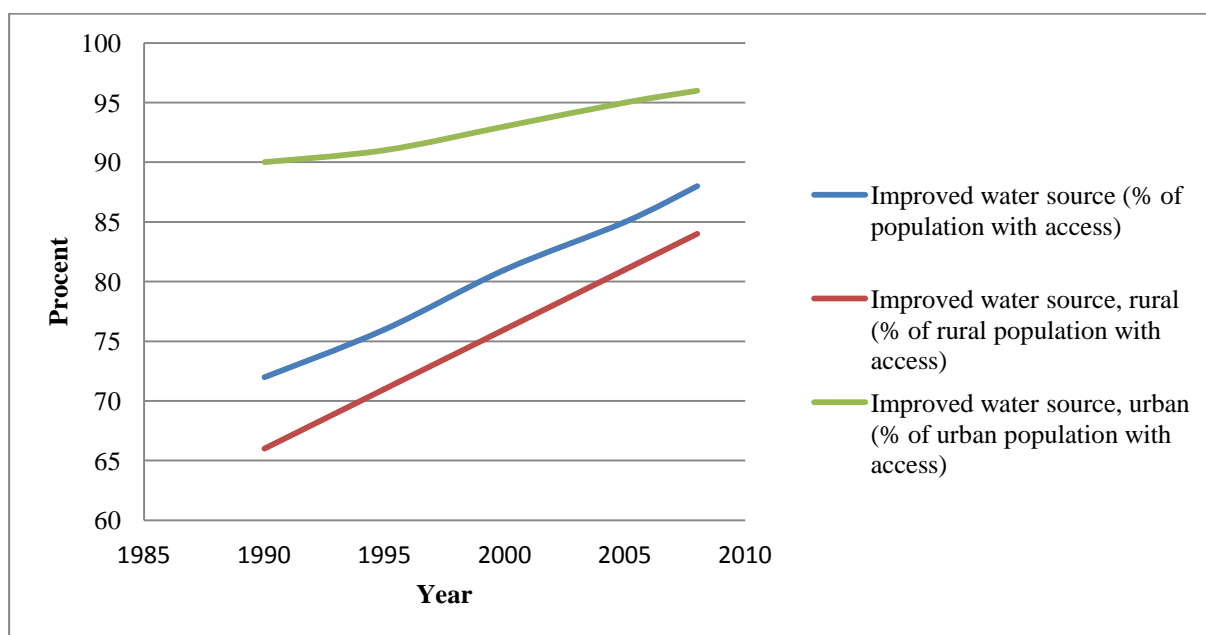
This chapter concerns the three cases of Tata – Swach in India, SC Johnson - Community Cleaning Services in Kenya and Nestlé Brazil – Products of the Brazilian factory. These three cases are chosen because of their presence in the BOP market and their development and success of new marketing strategies for the market. They are also chosen on the basis of the three conditions of the BOP logic, that is; that the MNC is profitable, actually serving the poor and good for the poor. By profit, it is meant that the MNCs show signs of success, which means that they are obtaining profit now or have anticipations about it in the long run. Examining these cases in-depth will hopefully give away several interesting insights on the key success factors for BOP initiatives and perhaps help derive some conceptual lessons. The four P's of the marketing mix from Chapter 6 will be used as a framework for dividing the data and information gathered for the cases. This is so that the analysis and comparison in Chapter 8 will be easier.

### **7.1. Tata – Swach in India**

#### **7.1.1. Introduction**

The need for safe drinking water is eminent. The non-availability of safe drinking water has been a major issue in the developing world. According to the WHO, there are almost 1 billion people that lack access to improved water supply (WHO, 2011). In India 84% of the rural populations has access to improved water source, and 96% of the urban.

**Figure 5: Improved water source in India**



Source: World Bank

With this lack of access, it especially means that water born diseases are more easily spread. Worldwide 1.8 million people die of diarrheal diseases every year, 90% are children under 5, mostly in developing countries, from which it is estimated that 400,000 are from India (UNICEF). 88% of diarrheal disease is attributed to unsafe water supply, inadequate sanitation and hygiene from which improved water supply can reduce diarrhea morbidity by 21% (WHO, 2011). In spite of this, Tata Chemicals states that a mere 6% of urban Indian households adopt some kind of drinking water purification device, while the number in the rural area is significantly lower (Tata Swach, 2011).

This means that there is a large need to be met and a large market to be explored, which is what Tata Chemicals is doing with the launch of Tata Swach.

### **7.1.2. Company history and description**

Tata Chemicals Limited is a global company with interests in chemicals, crop nutrition and consumer products. Established in 1939 at Mithapur (in Gujarat, India), it is a part of the Tata group, with manufacturing facilities in India, UK, the Netherlands, Kenya and USA. Tata Chemicals Limited is the world's most geographically diversified soda ash company, with an efficient supply chain that can service consumers better and faster across the globe (Tata Swach, 2011).

The company also has extended its operations into the service sector and touches lives through applications in agriculture, animal nutrition, construction, consumer products, glass, metals, pharmaceuticals, soaps and detergents, and textiles and leather industries (Tata Swach, 2011).

Tata Chemicals Limited planned to leverage its expertise in chemicals and agri-businesses together with its in-house research capabilities to develop strengths in new businesses and sustainable technologies. The company set up an Innovation Centre in 2004 to develop world-class R&D capability in nanotechnology and biotechnology, and is also working to build a significant presence in the biofuels sector. Its Innovation Centre is also working on technologies that can mitigate climate change through "green chemistry" and product offerings that will make a difference like flue gas treatment, carbon absorption and nano glass-coatings for insulation (Tata Swach, 2011).

In 1980 Tata Chemicals set up a non-governmental organization – Tata Chemicals Society for Rural Development (TCSRSD) – that works towards holistic community development, including managing water, land and other natural resources, encouraging enterprise development, and promoting health and education. TCSRSD's activities have been recognized at a national level (Tata Swach, 2011).

Tata Swach has been an example of collaboration between various Tata Group companies. It was an idea that originated with Tata Consultancy Service and was subsequently picked up by Tata Chemicals, thereafter the joint team improved and perfected the technology and made the product meet USEPA (United States Environmental Protection Agency) standards. When the Swach was ready, the team realized that no off-the-shelf production machine or process was available to mass manufacture such a product. The team discovered that another Tata Group company, Titan Industries (makers of watches & other precision instruments) had expertise in supplying automation solutions by using its precision engineering capability arising out of watch manufacturing. Titan developed the special assembly presses to undertake mass production. Thereafter, as Swach was ready for launch, help was sought from Tata Business Support Solutions and Tata Teleservices Ltd to provide call center and toll-free number facilities, as part of after-sales-service backbone for the product.

The vision for the Swach is to reduce the incidence of water borne diseases by making safe drinking water accessible to the "have-not's" (Tata Swach, 2011).

The Swachh water purifier was unanimously voted as deserving the overall ICIS Innovation Award, as well as winning the Best Product Innovation category. In the seven years that the ICIS Innovation Awards have been running, no entry has generated as much admiration and acclaim amongst the judges as Tata Chemicals' Swachh nanotech water purifier did (Baker, Tata tops the Awards, 2010), they noted that the Swachh was well established and deeply embedded in the philosophies of social and corporate responsibility, which characterizes the company's approach to business and innovation. The innovation was judged to cover all bases. It includes a novel use for a readily available natural waste stream – rice husk ash; it exploits hi-tech nanotechnology in the active biocidal ingredient – silver; and it addresses a huge social problem at an economic cost – the provision of safe drinking water in developing areas of the globe. The Tata Swachh brings low-cost water purification within the range of millions of people, initially in India, where it is now being marketed (Baker, Tata tops the Awards, 2010).

### **7.1.3. Product and service**

The Swachh filter system, consisting of nano particle-sized silver particles bonded on to the fibrous rice husk ash support is designed to destroy bacteria in drinking water with a high kill rate. Tata has also developed a simple switch to shut down the purifier when efficacy falls below a satisfactory level and has packaged the filter bulb in an attractive container to create a stylish domestic appliance (Baker, Tata tops the Awards, 2010).

The group found a way to enhance the action of the RHA medium by adding nanoparticles of silver, a well-established biocide. The silver particles bind to the surface of the ash and increase the efficiency of the antibacterial water treatment to high levels, good enough to meet USEPA standards. To make sure families do not use the filter cartridge beyond its active life, Tata developed a fuse that automatically shuts off the water flow after 3,000 liters have been treated — enough to meet the needs of a family of five for around six months. The fuse is simply a tablet that dissolves at a set rate, to which is attached a plunger. When the tablet gets too small, the plunger descends, cutting off the water flow. Tata has applied for 14 patents covering the technology in the Swachh purifier cartridge and 13 design registrations (Baker, A thirst for innovation, 2010).

The Tata Swachh can make bacteria-free water available at just 10 paise (100 paise = 1 rupee, or €0.16) per liter, and will eliminate bacteria that cause typhoid, cholera, diarrhea, dysentery,

among others. It can be used in households with no electricity or running water and is cheaper even than boiling water before use (A safe solution to waterborne diseases, 2010).

An overview of the products can be seen underneath.

**Table 1: Tata Swach products**

Tata Swach products

Product	Specifications	Price	Image
<b>Tata Swach</b> - 18 liters capacity	<ul style="list-style-type: none"> <li>- No need to boil</li> <li>- No running water required</li> <li>- No chlorine, bromine &amp; iodine</li> <li>- Removes harmful bacteria and viruses</li> </ul>	999 INR	
<b>Tata Swach Smart</b> - 15 liters capacity	<ul style="list-style-type: none"> <li>- No electricity required</li> <li>- Tata Swach bulb, that destroys harmful bacteria and viruses,</li> </ul>	749 INR	
<b>Tata Swach Smart Magic</b> - 7 liters capacity	purifies 3000 L safe drinking water and shuts down when exhausted.   <i>The Tata Swach Bulb (299 INR)</i>	499 INR	

Source: Tata Swach

#### **7.1.4. Price and sales**

It is estimated that there are 220 million households in India with only 10 million or so using domestic water purifiers (Baker, A thirst for innovation, 2010), therefore the market is huge and there is a lot of potential.

The price of the product can be seen in Table 1, it is much lower than other purifiers on the market, which gives Tata a competitive advantage compared to its competitors. But it does not mean that the Swach can be afforded by everybody in the BOP market. The price point is aimed squarely at the middle of the BOP, in terms of social wealth distribution (Baker, A thirst for innovation, 2010). However Tata Swach has plans about getting the purifier at an even lower price, making it affordable for a broader market.

Tata launched the water purifier recently in Maharashtra, and has a plan of rolling out the product in other parts of the country, with an aim to generate revenue of Rs 100 crore with the sale of one million units (The Economic Times, 2010).

#### **7.1.5. Promotion**

Swach is looking for what they can do to satisfy the needs of the swelling middle class and their aspirations for consumption, which is the so called, BOP approach.

Their marketing approach is not on low pricing, they are on the other hand trying to create fields where none exist, by looking at what people need and looking to satisfy them. The approach is not to convert users from another brand to Swach (which is a typical marketing approach), but it is to try to convert non-users into users.

The target is all homes which do not have electricity or running water. The unique Tata Swach Bulb can be bought even from the grocery's, and can be put directly in the consumers water storing pots (surahi), by doing this the consumer can get purified water for 299 INR. Tata Swach has also approached the surahi-sellers for this collaboration (Singh S. , 2009).

