

MARKETING

At the Base of the Pyramid

When selling to poor consumers, companies need to begin by doing something basic: They need to create the market

By **ERIK SIMANIS**

Around the world, four billion people live in poverty. And Western companies are struggling to turn them into customers.

For the past decade, business visionaries have argued that these people, dubbed the Base of the Pyramid, make up an enormous, untapped market. Some of the world's biggest, savviest corporations have aimed to address their basic needs—by selling them everything from clean water to electricity.

But, time and again, the initiatives have quietly fizzled out. Why? Because these companies were looking at it all wrong.

Put most simply: The Base of the Pyramid is *not actually a market*. True, those billions of low-income people have a lot in common. But they don't have two of the vital characteristics you need to have a consumer market. They haven't been conditioned to think that the products being offered are something one would even buy. And they haven't adapted their behaviors and budgets to fit the products into their lives. A consumer market is nothing less than a lifestyle built around a product.

Think of an example close to home. In the 1970s, bottled water was a foreign idea to most Americans—it wasn't part of American consumers' lifestyle. It took decades for large numbers of consumers to accept the notion of buying something you could get free out of a faucet—and turn bottled water into a

bacteria. Likewise, she might have to jettison long-held beliefs about what clean water looks and tastes like.

Then there's the social component. The villager might face conflicts with her husband or children when money spent for PUR sachets couldn't go toward a weekly Coke or other treats. And the time spent buying the product might interrupt an informal weekly chat with friends. All of those disruptive changes outweighed the potential benefits of PUR.

P&G acknowledges that its marketing effort for PUR wasn't successful, but argues that it was the business plan, not the approach, that proved flawed. The company agrees that the real hurdle to cross when introducing a new product, in any market, is helping the consumer understand the benefit of doing something in a different way. P&G says that because of its continuing educational efforts, consumers clearly got the message and adopted PUR.

But the company says it couldn't sustain on its own the educational efforts on the scale needed. So, it evolved its plan to include a series of partners. P&G now has 70 partners providing PUR packets and ongoing education in more than 50 markets, which have delivered more than 1.6 billion gallons of purified water.

Business With the People

How can companies overcome consumer inertia at the Base of the Pyramid? A typical strategy—trying to change people's mind set and behavior through an educational campaign—is often a long, uphill battle that requires widespread and sustained messages.

Instead, companies should start by getting the community involved in creating, implementing and shaping the business itself. The sense of ownership this brings will help ensure that interest in the company's product will be widespread and sustained.

That's the idea behind the Base of the Pyramid Protocol, an innovation process colleagues and I have developed in partnership with participating corporations. Among other places, the framework has been tested in India by a DuPont Co. subsidiary called Solae.

Solae, which produces soy protein, went into a rural village in Andhra Pradesh and a slum in the city of Hyderabad and recruited people interested in starting a new business. A group of about 20 women in each location joined up and co-developed a business concept: a service that would help housewives cook great-tasting, healthy meals and provide foods using the soy.

'Cooking Outreach'

The women partners first spent an entire month cooking with the soy protein in their homes, testing out recipes for their families and perfecting culinary skills. Then they reached out to the wider community, hosting "neighbor cookery days" that invited friends considered to be expert cooks to prepare their specialty dishes but incorporate the soy protein. Then family, friends and community leaders would taste the dishes at a party.

From there they progressed to doing "cooking outreach," meeting up with several housewives at one person's home to jointly cook a healthy dish incorporating the soy protein. A recipe booklet of the community-



Beal Yeo

spired dishes was created.

After about six months—and before the women were ready to formally launch the businesses—the women were fielding daily requests from community residents to sell them soy protein. Now the services are moving rapidly toward profitability.

Develop a Portfolio

Another critical strategy for companies trying to reach the Base of the Pyramid: plant lots of seeds.

When creating a market from scratch, it's impossible to predict customer reaction. As we've seen, even a seemingly critical product like PUR may not gain a commercial foothold. So, instead of introducing just one product, companies should come up with a bunch of ideas, all centered on the same core technology, in hopes that one or two may catch on.

This portfolio of products should be launched with a minimum of fixed-cost investment—to give flexibility in reallocating resources—and companies should regularly monitor the offerings to see which should get more backing

or tweaking, and which should be dropped.

