



BOP Business Models and Strategy

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Abstract

The 'Bottom of the Pyramid' (BOP) is a concept popularised by C. K. Prahalad. It is an action oriented model that helps companies to operate successfully in currently underdeveloped and underserved markets at the BOP. This also opens opportunities for reduction of poverty. The private organisations can leverage business knowledge and resources by including the BOP in their value chains. There has been considerable study on the potential of this market, and accordingly various theoretical models and strategies have been proposed. The objective of this paper is to study the BOP business models and strategies with the help of 30 representative cases organisations that are operating in the BOP market. These cases have been analyzed on the basis of (i) type of business model; (ii) industry; and (iii) strategy categorisation. This will help mitigate the gap between theory and practice, if any, and help understand the market behaviour better.

Keywords: Bottom of the Pyramid, Business Model, Market Approach, Poverty Alleviation, Strategy

JEL Classification: I30, M10

Paper Classification: Conceptual Paper

Introduction

Nearly two-third of humanity earns less than USD 2000 per annum but represents more than \$5 trillion worth of purchasing power (World Bank Report, 2008). This growing consumer group offers a great opportunity for organisations to seek their fortunes and bring prosperity to the aspiring poor. Inclusion thus becomes a very attractive proposition, both from an economic and social perspective.

The first generation studies on the Bottom of the Pyramid (BOP) concept, popularized by C.K. Prahalad (2006), put forward strong arguments on the feasibility of the low income markets; however, they remained relatively silent on how to enter this market. Later studies in this area provided strategies on successfully entering and doing business in the BOP market.

The First Phase

The 'Bottom of the Pyramid' concept provides a framework that focuses on the untapped opportunities at the very bottom of the economic pyramid. It also acknowledges the core abilities

and resources of private enterprises which may help in poverty alleviation (Hahn, 2009). The idea of the BOP concept goes beyond this descriptive meaning. It is also an action oriented model that provides possible courses of action for companies in order to position themselves successfully in currently underserved sales and resource markets at the BOP. While doing this, it also creates opportunities for poverty alleviation by leveraging the organisations business knowledge and resources by including the BOP into their core value chains.

Some authors however, have a more critical position towards the sales potential of this market. They see market opportunities as well as ways to alleviate poverty, mainly in the area of procurement and production at the BOP (Karnani, 2007). Some challenges faced by companies in catering to the BOP market include problems in gauging demand, uncertain cash flows, sales and distribution challenges, disaggregated providers, and marginally or undeveloped business ecosystems.

The Second Phase

Building on insights from various literature streams, the next set of studies underline the need to develop new business models, unique strategies and value based partnerships. Undoubtedly, success at the BOP requires that companies adapt their existing business models for both macro and micro environments which are different from their main markets. As Prahalad emphasized, engaging BOP consumers requires selling high volume of products at low margins. Companies often find their prices to be too high for this population. Their existing supply chains, production mechanisms, and distribution networks also present realistic challenges to reduce costs (Karamchandani, Kubansky & Lalwani, 2011). Strategic partnership with NGOs (Non-Government Organisations) and other Government organizations that have the required knowledge of this difficult market is often suggested as a way for companies to gain knowledge and increase reach. For instance, many social initiatives to help include the poor into the mainstream market have been taken by the Government of India, such as Jan-Dhan Yojana, Skill Mission, etc. The knowledge gained by these initiatives can be leveraged by companies through strategic partnerships.

The unique and complex institutional, cultural and social ecosystems of the BOP markets make the existing products, services, and business processes difficult to function. Companies need to rethink the entire supply chain creating new levels of efficiencies (Prahalad, 2006). However, any market based effort to alleviate poverty should consider the poor primarily as producers and not consumers. Therefore, companies should rethink their supply chains and focus not on selling to them but on buying from them instead (Karnani, 2007).

London and Hart (2004) claimed that in order to be successful in low income markets companies must fundamentally rethink their business models. These strategies require MNCs to revise their systems and resource management. An important implication is that new successful models should be developed for all unique BOP markets. This however, limits the ability to leverage the existing tested business models.

