

# The Fortune at the Bottom of the Pyramid Begins with Understanding

## Targeting the BoP Customer

Regardless of your choice of strategy, targeting the BoP market and customer must begin with understanding and observation. Statistical data and quantitative market research will simply tell you their income or lack of it and their literacy levels. Such details while important, do not convey the difference in mindset that a life adversity in uncertain conditions creates.

*The challenge for marketers of consumer products and services, or retailers for that matter, is to develop a robust methodology that can continuously anticipate and meet or exceed these rapidly changing consumer expectations*

*relating to products and services (which products or services, and what functional attributes), product design (the emotional attributes), product (or business) branding (to create differentiation and help the consumers in tak-*

*ing purchase decisions), and finally which channels from where to reach out to the consumers, and then how to sell it from there.*

**ñ Arvind Singhal**  
KSA Technopak,

*Business Standard, October 25, 2007.*

**T**he field of human-centered design provides a rigorous methods-based approach to innovation and planning. At the intersection of business and design, leading international consultancies such as Doblin, part of The Monitor Group and IDEO, the world's most innovative firm, draw upon these methods, tools and frameworks from the designer's toolbox as a powerful resource by which to address the fuzziest business challenges faced by companies such as Proctor & Gamble, Hewlett-Packard, McDonald's *et al.*

Also known as user-centered innovation or design thinking, the search for insights and inspiration begins by observing your intended audience in order to understand them. The goal is to discover unmet needs or opportunity gaps where existing products, services or business models leave their customers unfulfilled. This reduces the éhit and miss gamble of new product introductions and increases the rate of diffusion of an innovation in the market.

The challenge now is to address the increasing needs at the bottom of



the social and economic pyramid around the developing world. These emerging consumer markets are the great unknown, never having been studied at a consumer market in their own right, unlike the decades of research and metrics available for the more sophisticated mainstream consumer culture.

Nokia is the best example of this participatory approach to reach new markets, grow market share and capture the hearts of their customers worldwide. They have fulltime in-house resources to conduct continuous ongoing exploratory research in order to inspire and inform not only their future product design and development but also their future direction as a global company and leading brand.

For example, field observations in Uganda demonstrated that entry level customers of the mobile phone at the bottom of the pyramid segment could rarely afford their own personal handsets. Often an entire family would share one cell phone. In response to this observation, Nokia launched a shared phone device in emerging markets, one that permits up to five separate profiles, contact directories and other personalization features so that each user can have their own phone. Over time as income permitted, people would purchase the brand and phone they'd already become accustomed to using, increasing Nokia's sales.

Observing how people live and behave with mobile phones particularly at the bottom of the pyramid in developing nations, how they've enhanced and shaped communications and age-old social networks, information access and entertainment in many dif-

ferent locales and socioeconomic segments around the world also provides the "weak signals" or early indicators that permit Nokia to anticipate future trends and emerging needs and behavior. Recently, they have reinvented themselves as a mobile computing company, focusing on services and on creating the Internet experience on the mobile platform.

Understanding the "now" of a particular industry, product and its usage or new customer demographic not only provides competitive intelligence for effective strategy planning and NPD but also uncovers the "weak signals" or early indicators of future trends in the anticipation of how customer expectations or needs will evolve, as mentioned by Arvind Singhal in the above quote.

Integrating business tools and metrics with the empathetic user-centered design process provides a robust methodology for addressing the business challenges in our rapidly evolving, fast growth economy in the emerging markets of developing nations. These methods are also a powerful source of information to shape systems and processes in order to improve performance. Often the biggest challenge in such intangible areas of study, when faced with a lack of performance or a bottleneck, is identifying the problem to be solved.

Traditional methods focus on streamlining cost and efficiencies, not on the people involved in the system. Transformation design begins by applying the same tools and methods with the participation of the people involved in the system in order to identify and frame the problems in

context and then co-creating solutions that work effectively and empathetically in the real world to solve them.

### Why do Existing Methods Fail or Limp Along?

The essence of what we believe to be the biggest hurdle to success in the BoP market is the inherent conflict between marketer's value propositions and the customer's value system due to a lack of knowledge and understanding of this segment.

Basically, producers immersed in mainstream consumer culture (elements of which include easy credit, buy now, pay later, style obsolescence etc.) tend to consider the BoP as being very similar or the same as their existing consumers; they simply have less disposable income. So the value propositions of the products, services, programs introduced for lower income markets, particularly in the developing world, are still based on elements of the value system prevalent in global consumer culture.

However, since the majority of the BoP has either never been the target of mainstream media and advertising or only on the periphery, their values (not to mention the limitations of their unpredictable and irregular incomes) have been relatively uninfluenced by the messaging and the value propositions behind them. "Throwaway and replace" being one of them.

