

BOTTOM OF THE PYRAMID

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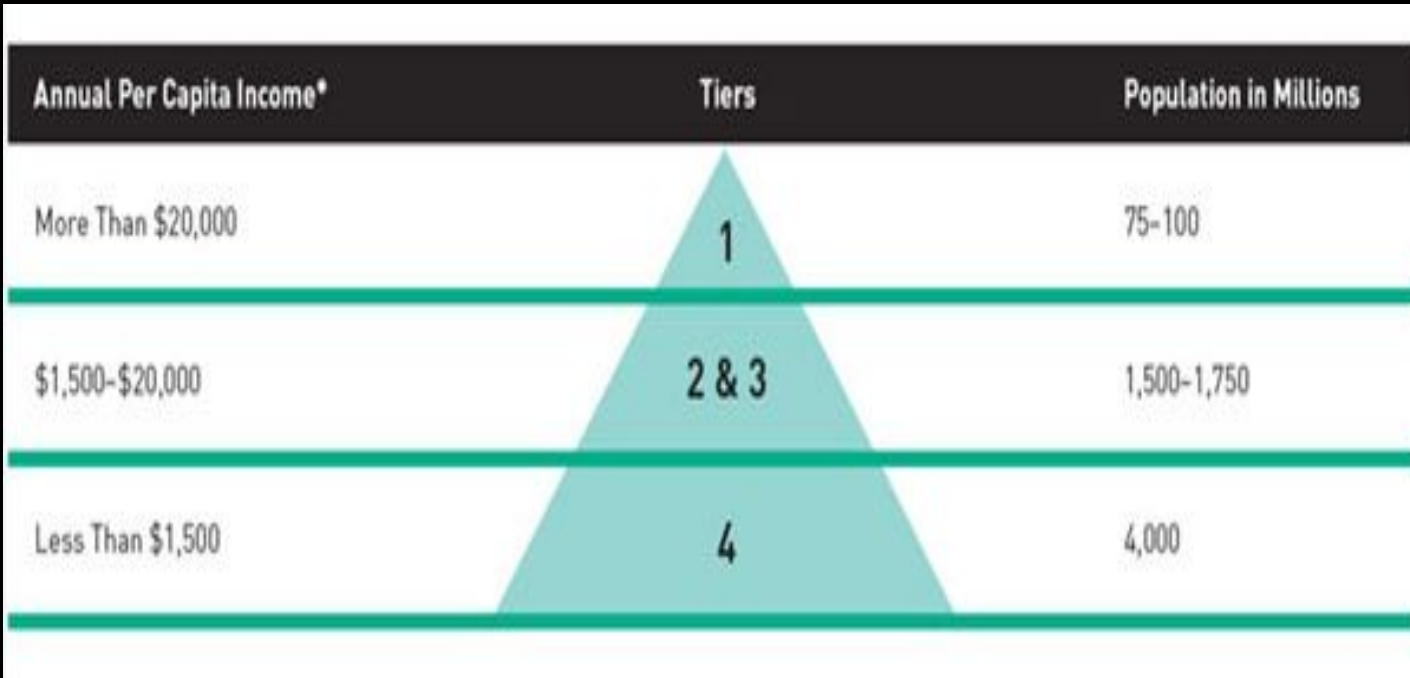
If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value conscious consumers, a whole new world of opportunity will open up.

