

Strategies for succeeding at the Bottom of Pyramid (BOP) market in Telecom Services Sector

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Of late, there has been an interest in marketing to the Bottom of the Pyramid (BOP) Market and several successful initiatives have shown that the poor can be served equitably and profitably by improving their income generation potential. The term BOP (Bottom of the Pyramid), coined by C.K. Prahalad and Allen L. Hammond (2002), refers to the around 4 billion people at the bottom of the economic pyramid with a purchasing power of USD 1500 per year or less. Is it viable to cater to the needs and wants of this section of people? This paper discusses issues such as the business potential of the BOP market, the mapping of opportunities for income generation for the poor, pricing, promotion, low cost delivery mechanisms and effective communication in this segment, in the Telecom services sector.

Key Words: Strategy, BOP, Services, Globalization.

Introduction

According to C.K. Prahalad, "If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up". There are huge potential profits to be made from serving approximately 4 billion people -an economic opportunity he values globally at \$13 trillion a year.

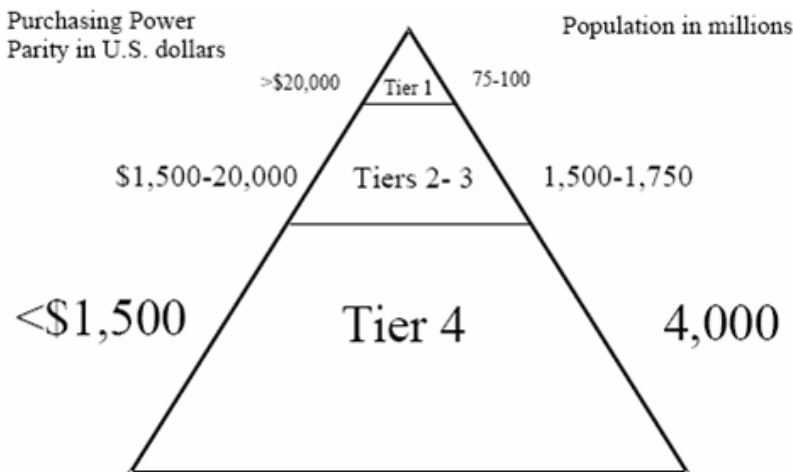


Fig.1 The World Economic Pyramid, Source: Prahalad (2005)

The aggregate purchasing power in 9 developing countries where most of the BOP exists (3 billion people, representing 70% of the developing world population) : China, India, Brazil, Mexico, Russia, Indonesia, Turkey, South Africa, and Thailand –in terms of Purchasing Power Parity, they represent a GDP of \$12.5 trillion. This is not a market to be ignored.

Shailesh Dhobal (2006), presents a first-ever compilation of BOP markets in India, district wise, complete with their ranking, location and market potential.

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City	Size
Mumbai (Suburban)	Rs 7,885 cr
Pune	Rs 6,840 cr
Medinipur	Rs 6,831 cr
North 24 Parganas	Rs 6,545 cr
Coimbatore	Rs 6,380 cr
Thane	Rs 6,215 cr
South 24 Parganas	Rs 6,036 cr
Bardhaman	Rs 4,794 cr
Murshidabad	Rs 4,790 cr
Nashik	Rs 4,763 cr
Kolkata	Rs 3,150 cr
Bangalore	Rs 2,903 cr
Erode	Rs 2,638 cr
Chennai	Rs 2,298 cr
Mumbai(Greater)	Rs 2,256 cr

Table 1. Top 15 Bottom of the Pyramid Markets (Shailesh Dhobal, 2006)

The daily wage laborers, hawkers, farmers, rickshaw pullers, vegetable vendors and several others fall into this category.

The MNCs need to thoroughly re-engineer their products/services and the marketing strategies to enter into this market, to reflect the very different economics of BOP: small unit packages, low margin per unit, high volume. The same strategies used in catering the premium segment will not fit into this segment. Innovations could improve the lives of millions of people and could greatly expand commerce in India as well at global level.

In the Article Innovation Sandbox, C K Prahalad (2006) says the process for designing breakthrough innovations starts with the identification of the following four conditions — all of which are difficult to realize, even when taken one at a time:

1. The innovation must achieve a significant price reduction — at least 90 percent off the cost of a comparable product or service in the West.
2. The innovation must be scalable: It must be able to be produced, marketed, and used in many locales and circumstances.
3. The innovation must be affordable at the bottom of the economic pyramid, reaching people with the lowest levels of income in any given society.
4. The innovation must result in a product or service of world-class quality.