Even the means used to spread the word are different. Rather than large scale commercials and ads, the Tata Swach has an army of foot soldiers with one mission – education and demonstrations carried out house to house. They must use affordable and thereby innovative media so that the cost will not trickle down to the consumers who will have to pay for it. It's of course important to get attention, but first the company needs to generate interest. It's also important to think outside the conventional frame and explore other marketing strategies. In fact because of this form of promotion, enquiries are coming in from other developed and

developing markets too, like the US, South Africa and South Asian and South East Asian countries (The Economic Times, 2010).

#### **7.1.6. Place**

Tata Swach will use the distribution network of other Tata group companies such as Rallis and the Tata Kisan Sansar, a rural-centric resource center (The Economic Times, 2009). They will also use the existing sales network to promote and sell the product, like the setup from Tata Salt, NGOs and local help groups will also be used (The Economic Times, 2010).

#### **7.1.7. Social issues**

Safe drinking water is a basic human need. The World Health Organization estimates that a child dies of a waterborne disease every 15 seconds. In India, such diseases cause one-third of total deaths (A safe solution to waterborne diseases, 2010).

The vision for the Tata Swach is to reduce the incidence of waterborne diseases by making safe drinking water accessible. There are relatively easy implementations for improved health opportunities, which could help reduce the number of waterborne diseases. 4% of the global disease burden could be prevented by improving water supply, sanitation, and hygiene. It can be done by better tools and procedures to improve and protect drinking water quality at the community and urban level, for example through education and demonstrations and the availability of simple and inexpensive approaches to treat and safely store water at the household-level (WHO, 2011). This is exactly what Tata Swach is trying to achieve, and by doing this Tata Swach can prove a growing evidence base on how to target water quality improvements to maximize health benefits (WHO, 2011).

#### **7.1.8. Future goals and challenges**

Tata Swach's main aim will be to get into the rural Indian market where pure water is still far from reality, and try to do well there (Sriraj Digital Magazine, 2009). As mentioned the company has received queries from other countries, especially Africa is interested in such a low-cost, low-maintenance product which does not require energy or running water to operate. Tata Swach could also explore tying up with UN agencies for the supply of this product worldwide (The Economic Times, 2010).



## **7.2. SC Johnson - Community Cleaning Services in Kenya**

### **7.2.1. Introduction**

62 % of Africans do not have access to an improved sanitation facility, according to the WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation (WHO, 2008). Although WHO and UNICEF estimate that 1.2 billion people worldwide gained access to improved sanitation between 1990 and 2004, an estimated 2.6 billion people - including 980 million children – had no toilets at home. If current trends continue, there will still be 2.4 billion people without basic sanitation in 2015, and the children among them will continue to pay the price in lost lives. Using proper toilets and hand washing, prevents the transfer of bacteria, viruses and parasites found in human excreta which otherwise contaminate water resources, soil and food. This contamination is a major cause of diarrhoea, the second biggest killer of children in developing countries, and leads to other major diseases such as cholera, schistosomiasis, and trachoma (WHO, 2008). This is where SC Johnson by developing Community Cleaning Services (CCS) saw an opportunity to help and create a new market.

### **7.2.2. Company history and description**

Since 2003, SC Johnson has supported the Cornell University and others in the development of the Base of the Pyramid Protocol, a process for creating mutually beneficial businesses in the BOP communities. SC Johnson followed the protocol to co-launch a partnership enterprise in Kenya, with the goal of building a sustainable business model that increases sales with BOP consumers while creating local jobs and economic growth, which is the Community Cleaning Service (SC Johnson Public Report, 2008).

CCS is a new growing business of SC Johnson, which is a for-profit subsidiary, focused on cleaning shared toilets. The Community Cleaning Services that co-launched in 2006, has developed a service in which neighborhoods of Nairobi: Mathare and Dagoretti, get more sanitary shared toilets which are regularly maintained at a minimal cost (SC Johnson, 2011).

This new service has proven not only to be a commercially viable model with growing market demand, but also represents a powerful community improvement: providing significantly cleaner, more hygienic and more pleasant toilets at a cost each client can afford. Today, SC Johnson and its local partners are focused on growing the CCS business, finding new BOP entrepreneurs to help launch the business into new locations, while continuing to improve the

offering in a variety of ways (Enterprise for a Sustainable World, 2010). It's the most successful BOP business SC Johnson has co-created yet, and they have high hopes for its continued development (SC Johnson, 2011).

The CCS has also helped SC Johnson to gain a deeper understanding of their consumers in the developing world. It has helped to increase sales with small retailers who serve the BOP consumers, as well as helped to create local jobs (SC Johnson Helps Create Stronger Communities at Base of Pyramid , 2009).

### **7.2.3. Product and service**

The focus is on shared toilet cleaning. Most toilets in the Nairobi slums are communal and poorly maintained. Community Cleaning Service contracts with neighborhood residents for regularly scheduled cleaning (SC Johnson Public Report, 2008). This service helps to improve cleanliness and protects the health of people living without even basic sanitation services, while generating income for local entrepreneurs and jobs for others in the community. Entrepreneurs offer cleaning services directly to homes using SC Johnson products such as Pledge® furniture care, Glade® air fresheners and Toilet Duck bathroom cleaner (SC Johnson Helps Create Stronger Communities at Base of Pyramid , 2009)

As a result of the BOP partnerships over the past few years, more than 120 entrepreneurs have been trained in management techniques, accounting and marketing, which has empowered them to succeed both professionally and personally (SC Johnson Helps Create Stronger Communities at Base of Pyramid , 2009).

The service is focused on environmental sustainability and has even initiated a bulk product program so packaging is re-used within the business and not discarded or recycled (SC Johnson, 2011). Bulk importation is an important business adaptation for the CCS service model that has "closed the loop" on packaging waste within the CCS business. CCS teams reuse all packaging and only replace it once it has served its full useful life - and then it is recycled locally. These environmental benefits also come with a cost advantage, improving CCS' financial performance. Furthermore, the neighborhoods in which CCS operates suffer from extraordinary garbage problems due to a lack of municipal solid waste management. Therefore, CCS' service model is not only delivering cleaner, safer toilets, but, by nearly eliminating packaging waste, contributing to cleaner communities and setting a positive commercial example (S.C. Johnson & Community Cleaning Services, 2010).

#### 7.2.4. Price and sales

The start-up costs for CCS entrepreneurs are funded through batch sales and free training. This makes the induction process for CCS very important, as it ensures that CCS invests in only viable entrepreneurs. The social sector partners also provide funding for the start-up costs and therefore CCS has to assure the quality of cleaning service either through training of their staff or the direct involvement of CCS Quality Assurance staff. Within the staff there are 8 “coordinating entrepreneurs” who employ at least another 60 people on a semi-regular basis (2-6 days per week).

The entrepreneurs are reporting that in some cases their direct-to-home service acts as a product trial: After experiencing SC Johnson products, some clients decide to buy them directly at retail rather than continue with the CCS’ service. This benefits SC Johnson, but of course at the cost of reducing the entrepreneurs’ income. Viewed separately, each development appears to upset the balance of benefits envisioned for each partner, but can have a desired balance as a whole.

Still in its emergent phase, the CCS business does not yet provide the entrepreneurs enough income to live on, and they must supplement it with income from other sources, which leads to a high turnover in employees for CSS. Although turnover is disruptive to CCS’s existing consumer relationships and the development of the new business model for SC Johnson, it is often the result of even better work opportunities for the workers, whose skills and confidence have been enhanced through their partnership with SC Johnson. Although job creation by the venture would be a key success metric, there cannot be a focus on adding jobs until profitability issue is resolved and substantial income generated for those already involved in the business (Johnson, 2007)

Monthly, CCS teams are improving sanitation for a conservatively estimated 249,000 low-income Nairobi residents. The costs are usually less than \$0.25 per family per week (the same cost as a soda in Africa) (S.C. Johnson & Community Cleaning Services, 2010)

In the end, CCS is driving for profitability by July 2012. At the community level, CCS is profitable with revenues from partners covering all cleaning team operating costs, including wages well above minimum wage, and providing profit to BOP entrepreneurs. The focus now is scaling-up. CCS is open to working with public and private organizations that share the same principles and that are engaged in entrepreneurial development, sanitation and hygiene, urban poverty or other related fields (S.C. Johnson & Community Cleaning Services, 2010).

### 7.2.5. Promotion

All new ventures have marketing challenges; an example in this case is the door to door promotion strategy. The offering of an in-home cleaning service required field training and experience, because the community was unaccustomed to door-to-door visits.

Thus SC Johnson approached this promotion with a new mindset, striving to embed itself and become a member of the community rather than being extractive or simply gaining a deeper understanding of the environment. This demonstration of commitment has enabled them to partner with organizations and groups that have deep credibility and community roots, organizations that may not be obvious, well known, or normally willing to partner with a MNC (Johnson, 2007). This collaboration has literally helped open doors for SC Johnson and by the end of the first year, the teams estimated they had delivered more than 15,000 brand impressions through launch events and sales pitches. In addition, more than 2,300 in-home services had been performed, introducing many new consumers to SC Johnson brands (SC Johnson Public Report, 2008). The cleaning service has also been spread via word of mouth marketing in the community.

### 7.2.6. Place

CCS operates across Nairobi's low-income communities with highest density in the Mathare Valley as well as operations in Makadara, Kawangware, Dandora and Kariobangi. CCS is operating across diverse infrastructures (vertical and horizontal dwellings) and community structures, providing cleaning services to residential toilets shared across multiple households as well as semi-public facilities in the communities serving residents who do not have access to a residential toilet. As mentioned CCS partners with young entrepreneurs from these communities but they also works with social sector partners like schools, NGOs and local government to drive improvements in sanitation through sensitization, mobilization and direct action (S.C. Johnson & Community Cleaning Services, 2010).

The business model does not simply bundle SC Johnson products, nor is it traditional door-to-door or retail selling. Rather, SC Johnson products are inputs to the entrepreneurs' portfolio of direct-to-home services, which enables consumers to receive the combined benefits of SC Johnson products without having to purchase a whole unit of each product or apply it themselves. Considering that the consumers' homes do not even have direct electricity or water service, CCS's direct-to-home services are a radical departure for community residents, an affordable opportunity to improve the health and comfort of their home environment.

Direct-to-home service is also a radical departure from SC Johnson's regular manner of doing business, a truly new business model and not simply a new way to distribute its products. CCS is built on an important premise, of the previously mentioned BOP Protocol, that partners are key to creating mutual value. In return, they are teaching SC Johnson about BOP communities and how their products could be improved to better serve this important market (Johnson, 2007).

#### **7.2.7. Social issues**

Community Cleaning Services is already delivering profitable local entrepreneurial opportunities; significantly improved incomes; and cleaner, safer toilets, but it is more than a sustainable business model. CCS is a catalyst for a grassroots movement to raise toilet sanitation standards and community expectations. CCS has so far helped 21 schools, which is a critical location to combat diarrheal disease and by far the largest killer of children under 5 (S.C. Johnson & Community Cleaning Services, 2010). In the end SC Johnson and CCS aim to co-create a cleaner, safer option, because to SC Johnson it's not just building a business; it's helping protect the health of people living without basic sanitation services.

#### **7.2.8. Future goals and challenges**

Despite maintaining tight fixed costs, the venture overall, has still not reached critical mass to bring in profits and become self-sustaining. CCS wasn't set up to be a charity and eventually, even the most patient of corporations with a losing proposition will have to ask, as SC Johnson's management is asking, "'Where is the light at the end of the tunnel?'" (Scott & Anderson, 2010).