— C. K. Prahalad —

AZ QUOTES

source:https://www.azquotes.com/author/35744-C_K_Prahalad

The Economic Pyramid

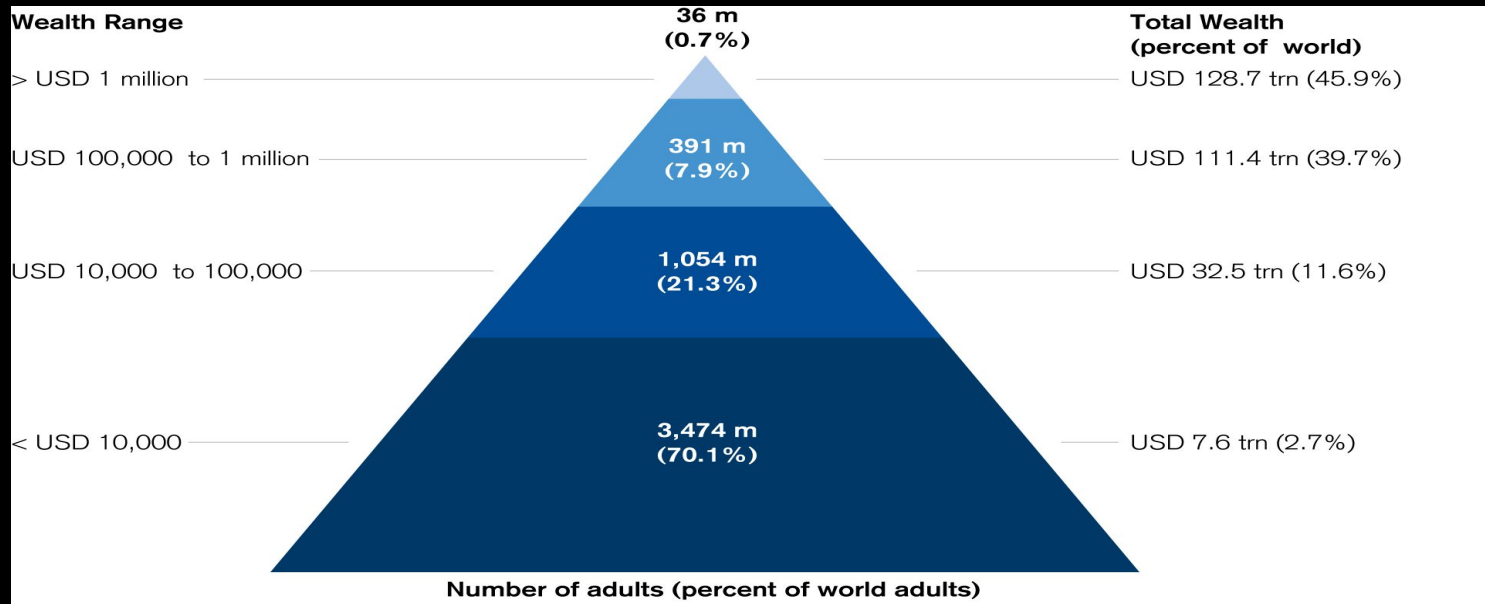


What is the Bottom of pyramid?

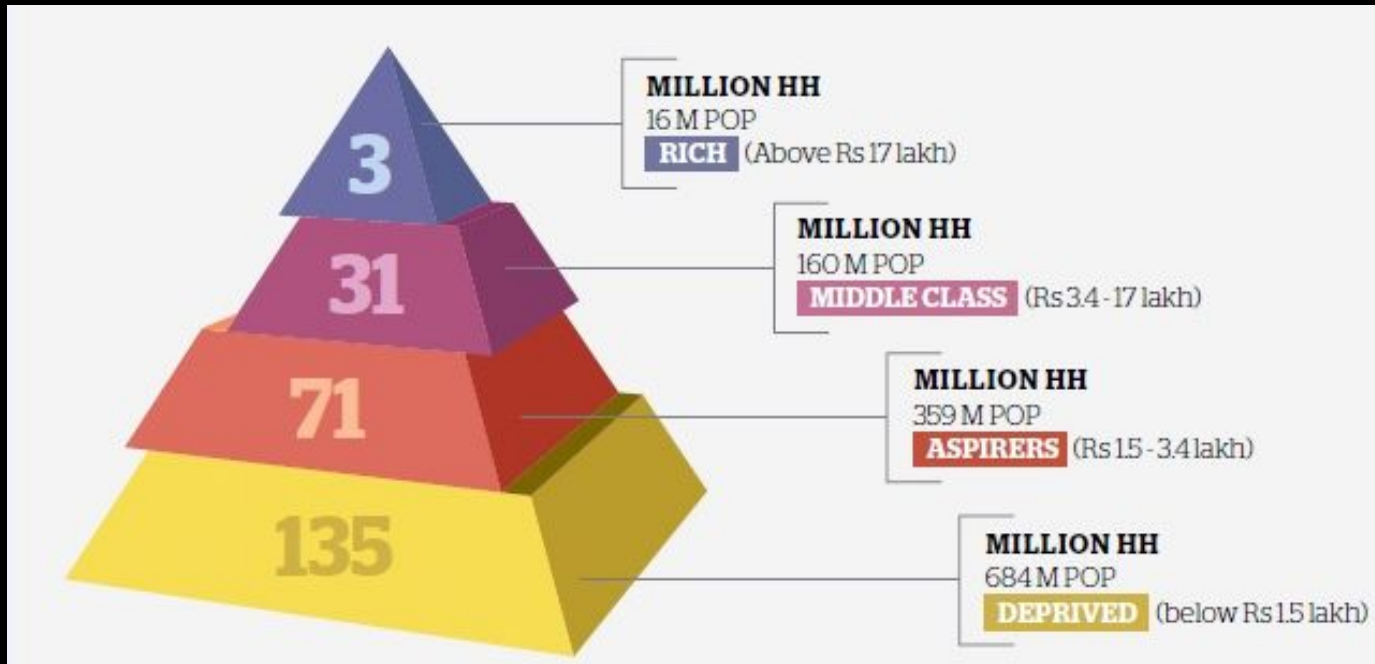
- In term of economics, that refers to the poorest two-thirds of the economic human pyramid.
- In global terms, this is the 2.7 billion people who live on less than \$2.50 a day.

