

The Base (or bottom) of the pyramid strategy

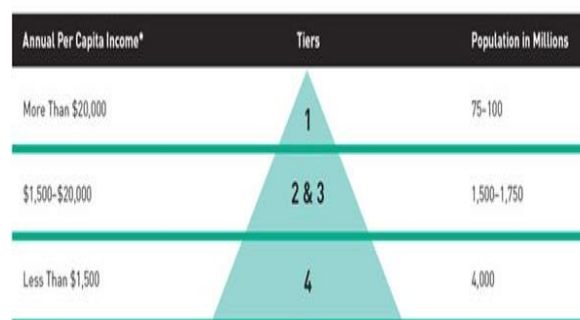
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Abstract

The Bottom of the Pyramid (BOP) is a financial idea that permits us to group that boundless portion in abundance of around four billion of the world's poorest nationals constituting an undetectable and under-served business sector hindered by challenging hindrances that keep them from understanding their human potential for their own advantage, those of their families, and that of society's on the loose. In fact, an individual from the BOP is a piece of the biggest, however, poorest group of the world's populace, who live with not exactly \$2.50 a day and are avoided from the advancement of our globalized enlightened social orders, including utilization and decision and additionally access to composed financial services. One of the unquestionable achievements in this procedure is the blast of the Microfinance business saw in numerous parts of the world.

Bottom of Pyramid is an economic term used to identify poorest but largest group of the world, 4 billion people. This socio-economic group of people live on less than \$2.50 per day and is recognized as the poorest people on earth and thus lay on the bottom of the pyramid. A pyramid is drawn by the economists identifying 4 Tires (Kacou, London & Hart, 2011). And the

Tire 4 of that pyramid is those 4 billion population of the world which lives on less than \$2.50 per day as shown in the following diagram:



Targeting the poorest and low level market and targeting customers with very low individual income is called Bottom of the Pyramid Strategy (Prahalad, 2010).

According to the researchers this market of 4 billion people should be an attractive market for MNCs. Since most of this 4 billion market is located in most Asian and Latin American parts of the world which are considered underdeveloped countries, so MNCs usually avoid expanding their businesses to these parts of the world. After the Cold War many countries have opened their boundaries for global investments but there are many countries which are still waiting for global businesses or MNCs to enter in their market. The researchers of Bottom of the Pyramid suggests that earning profits should not be the only motive or objective of MNCs, rather they should also offer their products and services to these 4 billion customers in order to invest in the betterment of humankind. This will help

these companies to lift billions of people out of their poverty shells and to show them a new life to live (Prahalad, 2010).

MNCs usually discourage their activities to target this Tire 4 group of people. When companies make risk-reward analysis, they get to know that the risks of targeting the Tire 4 group is more than reward from them. This is true because the Tire 4 people are not financially sound to pay high prices of products of MNCs. However it is advised to MNCs not to ignore this big segment of market. Doing businesses with this bottom of the pyramid group of people will require MNCs to bring radical changes in its strategies and technology. But once this market is targeted and attracted towards the MNC, this will boost the recognition of the company (Prahalad& Hart, 2002).

Targeting 4 billion people of the world is a big opportunity for MNCs. Although MNCs judge the importance and attractiveness of its potential target market based on income

level and financial health of the consumers, but if an MNC help such 4 billion people to raise their living standards and then make them a potential consumers in the future, this will result in high recognition and increasing profits for MNC in the future. So MNCs should not ever discourage the Tire 4 consumers and should target them to have a long-term relationship with more than half of world's population (United Nations, 2009).

Hindustan Lever Ltd. (HLL) is one of the most famous examples of MNCs pursuing bottom of the pyramid strategy. It is a subsidiary of Great Britain's Unilever PLC conducting its business in India. It offered a detergent "Nirma" in 1990s. This particular product targeted the poorest group of consumers from the rural areas of the country. For these consumers the detergent as a washing soap was a new thing. The company adopted a successful bottom of the pyramid strategy by pursuing a low-cost

manufacturing processes, value price, and wide distribution network. Now this detergent is one of the country's widely used detergents (Garrette&Karnani, 2010).

The above example shows that poor can be a very attractive and profitable market only if MNCs reshape their thinking and their models. Cheap and low quality products should not be the target when attracting the Tire 4 consumers. The purpose should be to increase their standard of living and to bring them to the best use of technology and resources (London & Hart, 2004).

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