BUILDING A BLOODY BOP BUSINESS

A case study of Ruby Cup and the needs and wants of consumers at the base of the pyramid

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Copenhagen Business School
International Business and Politics
77 pages & 178.220 total units

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November 29th 2013
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EXECUTIVE SUMMARY

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Traditional philanthropic ideologies for alleviating poverty are being replaced by market-based solutions. More than a decade ago, Prahalad introduced the notion that business could alleviate poverty as well as earn profits by targeting the four billion poorest people on the planet. He referred to this as the *Bottom of the Pyramid* (BOP). Since then, BOP advocates have been busy promising a fortune as well as cheering business on as the new pioneers of eradicating poverty. This study highlight basic flaws within the BOP hypothesis, and the lack of knowledge about what BOP consumers want and desire.

Ruby Cup is a Danish social business start-up, co-founded by the author of this thesis, Veronica D'Souza. In 2011, we set out to reach the BOP market in Kenya in order to address the lack of affordable menstrual hygiene protection as well as earn profits. BOP literature served as a main inspiration and foundation for the venture. Ruby Cup's BOP strategy failed on both accounts. The purpose of this research study is to understand why, through a single case study analysis. Most BOP studies have been concerned with strategies for earning profits in the BOP (BOP 1.0) and later how mutual value can be co-created in order to ensure poverty alleviation as well as profits (BOP 2.0). Understanding what the BOP consumer wants is a topic of little investigation, and the primary scope of this research.

My dual role as researcher and co-founder of the company make this study unique, and allows for in-depth insider knowledge and vast amount of primary data. In order to develop, design, and implement our BOP strategy, we employed a method of participation and co-creation with the local communities in Kenya. The research is thereby influenced by an interpretivist philosophy, acknowledging subjective and participatory experience as empirical data, where the boundaries between researcher and researched are blurred.
The analytical framework is developed through literature and founded on the development within BOP theory as well as BOP marketing strategies. These lack focus on understanding the consumer, and additional theory is therefore supplemented in the shape of debating poverty as merely income focused, as well as four different motivational theories to explain consumer behavior of the poor. The analytical framework is applied to the case of Ruby Cup in Kenya in the period of June 2011 – October 2012.

The study concludes that current BOP theory holds a philosophical contradiction of stating to depart from local user-driven needs and wants, while in reality, it asserts strong westernized values of what is believed poor people need. In the case of Ruby Cup this led to a failure. Ruby Cup was too focused on aligning the strategy with Western BOP values, rather than truly listening to the consumers. The analysis showed that intangible values such as social capital, status and aspiration were determinant for the success of Ruby Cup, and overlooked in BOP theory in general. The research has generated new findings from a single case study in Kenya through an interpretivist and participatory approach. The case study does not discredit the entire BOP thinking, it does however demonstrate contradictions within the framework as well as a further need for investigating what the BOP consumers want and how BOP theory aligns with a multi-dimensional concept of poverty.

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CHAPTER 1

INTRODUCTION

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"Give a man a fish and you will feed him for a day. Sell him a cellular phone and you will give him the ability to sustain long-term income, by efficiently marketing his fish, at the highest price in the location where they are in greatest demand, simultaneously saving resources by ensuring no fish markets get oversaturated"[1].

The ancient saying of feeding a starving man has developed from an aid-driven perspective of *handing out* a fish, past the capacity building and education by teaching him *how* to fish, to now introducing new technologies in order to help him *start his own business* so that also he can *participate sustainably* in the market. This is how he will lift himself and his community out of poverty. The evolution of this saying mirrors the evolution of poverty reduction theories until today.

Anno 2013 is characterized by an era where the traditional boundaries of development and capitalism are blurred and overlapping. Non-governmental organizations (NGOs) are pursuing business activities, and large corporations are pursuing development activities. The term 'inclusive capitalism' is on the rise, meaning that everyone on the planet ought to be included in the market as consumers, producers, distributors, and that the market should ensure that it is catering responsibly to everyone's needs. In the past, the four billion people living for less than $4 a day (WRI/IFC, 2007) have been counted out of the commercial market thinking, as they were too poor to be expected to have purchasing power, and too difficult to reach. Instead, they have been catered for by development agencies and NGOs through philanthropic giving, or not catered for at all.

This separation between people who can be reached by the commercial markets and the poor in need of aid assistance is currently being challenged. Nobel prize-winning professor Muhammad Yunus popularized and scaled out micro-credits, and proved to the world that by giving small loans to the poor, they could become entrepreneurs and lift themselves out of poverty. As a matter of a fact, they were more liable to pay back their loans than Western consumers. Furthermore, creating opportunities for poor people to start businesses proved a more sustainable approach to alleviating poverty than handouts (Yunus, 2007). This

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[1] http://www.nextbillion.net/blogpost.aspx?blogid=650

discovery was groundbreaking, as it deconstructed some of the prejudices about dealing with poor people. Being poor and uneducated did not in fact mean that you were unreliable, lazy, or incapable. Yunus argued that what the poor need is an opportunity. This thinking continued with Prahalad, who encouraged big business to break with the dominant logic of seeing the poor as victims. Instead, they should be seen as a business opportunity, the market of the majority. He referred to this forgotten market as the *Bottom of the Pyramid* (BOP), later the *Base of the Pyramid*[2]. Prahalad argued that there was a 'fortune' hidden in the BOP, and that it was a matter of finding the right business strategies to tap into it. In the last decade, many businesses, multilateral organizations and social enterprises have attempted to unlock this fortune, but most have failed. BOP advocates have been eager to shine success stories, however, in reality there are few. The legitimacy of BOP thinking is endangered, as it is yet to be proven that this new approach can in fact alleviate poverty as well as earn profits.

Ruby Cup is a Danish social business start-up, co-founded by the author of this thesis, Anne Veronica D'Souza. In 2011, we set out to reach the BOP market in Kenya in order to address the lack of affordable menstrual hygiene protection as well as earn profits. BOP literature had served as a main inspiration during our graduate studies at Copenhagen Business School, and we wanted to co-create a BOP business together with the local communities that could improve the lives of the poor as well as become a successful business. Despite international recognition and winning several awards, our BOP strategy failed. The purpose of this thesis is to understand why.

My dual role as researcher and co-founder of the company makes this study unique. It allows for insider knowledge and vast amount of primary data, which is usually not accessible through in-depth interviews or a limited amount of focus groups. In order to develop, design, and implement our BOP strategy, we employed a method of participation and co-creation with the local communities in Kenya. The research is thereby influenced by an interpretivist philosophy, acknowledging subjective and participatory experience as empirical data, where the boundaries between researcher and researched are blurred. This approach also opens up for a larger threat of biased results and interpretations. It is important to state however, that since the BOP strategy failed, there is no danger of

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[2] Using the word *base* was later deemed more appropriate (London and Hart, 2004) as *bottom* carries negative connotations

painting a pretty picture. My intention as researcher and co-founder are one and the same; to understand and explain why the BOP strategy of Ruby Cup failed.

BOP theory has been concerned first with strategizing for selling products *to* the poor, and later on designing a win-win strategy *with* the poor. However, there is little research done on understanding the BOP consumers and ensuring that their needs and wants are addressed and realized. More research is needed to fully understand what drives consumption and the attitudes and values that affect purchasing decisions (Guesalaga and Marshall, 2008; Barki and Parente, 2010). To date, most consumer behavior studies have centered primarily on the non-poor in modern Western economies (Nakata and Weidner, 2012). My goal is to contribute critical knowledge to BOP literature by analyzing and addressing a case of failure, and uncover more information about the needs and wants of BOP consumers. The research question of this thesis is therefore:

> WHY DID RUBY CUP'S BOP STRATEGY FAIL TO REACH THE POOR CONSUMER IN KENYA?

KEY DEFINITIONS

- *Base of The Pyramid (BOP*): refers to the poorest four billion people living for less than $4 a day (WRI/IFC, 2007[3]). This is also called 'Bottom of the Pyramid" (Prahalad, 2004) and "Subsistence Markets" (Viswanathan, 2007)

- *BOP business:* refers to a business serving the BOP market, also called "Inclusive Business" (IFC) "Growing Inclusive Markets" (UNDP), "Social Business" (Yunus, 2007), or "Inclusive capitalism"

- *The Top of the Pyramid (TOP)*: refers to the wealthier three billion people on the planet

- *BOP Consumer:* refers to the BOP as consumers. These are also called "Subsistence Consumers" (Viswanathan, 2007), "Low-income Consumers" or "Poor Consumers"

- *Ruby Cup:* is both the name of a menstrual cup product, and also refers to the Danish corporate entity behind the product (Makit Aps)

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[3] How to measure the population of the BOP as well as the aggregated purchasing power is highly disputed amongst scholars (Karnani, 2007; Subrahmanyan and Gomez-Arias, 2008). Concluding on exactness of these numbers however, is not influential for this study.

SCOPE OF THESIS & LIMITATIONS

CHAPTER 1: INTRODUCTION

Within BOP literature, there are several subcategories that deal extensively with areas such as distribution (Vachani, 2008), how to blend social and economic value (Emerson, 2003; Porter and Kramer, 2006), methods of measuring impact (IRIS and GIIRS[4], WBCSD[5]), the role of sector actors such as Multinational corporations (MNCs) (Prahalad, 2004; Chatterjee, 2009), International Organizations (Ricart et al., 2004), social entrepreneurs (Seelos and Mair, 2005; Babu and Anderson, 2007), and others. One of the main enigmas, however, is to understand the consumer. Which purchasing decisions matter for the BOP? How do you make sure that you do not only cater to a need, but also to a want? This paper will focus on the subset of BOP literature, which addresses the BOP consumer.

BOP strategies represent a new philosophy of development and doing business for good (Prahalad, 2004), a line of thinking that gives hope and spark in contrast to both the old aid-oriented poverty reduction efforts as well as responsive and unstrategic CSR activities. The focus of this thesis falls within the BOP paradigm, and will explain the development of BOP thinking and different perspectives within the theory. Concerns about how BOP compares to other poverty reduction strategies, or to other types of business activities in low-income communities are outside the scope of this thesis.

As the study has been longitudinal, there is excess information, community engagement and learnings to be included. Relevant information is judged on subjective opinion of the author and guided by an analytical framework, which is developed from BOP marketing strategies. The information provided is thus not representative of the full empirical knowledge, but rather extracts of the most relevant information for this study.

In order to understand behavior of poor consumers, this thesis will undertake a discussion of different ways of understanding poverty. As this is an interpretivist study, the goal is not to test which definition is correct, or deduce a universal conclusion, but rather to present different ways of perceiving the concept, which affects how reality is understood. In continuation, four different motivational theories will be presented and discussed. These will be used in the analysis of the case in order to understand what motivates consumer behavior in the case of Ruby Cup. While these theories touch on the subject area of

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[4] http://iris.thegiin.org/giirs
[5] http://www.wbcsd.org/impact.aspx

behavioral psychology, an explanation of underlying theories of behavioral psychology lies outside the scope of this thesis.

The findings will be centered on the case study of Ruby Cup in Kenya, and the failure of this specific BOP strategy to reach the BOP consumers. This concerns the time period from June 2011 until October 2012, which includes the development of the Ruby Cup's inclusive BOP strategy, product launch and the determination of the direct sales strategy. What happened thereafter and up until today with Ruby Cup in Kenya, is thus not of interest for examining consumer behavior at the BOP.

The goal of this study is to generate new knowledge from analyzing specific phenomena, to assist in further understanding the BOP consumer and provide better tools for future success of alleviating poverty through sustainable business mechanisms.

STRUCTURE

CHAPTER 1: INTRODUCTION

The thesis is constructed of five separate and interconnected chapters
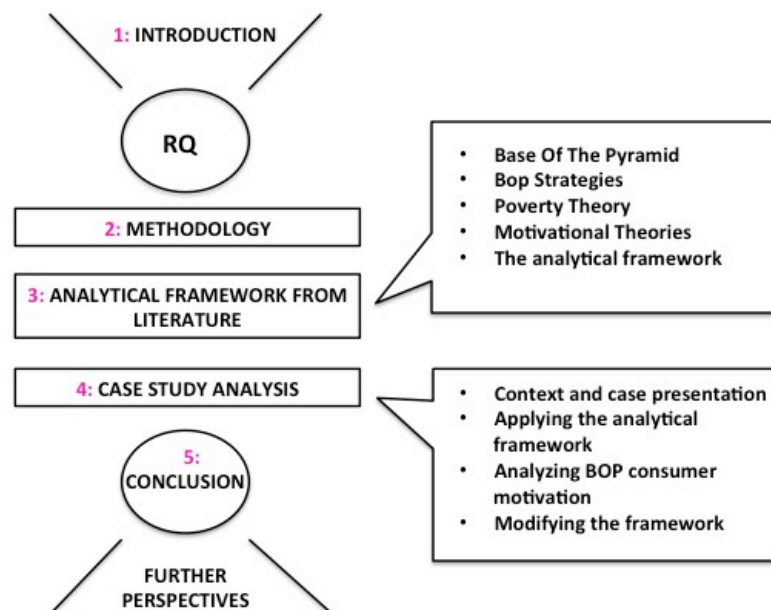
Illustration: Structure of thesis (by author)

- CHAPTER 1: INTRODUCTION

Chapter one introduces the reader to the current research topic and the research question. It provides a presentation of scope, limitations, and a structural overview.

- CHAPTER 2: METHODOLOGY

This chapter presents the research philosophy and approach. The latter is constituted by a detailed presentation and discussion of participatory action research (PAR), followed by the case study method applied. Hereafter the data collection and the validity and reliability of the data is presented and debated. This is continued with ethical considerations of the research process. Finally, the theoretical framework is presented for further elaboration in chapter three.

- CHAPTER 3: DEVELOPING THE ANALYTICAL FRAMEWORK THROUGH LITERATURE

Chapter three is divided into four sections in order to develop the analytical framework from literature. The first section presents and discusses BOP theory as a founding framework. Hereafter, two BOP marketing strategies are introduced and aggregated; The 4 A's by Prahalad (Acceptability, Affordability, Awareness, Availability) and the 5 D's by Niti Bahn (Development, Demand, Dignity, Design, Distribution). The third section questions income as a valid measurement of poverty and serves as an underlying theoretical discussion for understanding the poor consumer in Kenya. Finally, the final section introduces four different motivational theories (Maslow's Hierarchy of Human Motivation, Hofstede's Cultural Relativity Theory, Social Capital and Family Systems, and Compensatory Consumption). Each theory has key perspectives that are added to the aggregated 4 A's + 5 D's framework. As a conclusion, the analytical framework used in this study is presented and illustrated.

- CHAPTER 4: RUBY CUP CASE ANALYSIS

After introducing the reader to the Kenyan context and Ruby Cup, the aggregated 4 A's + 5 D's framework is applied to the case study in the period of June 2011 – July 2012, which concludes with the market launch and failing results in the period of July 2012 – October 2012. Finally, the four motivational theories are applied to analyze why Ruby Cup failed to the reach the poor consumer in Kenya. The analysis ends with a suggested modified framework for reaching BOP consumers.

- CHAPTER 5: CONCLUSION & FURTHER REFLECTIONS

The final chapter presents the overall conclusion of the thesis and answers the research question. This is followed by an evaluation of the process and suggestions for further research.

CHAPTER 2

METHODOLOGY

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2. 1: RESEARCH PHILOSOPHY AND APPROACH

2.1.1 RESEARCH PHILOSOPHY

To understand why Ruby Cup failed to reach the BOP consumers, the interest and research objective is to: _" interpret the social roles of others in accordance with our own set of meanings"_ (Saunders et al., 2009, p. 147). The philosophical approach behind the research adheres to subjectivism, meaning, _"social phenomena are created from the perceptions and consequent actions of social actors […]. What is more, this is a continual process in that through the process of social interaction these social phenomena are in a constant state of revision"_ (Saunders et al., 2009, p. 142). This implies an interpretivist epistemology, where reality is a social construct that might change, and has multiple views (Berger and Luckman, 1966). Rather than striving for academic objectivity, subjective meaning is legitimate. The boundaries between researcher and what is being researched are blurred and cannot be simply separated, which therefore entails value-led participation as point of departure for mapping the research design, data collection, analysis and the final conclusion. There are several benefits to this research philosophy as well as potential pitfalls. This will be discussed further in the research approach and data collection section.

2.1.2: PARTICIPATORY ACTION RESEARCH

When we decided to start Ruby Cup, we wanted to create an inclusive BOP business, which would involve BOP consumers not only as consumers, but as business developers and distributors. This way, we would together create mutual value and ensure that the BOP strategy was founded on local knowledge, values and trust. On reflection, we realized that the approach we were using in order to do this was participatory action research (PAR). Participatory methods are furthermore recommended in recent BOP literature (Simanis and Hart, 2008) for exactly this purpose. Developing and testing a BOP strategy has entailed a longitudinal study process, taking place over 14 months (June 2011 – October 2012).

Throughout this process, the researcher has lived in Kenya and engaged with the research participants.

PAR is a collective and dynamic process, which differs from other approaches in the perspective of which objects of a given study are no longer objects, but viewed as co-learners, co-researchers and co-activists of a common issue (Burgess, 2006). Action research strives for a democratization of knowledge, where research is done *with* rather than *on* people (Foeday, 2011.) This type of research is "*grounded in lived experiences, developed in partnerships, addresses significant problems, works with (rather than simply studies) people, develops new ways of seeing/interpreting the world*" (Bradbury and Reason, 2003, p. 156). Experience is a basis of knowledge, and "*experiential learning can lead to a legitimate form of knowledge that influences practice*" (Baum, MacDougall and Smith, 2006, p. 854). PAR idealistically strives to understand the world by changing it.

Action research was founded by British social psychologist Kurt Lewin, who published studies with action research related to community action in the US in the 1940's but whose popularity and uptake was limited due to the concurrent prevalence of positivistic ideologies (Kemmis and McTaggert, 2005). It has lately become popular for understanding development mechanisms, but has so far failed to achieve universal academic recognition and acceptance, as PAR is a break with the dominant belief system of idealizing academic objectivity (Brydon-Miller et al., 2003). Today, it is often associated with social transformation in developing countries and has roots in neo-Marxist approaches to community development in Latin America and human rights activism in Asia (Kemmis and McTaggert, 2005).

PAR has three distinct attributes: 1) Shared ownership of research projects, 2) community based analysis of social problems, and 3) an orientation towards community action. At the beginning of Ruby Cup's process, these three attributes were applied to studying BOP consumers in Kenya. Creating an adequate BOP strategy was not only relevant for the researcher, but as much for the research participants (stakeholders), as these would be key beneficiaries of the product and the business strategy. The need analysis in Kenya was user-centered and the researcher would learn and observe in order to problem-solve together with the participants. Finally, particular to PAR is the objective to create societal action and change. In line with this approach, Ruby Cup has maintained an explicit objective to not only explore, but also to use both theory and empirical learning to create action that would

improve conditions for women and girls living in poverty in the slums of Nairobi. This resulted in a BOP strategy, tested through action.