Private Sector and BOP Markets

Markets surely provide multiple benefits to those who are able to gain access and participate successfully in them. Even though the public sector plays an important role, markets can also be triggered to become an engine, of economic growth and also of economic empowerment and human development in a country. However, many barriers prevent the poor from participating

actively in the producers and consumers markets. Factors such as lack of access to credit facilities, limited human capital investment, many geographic obstacles results in their exclusion as producers. As consumers, geographic factors compounded by various other barriers including the low and unstable income environment restrict them to get involved in markets.

The lack of inclusiveness of the existing markets can also be mapped to many market failures such as, incomplete markets (insurance and credit), lack of complete information, public goods and other externalities which are more acute in the low income environments (Stiglitz, 1989). These factors make the markets operate in ways which excludes the poor, and might make some products and services unavailable to the poor; at any price.

The private sector can play a huge role in the overall development of the BOP sector primarily by way of making available the market and its benefits to the poor. Broadly, this is what is meant by inclusive markets. However, before the private sector companies decide to enter the BOP markets, they need to ask whether- (i) their initiative is reaching the BOP segment, and (ii) they are contributing to the economic and/or human development of the BOP.

In short, the private sector needs to focus on the key initiatives that improve accessibility of markets for basic goods and services to the poor, and on markets that could contribute to their economic empowerment. The resultant BOP development will, in turn, result in positive company performance through brand image, better economies, cheaper resources, nascent market, etc.

Research Gap and Contribution of the Study

There have been considerable studies on the potential of this market, and accordingly various theoretical models and strategies have been proposed. The objective of this paper is to study the BOP business models and strategies with the help of 30 representative case organizations that are operating in the BOP market. These case organizations have been analysed on the basis of the (i) type of business model; (ii) industry; and (iii) strategy categorisation. This will help mitigate the gap between theory and practice, if any, and help understand the market behaviour better.

Objectives of the Study

The study has the following main objectives: 1) To study the business models and strategies to successfully operate in the BOP market and 2) To illustrate and analyze strategies and business models of companies serving the BOP market.

Research Methodology

The approach taken to fulfil the objectives is an integrative analysis of existing literature and case studies. A total of 30 representative cases were selected randomly and were analyzed on parameters such as area of operation, product offering, target group, value proposition, strategies adopted etc. Secondary sources of information were used.

Defining BOP Business Model

Development economists agree that shareholder value maximization is an important rule in the capitalist system, and the alignment of this objective with the social objectives is often difficult. Therefore, although the concept of corporate social responsibility (CSR) proposes that companies must be measured by financial, social and environmental profits, in reality only one bottom line ultimately matters- the financial profit. In the BOP framework, a successful business strategy can

also be a sound development strategy (Kuriyan, Ray & Toyama, 2008). Prahalad also emphasises on the rising purchasing power and sound decision making ability of the BOP consumers, which according to him, have been ignored by the companies. It is believed that much of the success of the organisation in the BOP segment is dependent on its ability to deliver a product or service which contributes positively to the development of the BOP. It must, at the same time, deliver positively to its own bottom line, for long term sustainability.

The other significant ideology in implementing the BOP theory is the increased collaboration between various sectors such as business, NGOs, public sector, etc. Although the motives of private sector (e.g. selling products, enhancing corporate image, strengthening networks) and that of non profit organisations (such as human and economic development) seem contradictory, researchers have highlighted the mutually beneficial outcomes of these alliances (Dahan, Jonathan, Oetzel & Yajizi, 2010). The social business approach differs from the BOP business approach in its core purpose. Its primary focus is social and the returns or profits generated are reinvested in the business whereas the BOP business approach is for profit and is run like any other for profit business. Sugawara (2010) argue that the BOP approach is superior to the social business approach on account of efficiency, innovativeness and sustainability.

Components of a BOP Business Model

A business model is a framework which defines the product or the service the organisation offers, identifies the stakeholders, establishes the organizational management of delivering the product or service and lays down the revenue model. However, after reviewing the related literature on business models, it is observed that there is lack of consensus on any one definition. Some authors focus on just some of the components such as the revenue model alone or the organization of delivering the firms value proposition. It is suggested that a business model needs to have all three components, as shown in Figure 1.

