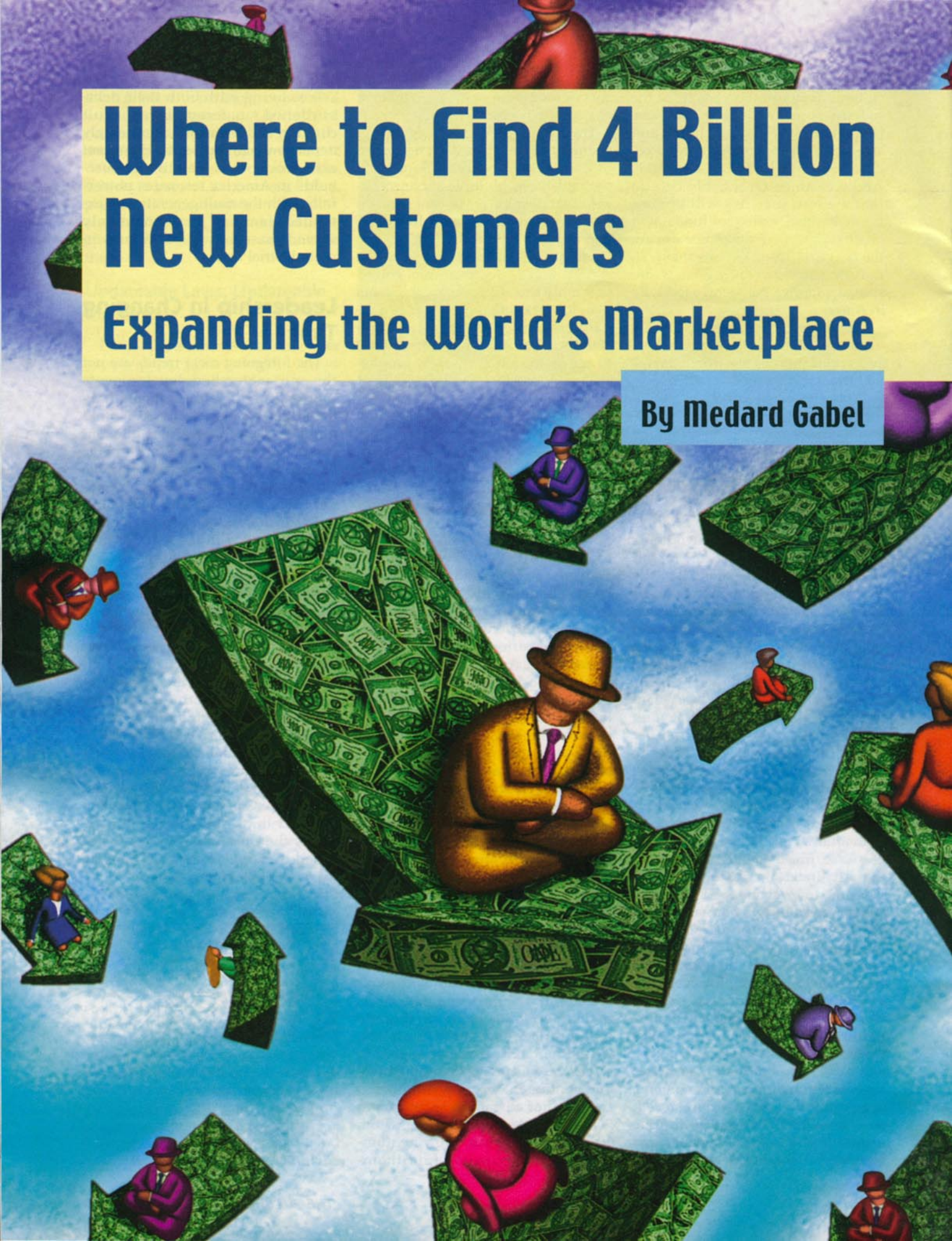


Where to Find 4 Billion New Customers

Expanding the World's Marketplace

By Medard Gabel



Smart companies looking for new growth opportunities should consider broadening their ideas about customers. The world's "have-nots" are not "want-nots," and finding ways to satisfy their needs could be highly rewarding, argues a global business consultant.