Indian Telecom Scenario

The overall mobile subscriber base in the country has crossed 200 million as of end of February, 2007. India is adding over six million mobile subscribers per month. Just over 10% of India's population owns a

mobile phone. Indian mobile phone market is expected to touch 348 million by 2010, according to a research by The Diffusion Group.

Though mobile phones have become indispensable in the rich world, they are even more useful in the developing world, where the availability of other forms of communication--roads, postal systems or fixed-line phones--is often limited. Phones let fishermen and farmers check prices in different *markets* before selling produce, make it easier for people to find work, allow quick and easy transfers of funds and boost entrepreneurship. Phones can be shared by a village. Pre-paid calling plans reduce the need for a bank account or credit check.

Economic Times, on 23rd December 2006, reported that the poor pay up to 300% more for a mobile than their rich counterparts. Traditionally, marketing to the BOP was considered uneconomical and not profitable by larger organizations, with the result that this market was being serviced by unorganized sector with low quality goods and services, and many a times at unreasonable prices. In the area of Financial services, due to perceived high risk, they are charged usurious rates of interest and provided highly deficient services.

C.K Prahalad terms this as the 'Poverty Penalty'. The poor pay a premium on everything from rice to credit--often five to 25 times what the rich pay for the same *services*. Driving down these premiums can make serving the BOP more profitable than serving the top.

Study of BOP Markets for Telecom Services

A survey was done in Thalassery, in Kannur district of Kerala state, and in Puttaparthi, in Anantpur district of Andhra Pradesh state, to understand the target segment. The target population consisted of consumers whose daily wages were not more than Rs 100 to Rs 200 a day. The questionnaire was administered to auto drivers, masons, office assistants, roadside readymade vendors, tailors, shop-keepers, farmers etc.

Various findings were obtained in the course of administering the questionnaire to the BOP consumers. The results of subsequent analysis, both statistical and qualitative, are discussed below.

Age profile of the customers

The interviewed customers of the BOP segment who use mobile for their business purpose consisted of 41.43% in the age group of 26-30 yrs, followed by 34.29% in the age group of 31-35 yrs. This indicates that the younger people in the BOP market readily accept the mobile technology to improve their earnings, if the mobile phone makes a business sense for them.

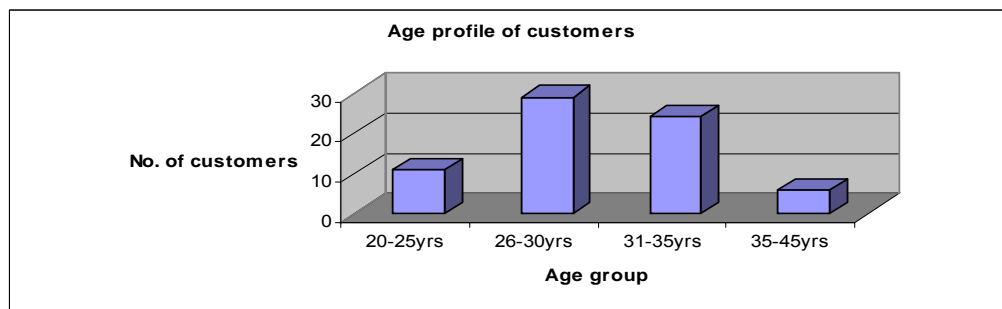


Fig. 2 Age Profile of Customers

The customers who fell in the age group 36-45yrs were found to be relatively less at 8.57%. The aged persons may find it difficult to adapt themselves to fast changing technologies. Maybe they may adapt to mobiles if user-friendly handsets could be introduced to them, which are frill-free, with only incoming, outgoing call options. When interviewed, they said they found it difficult to operate the handset, sometimes they knew how to make a call, but not how to cut the call. They also found keypad lock to be irritating.

The Income Profile

The customers with income less than Rs 3000 per month were considered as BOP customers. (According to C.K. Prahalad, BOP earns less than \$2 per day).

Of these, 5.71% were found to be using mobile provided by their employer. The employer would also pay the employee to top-up the call balance. On an average, the employee was provided Rs 50 to top-up the call balance. If they wanted additional talk time, they would have to pay it from their pocket itself. The remaining 94.29% owned their own mobile. They were found to spend an average of Rs 72, on the mobile service, per month. This was found to be almost 2.4% of their average monthly income, which is a significant amount of their income.