Process Of Self-Reflective Cycles

PAR is a *process* that involves 'a spiral of self-reflective cycles' (Kemmis and McTaggert 2005), which are overlapping stages of the following elements:

Planning a change, *Acting* and *observing* the process and consequences of the change, *Reflecting* and *Evaluating* on these processes and consequences, *Diagnosing* and *Replanning, Acting* and *Observing again, Etc.*

Illustration: The Action Research Spiral (Saunders et al., 2009, p. 148)

This reflexive cycle allows for an interactive learning process, taking place over a longer period of time. Engaging and living with the research participants throughout a period of longer than 14 month in Kenya, this reflexive cycle has been ongoing in the search for understanding behavior and creating social change. BOP literature was studied thoroughly before departing for Kenya. Hereafter, several months were concerned with uncovering the needs aspect of menstrual hygiene and user-focused conditions and solutions for perceiving challenges as well as non-challenges. Using PAR has allowed for investigating a large population and engaging with the participants to obtain knowledge not only from a preselected specific target audience but in fact, to select a target audience together with the research participants. The needs assessment developed into a planning period for findings solutions, where-after action was taken together with the community.

PAR is dialectical in the sense of "*helping the researcher and participants to investigate reality in order to change it, and change reality in order to investigate it*" (Kemmis and McTaggert, 2005, p. 282). Trying to understand the lack of education about menstrual hygiene is an example of this. By engaging and asking questions, it became clear that

understanding what Ruby Cup is and can do (and thus how to sell it), was contingent on learning more about the female anatomy. By educating local women's groups, often strong leaders were identified who would take over the education. By observing and interacting with the new teachers of menstrual health and Ruby Cup, the researcher understood better how to redesign the educational material. New material was conceptualized, planned for and tested through interaction and participation again. Throughout the research process, the research had many sub-objectives such as education, communication, pricing, etc., which were conceptualized and developed together with the participants as the need was identified. The process is thus characterized not only by a reflexive cycle, but rather *several* emerging reflexive research cycles mixing in and out between each other, contributing to and generating a larger knowledge field of understanding of consumer behavior and of building an inclusive BOP strategy. It was not only the knowledge base that was influenced by this approach, but very much also the methods of obtaining that knowledge and a constant learning of how to become better researchers and participants as well. In this way, PAR is a meta-practice entailing that researchers engage in a process of transforming themselves as researchers, transforming their practices, and their settings (Kemmis and McTaggert, 2007).

Purpose Of Changing The World

PAR is bifocal in the sense that it empowers research participants and generates new knowledge, as well as fosters social change and transformation (Foeday, 2011). *"Fundamental to action research is the idea that the social world can only be understood by trying to change it"* (McTaggert in Brydon-Miller et al., 2003, p. 15). The purpose of Ruby Cup is more than a research study. The goal was to use the research in order to construct a BOP strategy that, through action, would both empower the participants and create social change by improving the conditions faced by women and girls in low-income communities. This thesis is thus a retrospective analysis of this process.

Rejection Of Objectivity

Action research recognizes knowledge as a social construct, and that *"all research is embedded within a system of values and promotes some model of human interaction"* (Brydon-Miller et al., 2003, p. 11). In line with PAR, the case of Ruby Cup has not been value-free or objective. Rather, there are strong explicit values of wanting to empower women and girls in the respective communities with regards to education, menstrual

hygiene and economic independence. The empirical evidence for the case study is affected by this approach as subjective opinions and observations of the researcher are included and presented as valid empirical primary data. "*Action research rejects the notion of an objective, value-free approach to knowledge generation in favor of an explicitly political, socially engaged, and democratic practice*". (Brydon-Miller et al.,2003, p. 13).

Criticism Of PAR

PAR is a 'messy' research approach (Baum, MacDougall and Smith, 2006). It can be difficult for a third party to understand and dissect the process, data collection, and analysis, as the boundaries between researcher and researched are blurred. This presents an issue of validity and legitimacy, and the pitfall of using the approach to justify our own truth or agenda, i.e., as academic proof of "the effective intellectual argument[6]" (Brydon-Miller et al., 2003). Despite PAR's recent popularity, it is important not to over celebrate it. Currently, participatory approaches are being promoted as part of a new revolution in order to distance new methods from the failure of the last many decades of development efforts to fight global poverty. However, using PAR itself is not enough. The organization or researcher must ensure flexibility in order to deliver on being reciprocally participatory and democratic. This can be a difficult for large international organizations, but in the case of Ruby Cup, this has not been a specific challenge, as the organization is small and flexible.

PAR argues that knowledge is equally shared between researcher and research participants, and therefore fully democratic. However, it can be questioned whether power dynamics can ever fully be dissolved, no matter how much time is spent building trust and living in a community. In Kenya, being a foreigner will always make you different. And it is assumed inherently that you will have access to more power and resources than the local study participants, which also normally is the case. The researcher might see equality, but the research participants might not. One should thus be cautious with trusting all information as there can be a skewed power relation and often, local communities will want you to come back and thus tell you a more positive version of the truth in order to show respect.

At the core of PAR, is the desire to achieve empowerment and social change for those involved (Baum, MacDougall and Smith, 2006). This ideal can be argued to be utopian and questioned: is that even possible? How will it be measured, if at all, and in case no empowerment occurs, does that imply that the research has failed? In the case of Ruby Cup,

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[6] Brydon-Miller et al. refers to this as a way of finding an academic approach to justify or underline an argument, no matter its correctness.

the BOP strategy failed, which was based on PAR. Does this then mean that PAR as such was unsuccessful? The ideology of PAR is admirable, but it can be criticized for not giving any answers to what it means for the legitimacy of PAR if the ideal of empowerment and positive change is not achieved, and how that exactly is to be determined.

PAR is an interesting approach because it allows for in-depth participation and real engagement with the research participants. In the case of Ruby Cup, it is an excellent match, as the boundaries between researcher and researched have been blurred with a goal of achieving empowerment and social change. However, it also inhabits several challenges concerning validity and legitimacy. It holds high idealistic values with regards to a democratization of knowledge creation as well as achieving positive change; both of these values can be questioned. However, as with all approaches, they reflect a problem of theory and practice, where the real world cannot be contained within one approach. At the least, PAR makes an attempt to be applicable by accepting the human nature of subjectivity, and by inspiring researchers to do more than observing or merely researching something abstract. It inspires the researcher to get out from the armchair and thereby merge the often-apart worlds of academic theorizing and real world action. *"In our view, this is what theorizing practice means. Participatory action research does not, however take an armchair view of theorizing; rather, it is a process of learning, with others, by doing – changing the ways in which we interact in a shared social world"* (Kemmis and McTaggert, 2005, p. 283).

2.1.3: CASE STUDY METHOD

As the researcher is also a co-founder of Ruby Cup, this allows for an exceptional opportunity of accessing information and looking inside of a case study. The case study method is a research strategy, with the focus of understanding the dynamics present within single settings (Eisenhart, 1989). Case studies can involve either single or multiple cases, and there can be multiple levels of analysis within one single case. What case studies all have in common is that each case is seen as a whole unit (i.e., case study research is holistic), as in its real-life context (Saunders et al., 2009). This thesis applies the method of 'embedded design', which allows for multiple analyses within a single study (Eisenhart, 1989). This approach is well-suited since case studies are *"useful in early stages of research on a topic or when a fresh perspective is needed, […] and we hope to learn something new and important"* (Ghauri & Grønhaug, 2005). The criteria for choosing Ruby Cup are based on the opportunities of having an insider's perspective. *"Insiders (as being the researcher*

undertaking research in their own organizations) have good insight and several advantages by already having knowledge and relations established" (Saunders et al., 2009, p. 323). Conducting a research study on this specific case allows for a longitudinal study, and access to a large amount of empirical data. Being an insider, however, also poses some challenges.

2.2: RESEARCH STRATEGY & DATA COLLECTION METHODS

CHAPTER 2: METHODOLOGY

2.2.1: RESEARCH STRATEGY

The first stage of the research is characterized by inductive reasoning. This is useful for finding patterns, narrowing in the subject matter, and making generalizations (Saunders et al., 2009). This is followed by a deductive approach where the marketing strategy framework of the 4 a's + 5 D's is applied to the empirical case. This framework is not tested as such, but serves to analyze the process for developing a BOP strategy and how the results were achieved. Hereafter, different motivational theories are applied and discussed in order to explain consumer behavior at the BOP. Thus, both the inductive and the deductive approach serve as overlapping methods for generating and deriving knowledge.

2.2.2: DATA COLLECTION

The data used for this study is predominantly qualitative. Qualitative data allows for taking an insider's perspective, and 'putting yourself into someone else's shoes', which requires a direct and often participatory contact (Saunders et al., 2009). It is suitable for explaining underlying relationships or the rationale beneath (Eisenhart, 1989). This type of data aligns well with the research approach and research strategy. There is no quantitative data of significance used in this study. If Ruby Cup had achieved higher sales, quantitative data would have been included. However, as the strategy failed and very few units were sold, a quantitative analysis was deemed irrelevant.

Primary Data

Primary data constitutes the basis for the empirical case study. The data has been collected through participation, interaction, observation and merely 'being part' of a situation over a period of 14 months. In the beginning of the research period, data was often collected through interaction with women's groups. Here, the researcher would present an

introductory speech revealing the purpose and hereafter inviting for participation while asking questions. Some of this interaction has been audio recorded (DR, 2011[7]). Later on, trust and relations have been established, and primary data was experienced as a common dialogue, as 'working together'. An example hereof is the design process of the packaging, where BOP consumers would come up with design suggestions to make Ruby Cup attractive. In these situations, the researcher is part of the group, making more traditional primary data such as formal interviews or well-documented and organized focus groups less likely to take place (Saunders et al., 2009). This also implies that most data is documented as 'travel notes' – in form of a diary, emails to other co-founders of Ruby Cup, a few recorded interviews, video-documented field trips, and photographs – or not documented at all. Quotes from specific stakeholders were written down, but no entire interviews were recorded or transcribed. The number of research participants cannot be precisely counted, only estimated, as primary data has been generated through interaction with many different stakeholders throughout the period of 14 months. However, an estimate of a population sample of BOP consumers is between 500 and 700 participants.

The researcher has chosen to include several more nontraditional types of 'proof' in the case, such as photographs, clips from travel diaries, and letters. In addition, the two other co-founders have triangulated and validated the case study. This free and engaging method has allowed for less 'formal' perception of the researcher, breaking down the boundaries between researcher and the research participants. 'Making friends' with the participants, generated trust, which decreases the risk of staged answers or untruthful information. This has allowed for a much richer empirical foundation than a few in-depth interviews or a limited number of focus groups. All research is in risk of biased data. However, this approach has enabled the possibilities for going back to collect more information over time to investigate or triangulate data. In order to compensate for forgetting or leaving out relevant information, the researcher has gone through films, photographs, notes, and emails, and the case study findings and results have been crosschecked by the two other Ruby Cup co-founders, Maxie Matthiessen and Julie Weigaard Kjaer. Despite the many benefits of this particular data collection method, it also poses some challenges to legitimacy in the terms of providing academic 'proof' of statements in the case analysis. This will be further discussed under validity and reliability below.

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[7] Extracts from the first field trip in June 2011 can be heard in the radio program about Ruby Cup here: http://www.dr.dk/P1/Reportagen/Udsendelser/2011/09/07122252.htm

Secondary Data

Secondary data constitute a substantial part of this research study. The beginning of the research phase was characterized by investigations to gain more knowledge about BOP markets. Here, books on BOP were paramount by the BOP thought leaders – Prahalad, London, Hart and Simanis, amongst others – as well as researching case-studies and academic journals that employed the BOP vision. This was supplemented with background reports on poverty and East Africa's development from international organizations such as The World Bank and The World Resource Institute. As BOP is a new field of study still in fast development, much of the newest opinions and findings appear on blogs such as nextbillion.net, or thebusinessinnovationfacility.org. E.g. the 5 D's framework by Niti Bahn was not to be found within academic journals but only discussed online. As mentioned in the introduction and scope of thesis, there is a knowledge gap with regards to understanding the BOP consumer. There is thus very little academic research or blogs to be found dealing with understanding behavior and purchasing decisions. Secondary literature therefore also counts research concerning older motivational theories such as Maslow, Hofstede, social capital, and compensatory consumption theory. This section builds exclusively on books and academic journals. There is quite an amount of secondary literature about Ruby Cup in the shape of articles by renowned newspapers such as The Guardian, The Huffington Post, Børsen, and more. In addition, there is a CBS case study written by Kai Hockerts, multiple blogposts and video interviews. This literature is listed in the bibliography, but not referred to directly in the case study, as the data is concerned with promoting the company and its mission, and can therefore not be used to triangulate details of the BOP strategy and examine the failure.

2.2.3: VALIDITY AND RELIABILITY

Validity and reliability are two interconnected concepts that are widely used in academic research in order to assert and legitimize methodology and findings. Both concepts have predominantly been used within a positivist paradigm, where knowledge can be proven and generalized (Golafshani, 2003). Positivist models praise objectivity and assume neutrality of the researcher as distanced from the object of study, whereas PAR assumes that knowledge is *"relative, uncertain, contextual and value-laden"* (Foeday, 2011, p. 4).   It is however possible to still value validity and reliability in an interpretivist paradigm (Golafshani, 2003).

Reliability

Some of the key questions concerning the reliability of any study are: 1) Will the measures yield the same results on other occasions? 2) Will similar observations be reached by other observers? 3) Is there transparency in the way in which sense was made from the raw data? (Saunders et al., 2009). These three questions will be dealt with separately.

1) The case study is a single case study; however, the results observed are evaluated in light of three different (but related) strategies tried by Ruby Cup. All three attempts failed. They failed amongst the urban poor, who are richer and more densely populated than the rural poor, which are favorable conditions for a BOP strategy. This implies that the outcome is not location specific, as the strategy most likely would have failed in rural circumstances as well.

2) The researcher would share information and participation with the two other co-founders of Ruby Cup. Data has therefore been triangulated by a multiple observer method, as well as through multiple methods; such as observations, interviews, and recordings over a long period of time with a large number of stakeholders.

3) When compared to a single focus group or a survey, the traditional academic documented data is scarce and allows for little transparency for a third party. This is one of the main weaknesses. However, by not taking an official distinct researcher role, trust was generated, and deeper and more accurate insights have been found. It is believed that the latter benefit of accessing deep and dense localized information offsets the weakness of lack of transparency with regards to the documentation of the findings.

The greatest threat to reliability under a participatory action study is to reach biased conclusions: *"Because we are part of the social world we are studying we cannot detach ourselves from it, or for that matter avoid relying on our common sense knowledge and life experiences when we try to interpret it"* (Delbridge and Kirkpatrick, 1994, p. 34).

This research process has been value-driven with regards to wanting to create a sustainable and successful BOP business, which would empower women and girls as well as sell products and earn profits. If the study had been concerned with explaining the success of the strategy, the bias would be obvious and difficult to detach from the findings. However, as the study is concerned with understanding a failure, there is no conflict of interest in wanting to explain why. That said, bias is a negatively connoted concept that shies away from subjectivism towards a goal of obtaining objective knowledge. This is not the purpose of this study, as subjectivism is the foundation of the philosophical paradigm that shaped

this research. This study will therefore be biased, in the sense that subjectivity and opinion influences the design, analysis and results. By explicitly stating this, it allows for transparency and honesty for third parties to come to their own judgments about methods and findings.

Validity

There are several hazards to be navigated in establishing validity (Saunders et al., 2009). As this research has been a mutual negotiation of knowledge between the researcher and research participants, there are many possible outcomes of interpretation. Cultural differences pose a threat in order to bridge a communication gap and create common sense-making of a specific result. One of the ways in which this has been dealt with, is through engaging with a large and differentiated group over a long period of time. Another way to address validity is by testing knowledge through action. Where some researchers are concerned with objectivity, distance, and controls, action researchers are more worried about issues such as relevance, social change, and validity tested in action (Brydon-Miller et al., 2003). This way, it can be argued that PAR meets the criteria of validity to a higher degree than other research approaches, as the knowledge is tested in real life. With regards to this study, the BOP strategy was developed and tested in real life, and the failure hereof can thus be argued to be valid. However, for answering the research question and understanding the reasons why Ruby Cup failed, the conclusion relies on an interpretivist analysis and the findings can be contested.

2.2.4: ETHICAL CONSIDERATIONS OF THE DATA COLLECTION METHOD

As PAR is a research approach that includes engagement and close participation with local communities, it is crucial to involve ethical considerations in the data collection method. Throughout the research process, the researcher has stated the purpose openly and clearly. Consent has always been sought not only by chiefs, group leaders, or school principals, but also on a one to one basis in conversations. Menstruation is a delicate issue, and especially with young participants, extra caution was taken in the framing of questions. Getting consent for participation does not however imply consent for how the knowledge generated is used (Saunders et al., 2009). In order to overcome this, the purpose and goal of Ruby Cup as such was underlined repeatedly. To the researcher's awareness, no party felt violated throughout the process. On the contrary, participants were very eager to contribute.

2.4 THEORETICAL FRAMEWORK

In order to explore why Ruby Cup failed to reach the BOP consumers in Kenya, it is relevant to present and discuss BOP theory, criticism against it, and the transition from BOP 1.0 of 'selling *to* the poor' to BOP 2.0 of 'doing business *with* the poor'. This later development was the foundation for Ruby Cup which embraces mutual value creation for the business and the poor, based on participatory methods. In continuation, two BOP marketing strategies will be combined and serve as a guiding analytical framework for the case. The first is Prahalad's 4 A's framework (Affordability, Acceptability, Availability, and Awareness) and the second is Niti Bahn's 5 D's (Development, Demand, Dignity, Distribution, and Design). Together, they account for both the business and the developmental aspect. They have been chosen, as they are open, and therefore flexible for encompassing information obtained through a long period of BOP strategy development through PAR. However, it is also important to point out, that these are also some of the only general strategies available in literature. BOP is still an emerging field, and there are very few models or main theories to apply to reaching the BOP consumer. Therefore, other theories have been chosen outside of the BOP literature in order to add to the theoretical framework.

Understanding the poor consumer is connected to how poverty is perceived. Opposed to the utilitarian/functionalist perception of poverty based on income alone, Amartya Sen and his capabilities perspective is introduced to provide a holistic and multi-dimensional understanding of poverty. This theoretical discussion suggests that poor people strive for more than just fulfilling their basic needs.