The largest market in the world does not show up on most corporations' radar screens. With 6.3 billion people in the world, fewer than 40% are tapped as markets for the vast bulk of goods and services offered by today's corporations. That leaves out 4 billion people.

These unseen 4 billion consumers represent the base of the global economic pyramid. Picture a pyramid with Bill Gates, the richest person in the world, sitting on the top. Right beneath him are the 587 other billionaires in the world. Beneath these folks are the world's nearly 10 million millionaires. Then come the 1.8 billion people who comprise the wealthiest 10% down through the global middle class. At the base of this pyramid are 4 billion people—usually thought of as the "poor," or as living in "developing countries." What will become clear shortly is that these labels and many of our assumptions about the consumers they are attached to are no longer valid—and this has enormous significance for organizations and companies.

Since this pyramid is arranged according to spending power, it is understandable that companies would focus on the top third as customers. But it would be a serious mistake to think the base of the pyramid is not interested in the products, services, or whatever an organization's core competencies could provide. It would be an especially big mistake for a company to think these

4 billion potential customers had no purchasing power with which to buy its products—or some version of its products appropriate to this underserved market. They may be at the base of the economic pyramid, but these consumers spend more than \$2 trillion each year. In addition, 95% of the growth in the world's population is coming from these regions of the world, so the sooner that organizations come to grips with this vast market, the better position they will be in for the long term.

There are extraordinary opportunities for profitable enterprises that meet vital needs of the underserved 60% of the global economic pyramid. Some of the world's largest companies are starting initiatives that are going after this market. For example:

- **Hewlett-Packard's e-Inclusion** division is seeking to develop and market the fruits of the digital revolution to the emerging markets of the world.

- **Unilever** is selling low-cost detergent and other single-packet products to the masses in India, Vietnam, and Brazil.

- **Ericsson** is selling cell phones to the poorest of the poor—women in rural Bangladesh.

- **Cemex**, the world's largest cement maker, is producing cement for housing for lower income people in Mexico.

Motorola, Du Pont, Citigroup, Monsanto, Johnson and Johnson, Novartis, and Philips are among the other companies developing and marketing products

HEWLETT-PACKARD DEVELOPMENT COMPANY



Villagers of Kuppam in the Indian state of Andhra Pradesh pose with mobile van provided by Hewlett-Packard, part of its e-Inclusion program to bring communications technologies to rural areas.

for this market. In none of these cases is this charity or an attempt to “greenwash” the company through some do-gooder window dressing. These are profit-seeking ventures run with sharp business sensibilities by bottom-line-conscious executives.

The rules for reaching these markets are different from those for traditional, top-of-the-pyramid markets. For organizations hoping to serve the world’s underserved markets, here are a few guidelines.

- **Don’t think in terms of exporting products.** It is crucial to realize that the underserved—those at the base of the pyramid market—are not the same as what is traditionally thought of as the export market—those who are in the top third of the economic pyramid. Every country, no matter how impoverished, has a wealthy elite that can afford corporate products. This market is a small fraction of the total in every emerging market, and is not what is being described here. The base of the economic pyramid cannot afford most corporate products manufactured, packaged, sold, financed, and used the same way they are in developed countries. We need to go beyond the notion of just finding markets for existing products in emerging markets (although this will work for

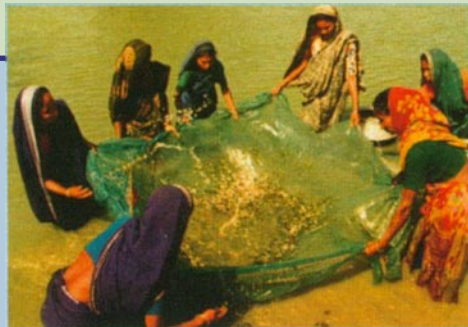
some products in some places), and go to the next level of creating markets by identifying basic human need problems and developing a product that meets that need. This approach is not altruistic— it is just good business and marketing. Given the limited resources of the market, the only things people at the base of the pyramid are going to purchase are products that meet real needs.

- **Big-picture thinking is essential.** An organization hoping to tap the base of the pyramid market must be willing to reconceptualize what it is doing and how it is doing it. Managers need to look at their organization and its business model through the lens of the big picture and see the connections between products and services and the vital needs of the millions of people in emerging markets. Organizations must think in terms of core competencies, not just current product lines.