But the interviewees also had explained how the mobile has helped them to improve their income. For e.g. auto-rickshaw drivers say that the mobile phone has helped his loyal customers to call him whenever they needed an auto. He now receives at least 10 more extra business calls per day and hence the mobile service has helped him to improve his income. The same is the case with the tailors, masons, coolies etc interviewed, who said it has helped them to improve the network of customers. The farmers could now directly contact their dealers.

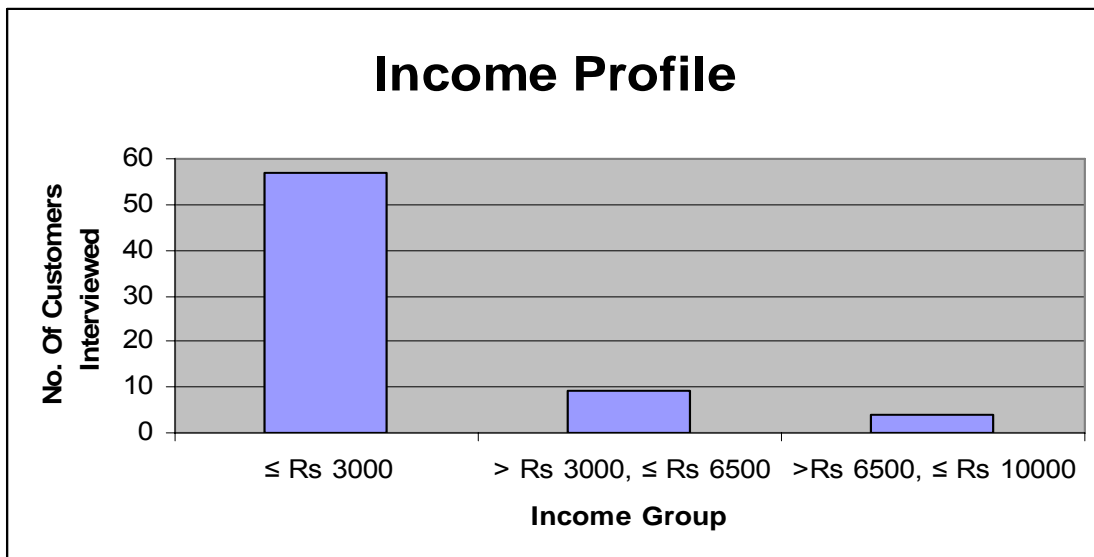


Fig. 3 Income Profile

Many of the interviewed customers said they always keep their business cards in stock, so that they can give it to their customers, in order they can contact them in the mobile whenever needed. The auto drivers were also seen displaying their mobile number on their auto.

Thus the mobile has helped them to increase their network of contacts with the customers. It has also helped them to increase the contacts with their business friends or partners who could pass on the customers they cannot service at that time to them. This has helped them significantly improve their income and hence standard of living.

The Service

Majority of the BOP customers interviewed were found using prepaid service (85.71%), rather than postpaid service (14.29%). This could be explained by the fact that the BOP consumers, who earn daily wages, can make payments in small amounts rather than make a lump sum payment at the end of the month.