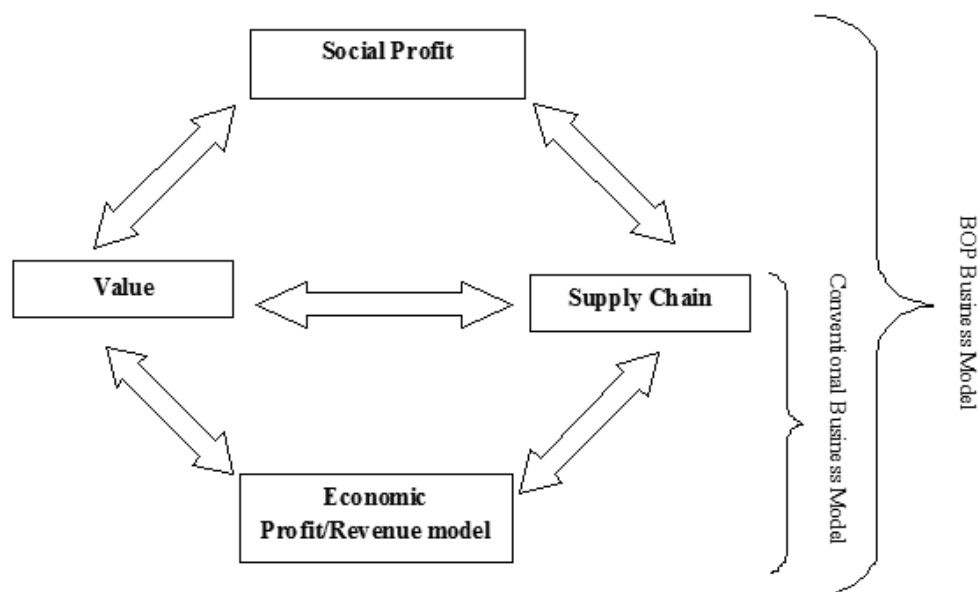


Figure 1. Components of Conventional and BOP Business Model

Value Proposition. It is the product or service offering that provides value to the customer. This component also identifies the target customers that can benefit or value the product or services being offered by the organisation.

Supply Chain. This component in the business model deals with the delivery of the product or service to the customer. It includes the internal supply or delivery chain as well as the external network supply chain with the organisation's suppliers and partners.

The above two components are required to generate-

Economic profit: This is the monetary translation of the first two components. It includes how the value is earned from the revenues generated, and how costs are structured and capital is employed in the supply chain.

The above understanding of a conventional business model helps us analyze the framework of the social business model or the BOP business model. When we switch from a traditional to a BOP model framework, the first modification is the targeted stakeholders. The value proposition is not focused only on the customers but include all stakeholders. The second change is the definition of the desired social profits resulting in a social profit equation. These changes are illustrated in Figure 1.

Types of BOP Business Models

Firstly, BOP business need not be considered charitable or social work, but profit oriented. It must ensure long term sustainability as a business that makes profits. Secondly, it must use innovative, efficient and sustainable business strategies to overcome the challenges faced by the BOP market. Thirdly, and most importantly, it must share the unique values of the concerned BOP segment (Simanis & Hart, 2009).

Sugawara (2010) classified BOP business in terms of three types. Type 1 is concerned with identifying the specific needs of the BOP and fulfilling them. This section was not previously treated as a market. The objective of this business is to first satisfy the needs of this sector at reasonable prices, even though independence and income is not generated for them at this stage. This, in turn, leads to the removal of the BOP penalty. BOP penalty is the additional price the BOP market has to pay for basic needs.

The Type 2 business aspires to not only satisfy the BOP sector needs and remove the BOP penalty; it also helps generate income and economic as well as social independence for them. At this stage, the BOP segment starts to fall in the middle income bracket with higher disposable incomes. Here the problem faced in doing business with low income people reduces. For example- the ability to read and write, higher disposable income is easily fulfilled by people in the middle income bracket.