Finally, four motivational theories have been chosen in order to reflect different perspectives. 'Maslow's understanding of human basic needs as hierarchical are reflected in BOP theory, which underlines his contemporary presence in understanding poverty and what motivates poor people. Hofstede criticizes Maslow for being universal in his theory, and argues for cultural relativity, a perspective acknowledged in BOP 2.0. 'Social Capital and Family Systems' are present in BOP literature, arguing for social relations as assets in the BOP. Finally, in line with social capital is the theory of 'compensatory consumption'. This theory sheds light on explaining motivational drivers specifically for minority groups or cultures. These theories are different, but each has relevant perspectives for exploring why Ruby Cup failed to reach the BOP consumers in Kenya.

CHAPTER 3

DEVELOPING THE ANALYTICAL FRAMEWORK

FROM LITERATURE

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Introduction

In order to understand why Ruby Cup failed to reach the Kenyan BOP consumer, the following part of the thesis will introduce and discuss relevant literature and theory in four different sections. The first section will dissect what the BOP is, criticism against it, it's development, what is known about the consumers. The second section will present two marketing strategies (the 4 A's and the 5 D's framework) for reaching the BOP consumer, and conclude in an aggregated analytical framework of the two. The third section will examine different notions of poverty and how this relates to understanding consumer choices and motivating factors. The fourth section will present and discuss four different motivational theories that each ad perspectives for explaining BOP consumer behavior in the case of Ruby Cup. The chapter will conclude with an illustration of the analytical framework which will be used for analyzing the case and answering the research question.

3.1: THE BASE OF THE PYRAMID

CHAPTER 3: DEVELOPING THE ANALYTICAL FRAMEWORK

3.1.1: WHAT IS THE BOP?

The term BOP is a rather recent phenomenon. It was firstly coined by C. K. Prahalad and Stuart Hart in 1999, and later on developed in several articles resulting in the bestselling book "The Fortune at the Bottom of the Pyramid". It refers to the poorest four billion people of the global economic income pyramid. "*It is the population of the world that is generally excluded from the current system of global capitalism"* (London and Hart, 2011, p. 8). Instead of the traditional opposition between business and poverty, Prahalad invites us to see business as the main solution for eradicating poverty, while harvesting profits of new and fast-growing markets. The poor are not a helpless group of victims, but creative entrepreneurs, low in relative income, but rich in capabilities and aggregated purchasing power: "*If we stop thinking of the poor as victims or as a burden and start recognizing them*

as *resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up"* (Prahalad, 2004, p. 1).
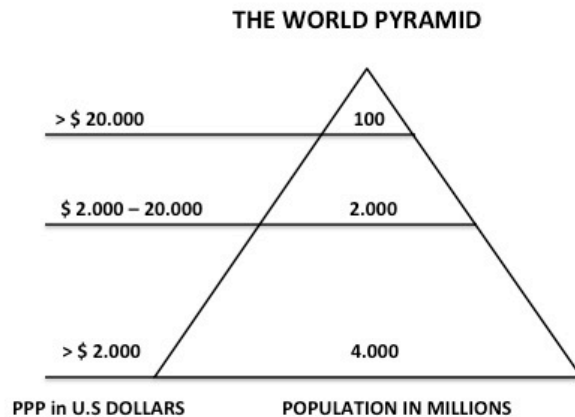
THE WORLD PYRAMID

Illustration: The World Pyramid (Prahalad and Hammond, 2004, p. 3)

Throughout the last 60 years, more than $1,5 trillion have been given out in grants and donations to development countries (Kennedy and Novogratz, 2011), but with very little improvement in poverty measures to show (Easterly, 2006). BOP theory offers profit as an incentive for getting the private sector in form of large MNCs engaged in finding innovative solutions to alleviating poverty (Prahalad, 2004). Poor people represent an untapped market opportunity, and MNCs are missing out by not making an effort to serve them. Prahalad and Hart use the term 'Inclusive Capitalism' to present a new era where people with poor income can participate in the economy as entrepreneurs. Through co-creation between multiple stakeholders such as business, the third sector, government and the BOP, innovation, profit, and poverty eradication will occur. *"During the last decade, each group has been searching for ways out of this self-imposed intellectual trap. To eradicate poverty, we have to break this implicit compact through a BOP-oriented involvement of the private sector."* (Prahalad, 2004, p. 10).

In order to unlock the fortune hidden amongst the poorest of the poor, Prahalad calls for a break with the dominant logic of how poor people are perceived. Instead of thinking of them as a problem, they are a business opportunity. Rather than aid recipients, they are consumers, entrepreneurs and producers. Poor people have money, and they are willing to spend it. The marketplace is already there and trade is already occurring.

The Poverty Trap

Consumers in the BOP pay a higher price for basic goods and services of lesser quality. This is referred to as the BOP penalty or the poverty trap. The reason is, that BOP consumers have few options for consumption and fewer opportunities to exercise these options (Wood et al., 2008). This is due to lack of distribution infrastructure, high transportation costs, and limited cash flow forcing them to buy goods in smaller packages, paying a higher per-unit cost. They are constrained to purchasing locally from the 'village monopolist'. In fact, goods bought by the BOP can carry prices 5 – 25 times higher than what the top of the pyramid (TOP) pays, even when the BOP goods are of lesser quality (Prahalad, 2004). The BOP could and would buy more, if business could offer adequate, well-made products at affordable prices (Nakata and Weidner, 2011). *"In reality, consumers at the bottom of the pyramid pay much higher prices for most things than middle-class consumers do, which means that there's a real opportunity for companies, particularly big corporations with economies of scale and efficient supply chains, to capture market share by offering higher quality goods at lower prices while maintaining attractive margins"* (Prahalad and Hammond, 2002, p. 3). Prahalad challenges the notion of seeing the BOP market as a poor market that only needs basic things. Rather, he argues that the BOP consumers have money and that they are willing to spend it. *"It's also incorrect to assume that the poor are too concerned with fulfilling their basic needs to "waste" money on non essential goods. In fact, the poor often do buy "luxury" items"* (Prahalad and Hammond, 2004, p. 3).

The Size Of The BOP Market

The size of the BOP market is widely disputed and where to draw the line ($1, $2 or $4 a day) continues to be a center of attention in literature. Following the global study of the World Resource Institute and the International Finance Corporation, made by Hammond et al., (2007), the BOP is constituted by 4 billion people with incomes below $3.000 in local purchasing power. Together, they have a purchasing power of $5 trillion. The wealthier BOP segment is constituted by 1.4 billion people with income between $3.000 and $20.000 and represents a market of $12.5 trillion globally. The latter tier is largely urban and already a very competitive market (WRI/IFC, 2007). The African BOP market is not as large as the Asian, and has an estimated size of $429 billion. However, the BOP market is by far the region's dominated market and accounts for 71% of the purchasing power (WRI/IFC, 2007). In total, the BOP constitutes approximately 2/3[rds] of the world population, with an aggregated income of $13 trillion PPP (Prahalad, 2004) and earns $1.7 trillion mainly through

the informal economy (Hammond and Prahalad, 2004, and London and Hart, 2004). These numbers are show the potential of the BOP market as an attractive business opportunity. There is money to be made wherever there is money being spent.

3.1.2: CRITIQUE OF BOP THEORY

Aneel Karnani rejects the BOP philosophy that business can eradicate poverty while earning profits and calls it a 'mirage'. First of all, Karnani disagrees with how Prahalad has measured the potential fortune at the BOP. In Karnani's reasoning, there are far fewer people, living for much less money, resulting in a small and unattractive market (Karnani, 2007). In addition, the BOP is scattered and difficult to access, making economies of scale problematic even for large companies. As poor people are forced to spend up to 80% of their income on food, clothing and fuel, this leaves little space for spending on 'luxury' items, as proposed by Prahalad. One of his main criticisms of the BOP, is the 'single-serve revolution', or selling products in 'sachet servings'. He attacks the notion that packing e.g. shampoo into a single serving makes the product affordable for the poor. Instead, he argues that sachets might help with cash flow, but most probably the consumer will end up paying much more than the middle class family who can buy an entire liter or two. Single servings also leave an environmental waste problem in communities with very poor waste infrastructure.

Other than disregarding the opportunity for finding a profitable fortune at the BOP, Karnani also expresses concern about potential damage and harm the BOP thinking can do to the poor (Karnani, 2007). Prahalad argues that eradication and/or alleviation of poverty will occur, but he does not specify how (Crabtree, 2007). If BOP is mainly focused at selling more products to the BOP consumer, but not at the same time raising their income, the consumer will have to trade-off other goods in order to afford the new offers. As poor people are often uneducated and disadvantaged, Karnani is not confident that they themselves will know how to choose wisely for themselves, which might have severe consequences. *"The data suggest that the poor lack self-control, yield to temptation, and spend to keep up with their neighbors. In this they are no different than people with more money, but the consequences of bad choices are more severe for the poor."* (Karnani, 2007, p. 98)

Instead, he suggests that where the real value is, is to increase income of the poor. This can be done by lowering the price for what they are already purchasing, most probably by offering products of less quality, or by seeing the poor as producers and generating employment for them.

3.1.3: FROM BOP I.0 TO BOP 2.0

Karnani's criticism is relevant to the BOP hypothesis, and he inspired a development within the BOP literature to move towards a second generation: The BOP 2.0 Protocol. The BOP 2.0 protocol by Simanis and Hart (2008) is a break with the purely market driven approach where the bottom four billion are seen merely as consumers, and the focal point is for MNCs to go for the fortune bait and engage in BOP markets – a viewpoint concerned with 'selling *to* the poor'. BOP 2.0 is instead a guideline for co-creating solutions together *with* the poor, and aligning shared value financially, culturally and socially. "*Simply put, we contend that successful BOP business development requires a change in framing to creating a fortune with the BOP*" (London and Hart, 2011, p. 2). The shift in perspectives lies in going from 'fortune finding' to 'fortune creating in cooperation with the poor' (London and Hart, 2011).

The BOP protocol marks a general shift towards using sociological and anthropological worldviews to understand poverty, consumption, wealth creation and appropriate business solutions to truly engage in poverty alleviation as well as earning profits. What is radically different in this approach is, that the needs of the poor should be the starting point for any business solution or innovation, rather than just selling more of the same in smaller formats as proposed by the 'single-serve revolution'. BOP 2.0 states that in fact, these early MNC attempts to capitalize on the fortune of the BOP will surely fail in time, as business remain foreign to the underlying values and structures of the markets it serves. "*Single serve (sachet) packages, low-cost production, extended "mom and pop" distribution, and NGO partnerships have become de rigueur. Yet, in the rush to capture the "fortune" at the base of the pyramid, something may have been lost — the perspective of the poor themselves*" (Simanis and Hart, 2008, p. 1).

These strategies are in the BOP protocol referred to as 'corporate imperialism', with the only agenda of turning the poor into consumers. As Karnani argued, increasing the choice of (unethical) consumption will not alleviate poverty. On the contrary, it will only create more options and distractions to spend limited income on rather than increasing income or spending power. The second generation of BOP theory, suggests moving from business as being a 'listener' to engaging in a 'dialogue'. *"In sum, building a BOP business that creates enduring community value, while establishing a foundation for long-term corporate growth and innovation, requires an entirely new strategic process and corporate capability"* (Simanis and Hart, 2008, p. 2). Rather than understanding business and poor people in a hierarchical

condition, BOP 2.0 proposes a mutual learning and capabilities perspective, where the resources of the poor are highly valued and necessary for business to succeed. Equal partnerships are promoted throughout the entire business development phase, and business should adapt to the local culture. There is an underlying ethics which builds on the notion that it should not just be good for business (like selling tobacco to poor consumers), but it should be culturally appropriate and environmentally sustainable business that will be part of the solutions to societal and environmental problems.

Growth is also a more holistic concept. In order to alleviate poverty, the poor should be involved as producers, sellers and distributors. In addition to generating income and lifting them out of poverty, this will also facilitate capability creation and local business skills (Chatterjee, 2009). Engaging with the poor will on the business side have strong competitive spillover effects in the form of new disruptive innovations and market opportunities that the business would not be able to discover by 'listening'. BOP 2.0 is the ultimate merger of business and development. *"Indeed, we believe the interconnected challenges of addressing poverty and human development and restoring global ecological systems present multinational corporations (MNCs) with a unique opportunity — a "license to imagine," to re-conceptualize the corporation in a manner that can sustainably serve the diverse needs and values of people across the globe"* (Simanis and Hart, 2008, p. 5).

The BOP 2.0 Protocol entails a human perspective with regards to understanding poverty and business. It is not as much a business strategy, but can be better described as a set of values, an underlying philosophy and methodology for engaging successfully in the BOP market. In order to 'engage in dialogue' and 'co-create' together with the local communities. Simanis and Hart suggest participatory methodologies such as PAR. By living in communities and getting to know what is locally embedded in the culture, this will frame the local needs with the appropriate business innovations: *"BOP ventures are looking to combine the best of both worlds – the resources and technological capacity of the formal economy and the indigenous knowledge, human face and local embeddedness of the informal sector"* (London and Hart, 2011, p. 10).

Criticism

BOP 2.0 is based on idealistic principles. Most businesses will not in their day-to-day operations prioritize to 'just spend time' living in an area, and then see which business opportunities might arise from engaging with the community. Also, it can be questioned to

which extent this framework is truly more culturally relativistic in the sense that it still presumes that doing business with the poor should be based on values such as environmentally friendly, ethically good, and poverty alleviation. It is a beautiful framework, but all these values might not necessarily be what the poor actually desire or want.

3.1.4: THE BOP CONSUMERS

There is to date still scarce information regarding the BOP consumers' purchasing trends, segmentation, preferences and aspirations, especially when it comes to the consumption behavior differences amongst BOP consumers (Barki & Parente, 2010). The 4 billion BOP consumers that live across the globe are not one large homogeneous group. On the contrary, there is a large difference between cultures, tribes, rural and urban BOP consumers, just to mention a few categories. Income varies across segments and groups. A commonality, however, is having unmet needs. Electricity is unstable, healthcare is a luxury, goods are scarce in supply and most depend on informal or subsistence livelihoods (WRI/IFC, 2007). Infrastructure to handle products and services can be unstable, such as storing options or quality of transportation. Often, consumers are illiterate, in poor health, with low education, hard to reach with media, geographically isolated, and inexperienced with consumption (Nakata & Weidner, 2011).

In addition, the macroeconomic environment carries constraints that affect the consumers, such as low gross domestic product, low income, high inflation, import price shocks, foreign currency shortages, corruption and political instability (Nwanko, 2000; Eifert et al., 2005 in Chikweche and Fletcher, 2010). In general it can be said that there is a lack of choice and quality – and the markets are not easy to reach.   But despite these challenging characteristics, there are many opportunities to be exploited. The BOP market is the fastest and the largest growing consumer base on the globe (Nakata & Weidner, 2011).

Viswanathan (2011) argues that doing business with the BOP consumer requires a bottom-up approach in order to understand local values and traditions. You have to get into the mindset of the BOP consumer. He talks of illiteracy as a deprivation, which translates into several behavioral patterns. Due to low education, the BOP consumer often thinks in pictures or patterns. Communication must thus be adapted with picture-grams and focus on instructions and education about the product. Illiteracy also translates into a problem of not being able to perceive the future and investing long-term. As most BOP consumers live day to day, the concept of saving long-term or buying something today that will save you money

time ahead can be inconceivable. The rationale of arguments and products and services provided must thus ensure adaptability with the mindset of the BOP consumer in order to resonate. Despite economic deprivation and illiteracy, Viswanathan argues that the BOP consumer is rich in social networks and relations, as the BOP market place has an emphasis on human relations (Viswanathan, 2011). Gaining trust in the community is thus crucial for getting the acceptance of the BOP consumer. Most BOP research has evolved around the trying to understand how to measure the BOP and the potential aggregated income to spend. There is very limited information however, on the preferences and tastes of the BOP consumer, and how to understand their wants and needs.

3.2: BOP STRATEGIES FOR REACHING THE POOR CONSUMER

CHAPTER 3: ANALYTICAL FRAMEWORK THROUGH LITERATURE

Introduction

BOP theory is relatively new, and under constant development. Most literature is case-based, and there are very few general strategies or approaches for reaching the BOP consumer. The BOP 2.0 protocol is not a strategy as such, but can be better characterized by a set of guiding principles, values, or a certain methodology and mind-set, necessary for navigating in BOP markets and for turning a business into a success while creating societal value together with BOP consumers.

These guiding principles can be summarized as: being participatory, create equal partnerships with the local community, co-create the business strategy (Simanis and Hart, 2008), focus on local embeddedness (London, 2008), use a bottom-up approach (Viswanathan, 2007), be profit seeking (Prahalad, 2004) but ensure that the poor are included as distributors and producers rather than merely consumers (Karnani, 2007; Simanis, 2008). These values are respectful and admirable, but there is a gap in literature with regards to *how* specifically these values are employed and turned into successful BOP strategies that will reach the BOP consumers.

One of the only general strategies for entering the BOP is the 4 A's framework proposed by Prahalad. This framework looks at four different categories that a business must take into account for reaching the poor. It has been further developed by Niti Bahn in her 5 D's framework, which has added more idealistic developmental aspects into the different categories, in line with BOP 2.0. This section will present and explain these two frameworks

separately, and conclude by making an aggregated composition of the two, which includes categories that both focus on selling *to* the poor and co-venturing *with* them. The aggregated 4 A's + 5 D's framework will be applied for analyzing the case of Ruby Cup.

3.2.1: THE 4 A'S FRAMEWORK

The 4 A's Framework was first proposed by Prahalad in 2004, as determinants for the 'capacity to consume' (Prahalad 2004). It has been further developed and tested by Andersen and Billou (2007). The main argument behind the framework is, that doing business in the BOP and reaching the BOP consumer requires a very different kind of thinking than doing business in the TOP. Due to the specific characteristics of BOP markets, businesses must adjust their strategy to these in order succeed. The 4 A's framework is the equivalent to the well-known 4 P's of marketing (product, price, place, promotion[8]), but adjusted to the specific characteristics of the BOP markets. The 4 A's are mainly concerned with 'selling to the poor' rather than 'business co-venturing' as proposed by the BOP 2.0 theory.

Affordability

As BOP consumers are characterized by their lack of wealth, having a low price is seen as one of the major determinants for business success in the BOP. Cash flow plays a major role, as the BOP consumers often spend 2/3rds of their income on food (WRI/IFC, 2007) – and will have to make due for other purchases with the last cash in hand. Life in the BOP is from day to day, without savings and the opportunity to invest in long-term solutions (Viswanathan, 2011). One of the predominant MNC strategies to make products affordable for the BOP is selling 'sachets products'. This strategy has been very successful with regards to fast-moving consumer goods (FMCG) (Anderson and Billou, 2007). However, the criticism relates to the poverty penalty, as often the poor end up paying much more aggregated for 1 liter of shampoo. Affordability is also related to availability, as keeping costs down can be a challenge when there are no main distribution channels to get the products out to the BOP consumers.