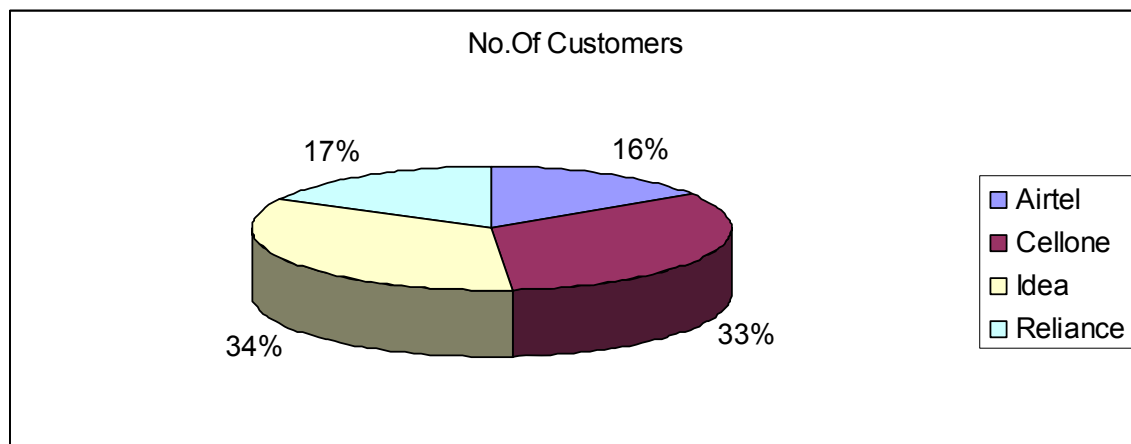


Fig. 5 Market Shares of Different Services

15.71% of the BOP customers interviewed used Airtel service. 82% of Airtel prepaid customers used Airtel Lifetime Scheme. The top-up which starts from as low as Rs 50 was found very attractive feature of the service for the customer. But the outgoing call rates are higher in this scheme than for the other scheme. But the BOP consumers seldom made outgoing calls, they mainly used mobile for receiving customer calls. The Airtel service was preferred by the consumers because they provided ‘**Group Service**’, i.e. the calls will be free to a group of predetermined Airtel mobile numbers, very economic for business. Also, Airtel SIM cards were readily available in all the retail shops. A few respondents said they resorted to Airtel because CellOne SIM cards were not easily available.

In CellOne service, all the respondents were found to be using prepaid service. 61% of them were using the 1-Year Scheme. 9% of the BOP respondents used the EXCEL POWER plan where the subscribers can call any two BSNL phones (One land line number is mandatory) within circle/LSA at reduced rate of Rs.0.10 per minute.

80% of the respondents preferred BSNL because of good coverage, the strongest point which attracted the consumers towards BSNL CellOne. They received coverage even in their rural villages. Another reason they gave was of low call rates. But a few opined that the CellOne service had tower problems, i.e. during peak hours, the calls do not get connected.

In Idea Cellular service, prominent among the BOP consumers in Kerala, 60% of the respondents were using 1-year validity scheme. 63% of the respondents preferred this service because of good coverage provided. 35% of them said the service provided low call rates.

Regarding Reliance service the respondents preferred this service because of free Reliance-to-Reliance calls and also easy availability of service. This service was also preferred because of good network coverage. 10% of the BOP consumers made payments in installments whereas the remaining 90% of them made payments in lump-sum. Only Reliance users had this convenience.

62.71% of the consumers claimed that they bought the recharge coupons or the top-up cards for the prepaid service from different vendors. They also opined that they were available at all places, i.e. they were well-distributed, for the BOP consumers to access. The remaining consumers bought the top-up cards from the same place. They reasoned that, they were loyal to the retailer due to several advantages: the retailer would inform them about various festival offers and also various hidden follies in the new schemes. Also they would give cards on credit, which they would pay at the end of the day or after one or two days.

Of the postpaid service users, the consumers using Idea cellular service opined that the bill collection centers were poorly distributed and the bill payment procedure was difficult. They had to go to Idea office and pay the bills. The Airtel and Reliance users were of opinion that the bill-collection centers were well-distributed. They could pay bills even in shops.

Information Source

Majority of the BOP consumers interviewed had come to know about the services they were using through their friends (44.29%). They asked the opinion of their friends about the service before going for it. This could indicate that in the BOP market, the information about a service could be obtained more through the “word-of-mouth”. Hence it is important to have satisfied customers and that the service provides increased earnings at reasonable cost.

34.29% of the consumers were influenced by advertisements on television and radio. 10.00% of them have been influenced by both friends & ads. 8.57% of them have been influenced by other sources of information. For e.g. some of the interviewees said that, they were influenced by the BSNL Road Show, opposite to their auto-stand. Out of curiosity they went there and ended up buying BSNL SIM-cards. Later they bought the handsets.

