

Decoding the DNA of BoP markets

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Business Innovation

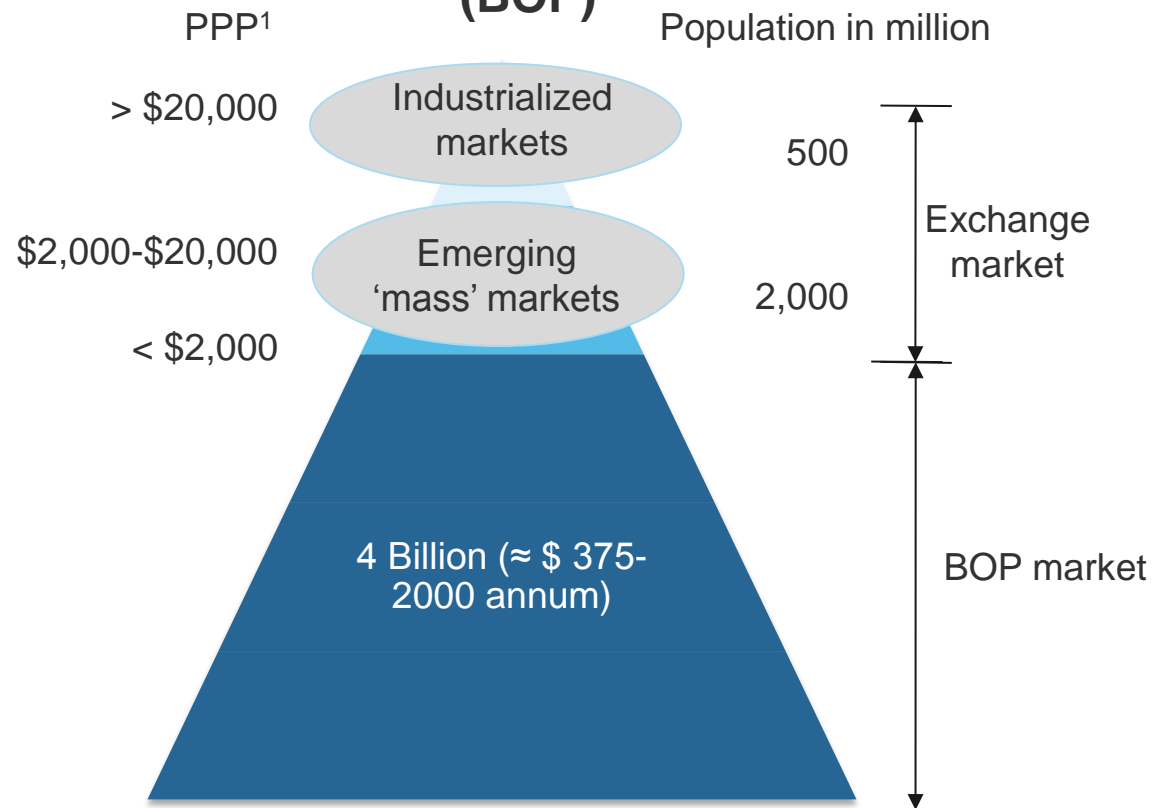
Environmental Social Sciences (EAWAG), Zurich, Switzerland

BoP markets present a prodigious opportunity for the companies... bring prosperity to the aspiring poor

Business at its cross-road



Base of the Pyramid (BOP)

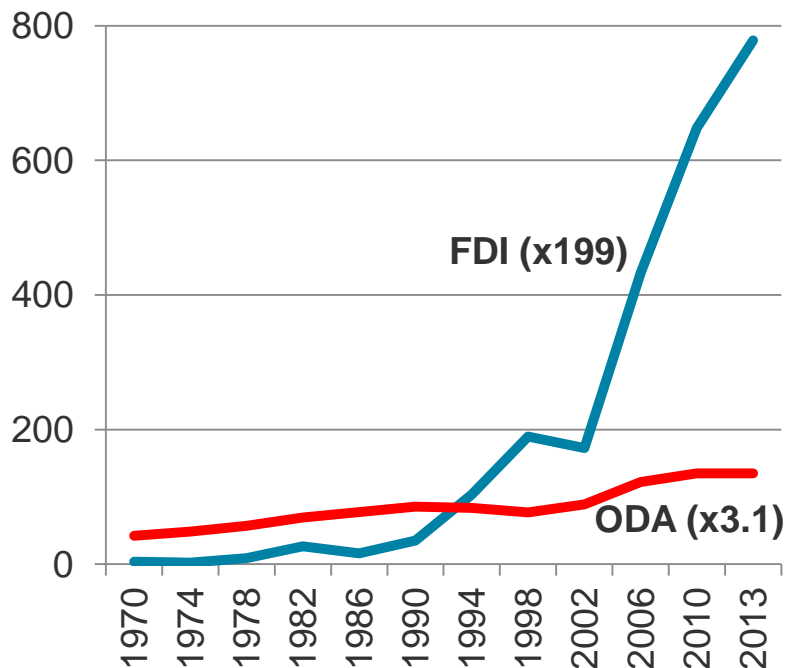


¹ - PPP – Purchasing power parity
Source Rangan, 2009:

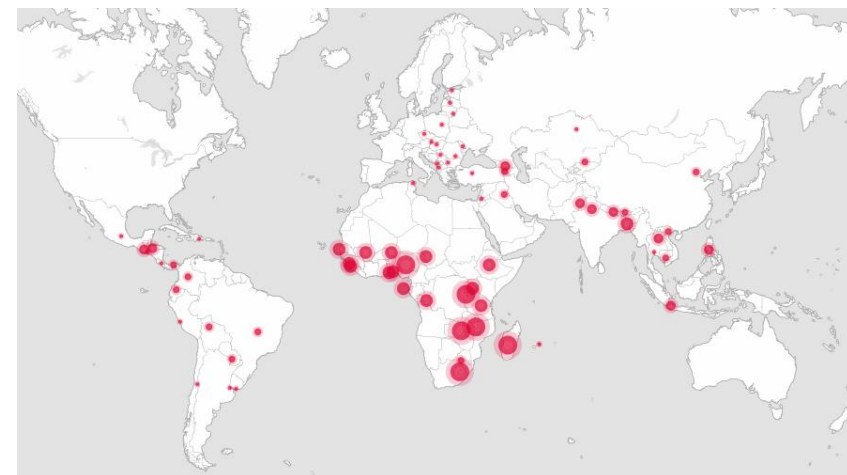
Private sector accelerates the investments into developing countries

Foreign direct investments (FDI) & official development assistance (ODA)

In Billion USD



Poverty Index

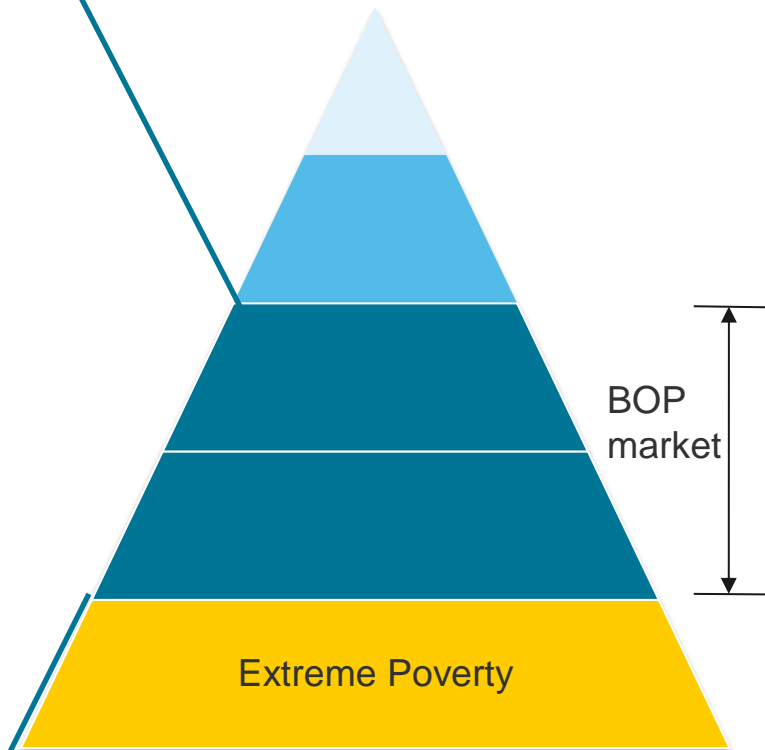


Poverty gap at \$2 a day (PPP) (%)



Who are these next billion consumers

- They aren't affluent - but don't qualify as middle
- Companies considered it unprofitable to serve these consumer, but it is possible
- Very, very diverse in culture, preferences, and needs
- Low income is not the biggest limit, but volatility
- Smart shoppers. Every cent counts balancing functional, technical and emotional benefits
- Unfamiliar with many products, trusted advice
- No-frills & self-service are intimidating, but are they the solution
- Mobilizing resources through informal networks



Changing the corporate DNA to serve the BoP market

Corporate social responsibility (CSR)

- *Philanthropy - Outside of the core business*
- CSR Integration – Integration with the core business
- CSR innovation – Expansion of the core business
 - Unilever – Clean Team
 - Hindustan Unilever - 'Pureit' Water Purifier