Taking the concept further, Sugawara states Type 3 business also. Here people in the low income bracket can be turned into small entrepreneurs building on the concept of social entrepreneurship. This would give them both income and independence with long lasting effects. However it would be difficult to achieve this without enrichment through education and mentoring over time.

Examining BOP Case Studies

After defining and understanding the components, framework and the primary types of BOP

business models, around 30 BOP business cases were examined with the purpose of finding the relatedness of the examined BOP literature and our understanding to the real life scenario. For this the BOP business model strategies were divided into different categories.

Broad Level Strategy Categorisation

Strategy is concerned with helping companies achieve and sustain above-average performance (Barney, 1995). A company's performance is measured by the profit it makes, and this is not different for the BOP markets. From the onset, the argument for the BOP concept was to discover untapped market for companies to expand their businesses, which also satisfied the need for organisations to grow profitably while serving this market and helping them develop. Many prominent BOP authors argue the applicability of traditional views of business strategy at the BOP (London & Hart, 2004). Seelos and Mair (2007) are, however, of the belief that one can use basic insights from business strategy at the BOP. They believe that this insight can definitely inform managerial decisions and highlight potential hurdles and challenges. The strategies undertaken by BOP businesses can be broadly categorised as follows-

Strategy 1- Acquiring and Mapping Resources to New Strengths. The scarcity of resources at the BOP makes it difficult to source skilled and relevant resources. The underdeveloped markets may not have many important strategic resources (Denrell, Fang & Winter, 2003). This is further challenged by diseconomies posed by time scarcity (Dierickx & Cool, 1989). These further increase the time taken for the expected value creation. Also, these insights make resource allocation decisions difficult for companies. For example- the problems in valuing resources correctly and the time taken in building new capabilities and resources results in providing higher discount rates for longer periods. All this further reduces the already low net present values of the improvised BOP business models.

Strategy 2- Utilising Existing Resources and Capabilities. Literature advocates that in order to exploit the existing skills developed; organisations from developed economies should enter markets at early stages of their economic development (Wright, Filatotchev, Hoskisson & Peng, 2005). This can be achieved by utilising existing capabilities and adapting them to the unique conditions of the new markets (Helfat & Peteraf, 2003). Adaptation helps in transferring an existing capability to a new market of related products or service category. This process thus aids in overcoming the constraints of BOP resource market. It may also help in reducing the uncertainty of the new capability applications at the BOP.

Strategy 3- Build Strategic Alliances. Recent research of the BOP markets has emphasized on the need for partnerships (Selsky & Parker, 2005). Building strategic alliances also becomes important in the environment of scarcity and inadequacy of resources and capabilities. The research literature on global strategic alliances highlights that due to less knowledge about the factors for selection of partners there is substantial failure rate of partnerships (Hitt, Ahlstorm, Dacin, Levitas & Svobodina, 2004). The differences in the organizational characteristics and the partner's competencies such as their policies, processes and culture often create conflict. Thus, it is a challenge to successfully managing and overcome the complexities faced in multiple partnerships that are critically required to be built for success at the BOP.

The cases are analyzed based on the above broad level strategies noted to be adopted by organizations catering to the BOP market.

Case Study Analysis

Hammond, Kramer, Katz, Tran and Walker (2007) along with the World Resources Institute and the International Finance Corporation (WRI and IFC) conducted a comprehensive study that quantify spending and expenditure of the poor. As per this study, there are about four billion people living with incomes below \$3,000 per annum (calculated in local purchasing power). As per the report, the BOP can be categorised as follows- Food (58 %), Energy (9 %), Housing (7 %), Transportation (4 %), Health (3 %), Information and Technology (1 %), Water (0.4 %) and Others (18 %).

30 companies spread across the world were studied that catered to the BOP sector under the various industries mentioned above. The purpose of the study was to understand the functioning business models of these companies and the strategies adopted by them in order to run a BOP business. The analysis of these representative cases is illustrated in Table 1.