- An emerging field of business strategy that focuses on products, services, and enterprises to serve people throughout the base of the world's income pyramid
- They demand innovations in technology, products and services and business models

The Global Wealth Pyramid



Indian Income Pyramid



The Invisible Opportunity

- MNC's familiarity with Tier-1 customers.
- Dismiss Bottom of Pyramid.
- Need to Appreciate tier-4 market potential.

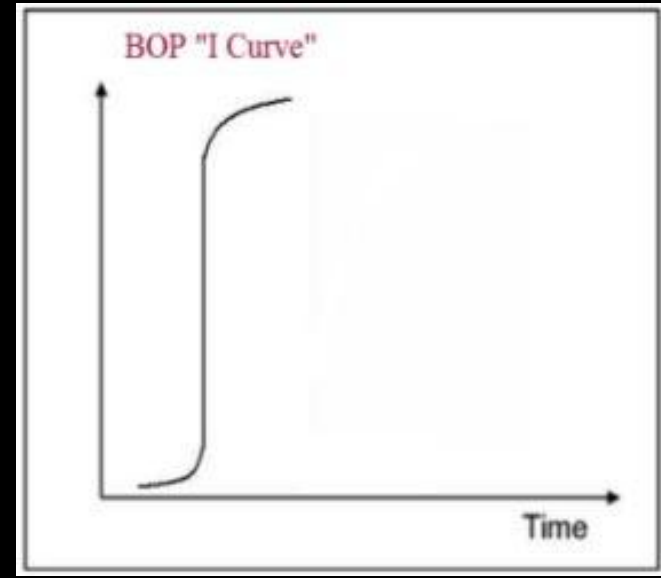
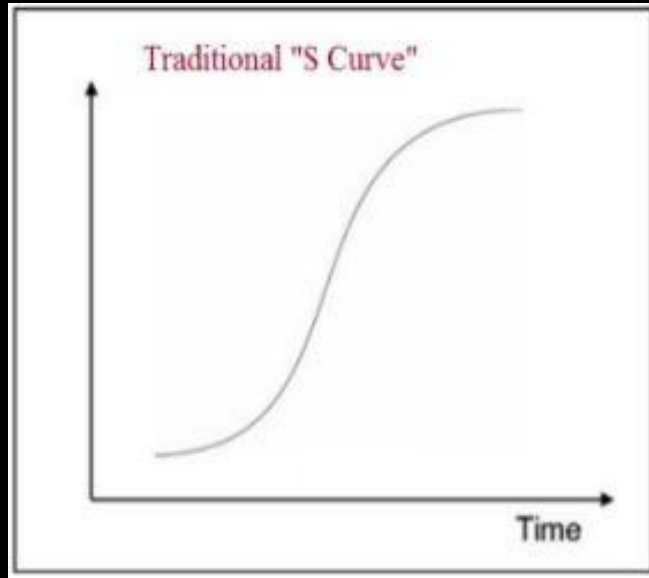
ASSUMPTIONS

- Not target consumers.
- Affordability.
- Accessibility
- long term viability
- Excitement
- Hard to recruit

Drivers and implications

<ul style="list-style-type: none">● Increased access to Tv and Social media	<ul style="list-style-type: none">● Tier 4 is now aware of many products.
<ul style="list-style-type: none">● Deregulation and the diminishing role of government	<ul style="list-style-type: none">● MNCs entering to developing nations.
<ul style="list-style-type: none">● Need to discourage migration	<ul style="list-style-type: none">● MNCs working for rural areas.