The nonprofit group KickStart used this strategy to create an irrigation-pump market that stretches across Africa. KickStart began in 1991 by launching products that used manually powered technology that allowed low-income consumers to quickly make money. Along with the irrigation pump, the group developed an oilseed press, a block-making press and a hay baler, among others.

KickStart tested the waters in poor, rural areas of Kenya, mainly small family farms, getting its products into mom-and-pop shops—initially on consignment—and using live demonstrations, radio advertising and grass-roots marketing. Then it modified its products based on consumer feedback. The pump, for one, was re-engineered to make it lighter and more portable. By 2004, the MoneyMaker irrigation pumps accounted for 98% of KickStart's total unit sales—prompting the organization to channel its energy and resources on this clear winner.

Interestingly, the pump ended up

being used for a wide range of applications, from washing cars to watering plants in nurseries—not just irrigation. And that brings up another crucial strategy: Companies should drive home the idea that their products have a range of uses.

Act It Out

Companies that are selling to an existing market rightly focus their message on what makes their products' unique value—that special something that makes them different from and superior the competition. Doing so helps customers make an informed decision. But when consumers aren't familiar with the product concept and have no reference point to assess value, companies must be much more open-ended in their marketing strategy, presenting as many possible uses as they can.

This boosts the chances that consumers see something that intrigues them and make the effort of trying out the product—they can then discover for themselves how the product makes their lives better. These hands-on experiments, in turn, will make people much more likely to work the product into their behaviors and routines.

For an example of how this might work, look at the infomercials that show 20 different things you can do with an odd tool for the kitchen or garden. PUR could have followed that approach—why limit the pitch to water purification? Show how PUR can be used to make great-tasting soups, rice and curries or fruit juices, by adding purified water to fruit pulp.

One final thought: When marketing to the Base of the Pyramid, companies should be positive. Instead of telling consumers that a product will alleviate their hardships, companies should stress how the product will make their lives more enjoyable. The heart-rending stories that move donors and make for memorable media sound bites are usually not the same ones that move consumers. PUR's marketing, for instance, might have shown women socializing as they cook together; families enjoying meals; kids having fun buying fruit and then pureeing it to make juice.

P&G says it has clearly seen the benefits of a positive approach with other products and programs. For example, the company says that in the Philippines it developed a successful clean-hands campaign with Safeguard soap that combined a message about bacteria with upbeat commercials of healthy, happy children washing their hands and playing. ■■

Starting From Scratch

◆ **The Situation:** Around the world, billions of people live in poverty, but Western companies haven't figured out how to turn them into customers.

◆ **The Problem:** These low-income people aren't actually a market. They haven't been conditioned to think that the products being offered are something you'd even buy. And they haven't adapted their behaviors and budgets to fit the products into their lives.

◆ **The Solution:** Companies must create markets among poor consumers. They must make the idea of paying money for the products seem natural, and they must induce consumers to fit those goods into their long-held routines.

big business. For many poor consumers, paying for clean water or sanitation products seems just as outlandish.

The answer? Companies must create markets—new lifestyles—among poor consumers. They must make the idea of paying money for the products seem natural, and they must induce consumers to fit those goods into their long-held routines.

That means working closely with local communities in developing products and businesses, to give consumers a stake in adopting the goods. What's more, companies must take a wide-ranging approach in their marketing, to give buyers as many reasons as possible to give the products a try.

Thirsty Work

For an idea of how a seemingly can't-miss product can fail, consider one of the most rigorous efforts to sell to the Base of the Pyramid. Procter & Gamble Co., in partnership with the Centers for Disease Control and Prevention, developed a chemical treatment called PUR that converts murky, contaminated water into pure drinking water.

The development team did everything you're supposed to do when you enter a new market, seeking out input from thousands of low-income consumers and visiting the homes of slum dwellers and villagers to understand their needs. They launched tests around the world and used local health workers to help get the word out.

The final product, meanwhile, seemed perfectly suited to the potential customers. One sachet of PUR, which could purify almost three gallons of water, retailed for just 10 cents. It was also simple to use and shelf-stable, an important factor given the distribution challenges to rural villages.