Availability

In BOP markets, availability is a major challenge to be overcome. Especially in rural markets,

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[8] The four P's was first proposed by E. Jerome McCarthy in 1960, and was hereafter included in Neil Borden's 'Marketing Mix' (Borden, Neil H.,1964).

infrastructure is poor or non-existent, and the distances to travel are great. This issue results in a scarcity of constant supply, which means that sometimes consumers can get some products, and in other periods these products are no longer available (Chatterjee, 2009).

When introducing a new product, this is a question and a concern that matters a great deal in the product adoption. If consumers get the notion that the product is unstable and only available sometimes, they automatically downgrade the value of the product. Lack of constant availability will decrease trust amongst users, and it will be seen as lack of quality and legitimacy (McKinsey, 2012).

Distribution patterns are also of great importance. Many BOP consumers spend the entire business day working in order to earn a day's salary, and will thus not be able to shop at places that close at 5 pm (Prahalad, 2004). In addition, location is exceptionally important, as distances between outlets can be large, and public transportation expensive and unsafe; thus, proximity of availability can be a key factor for success.

Different strategies have proven to be successful in order to distribute goods. E.g. Hindustan Lever (HLL) uses scooters, rick-shaws, and even canoes to get the goods out. Direct sales, especially by women, has also shown success e.g. in Brazil, where the Avon Ladies travel by small boats and ferries to serve the male gold mine workers with goods (Andersen and Billou, 2007). Innovation for constant distribution to reach the poor is under development. A recent interesting example is Cola Life[9], an independent NGO, which capitalizes on the distribution system of Coca-Cola. By making packaging that fits perfectly between the Coke bottles, Cola Life can transport medicines and health kits to the most rural parts of the world, without adding to the distribution costs. Basically, they 'free-ride' on the extremely successful and extensive Coca-Cola distribution. "*In order to have a successful distribution channel, which can be scalable, it is important to "embrace a perspective geared toward identifying, leveraging, and enhancing platforms that already exist in the BOP marketplace" (London, 2011, p. 32).* Overcoming the problem of availability is crucial for making sure that BOP consumers will have the opportunity of purchasing the product and trusting it for future use, and taking advantage of existing distribution channels is one of the best ways to accomplish this.

Acceptability

BOP markets are argued to have unique features, and therefore, it is crucial that products and services are adapted to fit into these unique needs (Prahalad, 2004). An example of this

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[9] http://www.colalife.org

is Coca-Cola, who started sending out freezer boxes with their Cola bottles to support their distributors and help them service their customers, so they could supply cold Cokes, despite electricity scarcity (Anderson and Billou, 2007). However, acceptability is not only about adapting certain products or circumstances in order to make the product 'fit' in a new setting. Culture plays a major role and companies must be aware of how the products can be perceived. In India for example, cheap shampoo was perceived as very bad for the hair. Instead, the women preferred to use a very simple soap for both body and hair. Hindustan Lever understood this perception, and developed a cheap 2 in one product, with great success (Anderson and Billou, 2007).

Re-usable pads have also been widely distributed in BOP markets but often failed to be properly accepted despite affordability. This is because menstruation is a taboo subject, and both washing the cotton pads and hanging them out to dry outside is seen as very shameful. Days for Girls International[10] understood this, and made reusable cloth pads that, when unfolded, resembled a handkerchief. This made the women in villages much more willing to wash and dry the pads properly. The main literature on BOP is primarily concerned with adapting specific products to needs of the BOP markets in order to make the products acceptable. There is a gap in BOP literature for investigating what motivates purchasing decisions and enhances acceptability of products and services amongst BOP consumers. This will be further discussed at the end of this chapter.

Awareness

Creating awareness about products and services also often requires different strategies than pursued in the TOP. Scarcity of electricity means limited access to radio or TV. Building awareness is therefore not only a question of marketing cost, but also of which channels to use. Companies have been successful with engaging in the localized entertainment such as street theater, paintings of house facades, local radio programs, meetings with chiefs on fields for community meetings (Chatterjee, 2009). In Kenya, it is often religious groups and women's groups that have the connections to disseminate information in their villages. Finding the right channels to create awareness is key for marketing any specific product or service. Multifaceted marketing strategies, such as women to women sales, have been used to overcome both the availability challenges as well as creating awareness through local networks and word-of-mouth marketing. This strategy had been a major success with Hindustan Unilever's direct sales model of soap in India and Brazil (Anderson and Billou,

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[10] http://www.daysforgirls.org

2007), as well as with the VisionSpring[11] entrepreneurs who supply eye glasses in rural BOP markets. This method spreads the word in local languages as well as generates trust about the products, as local vendors are there to vouch for them (Anderson and Billou, 2007).

The 4 A's framework is argued by Anderson and Billou to construe a contextualized framework for achieving success in BOP markets: **"*Up until now, business managers have lacked a comprehensive framework for profitably addressing BOP consumers in developing countries. But as we have shown, by leveraging the 4As - availability, affordability, acceptability and awareness - companies can achieve growth and profit, two elusive goals in many developed markets*"** (Anderson & Billou, 2007, p. 10).

Many of the examples used by Anderson and Billou are taken from either information and communications technology (ICT), which is a growing industry in all developing countries, or fast moving consumer goods (FMCG). The 4 A's framework has been developed for businesses to overcome the challenges for earning profits in BOP markets, to 'do well'. However, its focus on the local acceptability and how to create demand for a specific product is superficial. 'Acceptability' is more concerned with adapting a product to the contextual factors in order to maintain a specific product function rather than looking at what motivates BOP consumption decisions. The 4 A's framework also holds no underlying values about serving sustainable products or alleviating poverty. These values come out clearly in the 5 D's framework.

3.2.2: THE 5 D'S FRAMEWORK[12]

As the BOP marketing field is under constant development, new knowledge and ideas are continually added to the mix. Niti Bhan from the Emerging Future Lab[13] proposes a more idealistic framework than the 4 A's to reach BOP consumers. In her opinion, the 4 A's is a westernized and extortionist framework that does not have enough focus on local growth and local needs. Instead, business in the BOP entails the notion of not only 'doing well', but also 'doing good' at the same time. This framework builds on some of the values of the BOP 2.0 protocol, where Western perspectives should be left aside, and a more anthropological and localized attitude should be used to create businesses that serve the poor while doing

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[11] http://visionspring.org
[12] http://www.core77.com/blog/featured_items/the_5ds_of_bop_marketing_touchpoints_for_a_holistic_humancentered_strategy_12233.asp
[13] http://www.emergingfutures.org

well. Her framework is similar to the 4 A's in that it addresses similar categories, but her arguments and values are not only profit seeking, but rather focused on development.

Development

Bahn believes that BOP business should be considerate about which types of products are offered to the poor. In her perspective, any product or service offered to the BOP consumers should have an immediate positive value. Due to limited cash, every day is a trade-off of which products are chosen over others. Acceptability will thus depend on the ability to demonstrate superior value. Bahn here agrees with Karnani in his criticism of creating businesses that sell alcohol and tobacco to the poor. Instead, products and services offered should bring betterment. It is worth noticing however, that it appears to be the business that determines what betterment means, rather than the BOP consumer. Bahn hereby adds to the category of acceptability. A product should not only have a necessary function (serve a real need), but in addition, the product should also add societal value in the shape of a 'do good' product, rather than a 'do harm' product.

Design

Bhan argues against 'sachet products'. As BOP consumers are not 'trapped' in Western consumption patterns, new products must be designed to fit the needs and wants of this unique market, which suffers from a lack of quality products. She gives the example of cooking stoves that are relatively expensive and break easily, in order for them to be affordable. A low price should not be the sole determinant in the design phase; durability and quality is important to create real value for the BOP consumer (Bahn, 2008).

Demand

Demand is an interesting category. Bhan argues that companies must use a human-centered analysis[14] to understand how to manage advertisements and marketing in order to create demand amongst the BOP consumers. Some of the questions she asks are: *"Does a demand exist at the BOP? Are people aware of the benefits? And are they able to understand why they should part with their limited and often unpredictable income for it?"* (Bahn, 2009, January[15]). She argues that there is a tendency to assume that BOP consumers have similar

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[14] Human centered design dictates that point of departure for any strategy or innovation should be user-centered, around human needs (www.ideo.com)
[15] Http://www.core77.com/blog/featured_items/the_5ds_of_bop_marketing_touchpoints_for_a_holistic_humancentered_strategy_12233.asp

values to the dominant consumer culture of the West, just with less income. But instead, marketing messages, advertising and communications must be much more contextually appropriate to the lives and needs of BOP consumers. This category is similar to the Awareness category, however, in addition to finding the right marketing channels, she focuses on the messaging and values espoused when marketing a new product or service. This falls in line with Viswanathan's argument of taking illiteracy into account. "*Packaging, communication and education should be concrete in light of the low-literacy audience*" (Viswanathan, 2011, p. 154).

Distribution

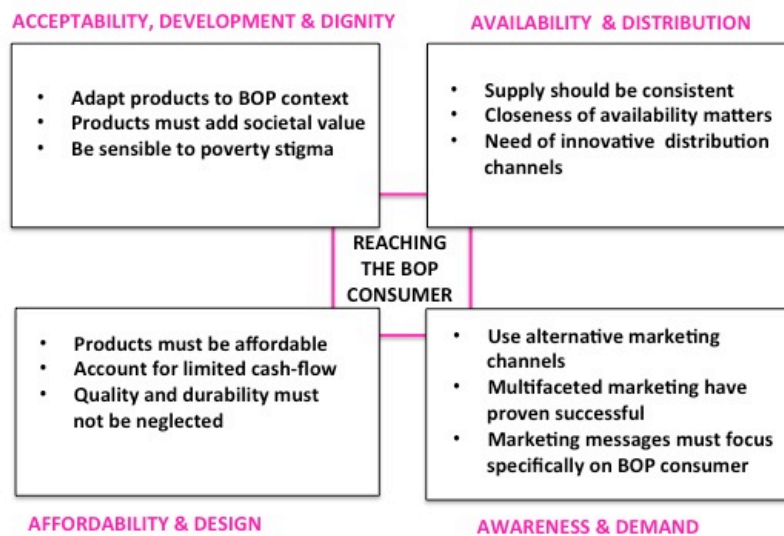Distribution is comparable to Accessibility in Prahalad's framework.

Dignity

Dignity captures the important notion of making sure that the BOP consumers do not feel stigmatized. Having this category in the framework, allows for a culturally relativistic approach to understanding the BOP consumer. She argues that BOP consumers are like any other people, who do not want to be perceived as poor and will thus reject products that will underline their poor status. Instead, companies need to come up with products and marketing strategies that are sensitive to this vulnerable group and take dignity into account. *"Often, we are so intent on improving their lives that we forget that the poor are people too. They're simply very different but equally demanding consumers whose expectations must be understood and respected if we're truly to succeed."* (Bahn, 2009, January[16]). If businesses are not careful about truly understanding the mindset of BOP consumers, they might come up with marketing strategies and business models that are in opposition with the local values. Dignity is related to acceptability, and underlines that acceptability is not only about adapting a function of a product or service, but about intangible social values and attributes.

3.2.3: AGGREGATING THE TWO FRAMEWORKS

The four A's framework was developed in the early BOP days, where the primary focus was on how to 'sell *to* the poor'. The more recent 5 D's framework has a deeper focus on complex social structures and behaviors: "*A combination of factors such as local culture and history, as well the daily experience of coping with a life of adversity, lead to a different*

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[16]http://www.core77.com/blog/featured_items/the_5ds_of_bop_marketing_touchpoints_for_a_holistic_humancentered_strategy_12233.asp

mindset when it comes to purchasing patterns."(Bhan, 2009[17]). Despite a difference in respective achievements (profits vs. mutual value), the points they touch upon are very similar. The two frameworks have thus been added together in order to use this aggregated framework on the Ruby Cup case. The aggregated 4 A's + 5 D's framework can be summarized as follows:

ACCEPTABILITY, DEVELOPMENT & DIGNITY
- Adapt products to BOP context
- Products must add societal value
- Be sensible to poverty stigma

AVAILABILITY & DISTRIBUTION
- Supply should be consistent
- Closeness of availability matters
- Need of innovative distribution channels

REACHING THE BOP CONSUMER

- Products must be affordable
- Account for limited cash-flow
- Quality and durability must not be neglected

AFFORDABILITY & DESIGN

- Use alternative marketing channels
- Multifaceted marketing have proven successful
- Marketing messages must focus specifically on BOP consumer

AWARENESS & DEMAND

Illustration: The aggregated 4 A's + 5 D's framework (by author)

This aggregated framework looks both at the business side of how to strategize for BOP entry, and it also takes into account that solutions must be localized to the BOP consumer in terms of marketing messages and design of products in order to be accepted.

There is a recognition of the fact that the BOP consumers must be understood – *"their needs must be met in a manner that resonates with their lifestyle and self-perception"* (Bahn, 2008, April[18]) – but yet, the framework offers little in the way of methods for actually doing so. In this way, it is a useful framework or checklist for developing a business strategy, and for understanding the Ruby Cup BOP market entry. But in order to expand the understanding of the BOP consumers in Kenya, more theory is needed. The next sections will investigate the concept of poverty, followed by a presentation and discussion of four different motivational theories that can be used for explaining behavior of the poor.

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[17]http://www.core77.com/blog/featured_items/design_for_the_next_billion_customers_by_niti_bhan_and_dave_tait_9368.asp
[18] Retrieved from:
http://www.core77.com/blog/featured_items/design_for_the_next_billion_customers_by_niti_bhan_and_dave_tait_9368.asp

3.3: IS INCOME A VALID MEASURE OF POVERTY?

CHAPTER 3: ANALYTICAL FRAMEWORK THROUGH LITERATURE

Introduction

BOP consumers are categorized by living in poverty. In order to understand the BOP consumer and what motivates purchasing decisions, it is relevant to discuss what poverty means. Throughout BOP literature, the BOP market is defined by income alone. In continuation, there is a focus on the importance of goods and services that provide for basic needs of the BOP consumer. This section will question this perception of poverty by introducing Amartya Sen's capabilities perspective and challenge the view that basic needs are only commodities.

3.3.1: INCOME POVERTY AND BASIC NEEDS

Is poverty an absolute or relative condition? What defines it, and how does it vary from country to country? Being poor in Europe is perceived differently from being poor in Bangladesh. Understanding what motivates purchasing decisions of the poor requires an understanding of what being poor means. Poverty is often divided into three groups: *extreme* poverty, *moderate* poverty, and *relative* poverty (Sachs, 2005). *Extreme poverty* refers to people who are not able to meet their basic needs such as shelter, water, food, education, clothes, sanitation, healthcare, etc. This kind of poverty is found predominantly in developing countries. *Moderate poverty* describes people who can just barely meet their basic needs. *Relative poverty* refers to a family income, which is less than a given proportion of a national average. This poverty is experienced primarily in Europe and North America[19]. The most frequent way of estimating poverty is in absolute terms, used by the World Bank. Living for $2 a day is the moderate poverty line, and $1 a day or less defines extreme poverty[20]. All these methods use income and the ability to meet basic needs as a key determinant of poverty. Alleviating poverty thus correlates with an increase in income, presuming that this will give people access to fulfilling their basic needs, and assuming that people's basic needs are shelter, water, food, etc., as mentioned above.

Prahalad's BOP theory also relies on an income-based view of poverty. He defines the BOP market by the aggregated spending power of the four billion people living for $2 per day or

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[19]http://www.poverty.org.uk/summary/social%20exclusion.shtml
[20] data.worldbank.org/topic/poverty

less[21]. Understanding poverty from an income perspective alone can be argued to pose several challenges when dealing with the poor. Often, there is an expectation that poor people who lack basic needs would, if the opportunity of income arises, provide for those basic needs. For BOP businesses, this means that if a business can solve a basic need affordably, the poor will want to purchase that good or service. While this proves to be the case sometimes, there are many examples, both in business and in the last 60 years development aid, of 'irrational behavior' in which poor people make choices inconsistent with this expectation.

For example, it can be hard to understand why people do not want to use water filters, when it is known that the bacteria in the water causes diseases. Or why mosquito nets that are freely distributed get used for catching fish instead of protecting the children from the deadly disease of malaria. Some of these cases can be explained by the lack of awareness or education, or the challenge of behavior change. It could also be argued that a different perception of poverty is necessary in order to understand which needs are prioritized by the poor, and what motivates decisions. Basic needs might not only be about food and shelter.

3.3.2: AN ALTERNATIVE TO 'COMMODITY FETISHISM'

Nobel prize winner Amartya Sen is famous for introducing a different way of understanding poverty. He points out, that an actual rise in GNP does not necessarily equate an increase in the wellbeing of a country's people. In fact, a high GNP per capita can be concurrent with premature mortality, illiteracy, etc.: *"There are, therefore, really two distinct issues here. First, economic prosperity is no more than one of the means to enriching lives of people. It is a foundational conclusion to give it the status of an end. Secondly, even as a means, merely enhancing average economic opulence can be quite inefficient in the pursuit of the really valuable ends"* (Sen, 2003, p. 42).

Amartya Sen argues that wealth or commodities are necessary for human development. However, he does not see commodities or wealth as equivalent to wellbeing. Rather, wealth is merely a means to achieve another goal. He attacks the concept of basic needs as being perceived as centered on commodities such as shelter, food and clothes. *"If this type of formulation is used, then the literature remains imprisoned in the mold of commodity-centered evaluation, and can in fact be accused of adopting a form of "commodity fetishism"* (Sen, 2003, p. 46). His perspective is inspired by Karl Marx, who argued that capitalism

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[21] This number is highly contested in literature. WRI/IFC (2007) claim $4 or less.

obscures relationships and turns them into commodities (Marx, 1867). Instead, the focus must be on what different people in different cultures are able to achieve. There will be a great difference in the capabilities of different people to transform goods and commodities into valuable achievements (Clark, 2005). In order to understand wellbeing, one must focus on how well human beings are capable of functioning with the goods and the services that they have at their disposal (Clark, 2005). Poverty is not a lack of income, but a rather deprivation of several capabilities, fundamental for living sustainably (Crabtree, 2007).

The World Bank engaged in a large participatory research study, asking poor from 47 different countries how they understood poverty. This study shows that income is not percieved as a main determinant of poverty. Rather, poverty is multidimensional, and is better understood in terms of assets and power: "*Poor people speak extensively about assets and much less about income. These findings have implications for how we measure poverty. One of the challenges is to track and measure changes in power and voice together with other measures of poverty, such as estimates of expenditure and consumption, and access to education and health*" (Narayan et al., 1999, p. 51). When poverty is seen as not only about income, but involving a much wider array of tangible and intangible values such as power and status, this also implies that poor people are concerned about securing far more than basic commodity needs.