Findings and Observations

The analysis and examination of the representative cases of the BOP market provide an insight to the growing and complex BOP market. The major findings are broadly based on the types of BOP business, industry based break-up of the cases studied and the strategies adopted by the companies in the representative sample.

Types of BOP Business

As explained in the previous section, BOP business can be classified to be of three types. Type 1 involves the organisations which are involved in the business of identifying specific basic needs of the BOP and fulfilling them. 50% of the representative cases studied fall under this Type of BOP business model while 23% of the cases can be categorised as Type 2 and 27% as Type 3. This is representative of the readiness of the private sector to adapt strategies and engage effectively with the BOP market. Also, due to the unique characteristics of this market it might take companies longer time to understand and accept this market.

Industry Wise Break-up

FMCG and Housing. The industry wise break-up of the representative cases taken, shows that around 23% of the companies fall under the fast moving consumer goods (FMCG) sector. This is in line with the WRI-IFC report cited earlier. The BOP sector is unorganised and the BOP customer pays a huge penalty for being a part of this market. The organisations providing value propositions of basic needs such as food and nutrition, clothing, energy, housing, water and sanitation constitute a major portion in this market. There are many successful examples in this sector such as HUL, Grameen Danone Foods, Yakult Honsha Co Ltd, CEMEX etc. Much of the housing market is informal in nature as most BOP consumers do not possess legal ownership titles. Hence, they have a very limited access to mortgage financing, even when there is great need. A successful case study is that of CEMEX's (a Mexico based and world's largest cement manufacturers) Patrimonio program. They offer consultation of design, encourage do-it-yourself building by providing material and guidance, help create a group of a few number of members who then take responsibility of making regular and timely payments.

Table 1: Detailed Analysis of Representative Case Organizations

S No.	Organisation	Industry	Country	Product	Target group	USP	Strategy	Strategy Category	BOP Type
1	HUL	FMCG	India	Soap- Lifebuoy. Health in your hands campaign- Project Shakti	Women & children in rural areas	Campaign projects like- project shakti, swasthya-chetna etc.	Building partnerships, leveraging science for social good, micro[entrepreneurship, BOP as co-producers	2 & 3	1
2	ITC	Agri-export	India	e-chaupals. Service solution for farmers. Eg Ashirwad atta	Farmers	One point solution for farmers, no middlemen, quality certificate to export.	Leveraging IT, supply chain and e-commerce. Other ITC products and Phillips also use platform to sell.	2	3
3	TCS	Drinking water	India	Water filters	Rural areas	Use of RHA (Rice husk ash) rural waste.	Innovation, price, value, micro-entrepreneurship. Huge commercial success.	1	1
4	Envirofit International	Stoves, Automobiles	Philippines, Africa	stoves and kits for low pollution in tricycle taxis in Philippines	Rural areas	Low price, value based products	Innovation , partnership for marketing	1	2
5	Telenor AS &Grameen Telecom	ICT	Bangladesh	Village phone programme (VPP)/ Grameen phone	Women entrepreneurs	Provide modern telecommunication services to poor.	Micro-entrepreneurship. Value based product, strategic alliances	3	1
6	S C Johnson	Healthcare	Kenya	Community cleaning service (CCS)	Urban poor	Value based service, involvement	Micro-entrepreneurship. Direct to home services. Deeper reach for company's products	2	1

(Continued...)

7	Citigroup	Financial Services	Mexico	Low cost remittances from US to Mexico.	Immigrants in US are sending money to relatives in Mexico.	Tapping in huge customer base by providing low cost service.	Firstly, Innovation - by usage of ATM cards at both service ends. Secondly, Adaption of business model to meet both markets needs and finally reduction in cost of service.	2	2
8	Manpower	Employment Services	US	Recruitment from underserved communities to meet growth in IT.	Underserved communities	Training of semi-skilled labour to gain specific IT skills.	Making the deal attractive for companies. Reaped financial gains for Manpower, the client and the target communities.	2	3
9	Grameen Bank	Micro-Finance	Bangladesh	Lends money without mortgage to poor for their development	Poor, especially women	Lends small amounts for income generating businesses. Interest is charged without collateral.	High repayment rate 98% as a result of group support, peer pressure, self interest. Has 30 sister concerns.	2 & 3	3
10	Hewlett-Packard	ICT	South Africa	HI-I community-developed ICT solutions- eg business related training, technical support, and call centre certificate courses etc.	Underserved community of South Africa	Used inclusive capitalism model	Make profits while doing good	2	3

