

Base of the pyramid - where business growth and needs of the poor converge

IBLF believes that by finding innovative ways to penetrate low-income markets and respond to the needs of the poor, companies can unlock new business opportunities, and contribute to social and economic development.

There are four billion people living in relative poverty at the base of the economic pyramid - but combined, these people have a purchasing power representing a US\$5 trillion market.

A study released by the World Resources Institute and the International Finance Corporation estimates the 'Base of the Pyramid' (BOP) consumer market - which includes four billion people worldwide with incomes below US\$3,000 in local purchasing power - as worth US\$5 trillion.

IBLF recommends a set of guidelines showing how companies can develop successful base of the pyramid products and services:

Respond to specific needs

Firms should ensure they take into account local conditions and cultural norms, rather than repackaging a product or service that has been developed for another market. Product / service delivery cannot happen in a vacuum - it often needs to be accompanied by technical assistance, alternative finance opportunities and efforts to improve the wider political and social environment.

Adapt product and brand development timeframes

Base of the pyramid business models take time and patience to mature and become profitable - but at the same time, companies give less time for brands to be built.

Both product development and building brands takes longer than in more developed markets, so it is essential to demonstrate to internal decision makers in the company the business case for allocating appropriate time and resources to BOP projects. Senior-level project champions can help to secure buy-in within the company.

Build trust

In the beginning stages of base of the pyramid initiatives, companies often struggle to make low-income consumers feel like real and valued customers, and some have difficulties convincing governments of the long-term economic and social benefits that could result from a change in current market regulations. Recognised international professional service firms or non-profit organisations can add legitimacy as partners to help build a case for necessary reforms.

Engage non-traditional business partners

A critical role can be played by civil society organisations and non-governmental organisations that have direct knowledge of the market or the social need that a product or service is designed to help meet.

These partners bring 'social market intelligence' as well as distribution channels.

Measure development impacts

It is often easier to measure the business impacts than the development impacts of base of the pyramid initiatives. And yet, given the importance of collaboration with civil society organisations, this is critical in order to satisfy their goals.

New methods of monitoring and evaluation are required to ensure the relevance, continuous innovation and improvement of these products/services. For example, methods would need to measure progress in public health or the number of jobs created as a direct result of the introduction of a particular product/service in the market.

Harness innovation

Companies need to think beyond the delivery of their products/services to market - to consider how products/services are used by low-income consumers. This ensures that appropriate linkages can be made with extension service providers and partners. In addition, base of the pyramid business models should be flexible so they can evolve as a result of learning and changing needs.

Find the right people to work on projects

While companies are preconditioned to recruit from the best business schools and the top-ranking universities, these students are often divorced from the problems that face those at the base of the pyramid. Local knowledge and empathy with local people can add value to base of the pyramid initiatives, so companies should change their outlook - and approach communities as potential sources for recruitment or even as part of a supply base rather than just as consumers or customers. An additional benefit of this is that it would contribute to the creation of a rural workforce.

Achieve scale

Base of the pyramid projects are all about scale - because in many cases, the margins on individual products are very small. Often, base of the pyramid initiatives are piloted in areas where a company's supply and distribution chains are relatively mature. Expanding or replicating initiatives in other locations may require, for example, additional investments of technical assistance, or the involvement of a local partner agency. Women's networks can play a crucial role in promoting and scaling activities.

Collaborate

There are also a number of opportunities for companies to work collectively across sectors to add value and help scale up existing initiatives, including:

- Exploring complementarities between products/services, and clustering efforts to serve BOP markets.
- Sharing information about supply and distribution networks, for example through the creation of supplier databases.

- Supporting supply and distribution networks for mutual benefit, for example by jointly sourcing products, developing standardised supplier training modules, or aligning local procurement policies.
- Carrying out joint needs assessments and impact evaluations in communities.
- Visiting other companies' projects to determine whether there are opportunities to contribute to scaling models that have already been developed.
- Developing mechanisms for locating and vetting NGOs and other potential partners for BOP projects.