

# Global Links Initiatives

New Product Development and  
Creative Marketing for the Base of  
the Global Economic Pyramid

## Success Stories

By Medard Gabel  
BigPicture Consulting

**BigPicture**The logo for BigPicture Consulting features the word "BigPicture" in a bold, blue, sans-serif font. A green arrow starts under the "i" in "Picture" and points to the right, ending under the "e".

C O N S U L T I N G  
Sustainable profits from emerging markets

281 Bishop Hollow Road

Media, PA 19063 · USA

610-566-0156

[www.bigpictureconsulting.com](http://www.bigpictureconsulting.com)

[medard@bigpictureconsulting.com](mailto:medard@bigpictureconsulting.com)

Medard Gabel is author of *Global Inc.: An Atlas of the Multinational Corporation* and president of BigPicture Consulting, a company that links corporate enterprise with meeting basic needs in emerging markets in sustainable and profitable ways.

## Introduction

There are numerous companies engaged in developing products and marketing to the base of the global economic pyramid. Success in this radically different market is contingent on many factors. Among these are vision, perseverance, a local partner, and flexibility. The following are a few examples of diverse successes in this growing field and some of the lessons we can learn from them.

There is no attempt to be exhaustive in this listing. The intention here is to illustrate the breath and scope of successful corporate enterprise in emerging markets and to draw lessons from the divergent experiences.

## Success Stories

### Example 1

Cell phone manufacturers are successfully selling cell phones to the poorest of the poor. The “poor” in this case being the people of Bangladesh whose per capita income is \$281, and the “poorest of the poor” being women in rural Bangladesh whose incomes are considerably lower. (Rural incomes in Bangladesh average \$200 per year; women are traditionally less.) How does a woman in rural Bangladesh afford a cell phone? Maybe more to the point, why does she want a cell phone, and whom is she going to call? The answer to these questions provides us with some valuable insights into the base of the economic pyramid and the creative approach needed to sell relatively expensive modern products to this market.

#### Context:

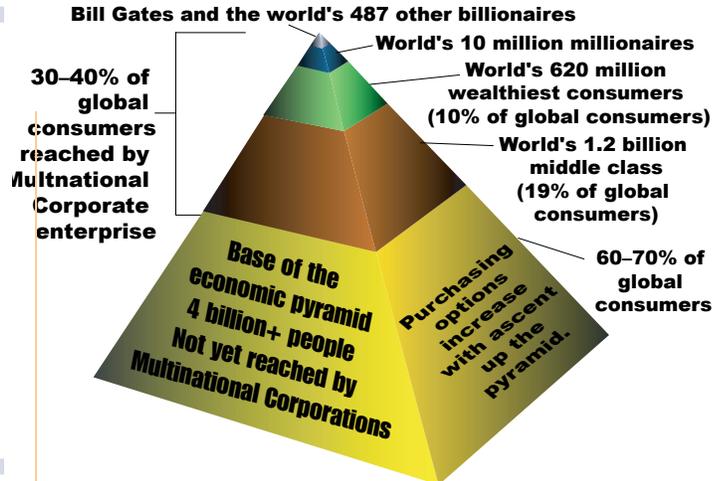
1. The waiting time for obtaining telephone service in rural Bangladesh is between 3 and 8 years.
2. The need for telephone connection to the rest of the world is great, but currently unaffordable.
3. The Grameen Bank is a highly successful micro-lender that loans money to women in rural Bangladesh to set up income producing enterprises. The Gameen Bank has been successfully operating for over 20 years, is operating in over 40,000 Bangladesh villages, has a 95% repayment rate, and is emulated all over the world as an engine of economic development. Over 25 million people have benefited from micro-lending worldwide.
4. In 2000, the Gameen Bank set up a subsidiary *Gameen Telecom* to provide village phone service.

#### Success:

Gameen Telecom partnered with cell phone manufacturers to sell cell phones to women in rural Bangladesh. The women receive a loan from the Bank to obtain a cell phone, a solar recharging unit (there is no electricity in most rural villages in Bangladesh), a stopwatch, and training.

The women use this equipment and training to set up a publicly accessible “phone booth” in their village. The stopwatch is used to time calls. The phone is used by village farmers to avoid trips to the city that would cost ten times the cost of the call. It is also used to obtain a

## The Global Economic Pyramid



fair price for crops at harvest time. (In pre-phone days, the traditional buyer of crops would show up at harvest time and offer a price that was the only price in town; with access to real market prices, the farmer with phone service can avoid the exploitative pricing that has existed in rural Bangladesh.) Other phone uses include medical needs, staying in touch with sons and other relatives who have migrated to Malaysia and other overseas sites to work as laborers, maintaining contact with other villages, etc.