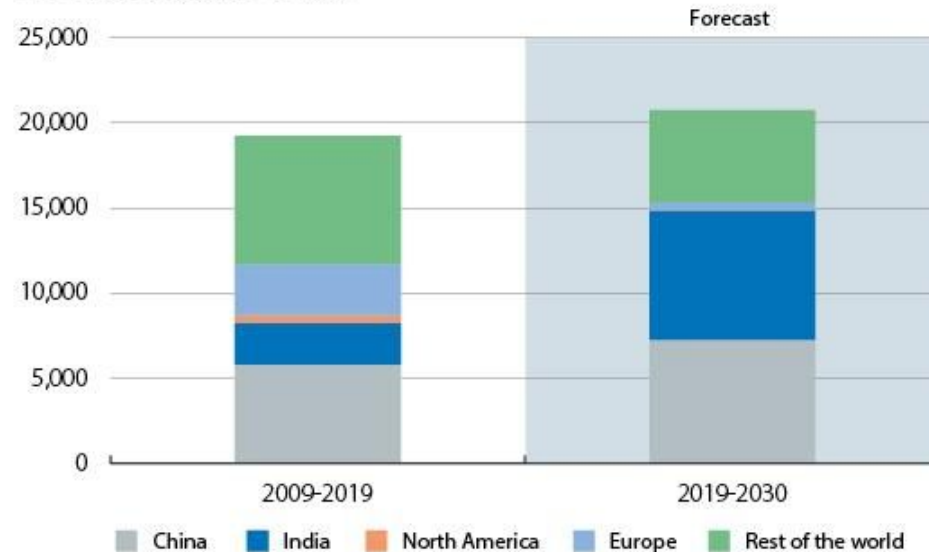
GROWTH OPPORTUNITIES



Growing Middle Class

Increasing expenditure of the global middle class

USD billions, in PPP terms



Note: A household forms part of the middle class when its spending capacity per day and per person lies between 11 and 110 dollars a day (measured in terms of purchasing power parity, or PPP). See notes 1 and 2 in the text for more details.

Source: CaixaBank Research, based on estimates by Homi Kharas and our own.

MIDDLE CLASS CONSUMER SPENDING

OUTER RING: 2030 in trillions, USD (projected)