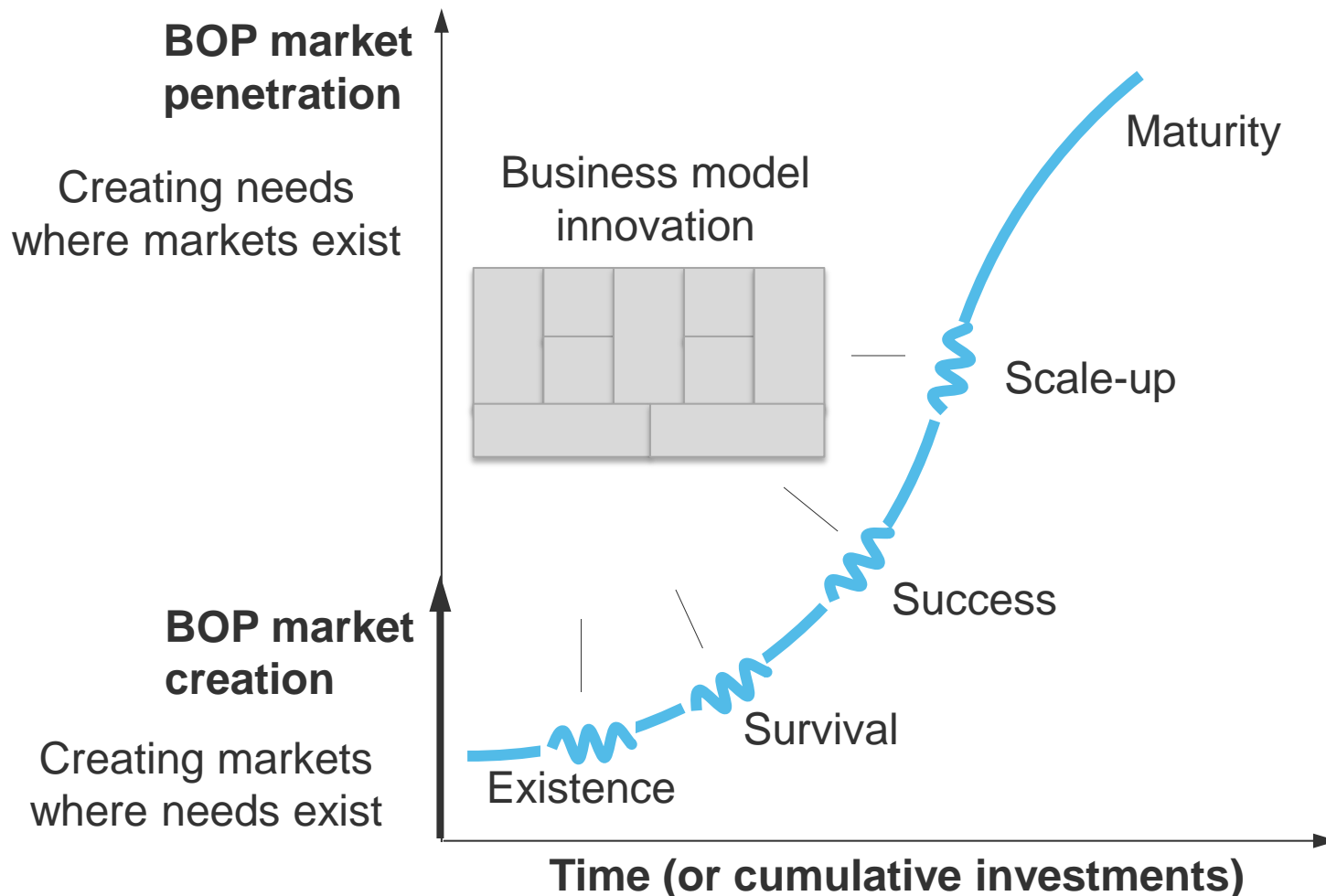
Source: Halme and Laurila (2009)

Reverse Innovation

- Previous transnational strategies turn towards innovation in emerging markets and bringing these innovations back to the industrialized markets
- Reverse innovation could disrupt existing technology paths. But it faces similar hurdles as disruptive innovation

Source: Govindarajan and Ramamurti (2009), Immelt, Govindaraja and Trimble (2009)

Business model innovations for BoP market penetration...



How can you succeed in BoP markets?

Business Model Initiation

- **Inclusive:** Take advantage of the rich knowledge & creativity
- **Complex:** Reduce the tension between financial & social value
- **Collaborative:** Leverage own competences through non-traditional partners
- **Scalable:** Create a market and reduce costs for modifications

Business Model Reconfiguration

- a) Operational level: Renewing and improving existing business model
- b) Strategic level: Foster more value-in-(social) context, allowing for modifiability, embracing organizational ambidexterity
- c) Strategic & operational level: Single to multiple business models