

The Fortune at The Bottom of The Pyramid: Eradicating Poverty Through Profits

Author: C K Prahalad

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The author, C.K.Prahalad, a globally recognized management thinker, in his path breaking book propounds that there are viable business opportunities at the *bottom of the pyramid*. The bottom of the pyramid represents 4-5 billion poor people of developing and emerging countries who live on less than \$2 per day and are unserved or underserved by the large organized private sector, including multinational firms. The book is a must read and an eye opener for all those people who believe that there is no point in trying to serve the poor people as they do not have the purchasing power which, along with the desire for products and services, is necessary for demand to exist. Any company which chooses to ignore this market is doing so at its own risk especially when every company is struggling to beat competition and is aiming at market expansion. The author however says that it is imperative to understand the special requirements of this market and accordingly chart out the approach. Through the many in depth case studies of companies from across the world the author has successfully proven that this market is not only large but is also lucrative. Several assumptions regarding this market have been proven wrong and many myths have been busted. Stress has been given on innovation with special emphasis on *affordability, access and availability*.

The book is robust as every aspect of the lower end of the market has been studied in the context of the successful innovative practices of the companies which have made inroads into them. The 5th anniversary edition of the book has four major parts. The first part discusses the role of the Private Sector in the eradication of Poverty ; the second part discusses the nitty gritty of the bottom of the pyramid(BOP) market and establishes the ways and means to succeed in it ; the third part contains the reactions of the chief executive officers of numerous companies spanning different industries, which have successfully served the BOP market and the fourth part is the compilation of cases tracing the



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trials and tribulations, and the subsequent remedies adopted by the companies serving the BOP market.

The book builds a framework for poverty alleviation. It suggests that the poor should be recognized as value-conscious consumers and creative entrepreneurs. It opines that the four billion poor can be served profitably in collaboration with civil society organizations and local governments. Market development at the BOP can also create millions of new entrepreneurs at the grass root level, from women working as distributors and entrepreneurs to village level micro enterprises which can further become an integral part of the market based ecosystem. The author argues that market development has to take place by encouraging consumption and choice by providing single serve sachets for a wide variety of products. Companies like Hindustan Unilever and P&G have reaped benefits by doing so as the BOP consumers are also brand conscious. Geographical intensity of distribution (BOP consumers cannot travel great distances) and distribution efficiency (BOP consumers cannot defer buying decisions as it is based on cash in hand) have to be in place.

The twelve principles of innovation for BOP markets put forward are *price performance, hybrid scalable solutions* that are transportable across countries, cultures and languages, *resource conservation, deep understanding of functionality* in product development, *process innovation, deskilling work, education of semiliterate customers, designing for hostile infrastructure, better interfaces, distribution innovations, ecofriendly sustainable development* and *challenging conventional wisdom* in product and service delivery.

Compelling Case studies discussed in the book

———— The Jaipur Rugs case provides a unique and dynamic example of how a *global supply chain can be built on a massive scale* and in the process provide steady incomes to rural men and women. The traditional weavers are used and also further trained and then they work on the raw materials sourced from around the world, process them into rugs while maintaining high quality and finally the finished products are supplied to the rich markets. The company has benefited around 40,000 direct and indirect employees.

———— ITC in India has *leveraged technology* under hostile infrastructural conditions and started e-Choupals, information centers containing a computer linked to the Internet. This is an approach to seamlessly connect subsistence farmers with large firms, current agricultural research and global markets. The network of 2000 such kiosks allowed virtual integration of supply chain and lead to significant efficiencies over the traditional system.

———— Casas Bahia has successfully developed the largest retail chain in Brazil. With a 4.2 billion real (Brazilian currency) annual revenue, 330 stores, 10 million customers and 20,000 employees, Casas Bahia has established itself as a successful and sustainable business serving Brazil's poor. The company *finances 90% of the sales* and the customers pay through installments.

———— CEMEX, the largest cement manufacturer in Mexico, and third-largest cement company in the world, has through innovation found a profitable and empowering means of housing the poor for profit. More than 24 million Mexicans earn less than \$5 a day, hence they had been unable to get access to credit. Cemex *identified ways to provide access to credit before selling cement*. It also *changed the distribution methods and construction practices* to make it cost-effective for all parties involved.

————Hindustan Unilever (HUL) has been able to *stimulate demand for Lifebuoy soap through education campaigns to curb diarrheal disease*. The company titled the program Lifebuoy Swasthya Chetna (Lifebuoy Glowing Health). The health sector and development agencies sought to leverage additional resources and expertise in designing and implementing education campaigns. To address the health needs, a reformulation was created that was relevant, accessible and affordable to the mass market. In India alone there are 70 million people who have IDD (iodine deficiency disorder) and another 200 million are at risk. HUL introduced iodized *Annapurna salt* to fight IDD and also made it available in *low unit price packs* with the objective of upgrading the 75 percent unrefined salt market. HUL also started Project Shakti which utilizes women's self-help groups (SHGs) for entrepreneur development training to operate as a '*rural direct to home*' sales force, educating consumers on the health and hygiene benefits of HUL Brands and nurturing relationships.

————Jaipur Foot takes care of the need for low cost (\$ 40) prosthetics in India. There are 5.5 million amputees in India. An additional 25,000 lose their limbs each year due to disease, accidents or other hazards. Most of these people live well below the poverty line and can afford neither a prosthetic limb (average cost = \$8000) nor the subsequent replacements and hospital visits. Craftsman Ram Chandra and Dr. P.K. Sethi provided relief to these people. Jaipur Foot's *design considerations are based on unique functionalities* specific to the requirements of the Indian market that even enabled a professional dancer to further her career on stage.

————Aravind Eye Care System in India is a profitable institution whose consortium of nine hospitals performs one million eye surgeries each year, where 60 % of the patients are nonpaying and the rest pay very less as compared to prices outside India. This has been made possible through *standardized processes of high standard*.

The book has beautifully stressed on the need to democratize commerce where every person as a consumer will be able to afford world-class products and services, shape his or her own experiences, exercise choice and will have access to the benefits of the global economy. All should be able to participate in the global economy as micro consumers, micro producers, micro entrepreneurs, micro investors and micro innovators.

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