INNER RING: 2009 in trillions, USD

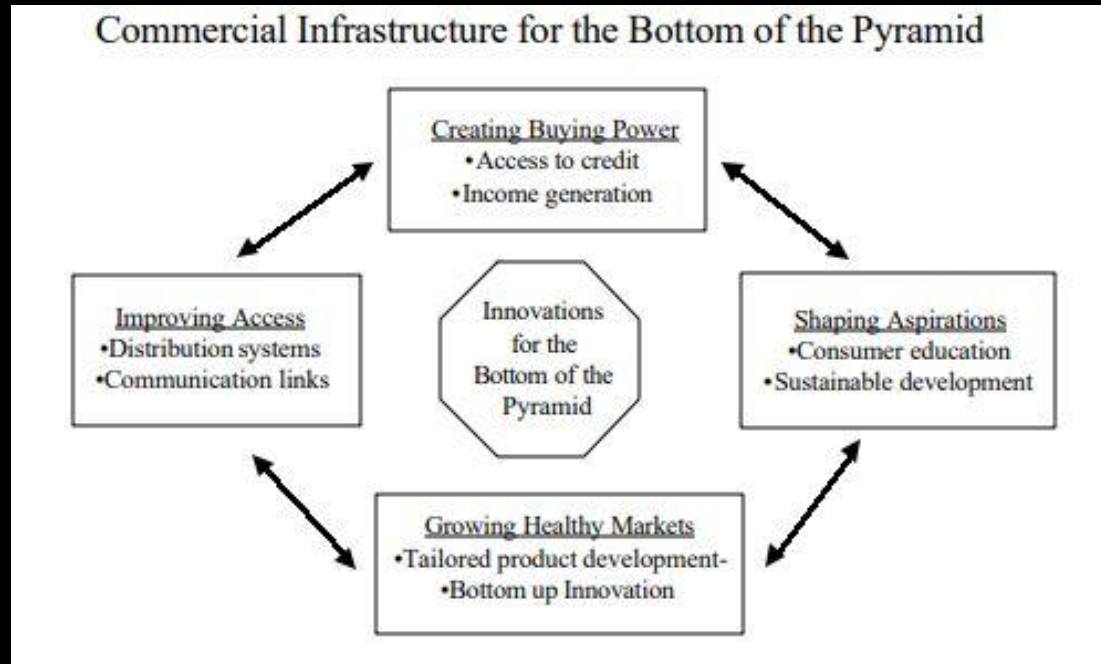


Principles of Innovation by Prahalad

- Price performance
- Hybrid solution
- Eco friendly product
- Educate customers
- Infrastructure
- Re-design from beginning

Strategies for Bottom of the Pyramid

Keys for Opening the Tier 4 Market:



Creating credits :

- Two interventions are crucial:
 - Providing Access to credit

Muhammad Yunus -> Grameen Bank

- Increasing income earning potential (Grameen Shakti)



Shaping Aspirations:

- Not possible to duplicate North American life styles at the BOP.
- Concept of sustainable development.
- Need to be educated.

Improving Access:



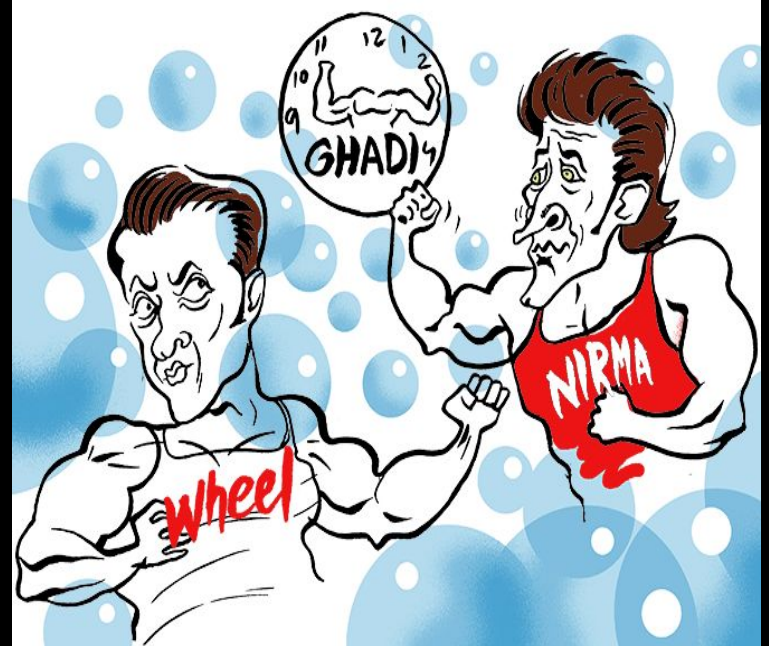
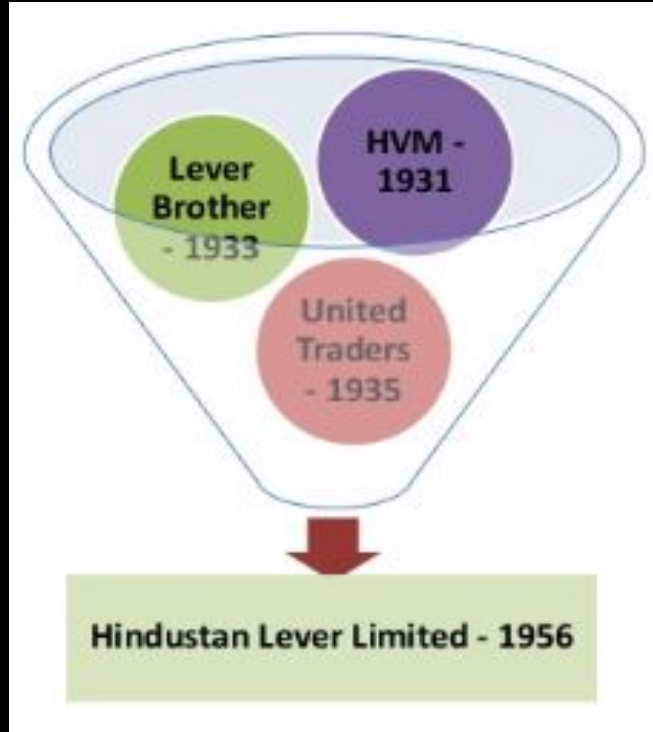
- Keys to improve Access:
 - Improving Communication Links
 - Improving distribution systems (Arvind Mills)