3.3.3: CONCLUSION

Sen has been very influential in the developmental discussion of poverty, shifting the conversation away from a solely GDP and income based focus, towards acknowledging fundamental freedoms, human rights and individual agency (Vizard, 2001). This notion of poverty challenges the idea of looking at poor consumers as people who only need and value basic commodities. Instead, choice is introduced, with a recognition of the importance of human agency for self-esteem and self-respect. By understanding poverty from a more holistic perspective, it broadens the possibilities for examining and explaining behavior of BOP consumers, and their purchasing choices. It also questions the concept of motivational drivers as primarily *need* and *function* driven, dominating in BOP theory. Trying to understand what lies behind BOP consumer behavior is something that is not accounted for in BOP theory. Different motivational theories will thus be introduced and discussed, and related to the Ruby Cup case, in order to explore why Ruby Cup's BOP strategy failed to reach the Kenyan poor consumer.

3.4: MOTIVATIONAL THEORIES FOR UNDERSTANDING BOP CONSUMER BEHAVIOR

CHAPTER 3: ANALYTICAL FRAMEWORK THROUGH LITERATURE

Introduction

There are different academic perspectives that have set out to theorize about what motivates human behavior. In this section, four different theories of motivation will be presented and discussed in order to better understand what lies behind the purchasing decisions of the BOP consumer. This section will conclude by adding different perspectives to the analytical framework for investigating the case study of Ruby Cup.

3.4.1: MASLOW'S THEORY OF HUMAN MOTIVATION

Abraham Maslow is world famous for his functionalist psychological Theory of Human Motivation, written in 1943. His hierarchy of needs system has laid the ground for understanding human behavior, and has been widely used in marketing for understanding consumer behavior. *"Human needs arrange themselves in hierarchies of pre-potency. That is to say, the appearance of one need usually rests on the prior satisfaction of another, more pre-potent need. Man is a perpetually wanting animal"* (Maslow, 1943, p. 371). He arranged the basic human needs into five categories: physiological, safety, love and belonging, esteem, and self-actualization. Every need is related to the satisfaction or dissatisfaction of another need.

- *Physiological needs:* Physiological needs are the most basic needs, such as sleep, hunger, sex, and thirst. These needs are the strongest in human beings. *"A person who is lacking food, safety, love, and esteem would most probably hunger for food more strongly than for anything else…Freedom, love, community feeling, respect, philosophy, may all be waved aside as fripperies which are useless since they fail to fill the stomach"* (Maslow, 1943, p. 374). When this basic need is fulfilled, more social goals emerge.

- *The Safety Needs:* When the physiological needs have been fulfilled, all human beings strive for is to feel safe. He argues that the need for religion and philosophy comes from a motivational need of safety to create a world order.

- *The Love Needs:* When the two prior needs have been satisfied, a human being now strives for love in terms of friends and family.

- *The Esteem Needs:* Maslow divides the esteem needs into two separate categories. The first being the desire for strength, achievement, confidence in the face of the world, independence and freedom. The second relates to reputation and prestige, recognition, attention, importance and appreciation. If this need is not fulfilled, this will give rise to a feeling of inferiority, weakness and helplessness, which can inflict compensatory behavior.

- *The Need for Self-Actualization:* This final need concerns a human's fulfillment in life. When all the other four needs have been fulfilled – there will still be a restlessness to become what the individual was made to become.

Maslow has been criticized for his focus on the individual, as detached from social structures and culture (Hofstede, 1984 and Trigg, 2004). Social structures are only a need to be fulfilled through level 3 (Love) and 4 (Esteem), in order to reach the highest need of individualism (self-actualization). They are a 'deficiency to be overcome' (Trigg, 2004).

His theory perceives a poor person as being stuck in a static need system, which is predictable and basic. This perspective is mirrored in e.g. Karnani's arguments in BOP literature, where he argues that the poor do not need luxury products, they need satisfaction for their basic needs. This correlates with the definition of poverty by the World Bank and other institutions as not being able to provide for basic needs. This way of perceiving poverty is what Sen calls commodity fetishism, where any social structures are not seen as part of basic needs but trumped by food, shelter, clothes, etc. However, the study by WRI/IFC (2007) show that BOP consumers consume other things than basic needs. This suggests a questioning of the hierarchical nature of the Maslow pyramid and opens up for other theories of motivation that might complement or question need and price as main driver for BOP consumption.

3.4.2: HOFSTEDE AND CULTURAL RELATIVITY

Gert Hofstede, a renowned sociologist, criticized Maslow's hierarchy for being ethnocentric. The value judgment of the hierarchy is based on Maslow's definition of values, and does not reflect other cultures. *"…Maslow's hierarchy reflects individualistic values, putting self actualization and autonomy on top. Values prevalent in collectivist cultures, such as "harmony" or "family support," do not even appear in the hierarchy"* (Hofstede, 1984, P.

396). Instead, he argued that motivational drivers are culturally dependent and that in order to understand quality of life, it is crucial that one must understand the cultural context. Despite the fact that his work was centered around understanding work life, his theory is also relevant for understanding motivational drivers in the BOP market. Hofstede rejects the idea of a universal framework but instead suggests that certain value drivers in one culture might be very different from another. Culture is defined as '*the collective programming of the mind which distinguishes the members of one category of people from those of another*' (Hofstede, 1984, p. 389). Through his cultural studies, Hofstede characterized East Africa as a collective society[22], where groups and the sense of belonging prevail. Who ever have success is supposed to share this within a larger group. Status is a primary motivational driver, and students will rather pass the exams for the purpose of status as opposed to 'mastering the subject', since relationships prevail over tasks (Hofstede, 1984).

Hofstede's theory is a critique of Maslow's static and westernized concept of human behavior as being unaffected by culture and social milieu. However, his own proposed framework can be criticized for being rather prejudiced and static itself. The importance is thus not to replace one framework with another, but to underline the importance of culture to understanding motivational behavior of BOP consumers. In addition, Hofstede's work serves as a reminder to be cautious with imposing westernized ideas about what poor people need and want. *"It is time to bid farewell to ethnocentrism in social science theories in general, and in definitions of the quality of life in particular"* (Hofstede, 1984, p. 397).

3.4.3: SOCIAL CAPITAL AND FAMILY SYSTEMS

"Poverty is not to lack clothes, but he who has nobody is truly poor."

Saying among the Wolof of West Africa (Rahnema, 1993, in Prakash, 2002, p. 45)

Social capital has its roots in Coleman, Bourdieu and Loury amongst others, as a way of perceiving social structures as asset. (Coleman 1990, Prakash, 2002). Today, social capital is undergoing a contemporary resurrection in terms of discussing and viewing poverty and the institutions that are attempting to fight it (Collier, 1998). One of the ways social capital is used to understand poverty, is looking at social structures and social capital as an asset. Despite the lack of economic wealth, BOP communities can be argued to be rich in social relations, which are viewed as a determinant motivational driver of behavior. The term

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[22] Hofstede investigated 40 countries and found that connections between the concepts of *Power Distance, Individualism, Masculinity, Uncertainty Avoidance* could explain and describe cultural behavior of different world regions (Hofstede, 1984).

social capital proclaims that networks, such as family and friends are an asset, and that communities with strong social capital are in a stronger position to tackle poverty (Collier, 1998).

Viswanathan has done several anthropological studies of the BOP consumer in India and Bangladesh over the last decade, and he proposes in his field studies that relationships leading to trust are crucial for the BOP consumers (2007). This observation is in accordance with Hofstede's characterization of East Africa as collective by nature, where relations and status in the group matter more than individual success. Also Ruth and Hsuing (2007) proclaim that BOP consumers are more focused on satisfying family needs over individual needs and wants. As BOP consumers depend on and accept help from the community, these social relations and community interactions can be said to be a facilitator of satisfying basic needs. Long-term relationships lead to trust, which is key for survival in this segment (Subrahmanyan and Gomez-Arias, 2008). *"People who have desperately little in material sense lean all the more heavily on their families, traditions, and social surroundings – and in turn support them as well"* (Viswanathan, 2011, p. 136). When looking at social capital as a motivational driver of BOP consumer behavior, it becomes highly important to focus on how products and services are perceived by the community, as this will play a role in the attractiveness of the given product for the BOP consumer. In hierarchical motivational theories, social relations only become meaningful when you climb up the needs ladder. But as argued by Viswanathan and Gomez-Arias, social relations and social acceptance can be seen as basic survival needs of the BOP consumer: *"The upper tiers of Maslow's pyramid, including psychological needs and self-actualization, may actually become paramount"* (Viswanathan, 2011, p. 137).

3.4.4: COMPENSATORY CONSUMPTION AND STATUS

"Low-income households tend to purchase new, rather than used, as well as expensive, rather than low-cost, durable goods" (Kempen, 2007, p. 76).

The compensatory consumption hypothesis was initially developed by Caplovitz in 1967, proposing that Americans with low social status overspend on socially visible consumption goods in order to offset their inferior position. This perspective contradicts Maslow's hierarchical argument and instead intends to understand why poor consumers spend on luxury items. *"For low-income households, consumer activity is not only a matter of need but also one of embellishing their status by consumers' goods. In place of actual movement up*

the social ladder, they turn to symbols of status in a pattern of 'compensatory consumption'." (Caplovitz, 1967, p. 48).

Even though compensatory consumption was particularly developed to understand overspending on visible consumer objects by inferior races in the US, the theory is interesting also for understanding BOP consumers. The explanation is that people with "non-dominant, relatively deprived positions (minority, lower-income, or lower education) are likely to experience threats to their status honor" (Pellerin & Sterns, 2001, p. 2). These threats will drive deprived consumers to feel a larger need to make status claims than the majority culture. Luuk van Kempen (2007) introduced this framework in the BOP market of rural Bolivia, in order to investigate whether some of the same conclusions were explanatory for consumer behavior in the developing world. His focus was on the racial minorities and his study found that the majority of consumers living in poverty owned televisions and visible items of luxury, despite a high poverty level. Compensatory consumers pay more for socially visible items (cars and televisions), but not when it comes to items that cannot easily be observed. He presents the terms 'social visibility' as opposed to 'durable goods', meaning that social visibility of goods trumps the rational choice of durable goods in communities that have low status and seek assimilation or inclusion into the dominant culture (Kempen, 2007).


This theory contradicts Maslow's hierarchy of needs, as the poor do not just fulfill their basic needs, and then move up the ladder. Instead, esteem needs and love needs plays a vital role in order to achieve social status. This is more in line with cultural explanations of motivational drivers for consumption in the BOP. Rather than responding strictly to price, consumers are influenced both by the social networks they are in, and by the potential for a good or service to promote their status within the community. This perspective can explain why BOP consumers can sometimes spend more than they have in order to obtain status. This is observed e.g. in India where poor families take loans in order to secure a proper wedding ceremony, in order not to lose face (Viswanathan, 2007). Compensatory consumption and status is tied to social capital, as it uses consumption to modify the position in social relations.

3.5: CONCLUDING ON THEORY AND THE ANALYTICAL FRAMEWORK

CHAPTER 3: ANALYTICAL FRAMEWORK THROUGH LITERATURE

BOP theory proclaims that adequate strategies for reaching the poor should look at the 4 A's and the 5 D's as a guiding framework for making successful business that will create shared value and reach the BOP consumer. The two frameworks have been aggregated and will be applied on the Ruby Cup case. However, in order to explain why Ruby Cup's BOP strategy failed to reach the poor consumer, the aggregated framework is superficial, and does not look deeper into different motivational drivers. A discussion of what poverty means has been carried out, to discover that too often, poverty is understood merely by economic deprivation and in continuation, that the poor consumer is expected to primarily focus on fulfilling basic commodity needs.

In order to supplement the gap in BOP theory, four different theories of motivation have been presented and related to BOP consumption demonstrating that there are a variety of factors and perspectives that can explain certain behavior. These different theories will be introduced in the case study analysis as a conceptual add on to the aggregated 4 A's + 5 D's framework. The purpose is not to prove which theory is correct, but to use these perspectives to find a deeper understanding of behavior of the BOP consumers in Kenya in order to explain why the strategy failed. The different concepts can therefore be added to the aggregated 4 A's + 5 D's framework as question marks below.
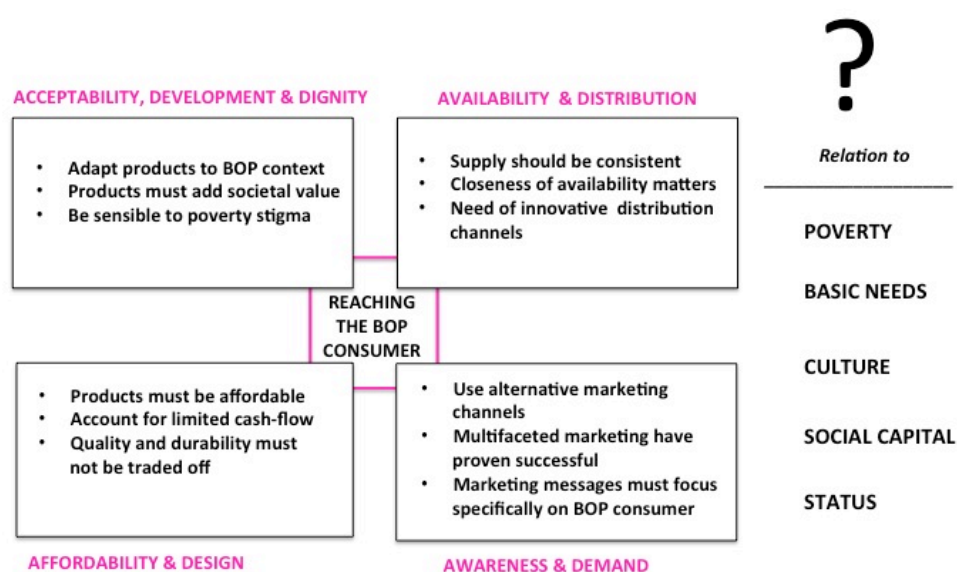
Illustration: Analytical framework for answering the RQ (by author)

CHAPTER 4

RUBY CUP CASE ANALYSIS

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Introduction

The case study analysis is divided into three interconnected parts. Firstly, the reader is introduced to the Kenyan BOP context, the problem of menstrual hygiene for women and girls living in poverty, and Ruby Cup as a company. Secondly, the 4 A's + 5 D's framework is applied to explore and analyze Ruby Cup's BOP strategy. This will conclude with a presentation of the final strategy and the failing results. Finally, the third part will bring in the different motivational theories for analyzing why Ruby Cup's BOP strategy failed to reach the poor consumer in Kenya.

The analysis is based primarily on primary data collected through interaction and participation by the author. The experiences of the researcher therefore serves as primary data, which has been triangulated over time by multiple researchers and multiple methods. Alternative sources and 'proof' of academic evidence will be included in the shape of pictures, travel notes and quotes from field visits.

4.1: CONTEXT AND CASE PRESENTATION

CHAPTER 4: RUBY CUP CASE ANALYSIS

4.1.1: KENYA - MODERNITY & HARDSHIP

Kenya is a country on the rise. It has caught the world's attention as a business and development HUB for East Africa, and promising BOP market due to several trends. Nairobi houses a UN headquarter, offices of most major NGOs working in sub-Saharan Africa, and regional offices for leading businesses. Kenya is business friendly with English as a main language, a growth rate of 4,6% GDP (2012)[23], and a population count of 44,4 million people[24]. Kenya is also famous for being the first country in the world to implement mobile money: Mpesa by the telecompany Safaricom. 70% of the entire population uses Mpesa as a bank account, for paying for products and services, for receiving salaries, and for

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[23] http://www.worldbank.org/en/country/kenya
[24] https://www.cia.gov/library/publications/the-world-factbook/geos/ke.html

transferring money to their relatives living far away. In 2011, mobile phones transferred more than $900 billion Ksh (equal to $10 billion), making mobile transfers almost 30% of Kenya's GDP[25]. This transition into an ICT society has brought new business innovations, as it allows for flexible payment structures and new marketing strategies through SMS services that can reach a large part of the population. These trends combined with a growing middle class affects the tastes of the consumers, who increasingly care about modern brands and Western tastes. Often, low prices are associated with low quality, and new product entries should thus be conscious of the importance of price and branding in order to reach the East African consumer (McKinsey, 2012).

Kenya is a country of many opportunities. However, not all outlooks are promising for the 20 millions of Kenyans living in poverty[26]. The Ruby Cup case plays out in the slums of Nairobi, which is a dark spot in the economic development. It is difficult to determine the population size living in informal settlements, but it is estimated that as much as 2.5 million people live in slums in Nairobi[27]. This correlates to 60% of the capital's population. The primary work of Ruby Cup was carried out in the slums of Kibera, Kawangware and Korogocho. Kibera slum is world famous for being East Africa's largest slum. It is estimated to house between 1 and 2 million people on an area comparable to Central Park in New York[28]. Most homes have no running water, and Kibera's residents share a total of 600 toilets. On average, this equals one toilet per 1.300 people[29]. Sexual violence against women is common, as is prostitution, and young women are five times more likely to contract HIV than males. 27% of girls are estimated to live without parents and as much as 43% of girls living in Kibera have experienced coerced or forced first sex (Erulkar and Matheka, 2007).

Life in Kawangware or Korogocho is not much different, apart from the fact that these see less NGO activity, as they are less famous. Being a girl in a Nairobi slum is particularly tough.

4.1.2: ZOOMING IN ON THE PROBLEM OF MENSTRUAL HYGIENE

Despite the fact that half of the world's population menstruate, it is still surrounded by taboo and overlooked when it comes to its developmental barriers for women and girls living in poverty. Sanitary pads and tampons are very expensive and not affordable. In rural areas, they might not even be available. The basic issue of having something to use during

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[25] http://www.nextbillion.net/blogpost.aspx?blogid=2808
[26] https://www.cia.gov/library/publications/the-world-factbook/geos/ke.html
[27] http://www.kibera.org.uk/Facts.html
[28] http://shininghopeforcommunities.org/about/about-kibera/
[29] http://shininghopeforcommunities.org/about/about-kibera/

menstruation becomes a barrier to moving freely, going to school or going to work. Instead, women are forced to use rags, pieces of bark, mud, pieces of mattress, cloth, or other unhygienic and undignifying 'solutions'[30]. If there is income, it resides mainly with the males of the family, who will not necessarily prioritize spending scarce resources on purchasing expensive female sanitary protection.

UNDP stated menstruation as the most important factor affecting school drop-outs for girls. *"It has been shown that girls miss school for 4-5 days every month because they cannot afford sanitary pads during their monthly periods"* (UNDP, 2007, p. 7). As underpriviledged girls have nothing to use, they stay at home up to 20% of their school time. They fall behind in class and eventually drop out. It is estimated, that an average of 28% of young Kenyan girls miss school because of menstruation[31]. This number is higher in extremely poor areas.

