

8.1 Bottom of the Pyramid

8.1.1 Bottom of the Pyramid (1/2) : Definitions

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Definition

The BoP, base of the pyramid or bottom of the pyramid, has been defined as being the population which earns less than 3 000 dollars per capita per year. This population was estimated to be 4 billion inhabitants in 2005. It represents a 5-billion-dollar potential market.

Even though this market has been estimated to be worth 5 billion dollars, it is difficult to know if it is the actual size of the BoP market since today it is very complicated to estimate the income of some of these populations and actually know how many persons are really in this situation.

In many developed countries, this notion has been extended to anyone below the poverty line. The BoP population is globally characterized by a lack of access to essential products and services.

There are different realities in terms of BoP according to the countries. 5% of a country's population may belong to the BoP whereas in other countries, particularly in African countries, up to 85% of the population may belong to the BoP. Among these populations, there are also major differences. In some countries, the BoP equals 500 dollars per year whereas in other countries, the BoP equals 3 000 dollars per year. Those are completely different realities.

The poverty premium

The BoP faces the poverty premium. Many products and services cost them much more. Being poor is very expensive. It can be due to many different reasons.

In many developing countries, it is due to the fact that BoPs depend on informal markets where products are more expensive since there are much more intermediaries.

In other countries, especially developed countries, it is often due to the fact that subscription conditions are less favorable. For instance, a prepaid mobile subscription is more expensive than a postpaid mobile subscription. Loans are also less accessible.

Evolutions in the view of the BoP

The view on BoP has greatly evolved over the years. At the beginning, BoPs were often only considered as victims. Charities appeared to help BoPs overcome poverty. But due to recent evolutions, many companies believe that BoPs could be a new market. Specific offers have been developed for these new markets, in particular unidoses for cosmetics or drugs. A pill can now be bought individually instead of buying blister packs of 10 pills.

The most recent evolution consists in considering the BoPs as partners and co-producers of offers. BoPs are incorporated to create new offers as producers but also help design the offer to be implemented. As an example, Indian textile workers still work with their handmade methods and are incorporated within major companies which manufacture fabrics in order to create new products.

Conclusion

We can conclude by saying that the BoP is not a homogeneous population. It is characterized by a lack of access to essential services. BoP populations can be seen as something else than victims only.