Growing Healthy Markets :

- Tailoring product development
- Building businesses from the bottom up.



Case Study : HLL Vs Nirma



Nirma - “Sabki pasand Nirma”

- Nirma started their market with a **price-led** marketing strategy.
- 3.5 Rs **VS** 15 Rs.
- Low cost manufacturing - By hands- No fixed cost



Launched in 1969 in India as Very Low-cost Detergent Powder.

Nirma brand launched by a chemist named Karsanbhai Patel



Launched in 1988 in India as fragrant low cost Detergent Powder.

One of the brands under HUL.

Nirma road to Success

- Nirma became largest detergent selling product by 1999.
- Nirma had more than 35% of market shares in detergent segments and more than 20% in toilet soap segment.

Exhibit 4: Nirma vs. HLL in India's Detergent Market (1999)

	Nirma	HLL (Wheel)	HLL (High-End Products)
Total Sales (\$ Million)	150	100	180
Gross Margin (%)	18	18	25
ROCE (%)	121	93	22

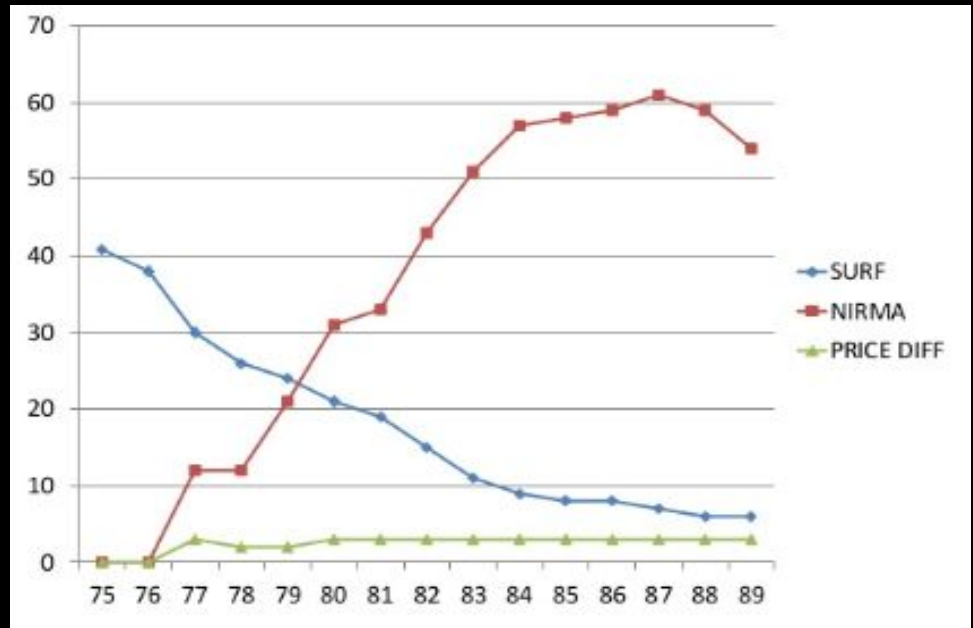
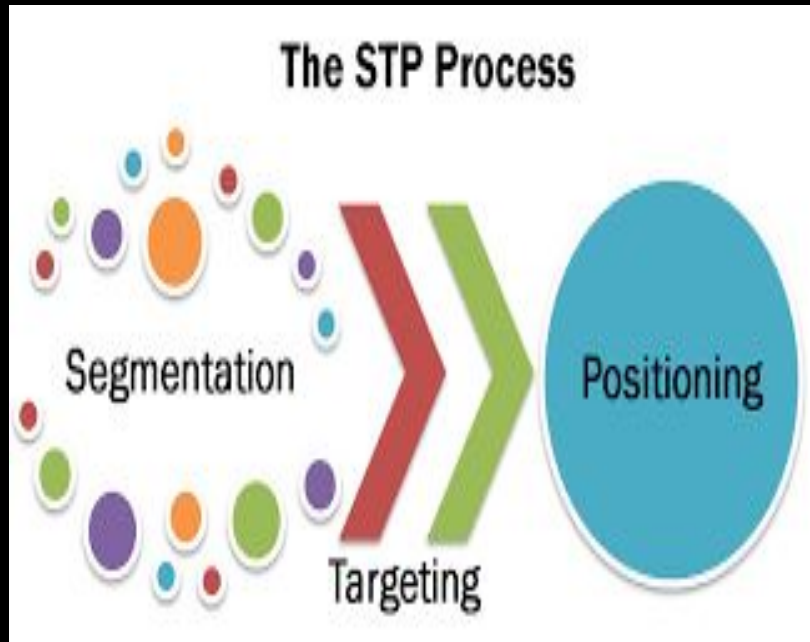
Source: Presentation by John Ripley, senior vice president, Unilever, at the Academy of Management Meeting, August 10, 1999

