

Focus

The future of global business at 'base of the pyramid'

Over a billion new customers, with trillions of dollars of spending power, are ready to hear from you. And they are not just in China or India. They are low-income customers being pursued by Unilever, Procter & Gamble and many small and medium-sized companies.

The more than 2 billion people around the world living on \$2 or less a day are often referred to as the "base of the pyramid" (BoP). These consumers in Africa, Asia and Latin America represent a market with many needs, limited competition and strong potential.

In India, Unilever has developed an array of low-cost food, water, personal care and home care products for the BoP market. In Nigeria, P&G sells laundry detergent, soap and diapers, and plans to do business in more than 50 African countries.

BoP market benefits

With low sales growth projections in industrialized economies, companies are seeking new opportunities. Selling

in BoP markets will not only result in an improved global business reach, but can be beneficial for understanding domestic ethnic consumers.

A need to adapt to BoP consumer needs requires innovation. That can mean creating a low-cost personal water filter or a \$1,000 electrocardiograph machine. User-driven innovation is often in the form of co-creation with companies and customers working together in product development.

Solae, a DuPont subsidiary in India, worked with women in a rural village to develop tasty, nutritious meals made from soy. Benefits included an improved diet, increased community-based enterprises and expanded sales of soy for Solae. BoP innovations can result in new products and increased financial success in established markets. As companies consider financial results and social contributions, involvement in BoP

markets can be a viable strategy.



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Success in BoP Markets

Financial success in BoP markets is often difficult. A longer time frame for planning and implementation is only one threat. Also, existing consumer behaviors and spending patterns need revision to fit new products into their lives. However, risks can be reduced by gaining an understanding of the geo-

graphic, cultural, political and infrastructure setting. BoP consumers and distributors live under very different conditions. Companies must be prepared to do business in open-air markets as well as traditional retail stores. Transport may be by oxcart and bicycle as well as truck and train.

Companies should offer affordable products based on needs related to food, water, energy, health care,

education and financial services. Instead of "new and improved" products, the emphasis will likely be on small packages of low-cost items. While this usually means a lower margin, the vast numbers of BoP consumers can result in larger long-term profits.

Finally, partnering with businesses and other organizations for supply chain activities can establish trust and credibility. These alliances will often include nontraditional partners, such as nongovernmental organizations or community networks of women that can provide technical assistance, market knowledge, distributor contacts, and financing. Using linkages to create a sense of local ownership can significantly increase potential success.

Doing business at the BoP can contribute to the bottom line, while improving the quality of life for millions. An ability to serve low-income markets results in new business opportunities and a commitment to creating a better world.

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