The existing 'solutions' that are used out of necessity often also have serious health implications in the form of infections and diseases. Cloth requires a lot of water for washing, which is not always clean. In addition, pieces of cloth must be hung outside in the sun to dry. In highly populated areas such as slums, this is an embarrassment and can also cause unwanted attention about readiness to marry, or tempt sexual violence. So the cloths are kept inside, humid, and full of bacteria. Mud, bark and rags carry even worse health implications. For many girls and women, underwear is a luxury, and these 'solutions' are thus inserted directly into the body to stop the blood (APHRC, 2010). Finally, in urban slums, the young girls in need of sanitary protection turn to prostitution with elder men from the slums to be able to afford pads[32]. This initiates a vicious circle of risk of HIV, unwanted pregnancies, illegal abortions, and a life in prostitution. There are several pads initiatives taken on by NGOs and government institutions, but they are a drop in the ocean, as disposables are used up quickly and are very expensive. Also, making disposable feminine hygiene available to women in developing countries poses a serious environmental problem, as there is rarely an appropriate infrastructure to handle the waste. Used pads disposed of on the streets and in gutters pose additional health concerns. Menstruation is a main barrier for pursuing life opportunities for women and girls living in poverty.

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[30] http://www.femmeinternational.org/the-issue.html
[31] http://www.communityledtotalsanitation.org/blog/clts-kenya-and-menstrual-hygiene-management
[32] http://www.voanews.com/content/in-nairobi-slums-sex-for-sanitation-139382973/159607.html

4.1.3: THE RUBY CUP PRODUCT[33]

Ruby Cup is a menstrual cup, made of 100% medical grade silicone that can be re-used for up to 10 years. Rather than absorbing the menstrual fluid, Ruby Cup collects the blood during the period. Ruby Cup is inserted into the vagina. When full, it is emptied, washed, and inserted again. In order to assure hygienic use, the cup is boiled for five minutes for disinfection, and stored in its cotton bag between menstrual periods.

Ruby Cup has several benefits:

Cost-saving: Buying a Ruby Cup is an affordable alternative to disposable menstrual hygiene products. It is a one-time investment that will last up to 10 years if used correctly. With Ruby Cup women and girls will no longer be dependent on buying pads or tampons every month.

Re-usable: On average a woman in the Western world uses 11000 tampons/pads in her lifetime, and in the US alone, more than 20 billion tampons are tossed or flushed out every year[34]. Ruby Cup means a positive environmental impact, since the waste created from disposables is eliminated and users will no longer have to worry about disposal of smelly tampons/pads under circumstances with poor waste infrastructure.

Healthy: Ruby Cup is used internally to collect the menstrual fluid during the period. Unlike a tampon, Ruby Cup does not absorb the menstrual fluid. This removes some causes of dryness, and the risk of leftover fibers, and it is thereby a healthier solution for the vaginal bacteria balance. Medical grade silicone is a material with no side effects, suitable for all girls and women and contains no harmful chemicals, absorbency gels, additives or perfumes.

Safe & Convenient: Ruby Cup can be worn for up to 12 hours, which for many women and girls means that the cup does not have to be emptied during a whole school or workday. Ruby Cup can also be left in overnight and therefore has major advantages compared to tampons and pads that in the majority of cases have to be replaced every 4-8 hours due to risk of leaks or discomfort from pads. When inserted correctly, the cup creates a seal and does not leak, which frees users from worries about staining their clothes. Ruby Cup also means no risk of odor, since the blood is not exposed to oxygen as with a pad.

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[33] from www.ruby-cup.com
[34] http://www.alive.com/articles/view/17349/toxic_tampons

4.1.4: HISTORY OF RUBY CUP

Ruby Cup was founded in Copenhagen in 2011 by Julie Weigaard Kjaer, Maxie Matthiessen and Anne Veronica D'Souza. They were all convinced users of other brands of menstrual cups, and believers that this alternative was superior to other alternatives with respect to convenience, health, and economic and environmental sustainability. The three founders met at Copenhagen Business School (CBS) in 2005, and had studied much of the BOP literature in their respective minors in social entrepreneurship and sustainable business during their master studies at CBS (2009 – 2011). The transition from BOP to BOP 2.0 was the theoretical foundation for initiating the company. The founders saw the local women and girls as the main business developers, and wanted to co-create a sustainable BOP strategy through a participatory method. The basic idea was to produce their own menstrual cup and make it affordable and available in BOP markets.

"We believe in partnerships, co-development of business models, and thus work with the public, private, and civil sector to make Ruby Cup affordable and available in low-income markets." (From Ruby Cup business plan 2011). The founders started investigating the problem of menstrual hygiene. They contacted many NGOs who asserted that the problem was huge and overlooked. Very few had heard about a menstrual cup, but one NGO responded with a link to a small study conducted in Kenya by the African Health and Population Research Center (APHRC), investigating the cultural acceptance of a menstrual cup in the slums of Nairobi (APHRC, 2010). The study found that 95% of the women and girls from the study were very satisfied with a menstrual cup, and that they would spend money on it. The next step for the business was to go to Kenya and use a user-centered approach to investigate further about the conditions for using a cup: how much the BOP market would pay for it, how to market it, and what it should look like, as well as which cultural or contextual factors had to be taken into account in order to be successful.

4.2: APPLYING THE AGGREGATED 4 A'S + 5 D'S FRAMEWORK

CHAPTER 4: RUBY CUP CASE ANALYSIS

Developing The Bop Market Strategy In Kenya (June 2011 – July 2012)
In accordance with PAR, the Ruby Cup strategy was developed over a process of 11 months, going back and forth between research, theory, participation, action and research again, etc. The 4 A's + 5 D's framework will be used to explain how the founders conceptualized,

designed and made their first market launch into the Kenyan BOP market based on BOP theory, together with the local communities. This will results in a presentation of the BOP strategy launch and its failure in the period of July 2012 – October 2012. The section will conclude that the failure cannot be explained by BOP theory, and leads to the next section with a further analysis of motivational factors influencing BOP consumers.

4.2.1: ACCEPTABILITY, DEVELOPMENT & DIGNITY

In order for products and services to be accepted by the BOP consumers, they must be specifically adapted to the special BOP context (Prahalad, 2004 and Anderson and Billou, 2007). Furthermore, the products should have a 'good' value for the development of the community, and be sensible to poverty stigma in products and messages (Bahn, 2009).

Ensuring acceptability and including the local community in the business development process of Ruby Cup was key to developing an adequate BOP strategy. The founders were afraid to assume openness about such a taboo topic, however, they soon found out that talking about menstruation was a conversation which was valued by both women and men. The word spread quickly, and the founders were invited to engage with women's groups in both rural and urban poor areas. Based on personal connections, investigations were expanded into both primary and secondary schools.

<table>
<tr><td>

14.06.11 Meru
Place: Tigania County
Present: Karathaiya Women's Group. 69 women.
Age: from 22 – 65.

Problem: they use mattress, pieces of sweater, cotton wool, pieces of their clothes, or pads (85 Ksh one pack of 8 pieces). It is difficult for them to work and move freely. Girls stay home from school.

Reactions to the menstrual cup: Wondering, laughing, clapping, talking amongst each other.

Questions:
Can it be used as contraception?
Does it cause cancer?
Are there any side effects?

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Travel note:

Meru visit, 2011

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Access was granted through local authorities in the community. In several places it was necessary to have a translator as conversations took place either in Swahili or tribal languages. Discussing menstruation is acceptable in Kenya, but in order to do so, trust and accept from the decision makers of the respective communities proved vital. Living in Kenya and engaging with the community throughout this business development process, brought out many important issues evolved through exchange and dialogue. Below follows a range

of observations and learnings concerning acceptability of Ruby Cup, the developmental aspect and the importance of how to ensure dignity.

Needs Assessment

The problem of lack of affordable menstrual hygiene protection was echoed everywhere, in every community. In most places, only a minority used sanitary pads, as they were too costly. The most frequently used methods were rags, bark, pieces of mattress, mud, and cotton wool. The founders had brought samples of menstrual cups to show, and the response was first astonishment, and then very positive when understanding that one product would last 10 years. The need was there, and the reaction to a durable high quality solution was very positive. In accordance with Bahn's Development category, the needs assessment proved that by enabling women and girls to go to school and work during the menstrual period, Ruby Cup would add societal and developmental value to their lives.

Letter: Annet Shilaho, 15 years old, Sct. Juliet school, Kibera, 2011

Understanding The Target Age

Older women would respond very differently than younger women or schoolgirls: "*Ruby Cup is a wonderful product, but don't try to convince someone as old as me, I have been used to going around my things in a certain way for many years. But for the young girls this is a great solution, they will love it. Start from the age of 15, they know their body and what they want*" (Maureen, leader of women's group in Meru, 44 years old, 2011).

Women older than 35 were interested in the social benefits of the product for their communities, but reluctant to change methods themselves. Girls in Kenya get their period starting from the age of 9 years. However, inserting a Ruby Cup can be a big step for such a young girl, and her parents might not approve. Based on interaction with the community, the main target market was set to be girls and women between the ages of 15 – 35. These

are secondary school girls, college girls, young mothers, unemployed and working women; all affected by the lack of menstrual hygiene products.

Product Adoption

As nobody in the local community had ever seen or heard of a menstrual cup before, it was quite a sensation every time. Since there were no prior product attributes associated with the product, the method of introducing the product was extremely important. The founders experienced a much broader acceptance when they said that they themselves used the product. Hereafter, there was still a general reluctance to try the product, but the bravest first movers in a given audience would have gained enough trust to try it.

After the two first members of a community had tried to insert and remove the product and come back smiling, all the girls and women wanted to try a cup. This learning demonstrated something about an adoption curve. Initially, the uptake would be slow, but through word of mouth and happy local customers who could testify their own successful experiences, the trust about the product would increase and Ruby Cup would get massive attention.

Insertion was expected to be a major challenge to acceptability, as tampons (the most common insertable alternative) are not a popular menstruation management method in Kenya. In addition, most Kenyans hold strong religious beliefs, which could create barriers for allowing virgins to use the product. However, it was a surprise to the founders that insertion was not seen as a barrier at all by the women and girls.

"Here, there is no problem with inserting something, but I think it takes some time for me to get used to it. But if I have other women I can ask, I know this will be okay and even more healthy for me"(Joanne, Kibera, June 13th, 2011). For many women and girls, insertion was already occurring. Very poor women and girls also could not afford underwear and were forced to insert mud, bark, cotton, etc., into the body to collect the blood. Moreover, many young girls between the age of 13 and 19 were no longer virgins, due to prostitution in order to afford sanitary pads or other basic goods. Despite the outspoken cultural openness towards insertion, the founders decided that it was still necessary to come up with information on the virginity issue to ensure that every girl/woman would make her own choice and be aware about the consequences hereof. It was very important that no person would be stigmatized by family or surroundings due to the use of Ruby Cup.

Product Design – Adapting To The Local Context

Designing the product itself was a longer process, which took place over 12 months from the first drawing to receiving the final batch of 10.000 Ruby Cups in Kenya. This included four different versions, which were tested and adjusted based on feedback from users.

The initial design drawings were made as to ensure a high functionality (capacity). Because the local context lacked for toilets and clean water, menstrual cups that require less frequent changing would give their users more freedom to work and study. Also, simplicity was important, as the target market often had no experience with using tampons and Ruby Cup would be the first product they would try for insertion. In spring 2011, the founders had managed to engage Coloplast[35] as a pro-bono partner, who worked as development support throughout the design and production process. The product development phase was thus a cooperation and dialogue based on the idea and design of the Ruby Cup team, the input from the Kenyan women and girls, and the supplier communication with China through Coloplast.

July 2011: Ruby Cup version 1

The first version of Ruby Cup was developed in both shore 40 and shore 60[36]. Both shore 40 and 60 were too soft and women had problems getting the product to open up inside of the body. In addition, there was a preference for a more frosted feel, which would make the cup seem cleaner and the blood look 'less scary'. The users wanted branding on the cup, to ensure it was not a counterfeit product.

September 2011: Ruby Cup version 2

This version had thicker, frosted walls in shore 70. "Ruby Cup" was added to the inner side of the product in order to manifest that this was the original brand. Measurements in millimeter were added for women to become more aware of their menstrual cycle and which days they would bleed more. There was high satisfaction with shore 70. However, some of the women and girls still felt that insertion was difficult. They asked for a longer stem which would make it easier to grab and make them feel more secure that it would not 'disappear'.

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[35] Coloplast is Danish leading intimate healthcare company
[36] Shore refers the consistency of medical grade silicone. Shore 40 is a softer grade than shore 60.

December 2011: Ruby Cup version 3

The third version was adjusted to have a longer stem with a strong grip, so that women and girls more easily could get hold of the cup inside of the body. This change resulted in high satisfaction amongst the users, not only in function but also psychologically. Ruby Cup was perceived as a great innovation, but also a bit scary. This small change in the design elicited more trust and a greater likelihood of first-time use. The final feedback on version three was a desire for a hollow stem, as public transportation in Kenya is quite bumpy. This would ensure better flexibility.

February 2012: Ruby Cup version 4

With a hollow stem, Ruby Cup got fantastic feedback amongst the user group. Samples were also sent out to menstrual cup bloggers from Western countries that had tried and reviewed other menstrual cups on the market, with exceptional positive feedback.

Version 1   *Version 2*   *Version 3*   *Version 4*

Based on this extensive and inclusive design process, the founders had confidence in the final product design and ordered a shipment of 10.000 units.

"*I inserted my Ruby Cup in the morning and in the afternoon, I was worried if it would leak but when I checked it, it wasn't even half full*". (Grace, 27 years old, working mother, Nairobi East-lands).

Developing The Packaging:

Another important part of acceptability was the design of the packaging. Many women spoke of general mistrust towards new products. This was due to the long history of low quality aid giveaways and second range products introduced in slums. It was therefore important that Ruby Cup would have a high perceived value in order to be accepted in the

BOP. The choice of purchasing a Ruby Cup had to be a dignifying choice. Something women and girls would be proud of and talk about, rather than ashamed of and inclined to hide.

In order to gain more knowledge about important determinants of the packaging, the founders engaged in a co-creation design phase with a variety of focus groups. The questions were concerned with discovering which information was necessary on the box, how the packaging should look, and what specific design would speak to this customer base. Ruby Cup was recognized by the Kenyan bureau of standards (KEBS) and this should be stated on the packaging with a sticker. The product should come in a beautiful box, sealed, so everyone could see that the box had not been opened before. Interesting findings such as colors were very important. In Europe, the color green is often used for marketing sustainable products. In Kenya, sustainability or 'eco-awareness' is not a sales factor for the BOP consumers, and green did not resonate well with the market segment. Instead, both the younger girls and their mothers ranked pink as the preferred color, preferably mixed with 'cream', not white. The material should be glossy rather than matte. *"It is really important that girls and women don't feel that they get a Ruby Cup, because they are poor and cannot afford 'Always'. You have to create a brand that is also for rich women. This will make the poor want it."* (Souline, 24 years old, Kibera slums). Words and values such as 'exclusive', 'trustworthy', 'beautiful' and 'cool' were suggested in the co-creation process. Ruby Cup had to feel special, and it should make you proud to own a Ruby Cup. A picture-gram of the cup was added outside of the box, so women and girls could see what it looked like before purchase. Large illustrations were added onto the side of the box to show instructions for use for women who were illiterate. Inside, there was a cotton bag for storage in cream with a pink logo, and an instructions manual.

Haus Copenhagen, a Danish design agency, committed to helping the founders pro-bono in the packaging development phase. Based on the market feedback, they came up with 10 different box designs. These were tested against the target market, and the final look of the box was developed.

Contextual Factors

Menstrual cups have been used for many decades in the Western world. However, introducing them to BOP markets required adjustments for the specific contextual factors in order to maintain the function of the product. Slum areas are characterized by poor hygiene conditions. In order to ensure sterilization, Ruby Cup must be boiled for 5 minutes after the menstrual period is over, stored, and is then ready for use for the next period. Since the cup is inserted into the body, it is very important that hands are washed before insertion and removal of the cup. In many poor communities, scarcity of water is a daily challenge. Compared to cloth or re-usable pads, Ruby Cup uses the least water, as it only requires boiling once a month. Still, accessing water just for hand-washing is a challenge.

The founders chose to engage in interaction and dialogue with the communities in order to overcome these challenges. Most solutions were in fact developed from within the community itself. Some areas introduced general education about hand-washing, and still others suggested use of water bottles to carry around during the menstrual period and a third place the solution was found in paying a small fee for tapping water from a local kiosk.

Another challenge that arose was the boiling of the cup at the end of the menstrual period. It was not a water scarcity issue, but a problem of only owning one cooking pot for Ugali (mais porridge) and one for tea. It was culturally unacceptable to boil Ruby Cup in the same pot as used for serving the males of the family. *"Me I only have one pot. How can I then boil Ruby Cup?"* (Zena, member of Mchanganyiko women's group in Kibera). Again, it was the local community that came up with the possible solutions of either using a tin can which was in excess, or Milton, a cheap sterilizer tablet used for cleaning baby pacifiers and locally available and affordable.

In each of these contextual challenges, it was observed that the issues differed from community to community, and that the solutions had to be found locally in cooperation with the leading stakeholders. The BOP strategy would thus have to account for a localized product adoption strategy and high involvement in every community in order to ensure acceptability.

4.2.2: AWARENESS AND DEMAND

In order to create awareness and increase demand, alternative marketing channels must be investigated (Prahalad, 2004). Moreover, there is positive experience of engaging in multifaceted marketing strategies such as direct sales (Anderson and Billou, 2007). Finally, it

is important for marketing messages to be founded in the local context and particularly take point of departure in the BOP consumer (Bahn, 2009).

Education

The feedback on Ruby Cup was good, and the acceptability amongst users was very high. However, the fact that the product was completely new and very different from anything the market had heard of before was a challenge. Knowledge about menstruation, the female anatomy (where to put the product), reproductive health and hygiene in general is very limited in BOP communities. These specific issues are not part of school curriculum, and the topics are not discussed between mother and daughter. Most women explained that they had gained their knowledge from their peers. However, there were several girls who had never had a conversation about menstruation before they met the founders of Ruby Cup. Creating awareness about Ruby Cup was thus not only an issue of marketing, but first and foremost of basic education on reproductive health.

Ruby Cup developed a 35-pages small educational booklet with more instructions, reproductive health information, and ways to get around contextual challenges. E.g. it has a chapter on how to speak to your parents about getting menstruation, what to do if there is no water for hand washing, how to check if you are pregnant, and other useful information. But education would have to take place at the point of sales as well in order to fully explain the product.