But PUR was a commercial failure. Three years of test marketing in four countries returned mostly low penetration rates as well as a weak return on investment.

To its credit, P&G turned a story of commercial failure into one of philanthropic success. Since 2004, the company has donated or provided at cost hundreds of millions of packets of PUR to relief efforts and nonprofits through the company's Children's Safe Drinking Water initiative.

How did all the market research go wrong? There wasn't a market there. Yes, when asked, villagers told the researchers that they needed clean water and would be prepared to pay for it. But when it came time to buy and use the product, the villagers decided, for whatever reason, that it didn't make sense in their lives and simply wasn't worth the effort.

Consider some of the changes a villager would need to make to make PUR part of her daily routine. She might have to reassess age-old folk knowledge and home remedies and learn about

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- **The Great Leap: Driving Innovation From the Base of the Pyramid**
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- **Finding the Right Job For Your Product**
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SUSTAINABILITY

Greener, Cheaper Companies can get there from here, and use a lot less energy than they do now

By **SUSAN L. GOLICIC, COURTNEY N. BOERSTLER AND LISA M. ELLRAM**

In the growing effort to confront global warming, many companies profess their determination to cut their greenhouse-gas emissions. But most draw the line where some of the biggest gains could be made: shipping.

The reluctance is, in some ways, understandable. Companies need smooth-running supply chains, which often leave little room for flexibility in transportation. Growth of overseas manufacturing, meanwhile, coupled with demand for fast deliveries, has led to increasing reliance on the kinds of shipping that create the most carbon emissions: jets and trucks.

But transportation-related emissions can be cut without hurting a company's efficiency. In fact, done intelligently, the changes can make supply chains—and their companies—more efficient and profitable.

What follows is a four-stage process for cutting shipping emissions in a way that helps both the environment and the company.

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◆ **Laying Foundations**
The process begins by setting goals, developing metrics and getting assistance from third-party experts.

Activities at this stage are mostly about raising awareness in the company and deciding where to focus attention—on using less energy, fitting more boxes onto each pallet, improving fleet fuel efficiency, requiring carriers to operate more efficiently, or all of the above. Several Fortune 500 companies, including DuPont Co., have begun to report such goals in social-responsibility and sustainability progress reports.

How progress will be measured and reported is important. Don't just record how many gallons of fuel were conserved; show how much money was saved. This will help build support throughout the company. And when setting goals, get the input and support of managers directly involved: This leads to better cooperation and more realistic goals.

Consultants, government and non-government organizations help find ways to save on energy and emissions. The Environmental Protection Agency's SmartWay program helps companies identify products and services that reduce fleet emissions.

◆ **Internal Practices**

Before asking supply-chain partners to change their ways, a company has to change its own. Train employees to shut off

lights and computers, and encourage them to carpool or take public transportation to work. Buy energy-saving equipment that cuts costs and enhances employee commitment. Johnson & Johnson, FedEx Corp. and others have invested in hybrid or biofuel company cars and other vehicles.

Some companies also have installed—and are using—video-conferencing equipment to reduce business travel.

The savings in energy costs that start to result at this stage will help pay for these and bigger technology investments that follow.

◆ **Supply Chain**

Once a company has its own house in order, it can start talking to suppliers and customers about making cuts together in shipping emissions.

Adjustments usually need to be negotiated at both ends, whether the company plans to change the shipping method, say, from road to rail, or redraw its delivery routes. By working with its customers to schedule preferred delivery times, Dell Inc., for one, says it increased

its first-attempt deliveries 80%.

New technology like route-planning software, automatic shutoffs on idling engines, and more fuel-efficient trucks come into play at this stage, too. Office Depot Inc. says that routing software it purchased helped the company consolidate deliveries and reduce local shipments by as much as 50%.

◆ **Strategic Partners**

The ultimate goal is for companies and their supply-chain partners to form networks that plan shipping strategies together in ways that minimize emissions. Basic supply and manufacturing facilities nearby, for starters.

Companies that operate at this level—and none that we know of do—must agree on a firm commitment to energy conservation, and employ shipping managers who are experts in both logistics and environmental sustainability.

These are goals good for the planet and the bottom line. They cut shipping costs by increasing efficiency, and they reduce a company's vulnerability to rising fuel prices. ■■

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