Water and Sanitation. It is a constant struggle for the BOP to obtain regular access to clean drinking water. This sector comprises of only 10% of the BOP market in the representative cases studied. Private sector is often considered the last resort for this market (mostly due to lack of any). In Tegucigalpa, Honduras, several communities have created partnerships with utility companies. These communities together take responsibility for payments through micro-financing and monitoring individual usage. Many BOP areas are infected with water borne diseases and many private companies provide products to treat local water. For instance, WaterHealth International sells ultraviolet (UV) water disinfection systems in India. Firms such as Eureka Forbes and HLL that are currently catering to the upper end market have shown a lot of interest in adapting their products for the uniqueness of the BOP market. Sur'Eau produces cost effective diluted bleach, in Madagascar, that is used to instantly sanitize available water. Innovation has mostly been in building purification techniques, systems and efficient delivery in this sector. This is a huge market that can be tapped by the private sector.

Banking Services. Uncertain and informal jobs have helped in building access to the organised financial services sector which was earlier difficult for both savings and borrowing. Since, payments are mostly made in cash, theft and robbery is a common feature in this market. To get loans, BOP generally resorts to taking credit from local stores, local moneylenders at extraordinarily high interest rates and mortgaging their cattle and jewellery. Only 10% of the total cases studied fall under this category/industry. One of the most innovative and successful services in this category is micro financing, pioneered by Grameen Bank in Bangladesh. Their business model operates on giving small loans to groups of a few women who thereby take responsibility of repayment of the loan disbursed. This business model strategy has been extended and adopted by other firms.

Healthcare. The BOP has limited access to public health services. The poor often cannot afford healthcare facilities and hence the spending is low. The health clinics and hospitals tend to be at a far distance compounding the problem further especially for the rural BOP market. Aravind Eye Care in Madurai is an economically self-sustaining and successful model that has been frequently mentioned in the BOP literature. It uses a differential pricing system; so that wealthy customers are able to subsidize the services for the poor customers. They use economies of scale and assembly line principle to keep costs low. It uses information and communication technologies (ICT) and mobile vans to go into remote rural areas to conduct eye check-up with help of tele-ophthalmology. The private sector participation in this sector is low as around 14% of the cases taken fall under this category.

Information and Communication Technology. ICT is considered as one of the best performing sectors on the World Bank's industry portfolio in terms of returns on investment and developmental impact (www.worldbank.org). It enables the BOP market to connect with the global economy in the most cost effective way. The World Bank report also emphasizes that the percentage of people living below the poverty line fell from 29 percent in 1990 to 18 percent in 2004, primarily due to the technological progress. More than 13% of the cases studied fall under this category. In the BOP literature, ITC's e-Choupal has been often cited. The village meeting place also called the Chaupal in Hindi is replaced electronically by kiosks. It enables an electronic meeting place where the BOP can get updated and expert global information on various subjects such as farming techniques, weather updates, commodity prices, etc. E-Choupals also help provide employment opportunities to entrepreneurs who operate these internet kiosks. This provides an immense opportunity and ability to provide empowerment to the BOP markets. Therefore, ICT has successfully included a great portion of BOP allowing them to connect and share information with the rest of the world.

Others. Innovations in the ICT and financial services section have provided or enabled employment opportunities. However, there are certain successful innovative examples from the era prior to the ICT era as well. For example, Amul Cooperative in India helped individual dairy farmers to sell their milk to them, an operation model that has worked fabulously in this industry. Similarly HLL's Kissan buys local farm produce and cooperatives like Lijjat Papad have helped small and weak communities to sell their manufactured food products to large food chains and stores at a national level. Even HLL's Shakti project of selling small packets and sachets was extremely successful as it provided employment opportunities to women of the local community. In all the above examples, the business model used by the companies aims at increasing margins to the farmers and artisans by removing a layer of middlemen. This also ultimately helps to increase the sustainability of marketing to the BOP.