But regardless of the challenges the venture has faced, socio-economic instability, building BOP business skills, measuring results, it has delivered real value to the youth group partners through overall empowerment and entrepreneurial development. The active CCS partners are now not only more skilled business people, but many have also used the skills they learned through their involvement in the partnership to acquire new business or even better jobs (Johnson, 2007).

It is too early to call this BOP venture a success or a failure. SC Johnson's participation in the BOP Protocol has helped to formalize their approach to driving positive social change. This

defined process for partnering with communities is guiding them in co-developing business models that will serve BOP consumers, with benefits for all involved. That is, economic value for the corporation in the form of new capabilities, sales, and profit growth, new income opportunities for the BOP communities through empowered local entrepreneurship in partnership with SC Johnson and lasting value for the BOP consumers through products, services, and a cleaner, healthier community (Johnson, 2007).

### **7.3. Nestlé Brazil – Products of the Brazil factory**

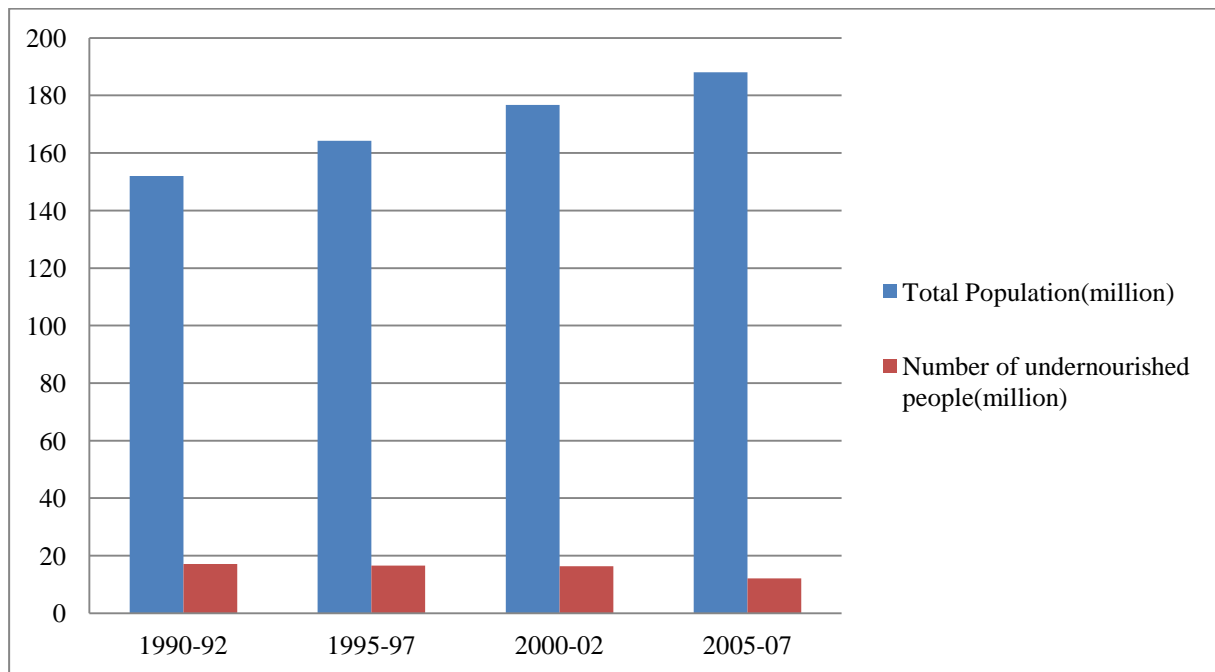
#### **7.3.1. Introduction**

There is currently produced enough food for everybody in the world, but countless people do not have access to it. The fastest process to reduce hunger is to improve food availability and incomes of the poor by enhancing their productive activities, that is, having targeted programs that give the most needy families direct and immediate access to food (FAO, 2011).

The world demand for food is expected to double in the first half of the 21st century, with half of that growth coming from population growth (from 6 billion to 9 billion people) and half from growth in purchasing power of low-income consumers (Nestlé, 2011). Those on very low incomes spend a large percentage of it on food. When their incomes start to rise, they will spend most of the first increase on food – first to access enough calories to overcome hunger and then to upgrade the quality of their diets. Successful poverty reduction has the double effect of achieving the humanitarian goal of reducing hunger but, at the same time, unleashing a disproportionately large increase in consumption of agricultural products. Therefore the solution must be to give the poor access to make more profit for themselves and access to buy food that gives them the enough nutrition, without increasing prices.

Figure 6 shows the development of undernourished people in Brazil. This is where Nestlé saw an opportunity, which will be further explained in this case.

**Figure 6: Hunger in Brazil**



Source: <http://www.fao.org/hunger/en/>

### 7.3.2. Company history and description

Nestlé is the world's leading nutrition, health and wellness company, their mission is "*Good Food, Good Life*", it is there to provide consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories (Nestlé, 2011).

Creating Shared Value is the fundamental way Nestlé does business, which means that in order to create long-term value for shareholders; they have to create value for the society.

All over the world, Nestlé factories are major engines for rural development and new environmental standards, especially in developing countries. Nestlé's contribution to the rural economy extends from the very presence of factories to the agricultural support and the capacity-building farmer programs they provide. The facilities bring direct employment opportunities, greater access to Nestlé products for local consumers and other indirect economic benefits across the community.

A typical factory has touch points with a wide variety of aspects of society, from employment and infrastructure to environmental management, training and education. These effects are most prominent and noticeable in communities around factories in rural areas, where they help to bring positive developmental changes, but they are nonetheless present to some degree

around all production sites, wherever they are located. Today, there are 27 production plants in Brazil (Nestlé, 2011).

### **7.3.3. Product and service**

Besides from what the factories bring to the table of shared value, there are also the products that come out of the factories. A large proportion of the world's emerging consumers suffer the consequences of deficiencies in iron, zinc, iodine and vitamin A. In particular, those on lower incomes who cannot afford to supplement their dietary. Nestlé therefore adds low-cost micronutrients to their Popular Position Product to address the most prevalent deficiencies at affordable prices (Nestlé, 2011).

The quality of the products is the same; it doesn't change, because the poor are not going to buy lower-quality products just because they are poor. Products are adapted to local tastes- such as smoother instant coffee, enriched milk and cookies wrapped in smaller packages (Nestlé, 2011).

Moreover, successful investment in Brazil depends on a thorough understanding of local preferences and tailoring products and services to suit consumers in the region. Regionalization is there to speed up competitiveness in terms of costs and greater operational efficiency.

### **7.3.4. Price and sales**

To bring increasingly more nutritious products within the reach of lower-income groups, the Popular Position Product initiative has been greatly expanded. Growing profitably at an annual rate of 27%, Popular Position Products encompass about 300 different initiatives and generate worldwide sales of CHF (Swiss franc) 5399 million (Nestlé, 2011). And in 2008, the number of countries participating in the tracking of their Popular Position Products performance increased from 37 to 70.

The key to achieving this success is the application of new food and nutrition technology, and new distribution models (Nestlé, 2011), and changing marketing to "bought by low income consumers" to "targeted at and bought by low income consumers".



### **7.3.5. Promotion**

Nestlé has regionalized their marketing campaigns towards the poor consumers and their preferences. Nestlé's leadership has become defined by transforming product portfolios towards better health outcomes and the use of marketing and branding to positively influence consumer values and behavior, and to enhance and edit choices, rather than relying solely on consumers to make decisions based on labels (Ernest & Young, 2010). They promote themselves not only as a company which products contain vitamins etc. needed by the poor, but also by their contribution to the community by opening factories in rural areas, that is to say the Creating Shared Value principal.

### **7.3.6. Place**

In Brazil, Nestlé increases market penetration and product availability through local distributors and wholesalers, who sell to small, local stores or directly to consumers in street markets and community centers, and at other social events, a kind of a door to door model, which is a completely different approach for a traditional MNC company (Nestlé, 2011).

The door to door model consists of partnering with some micro distributors that hire women in the outskirts of the cities. These women sell Nestlé products in kits (they don't sell just one unit of a product). The advantage of this operation is that it gives low income population access to Nestlé products and consequently to consumers that are not accustomed to buying their products. Nestlé is responsible for training the saleswomen in concepts of nutrition and health and to develop their sales folders. At the end of 2008, Nestlé had 140 micro distributors under this program, with 6 thousand women selling its products door-to door. This sales force made it possible to visit 200 thousand households every fortnight. The success factors of this program are based on the partnership with the micro distributors, a comprehensive knowledge of BOP consumers and a different access to consumers that couldn't afford these products in the past (Barki, 2010).

### **7.3.7. Social issues**

The value created by the Popular Position Products extends beyond access to affordable nutritious products, to other aspects of society. By using local manufacturing and distribution networks, Nestlé can create direct and indirect employment opportunities for factory workers,

agents, brokers, suppliers and distributors, which boost local economic development and skills through training (Nestlé, 2011).

### 7.3.8. Future goals and challenges

The model that Nestlé uses can be expanded and applied in other developing countries, where there is a BOP market. Nestlé itself has already started implementing some of their lesson from Brazil in other Latin countries (Nestlé, 2011).

## 7.4. Summary of the cases

Table 2 shows a summary report of the cases, and presents a general idea of how the three MNCs have been successful in marketing to the BOP.

**Table 2: Summary of the case studies**

Case	Price class	Main marketing model	Main Distribution Model	Main Success Factors
Tata – Swach in India	Lower than other purifiers in the market, but targeted at the middle of the BOP.	Converting non-users into users. On foot sales people, educating and demonstrating, house to house.	Uses the existing sales and distribution network to promote and sell the product.	Covering the need of lack of access to safe drinking water, with purified water.
SC Johnson - Community Cleaning Services in Kenya	Social sector partners provide funding for the start-up costs. Clients cover all cleaning team operating costs. Service is less than \$0.25 per family per week.	Partner with organizations and groups in the community, word of mouth → door to door, gaining brand impressions.	Partners with young entrepreneurs. Operating across diverse infrastructures and low-income community structures, providing cleaning services to residential toilets shared across households, semi-public facilities.	Providing access to an improved sanitation facility, with shared toilet cleaning.
Nestlé Brazil – Products of the Brazil factory.	Lower price, same quality. Generate worldwide sales of CHF (Swiss franc) 5399 million.	Influence/educate consumer values and behavior, enhance and edit choices, rather than relying on consumers to make decisions based on labels.	Door to door: penetration and product availability through local distributors and wholesalers who sell to small, local stores or directly to consumers.	Reduce hunger, via improved food availability, nutritious food and incomes of the poor.

These three cases demonstrate the use of the four P's as a framework and how it is applicable in the BOP contest. They provide food for thought in regards to how the four P's have developed into the four A's. Across the cases the summery report indicates the extent of the literal replication logic and why the cases were predicted to have certain results (Yin, 2003).

One cannot generalize on the basis of three cases; therefore to get a more general idea, a supplementary research has been made on similar and relevant cases that all fulfill the three conditions by Karnani (2011), regarding MNCs in the BOP. See Appendix 3. The emphasis has also been made on their main activity, which country they are from and the main success factors of the company. The main activity has been chosen, to see the diversity of the products and service in the BOP market. The countries have been chosen to demonstrate the marketing extend of global width, and the main success factor has been chosen to emphasize on what it exactly takes to make it in this market. The purpose of the appendix is to demonstrate a more theoretical replication of the cases and to provide a more compelling support of the initial set of propositions (Yin, 2003).