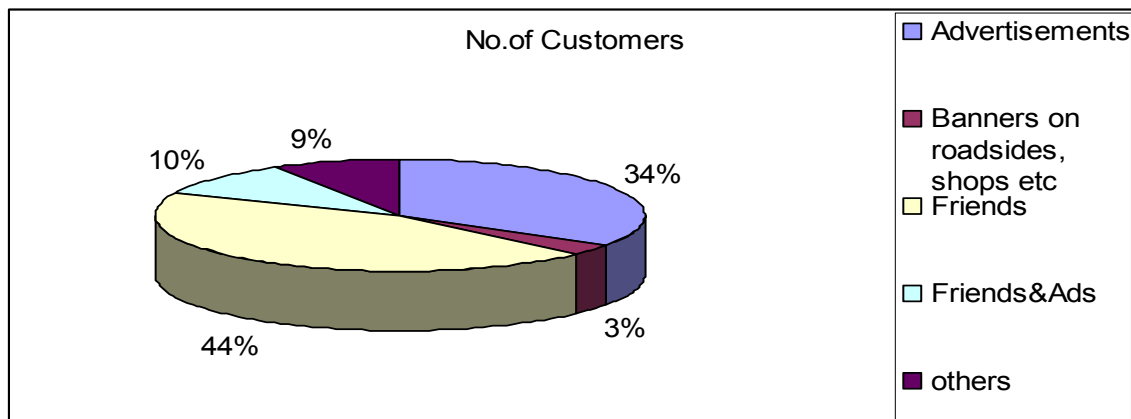


Fig. 5 Information Source

Most of the interviewees as indicated earlier said they preferred BSNL service, but didn't use because of their non-availability. This indicates that such "road-shows" could be used as a good promotion method in their area of coverage.

Also if the services provided are of good quality (the main requirements of the respondents were good range and low call rates), then the brand would promote itself through word-of-mouth. A significant number of respondents had come to know about the service they are using from their friends.

Mobile Handsets

The BOP consumers interviewed, owned handsets that cost on an average Rs 2,600. 27% of them had purchased the handsets by paying in installments. The remaining 73% had paid in lump sum to buy the handsets. (Only Reliance provides in installments). Of this 73%, 85% consumers agreed that credit facility for purchasing mobile handsets would be very helpful. If the local franchise outlet can provide credit (i.e. enable installment payments), sales volume can further be increased.

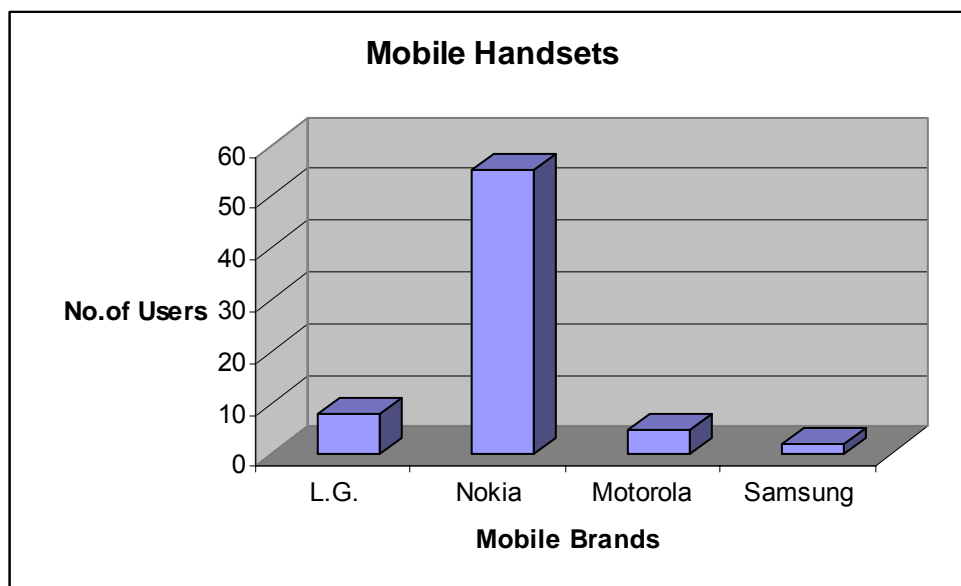


Fig. 6 Mobile Handsets Market Share

78.57% of the consumers were found to own Nokia handsets. The most popular model among them was found to be the Nokia 1100 model (43.64%). Other popular models were 2100, 3310, 3220, 2600 and 1112. These models are minimum cost models and designed for rough and tough use. The 1100 model has many features that make it attractive to the BOP consumers. The main reason was the battery performance, which seems to be good requiring minimal recharging. It has got a built-in flash light fitted to it which, they claim, is very useful during nights, when they have to walk through dark unlit streets. Also it has got minimum maintenance.

The other brands of handsets found among the interviewees were Samsung, L.G. and Motorola. 44.29% of the BOP consumers interviewed had been using the mobile service for less than 1 year. 34.29% of them have been using for more than 1 year but less than 2 years. The remaining 21.43% had been using them for more than 2 years. This may indicate that the mobile technology is being accepted increasingly by the BOP users.