Countered by HLL

- HLL led **differentiation strategy** to compete.
- HLL decided to enter the low price segment by positioning **WHEEL** against Nirma at Rs 11.
- Sale promotion campaign by offering bucket with 1 KG surf.
- To counter in personal care product, HLL introduce 'breeze'.



Market Share



1959	• HLL - Surf
1969	• Nirma
1987	• Ghari
1988	• HLL - Wheel

Why MNCs ?

- We wonder why MNCs should concern themselves with this market segment.
- MNCs may never be able to beat the cost or responsiveness of local village entrepreneurs.



Resources :

- Building a complex commercial infrastructure.
- Developing products and services that are environmentally sustainable .

Multinationals	
Pros	Cons
<ul style="list-style-type: none">• Economies of scale – greater efficiency and lower prices.• More research and development, leading to improved products.• Create jobs and wealth around the world.• Success a reflection they meet consumer preferences.	<ul style="list-style-type: none">• Scope for tax avoidance and lost tax revenue.• Monopoly power leads to higher prices for consumers.• Monopsony power in setting lower wages.• Often have had negative impact on environment.• Cultural homogenisation as local firms struggle to compete.
www.economicshelp.org	

Leverage :

- MNCs are able to transfer knowledge generated from one market.
- MNCs have an advantage in bringing together a global knowledge base, unique to entrepreneurs.

Bridging :

- MNCs can act as nodes in building the commercial infrastructure.
- MNCs are best positioned to bring together the range of actors required to develop the Tier 4 market.



Transfer :

- MNC's transfer innovations from Tier 4 to the up-markets of Tiers 1-3.
- Many of the innovations from the bottom can be adapted for use in the resource- and energy-intensive markets .

S. No.	MNC	National Companies
1.	It owns or controls production in more than one nation	It owns or controls production within the country.
2.	It sets up offices and factories for production in regions where they can get cheap labour and other resources.	It has no such option.
3.	Since the cost of production for an MNC is low, it can earn greater profits.	It has no such scope to earn greater profits.

- **Leaders** need a deep understanding of the local needs and a global network from which to operate.
- Leaders must have the interpersonal and intercultural skills to work with PEOPLE.



POLITICS:

- MNCs must build a local base of political support.
- Each player has his own agenda.
- Managers must synchronise that a market-based society results in a significant shift in the balance of power.