## **Chapter 8: Marketing to the Bottom of the Pyramid**

This chapter concerns the marketing mix directed towards the BOP market. The marketing managers are divided over indentifying a suitable marketing strategy for the BOP segment. There is said to be a connection in consumers buying preferences between the four P's of marketing and the marketing challenges the BOP market faces (Evalueserve, 2008). The marketing challenges are as followed:

*Acceptability* – the extent to which consumers and others in the value chain are willing to consume, distribute or sell a product or service. In BOP markets, there is often a need to offer products and services that are adapted to the unique needs of both consumers and distributors (Anderson & Billou, 2007).

*Affordability* – the degree to which a company's goods or services are affordable to BOP consumers. Many low-income consumers in developing countries survive on daily wages, meaning that cash-flow can be a problem. Companies need to be able to deliver offerings at

an appropriate price which enables consumption by even the poorest consumers (Anderson & Billou, 2007).

*Awareness* – the degree to which consumers are aware of a product or service. With many BOP consumers largely unreachable to conventional advertising media, building awareness can be a significant challenge for companies. To overcome these constraints companies must explore alternative communication channels (Anderson & Billou, 2007).

*Availability* – the extent to which consumers are able to acquire and use a product or service. Distribution channels in BOP markets can be fragmented or non-existent and the task of simply getting products to people can be a major hurdle to overcome. Companies need to explore alternative methods of delivering their products and services to even the most isolated BOP communities (Anderson & Billou, 2007).

One can briefly see the development from the four P's to the four A's here. Consumer buying behavior has in general evolved, let alone in the developing world; one of the noticeable changes has been the gradual evolution from the mass consumer markets of the 60's towards increasingly global, segmented, customized and personalized markets of today where innovation, customization, relationships building and networking is important (Constantinides, 2006). These developments on the market and the sheer possibilities of the BOP market have prompted the development of new theoretical approaches dealing with specific rather than general marketing problems and situations, and in this case it is the new marketing mix approach towards the BOP market.

The relationship between the four Ps of marketing (product, price, place and promotion) and the four marketing challenges (awareness, availability, accessibility and affordability) provides the following marketing framework:

**Figure 7: Link between four P's of marketing and four A's**



*Source: Evalueserve Analysis (Evalueserve, 2008)*

The figure quickly shows the connections between the four P's and the four A's. It will be further explained how those are interrelated and how the four A's can help to identify a more appropriate marketing mix for the BOP. Some of the theory is drawn from relevant articles and analyzed, some of it is of course extracted from the three cases from Chapter 7 and analyzed according to the four A's.

### **8.1. Acceptability**

In the BOP market, the functionality of the product is a key success parameter. Therefore, a product that has worked well in traditional markets may not be acceptable to BOP consumers if the product functionality is not in line with their unmet needs (Evalueserve, 2008). MNCs should focus on developing customized products to tap the BOP segment. Their need could be met via a creative blend of advanced technology and deep local insight.

Drawing from the case Nestlé Brazil, one can see that the MNC has looked at the market and thought about what the needs were in terms of nutrition. They have noticed that BOP consumers have deficiencies of iron, zinc, iodine and vitamins, which made Nestlé add low-cost micronutrients to their products, without raising the price or lowering the quality.

Tata has noticed that there is a need for purified drinking water in the BOP, which made them make a product that is even cheaper than running water. The Swach can be used in households where there is no electricity or running water, and Tata has made sure that the purifier is safe for the poor, because it shuts down after its active life. These two are perfect examples on how companies have and should listen to the markets needs instead of pushing the needs of the industrialized market on to the BOP.

Functionality lies also in how the product is used by the consumer. For example, body soap is often used instead of shampoo or the other way around. While this is no safety hazard, it is an inappropriate use of the product. Either firms should develop products with alternative use or educate consumers on appropriate use (Prahalad & Hart, 2000). Tata saw the need for Tata Swach Smart Magic, because the consumers started using only the upper part of their purifier. Tata therefore made a new purifier, which still purifies water but into a traditional Indian holder, this alternation of the product also saved them cost and made the Tata Swach Smart Magic cheaper. Both consumer education and sustainable development are thus critical to shaping expectations at the BOP.

Also shared access to products is an opportunity. In the BOP a lot of people shared one product, e.g. the TV, this could also be done with some other products, which makes the costs for the individual consumer lower. Tata Swach can be shared between families and the in community.

Companies might also need to respond to specific national, regional, cultural or socioeconomic aspects, or even to address the unique requirements of local business practices (Anderson & Billou, 2007). As mentioned in the cases, Nestlé has adopted its products to local tastes, such as smoother instant coffee, enriched (powder) milk and cookies wrapped in smaller packages. To be able to suit the consumer's needs and to sell the product, it is essential to understand the local preferences and practices. When a company understands its

market more, it can be more specialized in that market, and thereby have greater operational efficiency, and in the end smaller costs.

There are of course first mover advantages when launching a product in the BOP market. The consumer will, with the company's specific product, recognize the brand as the first on the market. The consumer will trust the company and be loyal, which is very important in the BOP market. There is also the fact that the company will learn the specific needs of the market and can make a more specific product. All of this will give the company a competitive advantage in regards to the competitor. Take SC Johnson venture CCS as an example of an MNC that have distinguished themselves as a first mover on the market with their concept. SC Johnson has made a great deal of new consumers by improving cleanliness and protecting the health of the poor, and at the same time introducing them to the product with the CCS.

However when the product is initially launched and the consumers have gotten used to it after a while, then the other companies can slowly enter the market as well, but they will in addition to the knowledge of needs, have the advantage of the familiarity and acceptability of the product in the market. Therefore they will be able to slowly change their product with new or added functions, which might be closer to products and needs of the industrialized market, thereby making the acceptability of the westernized products easier. This creates competition in the market.

The challenge in serving BOP markets is to gain acceptability for the product; there is a necessity to offer products and services that are adapted to the unique needs of both consumers and distributors (Anderson & Billou, 2007). Thus the product must be altered so that it meets the needs of the poor and the requirement of the environment they are in. However the BOP market is ready to adopt new technologies that can improve their opportunities and the MNCs shouldn't hesitate to sell and market a bit more advanced technologies at the BOP, even before selling and marketing them to the developing markets (Prahalad & Hammond, 2002).

When comparing acceptability with the element product, one can see that the acceptance of the product is the heart of the marketing efforts. It is also clear that both in the developed and developing world one should take input from the consumers to be able to adapt the product to the particular market.

## 8.2. Affordability

Given the low disposable income of BOP consumers, pricing is key to higher product penetration. People in rural areas are not only price sensitive, but also quality conscious. Therefore, producing quality products at lower price points has posed a challenge for companies trying to protect their margins in cost (Evalueserve, 2008).

There are only three ways to reduce prices: reduce profits, reduce costs without reducing quality, and reduce costs by reducing quality (Karnani, 2007). To reduce profit, means that the company's must lower their margin, which is most unlikely. The only example of product reduction is in the product category of electronics, where the technology of production has improved so much that the margin has been able to stay at the same level, while the prices of the product have been reduced. There are no other product categories that have been able to make the same prosperity.

Garvin has developed a framework for analyzing quality, by considering these eight dimensions: performance, features, reliability, conformance, durability, serviceability, aesthetics, and perceived quality (Garvin, 1987). The consumer takes into account all these dimensions and reaches a subjective judgment of the overall quality of the product, and is, by definition, willing to pay a higher price for a product with higher quality – this is the price-quality trade-off. Holding technology and company capabilities constant, it costs more to produce higher quality products – this is the cost-quality trade-off. To profitably serve the poor, the company needs to make the cost-quality trade-off in a manner consistent with the price-quality trade-off made by the target consumer (Karnani, 2007).

Contrary to Prahalad's BOP approach, it is often necessary to reduce quality in order to reduce costs; the challenge is to do this in such a way that the cost-quality trade-off is acceptable to poor consumers. The poor do like inexpensive, low-quality products, it's not because they cannot appreciate or do not want good quality, it is simply because they cannot afford the same quality products as the rich; so, they have a different price-quality trade-off. Insisting on not lowering quality hurts the poor by depriving them of a product they could afford and like to buy. Most often reducing costs while reducing quality, does not require a major technological prosperity (Karnani, 2007).



Some products like consumer and food products are more price elastic, and hence get substituted as their prices rise, and are thus sensitive to pack size. On the other hand a few other goods like medical products are less price elastic and hence less vulnerable to changes in price and pack sizes. The sachets are a good example of a smaller packet for smaller prices.

Sachets are actually cheaper, but only successful in some cases. The full potential of sachet marketing can only be realized as long as unit costs for the sachet are lower than that for the full-sized pack. Improvements in packaging technology and distribution efficiencies are the main drivers of cost reduction for sachet products. Nestlé has lowered their prices on their products, which of course include sachets, by new food flavors, new technologies, new distribution models and by targeting at the BOP consumers. In Table 3, the comparison between sachet and bottle costs can be seen. It is obvious that sachets give the poor a better opportunity to store the product, at a smaller price – this is also a good example of reducing costs without reducing quality.

**Table 3: Price differences between sachet and bottle cost for leading shampoo brands in India**

Shampoo brand	Company owning the brand	Unit cost (bottle) in Rs per ml (at MRP)	Unit cost (sachet) in Rs per ml (at MRP)	% Price differential
Clinic All Clear	HLL	0.508	0.313	38%
Clinic Plus	HLL	0.445	0.250	43%
Head & Shoulders	P&G	0.610	0.600	1.6%
Pantene Pro-V Normal Hair	P&G	0.560	0.400	29%
Sunsilk Fruitamins	HLL	0.475	0.250	47%
Sunsilk Black	HLL	0.495	0.250	50%

Source: [www.blonnet.com](http://www.blonnet.com) 2004, (Singh, Ang, & Sy-Changco, 2009)

As earlier mentioned BOP consumers have low disposable incomes and receive their income on a daily rather than weekly or monthly basis (Anderson & Billou, 2007), therefore MNCs

have to ensure that products or services offered are affordable and match the consumer's cash-flows. CCS direct home cleaning service cost usually less than \$ 0.25 per family per week, which is affordable when compared to a soda that cost the same. CCS costs are brought down by the local collaboration, which makes it possible to have such low cost of service.

Prahalad states that poor live in expensive high cost economies, and as a consequence they actually pay more for certain products compared to richer consumers, and that there is a poverty premium on the poor. In his book he gives a price example of different items in the Mumbai slum area versus an urban area (Prahalad, 2004), see Table 4.

**Table 4: Poverty premium in Mumbai**

Item	Dharavi (a slum outside Mumbai)	Warden Road (a higher income neighborhood outside Mumbai)	Poverty Premium
Credit (Annual Interest)	600-1,000%	12-18%	53.0
Municipal grade water (per cubic meter)	\$1.12	\$0.03	37.0
Phone Call (Per minute)	\$0.04-0.05	\$0.025	1.8
Diarrhea medication	\$20.00	\$2.00	10.0
Rice (per Kg)	\$0.28	\$0.24	1.2

*Source:* (Prahalad, 2004)

One can see that in this particular example the poor actually pay more than the rich. The poor don't have the privilege to scout around for better prices or the privilege of complaining. Sometimes it is not only the privilege, it is also the lack of knowledge, which is exploited by different suppliers/companies.

In the end, based on the international price policy, companies themselves define the market price of their products and services. Price definition uses three basic methods: cost-oriented, demand-oriented, and competition-oriented methods (Sele, 2006). Tata Swach is demand-oriented, because the company can see that there is a need for the product at the market, they are also competition-oriented because they have the lowest price on the market which consequently makes them cost-oriented. Other MNCs definitely think about these three methods when setting their price at the BOP. Moreover the factors that affect price determination differ from one country to the other and must therefore be revised on an individual basis (Sele, 2006).