Strategy Categorisation

Strategy 1- Acquiring and Configuring Resources into New Capabilities. 13% of the companies studied configure resources into new capabilities. BOP literature suggests that building new resources and capabilities is difficult due to the diseconomies posed because of the time factor (Dierickx & Cool, 1989), which defers the point of expected returns further into the future in a market that already has thin margins.

Strategy 2- Leveraging Existing Resources and Capabilities. 40% of the BOP cases studied leverage their existing resources and capabilities to break the barriers of the BOP market and to penetrate deeper into the market. Companies such as ITC, Citigroup, Manpower, Hewlett-Packard, Map Agro etc use their existing resources and capabilities. HP-I (Hewlett Packard) community developed ICT solutions, eg., business related training and technical support. IBM created Spoken Web which enables rural users with no technical expertise to create their own web of information using a simple phone.

Strategy 3- Building Strategic Alliances. BOP research has also emphasised the need for partnerships. However, the literature on strategic partnerships highlights that a primary reason for failure of partnerships is due to less knowledge about the success factors involved in selection of partner. This could possibly be the reason for only 13% of the cases studies to successfully follow this strategy.

Hybrid Strategy- Combination of Strategy 2 and 3. On one hand, many operational problems may be faced by entrepreneurial organisations that create new business models which inhibit their growth. On the other hand, companies that use their existing resources and capabilities to lessen existing hurdles enable the BOP business models to fulfil their strategic objectives more effectively. In the process, the companies also attain the required trust to access the capabilities and resources of these partnered organizations at the BOP. They can also leverage these relationships to create their own unique business models servicing high income customers that are better aligned with the company's strengths. It may be interesting to note that around 34% of the cases are following this hybrid strategy to penetrate successfully in the BOP market.

Limitations of Study

The limited sample size and the usage of secondary sources of data collection can be termed as limitations of the study conducted. However, attempt has been made to make the sample representative to draw inferences from.

Conclusion and Recommendations

In spite of many challenges along with the persistence of poverty, it is important to note that an increasing number of businesses have successfully adopted strategies that develop and engage the BOP markets. These strategies employed are based on the premise that conditions of poverty mostly negatively impact company's business performance and hence, by targeting these conditions they improve their effectiveness and efficiency. The successful companies also employ a combination of capabilities such as; creating demand by lowering prices, developing products and services that meet social needs, investing to remove or reduce market constraints, leveraging traditional and informal distribution network, and developing strategic alliances with NGOs and distribution and supply chain partners.

It is also true that while many potential companies acknowledge and appreciate the opportunity to tap this nascent BOP market, they are hesitant to take the plunge. This can be seen in the huge gap between demand and supply in all the major sectors. One of the strategies that can be adopted by companies is to cater to the middle income group of the BOP first, which will not only pose fewer challenges in terms of acute deprivation, unstable income, proximity, reach etc. After penetrating this market, they can tap the low income group. In order to generate more sustainable and long lasting results invest in educational and IT deployment programs. The study has also observed that the more successful companies were using a combination of strategies, and rather than acquiring new capabilities they chose to leverage existing resources along with building strategic alliances with partners such as NGOs. This potentially also helps in keeping the price of the product low and provides better understanding of the market.

Managerial Implications and Future Research

Thus, the study recommends that in order to understand this heterogeneous market, the potential companies should invest in understanding the consumer behaviour at the BOP first. It was also observed that realistically, the very low income earners at the extreme BOP are not likely to be profitable consumers for the companies and in the long term may not be sustainable. Therefore, it might be a good strategy for companies to target the urban poor instead of the rural poor as it promises to be a more attractive market. The business model that the company adopts should be based on a clear understanding of the consumer base while it leverages the company's core strengths. Organisational and future research effort directed towards understanding the consumer behaviour of this segment of the BOP shall aid organisations to gain success in this market.

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Authors' Profile

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