Educational booklet from Ruby Cup

Multifaceted Marketing

As some of the challenges with Ruby Cup were local adoption and high involvement with every community, the distribution method of direct sales from women to women was

suggested. In addition to creating a distribution channel, this would enhance word of mouth marketing. This method seemed optimal based on the experience of product adoption. It would help overcome the issue of education, as the sales women would be trained in reproductive health and hereby become a knowledge resource within the community. As interaction often is informal in BOP communities, customers could interact on a daily basis through visits and passing on the street, and thereby slowly gain trust in the product.

Other Marketing Channels

In the West, television advertising is regarded as a reliable, standard method of marketing; but in Kenya, few BOP consumers have access to a television. Thus, in order to market to the BOP, it is important to look into alternative marketing channels (Bahn, 2009). Radio is a more effective broadcast medium than television, reaching more of the BOP market. Road shows are also a great way to create attention and awareness amongst many people in a single day. Ruby Cup therefore engaged in a roadshow on a truck in Mathare slums which involved a local theatre club acting out Ruby Cup, sales ladies handing out T-shirts and speaking out in microphone to the masses, dancing competitions on the truck between the founders and local Mathare citizens, handing out of 5.000 flyers, and performing different songs. Other marketing strategies suggested and employed were giving cell phone airtime as incentives and awards for sales women as well as local public competitions, and appearances in local radio shows.

Marketing Messages

Bahn underlines that marketing must be localized and founded in messages that resonate with BOP consumers. In the case of Ruby Cup, it was important not to position the product as a poor person's product, as that was unattractive. This highlights the importance of dignity. Ruby Cup should be marketed as a modern and attractive product for all women, and the messages should focus on health and freedom rather than cost saving and functional. The slogan: "You Can Do Everything" was developed and statements such as 'Designed in Denmark' and 'New in Kenya' were added to the marketing material in order to emphasize that Ruby Cup was a product for *all* women and girls.

4.2.3: AFFORDABILITY AND DESIGN

In order to be successful in the BOP, it is key that products are affordable for the consumers. Their limited cash flow must be taken into account (Prahalad, 2004); however, affordability must not neglect quality and durability (Bahn, 2009).

Affordability

The disposable income of women and girls living in poverty in Kenya varies. As in other BOP markets, urban consumers have a higher income than rural inhabitants, as there is more trade and business in slums compared to smallholder farming in the countryside. The Ruby Cup founders decided to start with the 'upper' BOP segment living in the urban slums, where affordability was higher and distribution was easier. After having achieved success in slums, the strategy would be adapted to the rural challenges and scaled out. In Kibera slums, most women have part time or full time jobs selling vegetables, making tea, doing door-to-door surveys for NGOs or other small jobs. An average monthly income is between 7.000 Ksh ($82) and 10.000 Ksh ($117). It is normal to have between 3 – 8 children, and despite a free public education policy in Kenya, putting your child through school is not free in any way. Parents still have to pay school fees every three months and buy school uniforms, books, etc. Sanitary pads are relatively expensive, and with four girls in the household, proving sanitary towels for all of them would cost up to 15% of a monthly income. *"I spend 60 Ksh (0.7 USD) per sanitary pad pack, this will last me three days. So I need 2 packs per months in order to have enough."* (Dafne, Korogocho, Kenya, June 2011).

For highly prioritized items, it is common for the urban Kenyan BOP consumer to spend up to 3.000 ($35) – 7.000 ($82) or even more. Purchases this size includes cooking stoves, TVs, housing furniture or decorations, etc. Often, it is possible to pay in installments, allowing for consumption despite limited cash flow. There is money to spend in the urban BOP community, but affordability very much depends on the perception of value a specific item holds for the household. As opposed to a socially visible item such bright solar lamp that all neighbors could pass by and admire, the discreteness of a Ruby Cup and the topic of menstrual hygiene was a challenge to get on the prioritized household spending agenda. Making Ruby Cup affordable was thus not only an issue of making it 'cheap' enough, but rather about awareness and creating the right hype about the product.

Setting The Price

Determining the price of Ruby Cup was one of the most challenging issues. When investigating how much customers would be willing to pay for the product, it was very difficult to get trustworthy answers. First, because many did not know the product, so they would shoot guesses based on what they thought would please the founders. Second, some were proud and would not like to seem poor, so they would suggest a very high price, but without being able to afford it themselves. Others said that they were suffering and in fact, they should have it now for free. The price suggestions varied from Ksh 100 ($1.20) to Ksh 2500 ($29.00). For BOP consumers, cash-flow is limited, and the concept of thinking far ahead into the future is unusual. Most do not have a refrigerator or a freezer; food is bought and cooked from day to day. Introducing a product that is re-usable for 10 years is a very abstract concept for most BOP consumers, and despite a positive reaction, it also does not necessarily seem trustworthy. This relates to the concept of illiteracy mentioned by Viswanathan (2011). *"How will I know that this thing will last me 10 years? Maybe my neighbor tries it and she will tell me if it still works. Then I get it."* (Janet, small business owner, Kawangware slums, June, 2012).

The main beneficial product attribute of Ruby Cup (re-usability) was therefore also a weakness in the BOP context due to unfamiliarity with re-usable products. The price would have to be higher than a pack of sanitary pads due to production costs, but it could not rationally reflect a cost saving over ten years.

Finally, interesting feedback on pricing was gathered from a local social enterprise called Livelyhoods[37], who sell different sustainable products in Kawangware slums through direct sales mechanisms. In their model, customers prefer buying a cooking stove produced in China, which is $5 more expensive than the identical stove produced in Kenya. This shows that a low price is not necessarily attractive, as this can signal bad quality. The design of Ruby Cup is high quality and durable, however setting the right price was an important signal to both underline this high value as well as balancing affordability and limited cash flow. In order to find the right pricing strategy, which would be economically viable for the company, affordable, and attractive, it was decided to engage in price testing. Kenyan women also suggested promotions and 'introductory pricing' as strong sales arguments and something that would make Ruby Cup attractive.

The initial price testing was set to be between $5 - $12 (450 – 1000 Ksh). Average cost of pads per month in Kenya is 100 Ksh (a 12.000 Ksh spending in ten years).

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[37] http://livelyhoods.org

4.2.4: AVAILABILITY AND DISTRIBUTION

One of the main challenges for reaching the BOP consumer is making the product available. It is important that businesses ensure constant supply, so customers do not lose faith in the product (Anderson and Billou, 2007). Proximity of the location of sales is another important factor (Prahalad, 2004), and due to lack of existing distribution channels, it is encouraged to think in innovative approaches for getting the products to the consumers (Bahn, 2009). Furthermore, BOP 2.0 predicates that the poor should be included as producers or distributors in order to raise income (Simanis and Hart, 2008).

As the initial focus of Ruby Cup was towards the urban BOP consumers, there were several existing options for distribution. Through research and interaction, the following topics were brought up as important for a successful BOP strategy.

Existing Distribution Posts

Sanitary pads are normally sold in supermarkets, pharmacies, small local mom and pop stores, and at local kiosks. In the slums, it is possible to buy a single pad at a time (sachet strategy) catering for limited cash flow of BOP consumers. However, the local women recommended that Ruby Cup should initially avoid entering into traditional distribution points, as many small shops in slums are operated by men. Buying a Ruby Cup from a man would be unconvincing, as the man would be unable to explain how it feels to use it. Or even worse, he might spread wrong information about Ruby Cup, saying it could be used as contraception or other falsities.

The women suggested instead selling Ruby Cup and go door-to-door. This direct sales model (multi-faceted marketing) has many advantages. It would generate employment for women in the BOP community and this way create shared economic value and local growth in line with the BOP 2.0 thinking. Women would know where to go and how to talk about Ruby Cup, and by using the product themselves; they would be able to give credible and trustworthy testimonials to their customers. It would allow for installment payments controlled by the vendors, as they knew whom in the community to give credit and who to charge up front. As the women already had a great network in the densely populated slum areas, they projected that a female vendor could sell as many as 200 Ruby Cups a month. Of course, it would be slow in the beginning, but as soon as the word got out, it would be an immediate success. All the women were interested in this job opportunity and could recommend several others who would like to start as sales women. The profit per product sold would have to be negotiated, and there were several meetings about how to create the

right structure, how to ensure that the women would not just run away with the products; these meetings were characterized by terrific enthusiasm about getting started.

The founders had spent a long time working with the community in order to ensure that all different aspects of creating a BOP strategy had been taken into account. Furthermore, the strategy was based on a mutual partnership and development between the founders and the BOP consumers. The next section will present the launch of Ruby Cup's BOP strategy and the failing results. This will be followed by an analysis of why it failed.

4.2.5: RUBY CUP STRATEGY LAUNCH
(July 2012 – October 2012)

Based on the learnings and observations described above, the founders were ready to launch the following Ruby Cup BOP strategy in the slums around Nairobi. The main distribution channel to be tested was direct sales from women to women, where each woman would earn a commission of the sales. This would serve the following purposes of Ruby Cup's BOP strategy:

- To solve the problem of reaching the last mile, i.e., getting the product out to the end consumers
- To create employment for women
- To overcome cultural taboos by communicating through the local community
- To increase education about menstrual hygiene by training the female vendors
- To use the word-of-mouth marketing strategy that was heavily recommended and more cost effective than traditional marketing.
- To allow for installment payments in order to make the product 'affordable' for the customers.
- To skip other official and more expensive distribution middlemen

The founders wanted to run their own female vendor channel to start out with, in order to be able to learn and observe first hand. However, in order to reach scale, it was deemed necessary to team up with existing vendor channels that could then add Ruby Cup to their basket of goods (soap, solar lamps, etc.). The final BOP launch was a test of three different models.

a) Ruby Cup's Own Direct Sales Networks

Ruby Cup initiated their own female vendor network in Kibera slums. In order to facilitate sales and decrease risk for the female vendors, Ruby Cup would be sold on a consignment

basis. The vendor would receive a small quantity of products, and only pay for them after sales (rather than having to take a loan in order to purchase the goods). Through a good relationship to the woman leader Mama Hamza in Kibera, the founders could use 'Mchanganyiko' to recruit and train the first 5 sales agents. Mchanganyiko is a community-based organization that provides a safe space for women and girls. The recruitment process entailed interviews, group interactions and sales skills testing.

Picture: Sales lady Sarah wearing her Ruby Cup uniform: T-shirt, official ID as sales representative, cost-saving chart and a Ruby Cup sample. Kibera, August 2012

After one month of testing Ruby Cup, receiving sales training and being educated about menstrual hygiene, the five sales ladies went out every day to sell. The founders met the sales team 3 times a week to get their feedback and adjust sales techniques.

The following elements were tested:

- Wholesale Price: 800 Ksh
- Distribution: micro-consignment
- Commission: 200 Ksh

In order to provide incentives for the sales women, airtime would be given for the following activities:

Presentations to school/church – minimum 25 people/25 Ksh airtime

Customer questionnaires - 10 Ksh airtime /sheet

1 T-shirt/50 customers that has completed the monitoring document

Product sold - 10 Ksh airtime

Marketing:

Marketing material consisted of

- Sales material with visible graph of cost-saving
- T-shirts with Ruby Cup logo and slogan "You Can Do Everything"
- Flyers

- Presentations in schools, churches and other gatherings in Kibera

Results:

After the first two months, Ruby Cup had only sold 3 products. The sales ladies complained that the price was too high as it was an unknown product, and no one would take the risk. The price was lowered to 400 Ksh retail and the incentive went up to 300 Ksh in commission. In October, there were only three sales ladies left who were suspected to work only a few hours a week due to the hardship of trying to convince customers to buy Ruby Cup. Despite engaging closely with the market and developing the business strategy together with the main stakeholders, this direct sales strategy failed. Several attempt were made during the pilot phase to adjust the strategy, but neither changing the price, nor increasing the marketing effort, nor providing more incentives for end customers and sales women had a significant effect on sales.

b) Partnership with Livelyhoods

Picture: Ismart sales ladies from Livelyhoods, ready to sell Ruby Cup. Kawangware, July 2012

Instead of inventing and managing new sales channels, Ruby Cup would tap into existing networks, and strengthen the women's product portfolio while making use of an already educated and well-functioning distribution channel. LivelyHoods trains unemployed youth in Kawangware slums to be sales people for a variety of products. 10 dedicated young LivelyHoods female vendors tried Ruby Cup and included it in their product portfolio. They would earn a 20% commission for each Ruby Cup sold.

All sales women aged 20-27, responded that they loved Ruby Cup and thought the product was comfortable and cheaper and safer than pads. Livelyhoods sales team met every

morning to compare sales targets and results from the day before. The founders joined the sales meeting every week to do follow ups and receive feedback.

The following was tested:

- Wholesale Price: 700 Ksh
- Commission: 140 Ksh
- Selling Ruby Cup through a professional sales team
- Competing with a basket of goods

Marketing:

- Once a week Ruby Cup would participate in a market tradeshow on the main street
- Once a week the Ruby Cup team would tour Kawangware with the local Livelyhoods sales agents, as associating 'foreigners' with the product was said to be aspirational and create attention and demand.
- Flyers
- T-Shirts

Results:

In two months of sales, only 8 products were sold. As with the Ruby Cup sales channel in Kibera, the agents lost interest in trying to push Ruby Cup. For reaching their own targets, they would sell what was easiest from their bundle of goods, which were products that were already known by the community. Feedback also showed that the customers felt the risk of investing in a Ruby Cup was too high, given the perceived risk that it might not work for them. The model was adjusted with a warranty for a return of the full amount of money upon dissatisfaction with the product up until 7 months after purchase. This was believed to lower the barriers for purchase. However, in Kawangware, the warranty was perceived differently. Instead of increasing demand, the warranty was seen as if the company itself doubted the product. The main lesson learned from working with Livelyhoods was that when competing with other products in a basket of goods, Ruby Cup would not be prioritized as it was a new and difficult sell. The push expected from the direct sales model did not happen. Rather, the push needed to come from other marketing channels and when demand had been created, sales agents could be used mainly as a source of distribution rather than push marketing.

c) Partnership with Miss Koch Kenya

Miss Koch Kenya[38] is a community-based organization (CBO) in Korogocho slums. The organization works with ensuring human rights, mainly focused on women empowerment issues like battling sexual violence and keeping girls in school.

Through a localized partnership with Miss Koch, several women leaders of the different districts of Korogocho slums were identified as sales agents with the purpose of being main influencers in their communities. These were trained and introduced to Ruby Cup. Different from Kibera and Kawangware, the price was kept flexible and open for testing. This served to test the distribution method and acceptability (London, 2011). The founders set the price to a minimum 100 Ksh, but with no loft. The sales agents' commission would be a percentage of the total sales, incentivizing them to push the highest price possible. At the same time, having a minimum price of 100 Ksh allowed for testing the viability of the business strategy in near isolation from price considerations. For long-term sustainability, a price of 100 Ksh could not be sustained but testing it would provide more information.

The following was tested:

- Influence of district female leaders as sales agents
- Flexible pricing structure

Marketing:

- T-shirts
- Flyers
- Presentations to gender-based violence meetings
- A major roadshow for 10 hours, passing through entire Korogocho, handing out 5.000 flyers with a giant banner.

Results:

Ruby Cup was was expected to sell in Korogocho due to the flexible pricing structure, but only 5 products were sold. When the price of Ruby Cup was set to equal the cost of buying pads for 1 month, the risk was almost none existent. The Ruby Cup team was highly involved in several marketing activities in Korogocho to push for sales, but nothing much happened. It was also difficult to understand from the sales agents how many hours they spent attempting to sell Ruby Cup. These specific women were very powerful in their districts, and that's why they had been purposely selected as influential sales ladies. However, it was discovered later, that they were funded by the community and different organizations. This

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[38] www.misskoch.org

meant that their personal incentive for earning money from sales was low. Instead, they had other matters to tend to in order to maintain their position in the community. However, despite the lacking effort of the sales team, it was still surprising that so few products had been sold for the very affordable price of 100 Ksh.

4.2.6: CONCLUSION ON RUBY CUP'S BOP STRATEGY

Despite following the BOP theory of developing the business together with the local communities and spending time building trusted relations, the Ruby Cup strategy of reaching the BOP in Kenya failed. Having taken into account the main categories of the Aggregated 4 A's + 5 D's framework, different criteria have been well considered and the framework does not offer any explanation for the failure. As several strategies were tested in order to ensure affordability and durability of design, this factor was ruled out. As supply was offered consistently and in the nearby environment of the consumer, availability and distribution could also not explain the failure. Alternative marketing channels such as roadshows, theatre and dancing were combined with traditional marketing strategies, and the method of multifaceted marketing was employed. Left for evaluation was acceptability, development and dignity. There was excellent user feedback on the functionality of the product. The users found Ruby Cup extremely giving in terms of societal value and improvement of life. However, sales women were still not able to convince new customers to purchase Ruby Cup, no matter the price. Why? Something crucial had been missed with regards to understanding the BOP consumers. The next section will supplement with motivational theories in order to analyze why Ruby Cup's BOP strategy failed to reach the poor consumer in Kenya.

4.4: MOTIVATIONAL DRIVERS OF THE KENYAN BOP CONSUMER

CHAPTER 4: RUBY CUP CASE ANALYSIS

4.4.1: THE IRRATIONAL BOP CONSUMER… OR?

It can seem curious that poor BOP consumers who are struggling with not having anything to stop their menstrual blood with would rather use rags or bark, than get a Ruby Cup and be safe. The aggregated framework demonstrated that all the different criteria stated in BOP theory had been considered for launching a successful BOP strategy. Even though Ruby Cup was made Affordable, Available and Awareness had been created, it was still not fully

Accepted or wanted. The product itself had been tested and had excellent user feedback, and it provided a necessary life improving function. Something was overlooked.

Maslow argued that human behavior is driven by five hierarchical categories of needs. His functionalist approach of viewing people in poverty as belonging to a certain 'needs' category, which must be fulfilled before moving up the ladder, is prevalent in BOP literature. Following this line of thinking, the women of the slums in Nairobi are simply irrational, as the need for menstrual hygiene protection was echoed everywhere in the slums. This suggests that BOP consumer are not only looking at fulfilling basic commodity needs. The award-winning water filter 'Life-Straw[39]' is another interesting example. Life-Straw is inserted directly into dirty water, and the water will be clean and filtrated when reaching the mouth. This invention was voted Best Invention of 2005 by Time Magazine and Invention of the Century by Gizmag[40]. However, the strategy failed to sell directly to the BOP, and is sold to NGOs instead for donations. Using a Life-Straw implies drinking out of dirty puddles in public, a behavior that can be perceived as degrading. However, it protects a person from life-threatening bacteria. Why would poor consumers rather leak menstrual blood and stay home for a week than get a Ruby Cup? Why would consumers rather drink dirty water and risk diseases than be seen with a Life-Straw?