77.14% of the consumers interviewed said that they have been using the mobile phones solely for business purpose only, i.e. for receiving calls from the customers. Their mobile was not used by their family members or friends, other than him. 17.14% of the consumers said that their mobile was also used by their family members, like parents and wife.

STD Calls

The consumers were asked whether they make STD calls or not. A significant 67.14% replied that they do not make STD calls. 32.86% of the consumers said they made STD calls, worth an average of Rs 35 per month. These consumers included shop-owners, tailors etc, who got orders from other states which were profitable.

Short Messaging Service

The consumers were asked whether they make use of SMS service or not. A significant 63% of the consumers replied that they do not use SMS service or do not know how to use them. The remaining 37% said they used SMS service but only occasionally, at an average of 10-15 SMS per month. 62% of the consumers said they used the mobile only for receiving and making calls.

Other Services

The consumers were asked what other useful services were provided to them by the service provider which they were aware of. The other services provided were Voice Mail, Call Waiting, Call holding, Call Diverting etc. 97% of the respondents had no knowledge about the above mentioned services. About Value-Added services, like MMS, WAP, GPRS etc, they have not heard about them all.

Redundant Services

The respondents were asked which all services they were ready to forego, if it were reflected in the outgoing call rates, i.e. call rates could be reduced. 50% of the respondents were ready to forego the SMS service. 60% of them replied they felt STD call facility was unnecessary since most of them operated within the precincts of their village or town only. 80% of them did not know about other services which they were willing to forego, as they were any way not using them.

Preferred Schemes

The respondents were asked what features they would prefer if a new scheme were to be introduced.

- All the respondents univocally voiced for low call rates. 57% of them said free talk-time offers like free calls to any two or three pre-selected lines, or, free calls or subsidized rates when call is made to someone using the same service would be very attractive service.
- 28% of them responded that they wouldn't mind if SMS facility was not provided but could provide more talk time instead.
- 79% of the respondents said a good range with no network problems was a mandatory. For e.g. some of them complained that during peak hours, the tower sometimes get jammed and they are unable to make calls. They said the network should be available in their rural villages, at home.
- 40% of the respondents said that it would be good if the service provider provided flexible recharging option, starting from Rs 10. At present many of the service providers provide slab-charging, say Rs 100, Rs 250, Rs 300 etc recharge coupons only.

- Also they said it would be very relieving if the service provider reduced the monthly recharge amount. Many of them said, it was bothersome to recharge every month with Rs 150, when the talk-time available would be less than half of that amount.
- 35% of the respondents also preferred 1-year talk-time at reasonable rates, so that it wouldn't bother them to recharge every month. They mainly use the mobile for receiving customer calls. Thus they wouldn't mind a zero- call balance. Whenever they want to make calls, they could recharge using low-ticket top-up cards.
- 25% of the respondents said that they would prefer the service provider to communicate with them in the local language. For e.g. they would like to receive information regarding offers, call balance after a call is made etc in their local language. If SMS facility in local language is provided, it may possibly result in an increased usage of the SMS facility by the BOP consumers.

Strategy Recommendations

There are various MNC companies in the mobile services sector which are currently catering to the BOP market such as BSNL, Airtel, Idea, Reliance Infocomm, Hutch etc. Each company is following a unique or a combination of diverse strategies to target these markets.

Based on the survey findings, the strategies which can be adopted to effectively target these markets are given below.

Service

The mobile service is found to be mainly used by the BOP consumers to **enhance their business**, through increased contacts with the customers. They thus seem to emphasize on just incoming and outgoing facility for calls. The appropriate scheme for the BOP may be 1-year talk-time validity, at reasonable rates. Also the recharging amount may be made affordable, (i.e. Rs 10 to Rs 20), to make the scheme more attractive.

Most of the add-on services including the STD facility could be made optional. This may further reduce the cost of providing service to them.

All the terms and conditions must be transparent and easy to understand by the BOP consumers.

Local Language SMS

63% of the respondents had said, they don't know even to operate SMS or had bothered to learn to use the same. SMS facility in local language if provided may increase their usage by the BOP consumers.

Pricing

Affordability is the issue regarding the BOP consumers. With an average of Rs 80 to Rs 100 earned per day, the service must be affordable for the BOP consumers. The top-up cards or the recharge coupons must be affordable to the consumers. If the top-up cards could be provided for prices as low as Rs 10, then it may provide larger volumes of sale. Also flexible recharging may make the service more attractive. This is made possible through mobile on-line recharging in their/ franchisee outlets.