When comparing affordability with the element price, one can see that both with the affluent and BOP consumer, it is important to set the price according to the perception of worth in the market. It is also important to think about the costs and breakeven points, because, as mentioned, price is the only one of the elements that brings in money.

### 8.3. Awareness

The cultural heterogeneity in rural and urban BOP consumers makes it difficult for marketing managers to create awareness. Additionally, low literacy rates, joined with limited reach of the electronic media, are likely to act as a barrier to promotional efforts. Therefore regionalization of the product promotion is necessary, as it is seen in all the three cases.

In the impersonal promotion, the consumer must be exposed to the product in a way that they understand what the product is about and what kind of need the product will cover. As different cultures have different learning and understanding abilities the product must be presented according to the receiver. MNCs need to be very careful in choosing the vehicle to use for communication and they have to remember that unconventional marketing can save costs. Audio visuals are a very popular way to convey the message, the rich, traditional media forms such as folk dance and puppetry can also be used for high-impact product campaigns. Word-of-mouth is also a good form of advertising. In rural areas, there are some select opinion leaders who hold regular meetings with the community, these meetings are a common platform for all to discuss everyday issues, which could also be a good place to present and

promote the product. Also if the message of the product is conveyed through local languages it leaves a powerful impact, e.g. Swach which means pure in Hindu.

Further drawing from the case study about Swach, their promotional approach was in the first place just to get consumers to use their product, to try to convert non-users into users. Swach used a door to door approach, teaching, educating and demonstrating the water purifier to the consumers. Nestlé also uses a door to door approach, where local women sold Nestlé products in kits, the success of Nestlé is based on partnerships with the women and the knowledge they bring back about the consumers for future promotions. Nestlé also use marketing to positively influence consumer values and behavior and to edit their choices towards the healthier products.

With many BOP consumers largely inaccessible to conventional advertising media, building awareness is a challenge for companies wishing to serve low-income consumers in the developing world, take an example in India where only 41 per cent of poor rural households have access to TV (Anderson & Billou, 2007). To overcome these constraints, Tata Swach invested heavily in billboards along roads, in urban areas and in rural communities.

The sales promotion offers in the BOP market is something a lot of companies use, for example certain detergent powders attaches a washing bucket for free to their products, so the BOP consumer can wash their laundry in it using the detergent. Others sell in bundles or attach more of the products to the sale.

Personal promotion can be drawn from the SC Johnson CCS case; their idea was to become a member of the community. They wanted to gain a better understanding of the environment and a closer relationship. This has enabled them to become partners and co-creators, with organizations and groups that have deep credibility and community roots.

Co-creation is a technique where the companies can tie up with the local vendors in the unorganized market to sell or promote their product and offerings to BOP consumers. The local vendor has a wider access to the market and has a deeper understanding of consumers' needs. Hence, a promotional strategy by a local vendor/seller is expected to be more successful than a direct effort of the company (Evalueserve, 2008).

When talking about promotion and marketing to the BOP, companies should take a long-term view on this market and focus on developing a sustainable and fitted business model, where communication is the key to innovation and key to awareness towards the BOP consumer. This focus can give MNC a competitive advantage.

When comparing awareness with the element promotion, the key is communication. It is important that the methods of communication is blended well so that the message comes across understandable and targeted at the particular market, whether it is the affluent or the BOP market.

#### **8.4. Availability**

One of the biggest challenges of serving BOP markets is to ensure availability of products and services. Unlike in the developed world, distribution channels in these markets can be fragmented or non-existent and the simple fact of getting products to people can be a major difficulty to overcome (Anderson & Billou, 2007).

A strong distribution system is critical to any effective BOP market strategy. Reaching the poor is not easy, especially given the poor road infrastructure in the rural areas, this causes the distribution costs to increase, which sometimes makes them even higher than in the urban markets. Therefore, companies are finding it increasingly difficult to protect their margins in the BOP market (Evalueserve, 2008).

A MNC cannot alone create the commercial infrastructure at the BOP. Viable partnerships with local people and community agents who have the social capital to bring people together and build incentives should be emphasized. The involvement of local population in the distribution not only improves product distribution, but also encourages entrepreneurial aspirations, thereby creating more employment opportunities.

Drawing from the case study of SC Johnson's CCS it can clearly be seen that they operate across diverse infrastructure. CCS partners up with young entrepreneurs from different communities and start independent businesses, CCS also works with schools, NGOs and local government. This is a way to involve the local population in the distribution channel, it is not a traditional door-to-door selling, it is a direct-to-home service with SC Johnson products as

inputs. This, not only get the community involved by employment, but it also teaches and educates them about the importance of hygiene. This gets them to trust SC Johnson products and makes them want to buy through the local collaborators. Otherwise CCS would have had a difficult time getting their product out in rural areas and getting people there to use them.

In Brazil, Nestlé collaborates with local distributors and wholesalers, who sell to small, local stores or directly to consumers. They also, as mentioned, partner with some micro distributors that hire women in the outskirts of the cities to sell their products door to door.

In addition the distribution system will have to adapt itself to satisfying demands for increased services at the consumer's convenience and be open to rapid consolidation across the supply chain. Involvement of MNCs in for example retailing would lead to efficiency in supply chain that will help reduce costs in production and result in better prices, which benefits both the supplier and the end consumer (PricewaterhouseCoopers, 2006).

In the end distribution patterns for products and services must account for where the poor people live and work. BOP consumers often work long or odd hours, and lacking cars, they must walk or take public transportation; therefore it is very important that the MNCs provide an easy access to products. It's all about getting the right product to the target markets place, and therefore the difficulties are worth it, in the long run. And once the distribution channel is established it can be re-used by other product categories within the company. This is what Tata Swach did; they re-used their distribution network from other Tata Group companies, such as Rallis and Tata Kisan Sansar.

When comparing availability with the element place, it is important to choose the channel of distribution wisely. It can in both markets differentiate your product from the competitor, and at the same time save the company costs. The latter is more important in the BOP market, because it is essential that the costs are as low as possible, since the price of the product has to be low as well.

## 8.5. Aspiration

After the analysis of the three cases there has been one other aspect, besides the four A's, that stood out as important when marketing to the BOP. It is the people, or the aspirations of the

people in the BOP. All three cases have shown that using the BOP as a workforce gives great inside knowledge and bridges the MNC to the community. SC Johnson has employed people with their CCS, Nestlé has employee people in their factories and Tata Swach has employed people for promoting and educating the consumers about the product.

According to the ILO, nearly a billion people (roughly 30% of the world's labor force) are either underemployed or have such unskilled jobs that they cannot support themselves or their families (International Labour Organization, 2011). For MNCs, business opportunity can be developed by helping the people in the BOP elevate themselves above this poverty line. Creating buying power and increasing the income earning potential of the poor is one of the first priorities among the strategies for the BOP (Prahalad & Hart, 2000). The poor have aspiration about getting out of poverty, and the only way they can achieve this is to get a job and start earning money, or get better earning job that can take them above \$2 a day. This aspiration is also in the best interest of the MNCs, because if the consumers have more money between their hands, they spend more money. The poor people needs will also change from basic needs to some other items, see Appendix 3.

The BOP proposition focuses on the poor primarily as consumers, but the poor, like most people, are of course both consumers and producers. The poor not only need employment, they need decent employment, which is a job that offers a worker a good income, security, flexibility, protection, a voice in the community and aspirations for the future. Employment is not only the key source of income; it also improves other dimensions of wellbeing by increasing the individual skill, physical abilities and self-respect (Karnani, 2011).

There are two ways for a person to be a member of the labor force; as an employee or as self-employed. Creating opportunities for steady employment at reasonable wages is the best way to take people out of poverty (Karnani, 2011).

Increasing employment in poor countries via MNCs, requires three mayor forces: 1. The generation of new jobs. 2. Increasing the employability of workers. 3. Making the labor markets more efficient (Karnani, 2011).

The first force works on the demand side of the labor market by creating job opportunities which are more fitting to the skills of the poor. Therefore deskilling of work is essential

(Prahalad, 2004). The poor are not very educated in different job areas, and what seems as an ordinary job in a developed country, can be quite difficult in the BOP. Thus some task can be split up, so as the poor worker only concentrates on one area, and thereby getting more specialized in that. This in the end also creates more jobs that satisfy the demand. Even the design of products and services must take into account the skill levels (Prahalad, 2004).

The second force works on the supply side of the labor market by increasing the employability of the poor through education and vocational training programs. Labor markets, especially in developing countries, have much friction due to a lack of both information and labor mobility (Karnani, 2011).

In subsistence marketplaces, companies that hope to succeed need to be flexible and listen to the consumers they seek to serve. MNCs need to include education in the jobs they are offering. It is not likely that the poor person knows or has the capabilities to complete a certain job. It is also not likely that the poor consumer knows how to use a certain product. New approaches to consumer education, is a must to create a commercial infrastructure. Education is the key to creating an appropriate consumer orientation and knowledge among the poor in the BOP (Prahalad & Hart, 2000). Perhaps by hiring some people to educate consumers, the product could become easier to use, and by making education a part of the product, it could help to sell some of the products. In the end, by providing education, it will create job in selling the product, in the production and also be integrated in the service of the product. Therefore the MNC needs to provide some education in these areas, like for example SC Johnson did with the CCS entrepreneurs, and Tata Swach did in their promotion. Companies that integrate consumers into all parts of the marketing process will likely emerge as leaders in the marketplace. Including consumers in the early stages of the research process as well as during the creation of solutions, this will result in more effective product or service offerings (Weidner, Rosa, & Viswanathan, 2010).

The third force would include programs such as job matching and placement services, which helps to improve labor market efficiency. The private market is primarily responsible for job creation (Karnani, 2011), but the public sector has a huge impact, in opening the economy and the opportunities for MNCs.



On the product side, products offering the most hope and aspirations for raising the income level of the community are those which include some local element in the production or distribution, those which in some way expand business opportunities and improve the wage-earning opportunities of local workers (Weidner, Rosa, & Viswanathan, 2010). Traditional ways of doing business need to be rethought, everything from the production to the initial sale need to be challenged with the traditional conventions. It is important to understand and incorporate the needs of consumers and the marketplace. This could be done by, as earlier mentioned, co-creating products with consumers, and thereby getting more involved in what their needs are (Weidner, Rosa, & Viswanathan, 2010). This could also be done by developing innovative communication through brand name selection, demonstrations and advertising, encouraging word of mouth, and working with local partners (Weidner, Rosa, & Viswanathan, 2010).

On the employment side, labor intensive jobs are mostly needed, sectors such as manufacturing, construction and agribusiness, where it is not necessary to be a vocational worker to make a living. To localize production is a good idea, as in the case of Nestlé. It increases livelihood opportunities for the people in the area, and creates awareness of the company, at the same time develops a network with the community. Localization of production also reduces transportation costs, which is good for the companies green image (Weidner, Rosa, & Viswanathan, 2010). Also by tapping into the cheap labor pool and operating in the BOP, MNCs can enhance their efficiency. The competitive necessity of maintaining a low cost structure in these areas can push companies to discover creative ways to configure the products, finances and supply chains to enhance productivity. These things can of course be incorporated back to their existing operations in developed markets (Prahalad & Hammond, 2002). MNCs are the perfect candidates for job creation, they can also often develop their own infrastructure and not rely on public utilities, because they have easier access to capital funds (Karnani, 2011).