Each rural phone booth enterprise generates income for the woman (more than twice the national average; more than three times the rural average<sup>1</sup>), so she and her family are better off. It helps the local farmers by increasing their efficiency. It helps families to maintain contact with their members who have left the village. It helps the village to get out from under the yoke of the traditional exploitation by grain or fish buyers. It generates income and profit for the phone company. (Each rural “phone booth” generates revenues that average more than \$90 per month— three times what the company earns from its urban mobile phones.) There are now more than 20,000 village phones in operation. And, oh yeah, the cell phone manufacturers are profitably selling a lot of phones.

#### Lessons:

1. Innovative financing and marketing is crucial.
2. Partnering can be essential for many products.
3. Having your product be part of an enterprise— an engine for producing an income— makes it compelling on many levels.
4. There is a need for communications in every society. If this need can be met with high tech products that are affordable and/or part of a system that generates the cash to pay for them, they will be the option of choice. Creating buying power is essential to success for many products.
5. Emerging markets are not your typical export market.
6. Your product becomes compelling if it solves an important problem.

## Example 2

Detergent manufacturers are successfully selling detergent to emerging markets in India, Brazil and elsewhere.

### Context:

1. Laundry detergent is not purchased in large multi-pound containers by the poorer segments of India's market, but in individual packets. (Thirty percent of personal care products and other consumables— shampoo, cold medicines, etc. are sold in single-serve packages in this market.<sup>2</sup>)
2. There are over two hundred million people (in just India) who need laundry detergent sold in this manner. There are over two billion throughout the world.

### Success:

Unilever, the \$50 billion Anglo-Dutch consumer goods company has an Indian subsidiary— Hindustan Lever Limited (HLL). This company developed a low cost (and good quality) detergent that it is now successfully marketing throughout India. The example and experience of its subsidiary led Unilever to roll out the same type of venture in Brazil. In order for HLL to be successful, it needed to alter its business model, create a new product formulation (or more accurately, modify an existing product), develop a lower-cost and decentralized manufacturing process, as well as a wider distribution network to take advantage of the abundant labor pool in India.<sup>3</sup> This business is now one of the most important growth and cash generators for the company. From 1995- 2000, HLL's revenues have grown by 20% each year, and profits have grown by 25% per year.<sup>4</sup>

As a result of this success, "Unilever is now focused on the bottom of the pyramid as a strategic priority at the corporate level."<sup>5</sup> Additional highly successful Unilever products focused on this market, and using a similar approach in product size, packaging and marketing are shampoo, ice cream, and candy.

### Lessons:

1. Matching the product to the market— to the local culture, buying power and need, is essential.
2. High quality, rather than cheapness and lower quality, needs to be the goal.
3. Innovation and a focus on economic profit, rather than gross margins, leads to success. This product needs to be affordable; profit margins need to be slim, judged by current norms. Profits are driven by volume and capital efficiency.<sup>6</sup>
4. Marketing partners are an important ingredient to success.
5. Being open to looking at new markets and flexible enough to alter your business model is essential to success in many cases. A willingness to experiment, collaborate, partner, empower locals, create new products and new sources of wealth generation is important.
6. In some cases there is a need for great imagination and creativity to create a market infrastructure where none seems to exist.

7. Emerging markets, for many needs and products, are not the same as serving existing markets better or more efficiently— it is not an export market. It is often developing a product and infrastructure. It helps in making the economic case for such undertakings to view this as necessary investments, not dissimilar from R&D, plants, processes, and marketing.
8. Knowledge, products and processes can often be transferred from one emerging market to another. In some cases these products will need to be customized for local needs.

## Example 3

Access to information technology is a great need all over the world, including emerging markets. When affordable, emerging markets can be prodigious consumers of information technology and the services they provide.

### Context:

1. According to the International Telecommunications Union, about 600 million people have access to a computer and the Internet in the world.
2. Experience shows that low-income people quickly adopt high technology products when such products meet real needs.

### Success:

Hewlett-Packard is investing many millions of dollars in their "e-Inclusion" division. The mission of this business unit is to develop and deliver products that are the fruit of the digital revolution to emerging markets throughout the world. One of the ventures involves a partnership with MIT's Media Lab and a foundation in Costa Rica to provide "telecenters" for villages in rural Costa Rica. The telecenter is a place where villagers can affordably access a computer with a high-speed Internet connection. Other tests are in southern India and South Africa. In all cases, test sites are near HP operations and in countries with receptive local governments. In addition, HP has set up R&D labs in India and China to develop products for emerging markets. These labs are researching low cost Internet connections, speech interfaces for the Internet, solar powered applications and other potential products. In summary, "HP wants to develop the kinds of services people need and are willing to pay for."<sup>7</sup>

### Lessons:

1. If you already have sites overseas, these are a good location to start in.
2. Once sufficiently down the emerging market path, locating an R&D lab or labs in emerging markets to develop products for these markets makes a lot more sense that tacking an emerging market addendum onto existing labs in developed countries.
3. A substantive financial and time commitment increases the odds of success.
4. Building brand value, learning the emerging market business, and building relationships in the emerging markets is both valuable and important to long-term sustainable success.