When the value proposition of the seller has little or no resonance with the value system of the target market, it will be ignored. Take the fact that the mobile phone has rapidly become a fashion item in the developed world and the upper income strata across the world. The average replacement time for a phone is nine months. Compare that to the culture of repair, refurbish and reuse, often until the end of the product's life among the BoP in the developing world. From Jan Chipchase's "Cultures of repair, innovation"<sup>1</sup>,

*But in the spirit of the Future Perfect let's start with a very basic question why do these informal repair cultures*



**Niti Bhan** is the Co-founder and senior partner, Asia & North America of the Emerging Futures Lab, a small multidisciplinary team that aims to increase the understanding the people at the base of the pyramid across the developing world in order to improve the success rate of new ventures, products and services intended to serve this market in a holistically beneficial manner. A significant proportion of their primary and original research is published under the Creative Commons License. Recent clients include a global consumer electronics manufacturer, an energy giant and a leading mobile service provider. Niti's key skill is her ability to take the long view when identifying opportunity spaces and new revenue generation strategies based on a big picture perspective. An established author and speaker, her research interests include the challenge of designing effective business and transaction models intended for those with irregular and unpredictable incomes.

<sup>1</sup> [www.janchipchase.com](http://www.janchipchase.com)

exist at all? What is so different between London and Lhasa or Helsinki and Ho Chi Minh?

The informal repair services that are offered are quite simply driven by necessity ó highly price sensitive customers cannot afford to go through more expensive official customer care centers and even if they could their phones are unlikely to be covered by warranty ó having been bought through grey market channels, been sent as gifts from friends and relatives abroad, or were locally bought used, second or third+ ownership. In many cases these users cannot afford to be without their mobile phone, not in the social sense of being out of touch (which is valid enough), but in many instances because their livelihoods depend on it. On the supply side there is a ready pool of sufficiently skilled labor, ready access to tools, components and above all knowledge.

When the seller's value proposition in the form of their products and services, their advertising and communications ó fails to bridge the gap to match the values and mindset of the intended audience it leads to failures in the marketplace or at best, ad hoc adoption and mediocre sales figures. There are no real successes. There are exceptions of course, Nokia, Tata, Coca-Cola being some of them.

### So, What Do We Know About the BoP Consumer's Value System and Mindset?

Every decision to spend money ó with the exception of an impulse buy of sweets or a newspaper when there is some change available ó made by those who manage on uncertain incomes at the base of the pyramid could be said to be analogous to making an investment. Usually in their future, in some way or the other. Whether the decision is a tradeoff between purchasing shoes for a school going child and meat for a meal or choosing to buy some airtime instead of a meal, each of these is an investment in the child's future, in future income if work is dependent on being accessible by phone or simply, the next meal.

Therefore, when you have a limited amount to spend, usually at the end of each day, you're seeking to minimize risk and maximize the value of your investment. From our observations in the field, we have seen some core values emerge in the pattern of buyer behavior at the BoP in the way they think about and use their possessions or the products and brands they choose to buy.

#### ➤ Repair and Renew

Limited incomes mean there is no wriggle room for the easy convenience so beloved of consumer product manufacturers of é just throwaway and replace. Products must be durable and are treated as such ñ whether it's renewing the old mobile phone with a new keyboard after the numbers fade from prolonged use or continued repair of 20-year-old cars using spare parts that may not be new themselves.

#### ➤ Maintain and Extend

How long will this bar of soap last me? I'm willing to pay a little more if this bar will wash more clothes for my family than that cheaper bar that quickly dissolves into a puddle of soapy goo. Let me tape some plastic sheeting over the television that occupies the pride of place in our one room shack, it will last much longer and still look shiny and new. Cobblers repair sandals with bits of tires and small nails while someone will offer to make like new the grinding stone worn too smooth from constant use.

#### ➤ Recycle and Reuse

Nothing ever goes to waste, not even old plastic bottles dug up from rubbish heaps. But even those who are not rag pickers think twice about throwing away something that could be used elsewhere or put to another purpose.

All of these qualities are part of the BoP consumer's mindset, although many seem obvious or familiar to us. The critical difference, imho, is that while we have the wriggle room for experimenting with the é new and improved ó or rather than untried and unproven, those at the BoP cannot take the risk. Proof of performance over time is what establishes the brand's reputa-

tion and trustworthiness. And this influences the messaging that resonates with their values when responding to information about products and services. This is where the é sensitive bullshit meter; the skepticism about marketer's claims comes into play. The é tried and true ó carries weight as Coca-Cola, Toyota or Tata can tell you.

We may find that a soap lasts a long time after we've purchased it and its advertising message maybe based on nuanced lifestyle messaging, usually a beauty queen lathering up in the shower and then shown on the arm of a rockstar or some such. But when targeting the market at the BoP, these qualities must become easy to confirm and identify, they form the core values which are at the foundation of every purchase decision. What's on sale must be not only be easy to use but also easy to choose.