When looking at countries that have dramatically reduced poverty and increased consumption in the world over the last 20-30 years, China comes to mind. By creating enterprises, mostly

factories that are making simple products like shoes, toys, and garments; they have created labor intensive low-skill jobs on a large scale. China formed a tremendous amount of job creation and that is what other developing countries need to do. The solution is perhaps not governments and aid organizations doing more and more, the solution is perhaps businesses creating jobs (Karnani, 2011). There will of course be different strategies for different BOP countries in different areas of each country.

The addition of Aspiration to the four A's is not far from foreign in marketing theories. When compared to the seven P's of marketing, it would be the element People. Whenever a person is identified as a member of a company, they would come to play an ambassadorial role. They would also be responsible for how the outside world looks at the company (Meldrum & McDonald, 1995). People, or as in BOP marketing, Aspiration have an impact on the rest of the elements in the marketing mix, and it is very difficult to establish good relationships with intangible thing, therefore people's role becomes very important in regards to the company and the competition. The five A's are to be used as a regular marketing mix analysis, which change different parameters to adjust to the different consumers/segments. The five A's are just targeted at the BOP markets because of the different initial parameter.

Figure 8 gives a summary of the five A's and a quick overview on how they can be used. The target market is still at the center and the five elements are related and influence each other, as in the four P's.

**Figure 8: The five A's**



*Source: Own interpretation.*

## 8.6. Discussion about the barriers to marketing

There are good opportunities for MNCs at the BOP market, and using the five A's is a good way to explore, control and target this large market. Besides the opportunities, there are also

some difficulties and barriers if a company wants to enter the BOP, some of them are similar to the affluent market, but some of them are more difficult and need to be considered. It is important that the MNCs know about these barriers, so that they perhaps can gain learn from them.

It is things like; are the products appropriate, is the price right, are the promotions adequate and well understood by the receiver, and is the distribution possible.

Numerous poor people are not well informed or educated enough to fully appreciate the value of the product or service they are being offered by the particular MNC. For example, a survey conducted by the Monitor Group in India found that 60% of the respondents would not switch to purified water “even if it was free” (Monitor Group). It is difficult to understand such responses given the evidence that water borne diseases are a major cause of bad health amongst the poor (Garrette & Karnani, 2010). The question here is, how can a product like Tata Swach sell after the response to such a survey. How can they even have a market to sell to? Moreover, how can other companies enter the market in this product field, if the people there are not even aware of what the product is, what it can do and how it can help them.

There is also the adaption trap to consider. There are some MNCs that rather than starting with the problem the consumers might have, they start with the product it markets in affluent countries and tries to adapt it to the BOP markets. This is the case with Grameen-Danone collaboration and their Shokti Doi yogurt. The most obvious mistake with this product was that Grameen-Danone failed to design their product based on end-user needs or the particularities of the problem of rural malnutrition. They focused on the other hand on their already existing strengths in the implemented organizations, which was making yogurt, and the Grameen distribution ladies (Danone, 2011).. Despite Danone’s knowledge and capacity for yogurt production and consumer research, yogurt was not the wisest choice for a fortified food product given its need for refrigeration and consumer habits. This product did not in the end generate enough profit, compared to the operation costs, which was also one of the reasons why they started to sell the yogurt in urban markets at a higher price. Grameen-Danone fell into the adaptation trap (Garrette & Karnani, 2010).

BOP is a very complicated market to enter, because the market is not aware of its possibilities. The MNC has to educate the people at the BOP to convince them that their

product is worth something. Also, the MNC has to start thinking outside the box, when it comes to the production and adaption of the product, its looks and features. And if a company is not ready for that task, then the barrier can be hard to overcome.

The BOP market has a significant purchasing power in total, because of its size, but the individual poor person at the BOP cannot afford much and does not have that much money at disposal per day, as earlier mentioned. Consumer cash flow is an issue that many companies overlook in their quest to reduce prices. BOP consumers aren't just poor, they also live in a state of uncertainty and up-front payments for certain products are simply out of the question for them (Karamchandani, Kubzansky, & Lalwani, 2011). It is therefore difficult for a company to set a price that both suits the consumer and covers the costs of the product.

The poor are also often not well informed about the product and cannot easily answer a questionnaire about their future willingness to buy and pay for the product. For example, assessing the size of the unmet need for eyeglasses in rural India is easy; assessing the size of the market opportunity for eyeglasses is extremely difficult. It was found that 55% of rural women in a survey in Timor-Leste were unwilling to pay even \$1 for eyeglasses; this is in spite of the significant impact eyeglasses have on work productivity and quality of life (Garrette & Karnani, 2010). Facts like these make it difficult to set a price.

Moreover businesses and companies in general, are motivated by self interest and are responsible for creating value for its owners and shareholders. It sometimes takes a lot of effort and time to lower production and administration costs, to be able to lower the market price, and for that reason the MNCs do not see the payback of this action, because they can usually sell their products at the affluent market without changing. It is even questionable if the fortune of the BOP market is in fact that large and if it is worth the efforts.

Promoting to the BOP has also some barriers. It is difficult to measure if the message of the particular vehicle of communication has come across to the receiver. The market itself is very diverse and it is hard to know if the advertisement is understood equally by everybody. The marketing manager becomes very vulnerable, because he/she needs to read the market correctly, so that the message doesn't get misunderstood.

Promoting the product at the BOP also needs to be done in such a manner, that it doesn't influence the value of the product in the affluent market. A low-end version of a company's brand may reduce its attractiveness in some consumers' eyes (Karamchandani, Kubzansky, & Lalwani, 2011).

The factor of awareness means that the marketer has to think in a different and perhaps more innovative way when promoting the product. This is not an easy task and not something that works out successfully for all MNCs.

The logistics of reaching the poor consumer is more demanding and expensive, than in the affluent markets. The roads are poor and sometimes nonexistent. There are some MNCs that had to make their own roads to be able reach the consumer. As in the example of E- Choupal, ITC had to make their entire distribution channel themselves. It takes a lot of time and effort just to make the products available to the consumer, and again one has to think out of the box to make it possible, and at the same time be aware of not disturbing the community or the life style of the people in it.

There is also the matter of missing business ecosystems needed to support a product or service at the BOP. For example, once a rural entrepreneur has purchased a cow, where does she go for veterinary services? Innovative companies address the holes in the ecosystem by supplementing value chains end-to-end (Karamchandani, Kubzansky, & Lalwani, 2011).

Creating socially responsible distribution is essential for the success at the BOP. At the same time, creating a distribution network to reach the poor might be too expensive in terms of costs and contribute to a failure of the product (Garrette & Karnani, 2010). Many MNCs launching BOP initiatives are forced to create distribution networks from scratch in order to reach the poor rural consumers. This creates large difficulties that are often underestimated.

In the BOP market there is also a lack of legal frameworks. Complex operating environments often lack functioning legal systems, which can be outside the control of government institutions. In these environments, it can be very difficult for companies to put in place legally enforceable contracts (Anderson, Markides, & Kupp, 2010). Therefore it is often important to have a local partner to collaborate on such issues; they often have a good network that can be used. But partnering with NGOs and other organizations that have deep knowledge of consumers can have some disadvantages. Many MNCs have abandoned such

partnerships, the main reasons is that there is a mismatch in priorities (social versus business), operational differences (differing quality standards), and a perception that partners are not always transparent about their true objectives (Karamchandani, Kubzansky, & Lalwani, 2011). The MNC has to overcome the barriers of this sort because of the informal market.

It is also hard to get an intellectual excitement going in the developed markets. It would be hard to recruit, train, and motivate managers who would want to spend time in creating a commercial infrastructure at the BOP (Prahalad & Hart, 2000). Moreover, it is difficult to get the aspiring employees in the developing market educated and motivated in such a way that it fits the company norms and values.

In the end, exploiting such a group of vulnerable people is also very easy, but it is not sustainable in the long run for the company reputation or their business. The MNC must think long term when entering the BOP, because initially there will be some barriers, but it is a market in development, that has not yet found its structure.

## Conclusion

Conclusively it can be said that up until now, business managers have lacked a comprehensive marketing framework for usefully addressing the BOP consumers and the market in developing countries. However it can be drawn from the MNC initiatives and the theory, that by using and applying the four A's – availability, affordability, acceptability and awareness – MNCs can achieve profit and in the long run, growth, which are two goals that are hard to gain in even developed markets. The fifth A – aspiration – is equally important in the marketing process, because the people of the BOP are the connection to many of the informal procedures, and an important factor in making the other four A's applicable. For MNCs to succeed in the BOP market, they will need to create technologies, products, target the promotions better, lower the prices and create new distribution models, which are uniquely tailored to the conditions of those at the BOP. Moreover effective strategies for the BOP cannot be realized without active engagement of people at the local level. Marketing managers must recognize the need to create new business models, but there will of course be some barriers on the way to the market that need to be considered before entering.

## Chapter 9: Reflections

This chapter concerns the reflections, on the theory, the method and the analysis, that occurred after the thesis was written. It is the authors' personal response to the solving of the problem statement, that is to say, to which extent did I answer the problem statement, which is as followed:

*How have MNCs been successful in marketing to the BOP consumer?*

The thesis started with a description of the BOP and the MNC, which was aimed to describe the main two definitions in the problem statement. I believe that these two terms were answered in a valid way with high relevance; they were also answered in a somewhat reliable way because there is deflecting literature concerning the subject, therefore my own subjective judgment made the decision about what was most significant to the thesis.

Thereafter the four P's of the marketing mix were described; this theoretical model was used as an analytical device on the three MNC cases. This was done successfully, but some additional points had to be made to the case descriptions. The points were the Introduction, Company description, Social issues and Future foals and challenges. It was important to describe these points in the cases, because they had relevance to the further analysis. The Company description was written to give a good insight and background into the MNC. The Introduction, Social issues and Future goals and challenges, were also important because they helped answer why these particular cases were chosen, and what kind of opportunities the MNCs saw in the BOP market profit wise – now and in the long run. The method of applying, choosing and analyzing a case study was used thoroughly throughout the thesis, it was important to have a guideline to make the cases more reliable. I could see some resemblances across the cases after they were written, I could draw those resemblances and use them in the analysis, where the theoretical framework of the four P's became the four A's.

The resemblance might have been even better and more reliable had there been more than three cases in the thesis, but it was not important to make a theoretical replication, yet a literal replication. It was essential to link the information from each of the cases together into a comprehensive holistic picture and to predict similar results and apply them in the four A's.

In the beginning of the thesis the Aspiration element was not included in the content, but as the data collection of the theory and cases and the writing proceeded, it became clear that it was significant in the cases and in regards to the problem statement. The employment of the



people in the BOP is an important part of making the MNC initiatives a success. The Barriers to marketing where also not included in the contents, but again, as the thesis proceeded it became clear that the initiatives of the MNCs are not always successful, and that these barriers can prevent the MNC in penetrating and unlocking the potential of the BOP market.

When comparing Figure 4: The four P's and Figure 8: The five A's; the differences of the two frameworks becomes visible. However it is not a large difference, it is more an evolvement of the four P's in the affluent market to the five A's in the BOP market. They are actually quite similar, just with different initial parameters.

With the help of this evolvement and similarity the problem statement can be answered. The MNCs have succeeded in marketing to the BOP consumer by changing the original four P's of marketing into the five A's of BOP aimed marketing. The MNCs have focused on the three strict conditions of the BOP logic, that it is profitable, that it is actually serving the poor and that it is good for the poor, to make it a success.

Overall, the internal reliability of the data collections was high, because the consistency was high in gathering the cases. The internal reliability on the analysis and interpretation was not that high, because an independent researcher wouldn't have interpreted the cases in the same way, and would have come up with a somewhat different conclusion. The external reliability on the data collection was again high, because an independent researcher would have obtained similar results to those in this thesis. And again the external reliability was not that high on the analysis, because the analysis was somewhat subjective and an independent researcher might not have come up with the same conclusion.