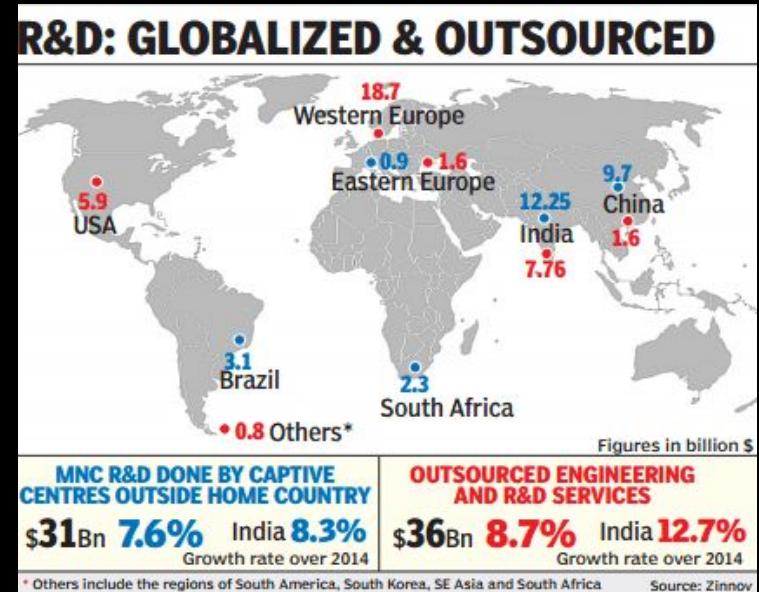


Conduct Global and Local R&D:

- Global research focuses on major issues that all consumers face.
- Research on aging processes is critical for both the top and the bottom of the pyramid.

❖ GLOBAL research has three distinct aspects.

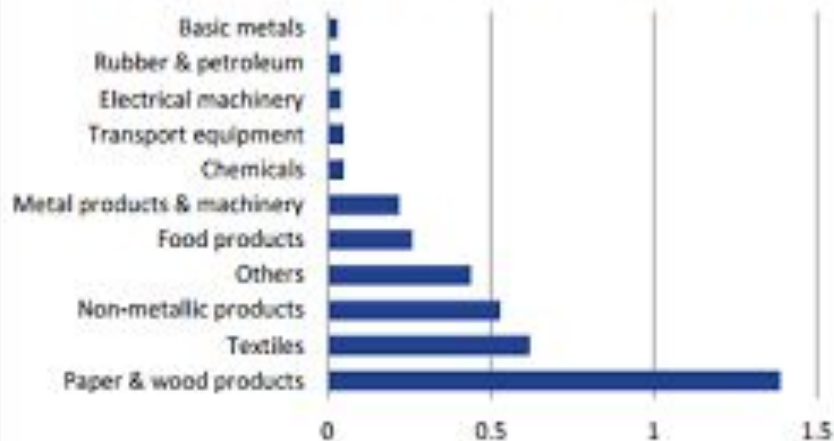
- POTENTIAL
- NEEDS
- ADAPTIVE



>> Labor Intensity:

- MNCs are accustomed to thinking in terms of capital intensity and labor productivity.
- MNCs organizational model in Tier 4 must have the twin objectives of increasing labor intensity among the poor.

Labour intensity across manufacturing in India* (number of workers per INR hundred thousand of output generated)

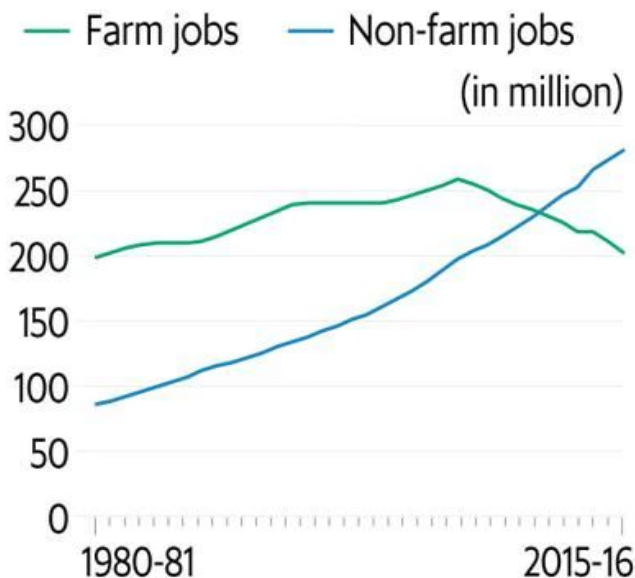


Source: CII- BCG Report on manufacturing- 2010; ASI; CSO; Aranca Research
 Note: * Indicates labour intensity data for 2009

Chart 1

Farm vs non-farm jobs

Farm jobs started declining since the mid-2000s, and non-farm jobs overtook farm jobs at the end of the first decade of the twenty first century.



Source: KLEMS India Database, RBI, Mint calculations

DEDICATED TO

Our Future Customers



References

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Thank You!!