Hofstede criticizes Maslow's explanation of human behavior for focusing too heavily on the individual as detached from culture and social relations: *"…Maslow's hierarchy reflects individualistic values, putting self actualization and autonomy on top. Values prevalent in collectivist cultures, such as "harmony" or "family support," do not even appear in the hierarchy"* (Hofstede, 1984, p. 396). He argues that East Africa in particular is characterized by a strong collectivist culture, where status is a primary motivational driver.

"Me I sometimes don't have [money], and when I get something small, I keep it to buy Always. Local [Kenyan] pads are cheaper but they are bulky and not nice. I like Always. I like the commercials. Most Kenyan Ladies are Always users." (Kendy, 16 years old, Kibera Slums).

Kendy would rather go a month without sanitary pads in order to afford the brand Always that costs twice as much as the local brands. This behavior underlines the importance of

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[39] http://www.vestergaard.com/our-products/lifestraw
[40] http://www.dailymail.co.uk/femail/article-2391107/The-Lifestraw-A-portable-water-filter-save-millions-world-lives.html

status and aspiration. When re-assessing the market feedback, creating a 'cool' brand that speaks to all women and not only the poor was communicated early on as a key determinant for desirability of Ruby Cup. Kendy's behavior directly contradicts Karnani's argument (2007) stating that the poor do not want luxury products, as they have too little income to be concerned with luxury. She is making a consumer trade-off and underprioritizing having security for two full months with the local unknown and bulky pads in relation to having nothing at all one month and the cool Always brand for another.

As argued by Hofstede, the perception of others in the community can be argued to play a vital role, and therefore be a main driver of consumer behavior. Understanding how a product is perceived within a group relates to social capital and the importance of being seen as someone with high status. Viswanathan (2011) argues that despite that lack of economic wealth, BOP communities are wealthy in social relations. Maintaining a high status in social relations can be seen equally important as securing basic commodity needs: *"The upper tiers of Maslow's pyramid, including psychological needs and self-actualization, may actually become paramount."* (Viswanathan, 2011, p. 137).

The reluctance to use Life-Straw could be explained by that fact that being seen in public drinking from dirty water with a straw is degrading to an extent that it affects pride and status in the community, something that might be more important than having clean water. Equally, Ruby Cup failed to create an aspirational brand that would make the consumers chose the product despite its affordability and life-improving function.

The compensatory consumption hypothesis offers explanation for this motivation and argues that inhabitants with low social status in society overspend on socially visible consumption goods in order to offset their inferior position (Kempen, 2007). Compensatory consumption was developed by Caplovitz to understand the overspending on visible goods by races of inferior status in the US. However, the thinking is also well applicable to the BOP consumers in Kenya. They suffer from inferior status, and a product or a service that can give higher status is valued more than catering for a basic need. *"For low-income households, consumer activity is not only a matter of need but also one of embellishing their status by consumers' goods. In place of actual movement up the social ladder, they turn to symbols of status in a pattern of 'compensatory consumption"* (Caplovitz, 1967, p. 48). The case shows that aspiration and social status is valued as high as providing for a basic commodity need in the Kenyan BOP market.

"It is really important that girls and women don't feel that they get a Ruby Cup, because they are poor and cannot afford Always. You have to create a brand that is also for rich women. This will make the poor want it." (Souline, 24 years old, Kibera slums).

Revisiting Souline's statement, the feedback from the consumers had long emphasized the need for Ruby Cup to aspire modernity, high-value and coolness. This was taken into account in the design of the product, the packaging, and also in the marketing messages. Ruby Cup was not designed to be discrete and secrete, rather the women wanted pink and flashy, suggesting the importance of visibility from the community. But there were several questions that had not been posed such as "where is the cool place to buy Ruby Cup?", "how do you make a brand that is also attractive for rich women?". Ruby Cup was not attractive for rich women, because it was targeted towards the BOP. In the attempt to create local trust around the product and local acceptance, it can be argued that these efforts were counterproductive. Ruby Cup tried selling through influential women leaders in the community. These women were respected for their position as wise and powerful, but they were older and not associated with cool new products that were smart. In fact, they were the opposite. Cool consumer products for rich Kenyan women were not targeted to the BOP. They would find a way there after having been accepted by the Kenyan upper and middle class.

Introducing different motivational theories offers an explanation to why Ruby Cup failed to reach the Kenyan BOP consumer. The Kenyan BOP consumers value status and aspiration and want to be cool and modern as well as any other women. In continuation, the compensatory consumption hypothesis underlines that these consumers might be even more motivated by brands and how products are perceived than TOP consumers as they strive for acceptance and to assimilate into modern mainstream culture in order to offset the poverty stigma. Niti Bahn touches on this topic with the category of Dignity. Although Ruby Cup made efforts during the design phase to ensure 'coolness' of the product, the distribution method and the mere fact that the product was mainly seen in the slums associated Ruby Cup with poverty. In order to make a product entry that would create an aspirational brand to be accepted by the Kenyan BOP consumer, Ruby Cup was visible in the wrong market.

**4.4.2: PHILOSOPHICAL CONTRADICTION WITHIN BOP THEORY**

These finding highlights a great paradox within contemporary BOP thinking. The BOP thinking first proposed by Prahalad was criticized for being too focused on increasing profits for MNCs rather than creating development (Karnani, 2007). With the latter BOP 2.0 Protocol, this criticism was taken into account; BOP 2.0 holds that by using methods of participation and focusing on the needs of the user, mutual value would be generated through cooperation with local communities and listening to the local culture. In BOP 2.0, the users are the experts, and crucial for business and development success is adjusting to the local context (Simanis and Hart, 2008). *"The key issues involved in the BOP framework are the empowering and enabling of the poor in making choices"* (Chatterjee, 2009, p. 135).

However, at the same time, BOP theory is loaded with moral judgments about how that mutual value should be created and what is valuable. This is reflected in the aggregated 4 A's + 5 D's framework. Specifically Bahn (2009) is a proponent focusing on ethics and morals when doing business with the poor. The products offered must be 'good' for the consumers, meaning 'not harmful'. But at the same time, she highlights the importance of understanding the mind-set of the poor and their value systems (2009). These two positions have a philosophical contradiction. On the one hand, she supports a mindset that sees some products as 'good' (sustainable cooking stoves, water cleansing tables, etc.) and bad (alcohol and cigarettes and polluting vehicles). This perspective makes a universal westernized claim on which products are valuable. As there is a great focus on sustainability in the Western world currently, we want poor consumers to accept our values of good in order to improve the world. However, at the same time – she argues for a localized value understanding and proclaims that if businesses are not careful about understanding BOP consumer, they might present marketing strategies and business models that are in opposition with the local values. In some cultures, it is cool to smoke and uncool to a use water purifier to clean your drink. Here, business would be in a dilemma as to whether to base their strategy on ethics and 'good' products, or on the cultural relativistic approach of reaching the consumers where they are today and giving them what they want. Following BOP 2.0, a BOP business should create local employment, increase education, offer eco-friendly and morally sound products. On the one hand, the business should be based on the BOP consumer's culture and preferences, and on the other, a good BOP business is supposed to make big brother decisions on behalf of the consumer, to determine the consumer's needs and wants. This illuminates a conflict and potential trade-off with wanting to both do good and do well.

And what do the BOP consumers want? In the case of Ruby Cup, the founders were blinded by BOP theory. The mission with Ruby Cup was to create mutual value, but based on the foundation of BOP 2.0 thinking. Despite using PAR and being very user focused, the founders were too keen on following the BOP values, rather than allowing for understanding the deeper local cultural values. The focus was to build a BOP business that would create empowerment, local growth and supply a sustainable life -improving product to the BOP. However, the consumers did not want a BOP business. They were more interested in a commercial consumer brand. Locked within the BOP framework, the founders lacked the ability to really listen to what the consumers wanted. The poor were to be included in the business strategy as distributors or as producers in order to increase income. If not, Ruby Cup would adhere to the corporate imperialist strategy of BOP 1.0 by merely turning them into consumers. However, exactly involving the BOP market in the case of Ruby Cup was what associated the product with poverty. This demonstrates a dilemma and shows that the underlying 'shared' values of BOP theory are not necessarily shared. They are what BOP advocated believe is good for BOP consumers, and for facilitating development at the BOP and thereby bettering the world at large. *"Quality", by definition, is a matter of values….Values depend partly on personal choices, but to a large extent what one considers good or bad is dictated by one's cultural context"* (Hofstede: 1984, p. 389).

It can therefore be argued that one of the main barriers to creating a successful BOP business is the ethnocentric value foundation of the theory itself. With regards to Ruby Cup, it would have been better to disregard the BOP theory completely, in order to be able to fully listen to the market. The categories of the 4 A's+ 5 D's framework can still be helpful as an open checklist for investigating how to reach the BOP consumers, however these categories should be empty as they are affected by culture, status and social relations. E.g., it could be, that the Kenyan BOP consumers would prefer buying Ruby Cup in an exclusive hair salon in downtown Nairobi. Or that the marketing messages should speak to Western women in order to appear attractive to the BOP. To truly listen to the market, the categories should be fully open and based on what BOP consumers desire as consumers, not what it is believed poor people need and how the West would like to do development through business. The framework can therefore be modified to fit within this broader context as shown in the illustration below.

4.4.3: MODIFYING THE FRAMEWORK
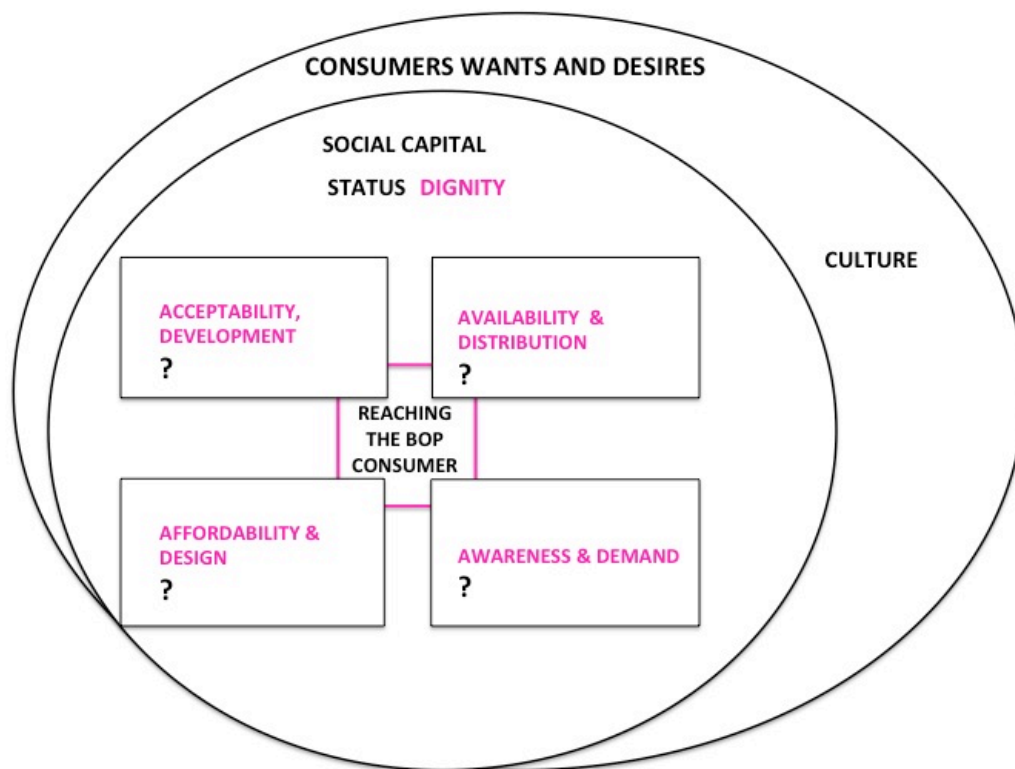
Illustration: Modified framework for reaching the BOP consumer (by author)

This illustration shows a modified framework for reaching the BOP consumers in Kenya. The point of departure is what the consumers *want,* not what they are believed to *need*. Based on this, the aggregated 4 A's + 5 D's framework can be used but seen as contingent on local culture, social capital, status and dignity.

CHAPTER 5

MAIN CONCLUSION AND FURTHER PERSPECTIVES

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5.1: CONLUSION – ANSWERING THE RQ

> **WHY DID RUBY CUP'S BOP STRATEGY FAIL TO REACH THE POOR CONSUMER IN KENYA?**

The Ruby Cup strategy failed because the founders were excessively eager to follow BOP values, rather than truly listen to what the consumers wanted. The BOP 2.0 thinking has an inherent contradiction. On the one hand, it is user-focused, and strives to be founded in local values. On the other hand, it carries a Western developmental focus of wanting to create empowerment and local growth while supplying sustainable and socially 'good' products, in the eyes of BOP advocates. Ruby Cup was too focused on aligning the strategy with Western BOP values of what is believed poor people need, rather than truly listening to the consumers. The motivational purchasing drivers were not whether the product was eco-friendly, sustainable, whether it creates local employment, is affordable, or the closeness of availability for purchase. The consumers were not interested in a product that was targeted towards the BOP to begin with. They wanted an ordinary cool consumer brand that speaks to all women in Kenya, not targeted towards the poor.

Secondly, BOP literature has a lack of focus on the importance of aspiration, brand and status as main motivational drivers for BOP consumption. Ruby Cup categorized BOP consumers as being primarily affected by income poverty and wanting to solve a need. Instead, poverty is multidimensional, and social capital and status can be argued to be as important in the Kenyan BOP community as basic commodity needs. Ruby Cup failed to create a brand that would assert aspiration and social status in the community. The focus should have been primarily on understanding the _wants_ and _desires_ of the BOP consumers.

The case study of Ruby Cup adds new knowledge to the BOP literature specifically with analyzing a case study failure. Since the BOP thinking made its entry, BOP advocates have been busy promising a fortune as well as cheering business on as the new pioneers of eradicating poverty. Reality shows that this is easier said than done. This study highlight basic flaws within the BOP hypothesis, and the lack of knowledge about what BOP consumers want and desire. This case study found that intangible values such as social capital, status and aspiration were determinant for the success of Ruby Cup, and overlooked in BOP theory in general. The research has generated new findings from a specific setting in Kenya through an interpretivist and participatory approach, which hopefully will inspire for more research concerning BOP consumers needs and want. Despite the fact that a single case study cannot validate or discredit the entire BOP thinking, it does however demonstrate important contradictions within the BOP framework.

5.2: FURTHER PERSPECTIVES

"At this phase of the venture-development process, failure may generate more useful knowledge than success" (London, 2011, p. 26).

Ruby Cup is a special case in several regards. The fact that it is a completely new product makes the entry into a BOP context much more difficult that trying to sell a concept that people already know. Communicating the value of a long-term product also proved difficult, as most consumers live from day to day. Furthermore, it is a re-usable long-term product, which means that customer acquisition is a critical and constant challenge. As soon as you get a customer, you lose a customer. Being re-usable for 10 years is therefore not necessarily a positive attribute, but rather inconceivable and adds to the mystery of this new invention. In addition, the product can only be tested by a user once a month, making the adoption curve slow. To add to this, menstruation is a taboo topic hindering fast spread of word of mouth information about it. Therefore, it can be argued that the failure of Ruby Cup also has to do with the specifics of the product itself. Entering the BOP market with FMCG or cellphones could again be a completely different matter. It would be interesting to compare the case of Ruby Cup to other socially invisible and long-term re-usable products for further research.

PAR has served as a superb methodology in the sense that it has allowed for an enormous amount of data, and the blurring of boundaries between researcher and researched has proven useful in order to interact and collect honest opinions and feedback. However, it does hold a danger of exceptional bias, particularly with my double role as both author and

co-founder. Despite the fact that Ruby Cup failed, it can be argued that I have bias towards finding the answers for the failure in theory (or lack thereof), rather than pointing the finger inwards and investigating how we could have improved our efforts on the ground. Additionally, using PAR allowed for a reflexive process, between theory, empirical data and action, etc. I have enjoyed that process, as this has forced me to re-evaluate my role as a researcher constantly throughout the process, as well as induce and deduce knowledge interchangeably. I believe that self-reflection is a unique strength of this thesis, however, it also does create a certain amount of chaos and lack of linear structure. I have intended to work with this and sought to provide clarity for the reader, despite jumps in time.

I chose to aggregate the 4 A's + 5 D's framework and use this as a guiding frame for analyzing how the Ruby Cup strategy was made and what it entailed. It was however complicated to apply the framework to the case, as it offers very little depth for critical analysis. In my opinion, this goes for BOP theory in general. Using BOP theory as a guiding framework was necessary, as that was the foundation of the entire business. However, the lack of deeper philosophical theory of knowledge in BOP to some extent also affected how solid the case analysis could become. This is why I chose to pick four different motivational theories to supplement my analysis with. These were very useful for having a better discussion about consumer behavior, and also helped to extract some of the underlying values within the BOP framework, such as seeing income as a measure of poverty. In my opinion, the choice of motivational theories served to uncover new and much needed knowledge with regards to understanding the BOP consumer; however, another researcher could have picked different theories which might have led to an entirely different conclusion overall.

I have chosen to include a discussion of income as a valid measurement of poverty to highlight how different perspectives of poverty shape how the BOP consumer is understood. I believe there is a need for further research to truly link and align BOP theory with a multidimensional approach to poverty. This will question important topics such as basic needs and what is ethical, and hopefully bridge the gap between what BOP wants for the poor, and what the poor truly want and need.

Another area for further research is a critical perspective of the blurring boundaries between business and development, where capitalism is celebrated as the new and efficient means to alleviate poverty. This case demonstrates that it is not necessarily possible to do both. After the unsuccessful BOP entry, we made a new strategy in order to cater for the needs and wants of the Kenyan consumers. We also incorporated philanthropy into the

business in order to assist underprivileged girls in primary school with a Ruby Cup. These specific girls have no access to income, except for engaging in prostitution. I am of the opinion that BOP proponents should be careful not to believe that the market can solve all problems. There is a tendency to get overexcited with a new and innovative method of approaching poverty alleviation. I do believe that providing choice, employment and innovative solutions to societal issues can create empowerment and dignity for people living in poverty as opposed to aid-dependency. However, BOP approaches in their current form are far from a magic bullet. By understanding the reasons that BOP theory failed in the case of Ruby Cup, we can begin a process of refining that theory, and further negotiate the space between business and development.

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- Awarded Future Impact Award 2nd prize 2012 (CH) July 2013
- Winner of Venture Cup (DK) June 2012
- 2nd Prize Ben & Jerry's Social Entrepreneurship Competition, 'Join Our Core', London (UK) April 2012
- Grant Prize winner of the Global Social Entrepreneurship Competition at the University of Washington in Seattle (US) March 2012
- Semi-finalist for the Echoing Green Competition (US) January 2012