The internal validity of both the data collection and the analysis was high, because the thesis actually assesses what it has claimed to investigate. The external validity is not high in both the data collection and the analysis, because the result cannot be generalized beyond the problem statement since only three MNC cases were investigated.

## Chapter 10: Conclusion

When an MNC enters the BOP, it is severely important to estimate the size and the purchasing power of the market. The market in the BOP is 2,582 million people, living on \$2 a day. The purchasing power of the BOP constitutes of a \$5 trillion global consumer market, which has large variations across regions, countries, and sectors in size and other characteristics.

The three cases of Tata – Swach in India, SC Johnson - Community Cleaning Services in Kenya and Nestlé Brazil – Products of the Brazilian factory, have shown that a MNC can be successful in marketing to the BOP. These three cases companies have had a strong presence in the BOP market, their development in new marketing strategies and their innovative way of using the four P's has shown that there is a profitable market there. The product and service the companies have targeted at the market have actually been good for the poor and been able to serve their needs.

The marketing strategy that can be drawn from the three cases, is the development of the four P's to the four A's. One can clearly see the connection those two marketing mix theories have with each other. A solid marketing mix cannot be developed without the framework provided by the knowledge of the company's prospects and consumers, and how the company's products and services will be represented in the marketplace. It was therefore important to present the three cases as detailed as possible. Marketing managers have lacked a framework for usefully addressing the BOP consumer and the market in the developing countries. However, by using and applying the four A's – availability, affordability, acceptability and awareness – MNCs can reach this growing market.

It has also been clear that, there is a fifth element contributing to the four A's of the BOP marketing mix. That is the fifth A – aspiration – which is equally important in the marketing process, because the people of the BOP are the connection to many of the informal procedures, and an important factor in making the other four A's applicable. The BOP consumers have aspirations about getting out of poverty and therefore they need to be considered as producers and employees. MNCs need to deskill work and provide education for new jobs, and education for product use. The development in the marketing strategy is actually from the four P's to the five A's.

In addition to aspiring the poor people, MNCs need to make a bridge between the formal and informal economies, to be able to enter this enormous market, because there are large variations within the market. They need to obtain embeddedness, to be able to benefit from an advantage that cannot be imitated by the competitors.

Overall the BOP is a challenging market for companies that seek to make profit, but not impossible. The consumers in the BOP are severely constrained by lack of income and hence only certain products or services that are of practical need to the poor would have a market. However, when looking across the different categories of products that the BOP consumes, it is not only basic needs. The categories are wide, as long as the MNC makes the cost-quality trade-off in a manner consistent with the price-quality trade-off.

The dominant lesson we draw from the case studies and the marketing mix theory, is that developing BOP strategies requires MNCs to get back to the basic principles and rethink marketing strategies and better understanding and appreciate the consumers if they want to be successful.

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## Appendix

### Appendix 1: Twelve Principles of Innovation for BOP Markets

1. Focus on price performance of products and services. Serving BOP markets is not just about lower prices. It is about creating a new price-performance envelope. Quantum jumps in price performance are required to cater to the BOP markets.
2. Innovation requires hybrid solutions. BOP consumer problems cannot be solved with old technologies. Most scalable, price-performance-enhancing solutions need advanced and emerging technologies that are creatively blended with the existing and rapidly evolving infrastructure.
3. As BOP markets are large, solutions that are developed must be scalable and transportable across countries, cultures, and languages. How does one take a solution from the southern part of India to the northern part? From Brazil to India or China? Solutions must be designed for ease of adaption in similar BOP markets. This is a key consideration for gaining scale.
4. The developed markets are accustomed to resource wastage. For example, if the BOP consumers started using as much packaging per capita as the typical American or Japanese consumer, the world could not sustain that level of resource use. All innovations must focus on conserving resources: eliminate, reduce, and recycle. Reducing resource intensity must be a critical principle in product development, be it for detergents or ice cream.
5. Product development must start from a deep understanding of functionality, not just form. Marginal changes to products developed for rich customers in the United States, Europe, or Japan will not do. The infrastructure BOP consumers have to live and work in demands a rethinking of the functionality anew. Washing clothes in an outdoor moving stream is different from washing clothes in the controlled conditions of a washing machine that adjusts itself to the level of dirt and for batches of colored and white clothes.
6. Process innovations are just as critical in the BOP markets as product innovations. In developed markets, the logistics system for accessing potential consumers, selling to them, and servicing products is well developed. A reliable infrastructure exists, and only minor changes might need to be made for specific products. In BOP markets, the presence of logistics infrastructure cannot be assumed. Often, innovation must focus on building a logistics infrastructure, including manufacturing that is sensitive to the

prevailing condition. Accessing potential consumers and educating them can also be a daunting task to the uninitiated.

7. Deskill work is critical. Most BOP markets are poor in skills. The design of products and services must take into account the skill levels, poor infrastructure, and difficulty off access for service in remote areas.
8. Education of customers on product usage is key. Innovation in educating a semiliterate group on the use of new products can pose interesting challenges. Further, most of the BOP also live in “media dark” zones, meaning they do not have access to radio or TV. In the absence of traditional approaches to education – traditional advertising – new and creative approaches, such as video mounted on trucks and traveling low-cost theatrical productions whose job it is to demonstrate product usage in villages, must be developed.
9. Products must work in hostile environments. It is not just noise, dust, unsanitary conditions, and abuse that products must endure. Products must also be developed to accommodate the low quality of infrastructure, such as electricity (for example, wide fluctuations in voltage, blackouts, and brownouts) and water (for example, particulate, bacterial, and viral pollutions).
10. Research on interfaces is critical given the nature of the consumer population. The heterogeneity of the consumer base in terms of language, culture, skill level, and prior familiarity with the function or feature is a challenge to the innovation team.
11. Innovation must reach the consumer. Both the highly dispersed rural market and a highly dense urban market at the BOP represent an opportunity to innovate in methods of distribution. Designing methods for accessing the poor at low cost is critical.
12. Paradoxically, the feature and function evolution in BOP markets can be rapid. Product developers must focus on the broad architecture of the system – the platform – so that new features can be easily incorporated. BOP markets allow (and force) us to challenge existing paradigms. For example, challenging the grid-based supply of electricity as the only available source for providing good-quality, inexpensive energy is possible and necessary in the isolated, poor BOP markets.

*Source:* (Prahalad, 2004)

## Appendix 2: Poverty lines

**Table 1: Poverty incidence with the new PPPs (2005) using \$1.25 and \$2 a day poverty lines**

	Headcount Index (percent)						Number of Poor (millions)					
	\$1.25 per day			\$2 per day			\$1.25 per day			\$2 per day		
	1990	1999	2005	1990	1999	2005	1990	1999	2005	1990	1999	2005
EAP	56.0	35.5	18.0	80.0	61.5	39.6	893	634	339	1,277	1,101	747
ECA	3.9	5.6	4.1	10.6	15.0	9.3	18	27	20	49	71	44
LAC	10.0	10.5	7.9	20.4	21.2	16.9	44	54	43	89	109	93
MENA	<b>4.3</b>	<b>4.2</b>	<b>3.6</b>	<b>19.7</b>	<b>18.9</b>	<b>16.9</b>	<b>10</b>	<b>12</b>	<b>11</b>	<b>44</b>	<b>52</b>	<b>51</b>
SA	51.7	44.1	40.4	82.7	77.3	73.9	577	589	595	924	1,030	1,091
SSA	57.8	58.2	51.2	76.1	77.6	72.9	299	382	390	393	508	556
World	42.3	33.7	25.7	63.7	57.1	47.3	1,839	1,696	1,398	2,777	2,871	2,582

Note: EAP: East Asia and Pacific; ECA: Europe & Central Asia; LAC: Latin America and the Caribbean; MENA: Middle East and North Africa; SA=South Asia; SSA: Sub-Saharan Africa.

Source: Ravallion M. and Chen S. "The developing world is poorer than we thought, but no less successful in the fight against poverty, World Bank 2008, the final incidence figures updated with POVCAL(drgappsrv1) as of September 30, 2008.

**Table 2: Poverty in selected MENA countries with national and international lines, 1995-2007**

	National lines: poverty headcount (%) <sup>1</sup>			International lines: poverty headcount		
	All	Urban	Rural	\$ 1.25 a day	\$ 2.00 a day	\$ 2.50 a day
<b>Algeria</b>						
1995	14.1	9.0	19.0	6.61	23.82	36.9
2000	12.1	10.3	14.7	6.79	23.59	35.03
<b>Djibouti</b>						
1995	34.5 <sup>2</sup>	NA	NA	5.04	16.71	26.11
2002	42.2	39.3	83.0	18.84	41.17	54.19
<b>Egypt</b>						
1995/96	22.9	22.5	23.3	2.46	26.27	45.51
1999/2000	16.7	9.2	22.1	1.81	19.33	36.96
2004/05	19.6	10.1	26.8	1.99	18.42	35.51
<b>Jordan</b>						
1997	21.3	19.7	27.0	1.51	11.48	22.13
2002	14.2	12.9	18.7	1.16	11.01	19.92
2006 <sup>3</sup>	13.0 <sup>3</sup>	12.0 <sup>3</sup>	19.0 <sup>3</sup>	0.38	3.45	9.03
<b>Iran</b>						
1998	23.3	26.7	21.1	1.26	8.29	14.23
2005	8.1	10.2	7.1	1.45	8.02	14.79
<b>Morocco</b>						
1998/99	19.0	12.0	27.2	6.76	24.4	35.9
2000/01	14.2	7.9	22.0	6.25	24.31	36.04
2006/07	9.0	4.8	14.5	2.5	13.95	24.0
<b>Tunisia</b>						
1995	7.6	3.6	13.9	6.48	20.37	29.69
2000	4.1	1.6	8.3	2.55	12.8	21.05
<b>Yemen</b>						
1998	41.8	30.8	45.0	12.88	36.32	50.76
2005/06	34.8	20.7	40.1	17.53	46.56	61.69

### Notes

1/ The headcount index measures the proportion of the population below the national poverty line.

2/ Due to low survey coverage of rural areas and refugees, the adjusted estimate is reported, unadjusted estimate is 9.8 %.

3/ Jordan revised the poverty line in 2006; using 2002 PL would produce a poverty rate of 7 percent in 2006, using 2006 line to 2002 data would produce a poverty rate of 19.7.