## Other Examples

### Credit and financial services:

*Microfinance* serves an estimated 25 million customers around the world—less than 5% of the potential customers.

*Citigroup* has kiosk-based banking services for small depositors (\$20 minimum) in India. Open seven days a week, 24 hours a day the venture has over 250,000 customers in Bangalore alone and is profitable.<sup>8</sup>

*Standard Bank*, South Africa has developed a successful low-cost banking system for the poor. Using ATMs and electronic funds transfer the bank serves 3 million low-income customers. Accounts can be opened with \$8.00, customers receive an interest bearing “savings purse” (which encourages customers to save), a flat fee is charged for ATM transactions, and computerization makes it possible to lend money with little paperwork, no collateral and no formal address. Bank costs are 30-40% lower than traditional banks because there is no back office and little paperwork.

*PRODEM* is Bolivia's version of South Africa's Standard Bank. Using smart cards that store customers account information, transaction records and a fingerprint.

*PlaNNet Finance* links thousands of micro-credit groups around the world through its Internet site. It helps micro-banks share solutions and lower costs. It is developing automated solutions for tracking and processing millions of small loans associated with micro-lending.

### Energy

*Solar Electric Light Fund* (SELF) makes its money from selling small-scale on-site power generation from solar photovoltaic energy units. SELF brokers the purchase, installation, and operation of household-scale solar photovoltaic units among the rural poor in a dozen countries, including China, India, Indonesia, Brazil, and Tanzania. A revolving loan fund for villages enables villagers to own and operate their own electrical systems.<sup>9</sup> Systems are large enough to run a small water pump, recharge a mobile phone, power a radio, and keep vaccines cool in a health clinic.

*FreePlay Energy Group* has developed a hand-cranked radio for the South African market— which has also become popular in the U.S. among campers. Over 3 million units have been sold. Royal Phillips Electronics, the large consumer electronics company, has also developed a low-cost hand cranked radio that it sells in India.

### Water

*Waterhealth International* sells a small-scale solar-powered ultraviolet water purification system that can serve a village of 2,000 people, at a cost of 10 cents per person per year.

### Materials

*Cemex*, the world's largest cement manufacturer sells cement for low-cost do-it-yourself home construction throughout Mexico.

### Clothing

*Arvind Mills*, the world's fifth largest denim manufacturer, developed and sells “Ruf and Tuf” blue jeans kits for the Indian market. Instead of paying \$40-60 for a pair of jeans, the Ruf and Tuf ready-to-make jeans kit cost \$6.00. Distributed throughout India by a network of 4,000 tailors, the jeans are the largest selling jeans in India.

### Information Technology and Services<sup>10</sup>

Besides HP, there are many other information technology and information service provider examples:

*n-Logue* is an Indian company that is starting to provide wireless Internet access, e-mail, telephone, and other services to rural Indian villages.

*TARAAhaat* is a portal and telecenter marketed in rural India with a focus on education. Courses taught include English, basic information technology, and vocational skills.

*ITC Limited* is an agriculture company that has over 700 kiosks that serve over 3,600 villages and 400,000 farmers. The kiosks supply the farmers with information on weather, farming inputs, best practices, soil and water testing, increasing productivity, and marketing.<sup>11</sup>

*Ericsson*, the large Swedish wireless company, developed a small scale cellular system that provides stand-alone or networked voice and data communications to meet the needs of emerging markets.

### Lessons:

1. Many types of products in many economic sectors and geographic locations are needed by people in emerging markets.
2. Creative adaptation of existing products or core competencies, innovative concept, business model, marketing and financing are essential to reaching emerging markets.

### Endnotes

<sup>1</sup> Cait Murphy, “The Hunt for Globalization That Works,” (Fortune Magazine, October 28, 2002).

<sup>2</sup> C. K. Prahalad, Stuart L. Hart, “The Fortune at the Bottom of the Pyramid,” (Strategy and Business, Volume 26, 2002).

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> C. Christensen, T. Craig, S. Hart. “The Great Disruption”. (Foreign Affairs. March/April 2001. p. 94).

<sup>6</sup> C. K. Prahalad, Stuart L. Hart, “The Fortune at the Bottom of the Pyramid,” (Strategy and Business, Volume 26, 2002).

<sup>7</sup> Cait Murphy, “The Hunt for Globalization That Works,” (Fortune Magazine, October 28, 2002).

<sup>8</sup> Ibid.

<sup>9</sup> C. Christensen, T. Craig, S. Hart. “The Great Disruption”. (Foreign Affairs. March/April 2001. p. 94).

<sup>10</sup> For additional examples see [www.digitaldividends.org](http://www.digitaldividends.org).

<sup>11</sup> C. K. Prahalad, Allan Hammond, “What Works: Serving the Poor. Profitably,” (World Resources Institute, 2003).