For example, Unilever’s new lower-cost detergent has been packaged into single-laundry packets—instead of 5- to 25-pound boxes that are purchased by the wealthier middle class. They are manufactured in hundreds of regional manufacturing plants and sold by everyone from small shops to street vendors.

- **Start small.** For instance, a company interested in expanding globally

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Bangladeshi women celebrate a successful fish catch. Microlending from the Grameen Bank enables the rural poor to start businesses, raising their prospects as customers for the global marketplace.



PHOTOS: GRAMEEN FOUNDATION USA

Bangladeshi villager borrows cell phone provided by Grameen Telecom. Companies providing products and services to the world’s underserved are not only finding new customers, but also potentially raising the quality of life for millions of people.



In Bangladesh, villagers unite. Grameen Bank support through microlending helps raise the villagers’ economic opportunities.

should start with one product in one country. Emerging market economies are complicated enough. If a company is just starting out and has limited resources, it shouldn't try to be in more than one new market. Learning everything about one emerging market offers lessons that can be applied to the next market the organization decides to enter. This puts the organization on strategic high ground, better able to see and pick the market that has the most transference and profitability.

- **Think large quantities and small margins.** The successful product will sell millions of units. That's the good news. The not-bad news is that profit margins need to also be small. Profits per unit may be low, but selling millions rather than hundreds or thousands of a product will alter the equation.

In the case of Unilever, for example, business analysts have warned of reduced profit margins on the smaller, cheaper packages, which may be as expensive to produce as larger ones. But in India, Hindustan Lever Chairman M.S. Banga defends the strategy. "If you run your supply chain efficiently, you can increase volume and offer packs at very low prices and still get profits," Banga told the Reuters news agency recently.

- **Set up a "Global Links Initiative" within the company.** Success in emerging markets needs the top-down commitment of the chief executive and the allocation of significant human resources. A one- to two-year commitment of a small team is a minimal time frame to ensure success.

- **Set up a learning system.** Organizations should ensure that they capture what they learn so they can apply it in the next product and market. This body of knowledge will prove to be one of the most valuable assets as a company or organization moves into the future.

- **Make a long-term commitment.** The company wanting to add the base of the pyramid to its market needs to realize that next quarter's profit margins are probably not going to be impacted. When they come, profits will be substantial, but organizations need to be willing to make a commitment beyond the short-term horizon. Exactly how long the new profit center takes to reach the organization's goals depends on the product, its delivery mechanism, the



Think small: An array of detergents, shampoos, and other consumer products in small sachets is displayed on an Indian shopkeeper's racks. The smaller sizes and lower prices make these consumer goods more available to millions of poorer, underserved customers

level of commitment, and the success of local partnerships.

- **Partner creatively.** Expanding companies need local partners. This doesn't need to be a local business; it could be a government agency, NGO (nongovernmental organization), co-op, or other group.

In Bangladesh, the Grameen Bank, the very successful microlender, is the partner of cell phone manufacturers. Grameen loans women in rural Bangladesh the money to purchase a cell phone that they use to set up a "phone booth" in their village. The women make enough in the first four to eight months to pay off the loan and earn two to three times the national average income after that. The rice growers of the village are now connected to the rest of the world—to the sons who are off working in Malaysia, to the seed distributors in the city, and come, harvest time, to the buyers who are now competing to provide a fair price for the village's rice. And not quite incidentally to this virtuous circle, the cell phone manufacturer is selling lots of phones.

The 4 billion additional customers are out there. They are growing in number and purchasing power. It will be the bold and visionary leader who goes after them. Coupled with risk-reducing knowledge, a local partner, and the right product or service in the right emerg-

ing market, such vision, boldness, and pragmatism will be richly rewarded with sustainable profits and expanding markets in a shrinking world.

Equally important in today's dangerous world of haves, have-nots, and have-no-hopes, the world will be a better place as more and more people reap the fruits of "the most powerful engine yet developed for producing wealth"—that of corporate enterprise. Corporate social responsibility with bottom-line results never had it better. □



About the Author

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