Sources : Sustaining Gains in Poverty Reduction and Human Development in MENA, 2006. World Bank Poverty Assessments for Egypt (2005) , Yemen (2005/06). Morocco: HCOP(2008), Chen and Ravallion (2008), POVCAL

Source: (World Bank, 2005)

## Appendix 3: Category of needs in the BOP and examples of MNCs

Table I Category of needs and innovations

Categories of needs	Sample of products and services consumed	Typical sellers and producers	Examples cited in BOP literature
<b>Basic needs: primary motivation is survival</b>			
Food and nutrition	Staple grains, meat, vegetables, dairy, salt, spices, cooking oil, cooking implements	Large markets, neighborhood retail stores, mobile vendors, government run stores National and locally produced	Danone yogurt (Bangladesh, S. Africa) Nestle (milk, biscuits; several parts) Annapurna iodized salt (India, parts of Africa) Tetrapak
Energy	Electricity from regular grids Solar electric light Biogas Wood, coal burning kerosene, gasoline LPG	Government and other retailers Using natural resources unsustainably	Bringing electricity to unplanned communities (barrios) and reducing illegal connections; AES-Electricidad de Caracas (Venezuela) Solar electric light fund (SELF) E + Co and Technosol (Nicaragua)
Housing	Building material and expertise	Local materials (mud, thatch); government built	CEMEX: Patrimonio Hoy (Mexico) Holcim Apasco: Mi Casa (Mexico)
Water/sanitation	Water treatment and home delivery; Desalination, filtering; removing excess fluoride	Government and municipal agencies Private Wells/rivers	WaterHealth International (India) Eureka Forbes, HLL Sur'Eau (Casablanca) Honduras national water and sanitation
<b>Essential services, primary motivation: safety and security</b>			
Transportation	Public transportation (bus, train, rickshaws, pedicabs) Bicycles, cars	Government and private companies	Metrobus (Mexico) Cheap cars (Tata, India)
Health service	Medicines/pharmaceuticals Hospitals health clinics traditional or non-allopathic clinics and doctors	Government and private clinics Local, national, generic drugs Pharmacies Traditional medicine (e.g. ayurvedic)	Aravind Eye Care (India) Jaipur Foot (India) CFWshops (Kenya) Mi Farmacita Nacional (Mexico)
Financial, banking and insurance services	Bank or postal savings accounts, micro loans, credits, pawn, cash withdrawal	Post office, banks, social networks, chit-funds, pawn shops	Grameen (Bangladesh) SMART (transferring cash via mobile phones) ICICI Self Help Groups Nigeria, Ghana, Kenya, India, China
Basic education and skill generation	Traditional schools including vocational and skill based	Private schools for low income people both in urban slums and remote villages Vocational training	
Categories of needs	Sample of products and services consumed	Typical sellers and producers	Examples cited in BOP literature
<b>Connection with rest of world: primary motivations social interaction and survival in modern times</b>			
Information technology	Mobile phones Smart Cards Internet access, wireless (shared access); link to finance/banking; Computer repair; retail centers	Old world technology such as land lines, face-to-face, mail etc.	SMART (Philippines) CorDECT (India) Celtel (Kenya, Nigeria, Malawi) Vodacom (S Africa) Qualcomm (Sri Lanka) E-Choupal (ITC, India) Reliance mobile internet phone (India)
Marketplace for selling labor/skill/ craft/ produce	Any skills or produce that BOP can offer and for which demand exists	Informal, local houses and factories, intermediary merchants, barter	E-Choupal & Dhrishte phone and internet connection (India) Amul milk (India) Kissan jam and pickle (India) Lijjat Papad (indigenous fritters, pickles) Novica (online arts agent for artists around the globe) Fair trade produce buyers
<b>Finer things in life: self-esteem, self-actualization needs</b>			
Personal care/hygiene, beauty products	Soap, shampoo, traditional cleaning and beauty products (e.g. shikakai)	Retail stores, national, local and international brands	HLL Lifebouy soap, SURF detergent (India) Nirma detergent (India) Cavincare (India) AVON (Latin America) Ruf'n Tuff jeans: Aravind Mills (India)
Clothing	Local/traditional (e.g. sari) clothing Western style clothing Fabric Ready-made	Local retailers, door-to-door sales persons Local unbranded and branded; hand loomed	
Negative goods	Tobacco, Liquor	Bidis (handrolled cigarettes), cigarettes, snuff, tobacco leaves etc. Country liquor such as toddy, arrack, rice beer	
Other durables (such as household appliances, TV)	Durable items	Local stores Department stores Manufacturer showrooms	Casas Bahia (Brazil)
Cultural, entertainment and sports, spiritual	Cinema, plays, local and traditional forms of entertainment and sports	National, local, in-house Local cultural events	Bollywood and its clones (South Asia) TV

Source: (Subrahmanyam & Gomez-Arias, 2008).

#### Appendix 4: Other case studies of MNCs in the BOP market

Company/Organization	Main activity	Country	Main success factors
Aravind Eye Care System / Essilor	Eye care/operation/eye glasses	India	Low costs. 60 percent of patients operated for free and is still profitably. Cheap eye glasses to the rural areas.
Fortis HealthWorld	Pharmacy and allied services	India	70 outlets. Referral model, which involves low infrastructure cost and helps generate profit.
Lifebuoy 'Swasthya Chetna'	Hygiene/soap	India	Swasthya Chetna, campaign to educate rural consumers in 15,000 villages about basic health and hygiene issues. 18-gram bar of Lifebuoy soap to make it affordable to target consumers.
HLL's Salt Story	Nutrition/iodised salt	India	Improved nutrition. Iodine for salt, which is available in remote areas and at low prices.
Jaipur Foot	Prosthesis	India	Low-cost prosthesis with innovative designs and use of materials.
EID Parry	Education portal	India	Web portal providing access to crop disease diagnosis fertilizers and tools, education and a direct market for rice and sugarcane crops, for farmers and local entrepreneurs
Nokia	Mobile phones	India	Nokia 1100 and 2600 cheap models.
Motorola	Mobile phones	India	MOTOFLIP and C139 cheap models.
TARAhaat	Education portal	India	Delivers education, information and services to rural areas through the Internet.
Ericsson	Education portal	India	Telemedicine and mobile healthcare/ E-learning/E-governance/infotainment services
N-Logue	Internet/Education	India	Set up of profitable network wireless Internet kiosks in villages across India, combined with E-education.
ICICI Bank	Microfinance	India	ATMs and Internet kiosks. secure, low-cost transactions and loan management. Self Help Groups.
Muthoot Group	Microfinance	India	Launched 1 gm gold, targeting low-income consumers.
Godrej	Hygiene/soap	India	Cinthol, Fairglow and Godrej soaps priced between Rs 4-5 in 50g sizes
Britannia	Food	India	Tiger brand at Rs 3-4 in small packs
Pepsi	Drink	India	Pepsi-Cola had around 2004 introduced 200ml bottles of soft drink priced at Rs 5
Nestlé	Food	India	Nestlé Chocostick at Rs 2
Pillsbury	Food	India	Launched a 200g pack for Rs 5 targeting low wheat consuming families

Telcel	Mobile communication	Venezuela	Prepaid mobile phones
DirecTV	Satellite television	Venezuela	Access to TV, affordable because several households watch one TV.
P&g, Pampers	Disposable diapers	Venezuela	Low-quality, low-priced. Carefully selected Distributors, give each territorial exclusivity in exchange for agreed-to service levels.
Avon	Cosmetics	Venezuela/ Brazil	Avon employs 140,000 representatives that reach three million clients and generate sales. Women achieve social integration and income selling to their friends
Polar	Drink	Venezuela	Placing thousands of refrigerators in poor homes so that housewives could supplement their incomes by selling Polar beer.
Coca Cola	Drink	Venezuela	“Productive Households”: neighborhood convenience stores selling everything from phone cards to cosmetics, aside from Coca Cola.
Voxiva Alerta	Medical	Peru	Provides Internet access to healthcare providers in remote areas and enables communications between remote areas and the government ministries responsible for health and welfare
Shree Kamdhenu Electronics Private Ltd. (SKEPL)	Dairy	India	The AKASHGANGA system combines automatic milk collection technology, electronic weighing capabilities that replace antiquated and fraud-prone mechanical scales, a computerized information kiosk tailored to the dairy industry, and milk analyzed.
Grameen Bank	Microcredit	Bangladesh	Women who operate small family businesses, self help groups.
Smart Communications	Mobile communication	Philippines	Local businesses to distribute its product, building a network of more than 500,000 sari sari storeowners. Enable cell phone users to preload their access time.
Vodacom community services	Mobile communication	South Africa	Launched an entrepreneurial program to open “phone shops” throughout South Africa.
CEMEX	Construction	Mexico	Patrimonio Hoy is a program designed to make home ownership possible for subsistence consumers with limited resources who are able to save
Hindustan Lever Limited (HLL)	Cosmetics	India	Project Shakti enlisted local women with entrepreneurial aspirations to deliver and promote health and beauty aids to rural Indian consumers.
Haier Group	Home appliance	China	Developed a washing machine for cleaning vegetables and make cheese.

Celtel	Mobile communication	Nigeria	Bringing the benefits of mobile telecommunications to the rural poor
Masisa	Production and trade of wood boards	Latin America	Help improve the standard of living for low-income people by facilitating their participation in the value chain as suppliers, distributors, or other element of the channel, and by providing them with access to products and services that can help them improve their socio-economic condition.
Codensa	Energy	Colombia	Credit card that would enable their electricity consumers to obtain credit to buy large appliances, with repayment to be made through the electricity bill.
Honey Care	Food	Africa	Kenyan company established to increase the income of rural farmers. Has doubled the income of several thousand small scale farmers through its "Money for Honey" program, which trains them in commercial beekeeping and then buys their honey at a guaranteed price.
Hydraform	Manufacturing	South Africa	Manufactures a range of conventional construction machinery. Makes building possible in rural and urban areas.
Casa Bahia	Retail	Brazil	Specializes in furniture and home appliances and charges interest rates and installment plans on purchases.
E + CO Tecnosol	Sustainable energy	Nicaragua	Delivers alternative energy solutions, e.g. solar energy.
Solux	Sustainable energy	South America/Africa	Produce and sell eco-friendly solar lights for developing countries.
Lightning Africa	Sustainable energy	Sub-Saharan Africa	Helps develop commercial off-grid lighting markets and improve access to energy.

*Source: Extracted from literature.*



## Appendix 5: Borden's 12 marketing factors

### *Elements of the Marketing Mix of Manufacturers*

1. *Product Planning*—policies and procedures relating to:
  - a) Product lines to be offered—qualities, design, etc.
  - b) Markets to sell: whom, where, when, and in what quantity.
  - c) New product policy—research and development program.
2. *Pricing*—policies and procedures relating to:
  - a) Price level to adopt.
  - b) Specific prices to adopt (odd-even, etc.) .
  - c) Price policy, e.g., one-price or varying price, price maintenance, use of list prices, etc.
  - d) Margins to adopt—for company; for the trade.
3. *Branding*—policies and procedures relating to:
  - a) Selection of trade marks.
  - b) Brand policy—individualized or family brand.
  - c) Sale under private label or unbranded.
4. *Channels of Distribution*—policies and procedures relating to:
  - a) Channels to use between plant and consumer.
  - b) Degree of selectivity among wholesalers and retailers.
  - c) Efforts to gain cooperation of the trade.
5. *Personal Selling*—policies and procedures relating to:
  - a) Burden to be placed on personal selling and the methods to be employed in:
    1. Manufacturer's organization.
    2. Wholesale segment of the trade.
    3. Retail segment of the trade.
6. *Advertising*—policies and procedures relating to:
  - a) Amount to spend—i.e., the burden to be placed on advertising.
  - b) Copy platform to adopt:
    1. Product image desired.
    2. Corporate image desired.
  - c) Mix of advertising: to the trade; through the trade; to consumers.
7. *Promotions*—policies and procedures relating to:
  - a) Burden to place on special selling plans or devices directed at or through the trade.
  - b) Form of these devices for consumer promotions, for trade promotions.
8. *Packaging*—policies and procedures relating to:
  - a) Formulation of package and label.
9. *Display*—policies and procedures relating to:
  - a) Burden to be put on display to help effect sale.
  - b) Methods to adopt to secure display.
10. *Servicing*—policies and procedures relating to:
  - a) Providing service needed.
11. *Physical Handling*—policies and procedures relating to:
  - a) Warehousing.
  - b) Transportation.
  - c) Inventories.
12. *Fact Finding and Analysis*—policies and procedures relating to:
  - a) Securing, analysis, and use of facts in marketing operations.

Source: (Borden, 1984)