### A Market Must be Created

A great majority at the BoP do not have the requisite purchasing power and are ignored except by those who are involved in Corporate Social Responsibility (CSR) programs offering social service or charity works for the poor. As future consumers only companies like Unilever, BP, Microsoft and Nokia are looking beyond the lack of purchasing power of the E2/R4 or é resigned ó segment ñ 40 million households ñ and perceiving them as é pre-consumers ó to be developed socially and economically as an investment in the future.

Leading market research consultant Rama Bijapurkar says in her book<sup>2</sup> that at the BoP, it will be the brands that are first to capture the hearts of the people touching them at an emotional level that will reap great rewards in the future by their customers continued loyalty as they increase their income and thus their purchasing power.

Thus companies who are first to reach these segments of society and can serve them successfully and profitably while committing themselves to developing their customer's quality of lives are the ones who will reap long-term benefits from their investment. What are the elements of a successful

<sup>2</sup> Rama Bijapurkar, *Winning in the Indian Market*

strategy for long-term market development in the lower income demographic of the populace?

#### Dignity

This quality, that of commitment and trust, built up over time that leads Microsoft's Unlimited Potential Group to seek innovative solutions that can provide opportunities for education, employment and well-being in some of the most disadvantaged parts of sub-Saharan Africa and India. They don't wonder if these people can purchase MS Office or a Windows PC today, they're looking far ahead into the future that these people trained in Microsoft's development centers will become customers or advocates for their brand some day. They know that to grow their market at this point after already reaching almost everyone who has a computer in the world they have to create their own market themselves.

#### Design

BP has launched a healthier organic fuel source and specially designed smokeless stove called the Oorja in rural India. Their business model includes training and creating their own sales force from the local womenfolk enabling them to not only earn money but also improve the quality of life of their neighbors. This becomes a win-win business model where BP sells their stoves reaching the hinterlands where there are a few distribution points and shopping centers while creating an income generation opportunity for the rural women as well.

#### Distribution

An interesting example is that of Colalife, Coca-Cola's attempt to use their extensive distribution network as new supply chain for the BoP in Africa. They seek to distribute oral rehydration therapy packets as well as medicines, allowing primary healthcare to piggyback on an existing system which otherwise would have had to be created from scratch.

#### Demand and Development

All of these companies and more are thinking ahead. The poor don't want

handouts or charity, they want opportunity. By providing a leg up, these companies are demonstrating their commitment to the local communities thus winning the trust of the people they're seeking to serve. They know that the only way to do business profitably is by ensuring that everyone's income improves. They are creating their own markets, a demand for their products and services while ensuring the social and economic development of their customer's lives.

These 5Ds center around the individual, poor though he or she may be, not just the faceless mass market. The result is products that sell, services that are successful and programs with low drop out rates. But these are long-term strategies, requiring a great commitment and investment on the part of these pioneering corporate leaders.

What are the options available for the rest of industry wishing to target the BoP market? In the short and medium term, there are two strategies for business to target this emerging consumer market.

#### Focusing on the Last Mile

You have an existing product or service but are targeting the lowest income categories for the first time. They are very different from your existing markets and target audience. It could be geographic – a different country, a different culture; socioeconomic – the price sensitive bottom of the pyramid segment is very different from even the middle classes in their own cultures – much less the upper income or from the developed world. The difference could even be as simple as rural versus urban, regardless of income category.

The challenges of environmental conditions, constraints and customer preferences vastly different from your existing customers can make this a daunting task if you have not understood their aspirations and needs in the context in which they live and your product or service will be used. How do you adapt or redesign your existing business model or product or service in order to best fit this audience's needs? What are the value propositions that

best resonate with your new market? What are the pitfalls?

#### Exploratory Research for Insights and Innovation

You're looking to identify opportunities for growth. Maybe you already know which industry or product platform but are looking for an innovative product or service, or you know you'd like to enter the BoP market but don't know what would capture the attention and walletshare. This is the challenge that Lenovo faced with peasant farmers in rural China – they knew that simply stripping down an existing PC to make it cheap would not lower the barrier to technology adoption amongst this segment so different from the sophisticated urban consumer. They've finally launched a personal computing device that hooks up to a television – a product that is already familiar to the peasant farmer and that works with simplified remote control rather than a mouse.

#### Strategy Must Begin with Understanding

Regardless of your choice of strategy, targeting the BoP market and customer must begin with understanding and observation. Statistical data and quantitative market research will simply tell you their income or lack of it and their literacy levels. Such details while important, do not convey the difference in mindset that a life adversity in uncertain conditions creates. Humanity's survival instinct is pushed to the maximum and there is no room for experimentation or risk taking at the base of the pyramid. Nokia's strategy of identifying opportunity gaps for innovative products by observing the lives and understanding their needs and aspiration has undoubtedly been the key to their global leadership in some of the most challenging markets around the world in developing nations. Let us take a leaf out of their book and begin by listening to the poor themselves. The key to successfully targeting the market at the BoP is to ask them what they need. ■

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