All the terms and conditions must be transparent and easy to understand by the BOP consumers.

Good Network Coverage/Technology

The feature that may make a mobile service very attractive would be a good network coverage and strong signal strength. It must be available in the rural villages surrounding towns. This may be made possible with the help of latest technologies like a combination of cost-effective WiMAX and WiFi technologies

for providing services in scattered, low population density areas. The cost-effective construction of base stations that can support multiple standards simultaneously may help modify the RF (Radio Frequency) planning and assignment of standards through remote software changes and maybe also upgrade to new standards through a software-only download. The service provider must be able to meet the quantum jump in the demand for service. The quality of service (QoS) must be satisfactory to keep up the customer base and the cost of switching high.

Mobile Handset

A mobile handset which is simple to operate, with good battery performance requiring minimal recharging, supports local language, is durable and is low-cost may be a good solution for the BOP market. Good battery performance would be the most important factor as it will be used by people who do not have reliable access to electricity. Nokia 1100 model may be considered a good example that may be suited for the BOP market. The local language support may also increase the usage of SMS facility by the BOP consumers, who may not be comfortable with the English / National language (Hindi). This may be made possible by making available the keypads in local language, which can be easily replaced from the existing handsets. Additional facilities like flash-light, AM/FM radio facility etc. would be very attractive for the handsets.

Volumes and low-cost is the key solution to the BOP market. If the handsets are low-cost and yet deliver good quality service with attractive features, the BOP market may provide volumes, growth and consequent long-term profits.

If the handsets can be provided at credit, with monthly affordable installments, it may enhance the volumes of sales among the BOP segment, as observed during the survey.

The company manufacturing the mobile handsets must be ready to meet the quantum jump in the demand of low-cost, reliable and simple handsets.

Mobile Handsets for Age Group above 35yrs

As seen in analysis, the age group of 35-45 yrs segment of the market could be provided with handsets that would be easy to operate and with minimal functions, just for making and receiving calls, SMS facility in local language and a phone directory. The key pad could be made slightly larger so that the numbers would be visible, which would help in better visibility, for the eyesight decreases with age.

Availability

The SIM cards must be easily available for the BOP consumers. The SIM cards must be available at the time they want to buy it. Some respondents complained that they had to travel a lot to get the service they wanted and the process of procuring them was a tedious task. The SIM cards should be made available at all retail centers. Also the top-up cards or recharge coupons of all denominations should be available.

Another issue is accessibility. The BOP segment consumers like masons, coolies etc would be free and would have some disposable money by the end of the day only. It is important that the retail shops would be open till the time they are free to make purchases. The recharge coupons/top-up cards of small denominations could be made available through small shops or kirana shops, where the BOP consumers would be more comfortable. This strategy would help in increasing the volume of sales.

Education

Educating the BOP consumers about the mobile service and the mobile handsets is very essential. In this, the retailers selling SIM cards can play a big role. They educate consumers about using SMS facility, in

case local language facility can be provided and how to recharge the SIM cards. Also they can be educated about the top-up cards and the tariffs should be displayed for their convenience. The vendor also must be educated about the various schemes and offers so that he communicates properly to the customers.

Delivery

The process of delivering the SIM cards (depending on the technology, i.e. GSM or CDMA), must be simple and transparent so that the delivery process gets over very quickly. The customer won't have to wait for long hours in queue. Now it is mandatory that the service subscriber should furnish details regarding his place of residence, identity etc. Instead of asking the customer to get passport sized photos for filling the application form, it would be better if the seller has a digicam or webcam, as it can save a lot of paper work. This would save inconvenience and expenditure for the customer as well as the vendor.

Promotion

Friends play a major role in influencing the decisions regarding the service the BOP consumers choose. If the service provided is of good quality and satisfactory, then the service will promote itself through the word-of-mouth.

Advertising also plays a major role in the promotion of the product. The objective of communication should be to create awareness, generate interest and create demand for the service. The message's impact on an advertisement may depend on not only what is said but also how it is said. If an emotional touch is given it may become more appealing to the masses.

For rural areas, promotion methods like demonstrations, road-shows, puppet shows, house-to-house campaigns etc would be more useful. While making the choice of mobile phone, rural consumer stresses on the convenience and assistance, price, features and influential person.

Occasional Offers such as free talk-time offers, festival offers, low call rates etc would also attract the customers.

People

The people who are at the front-end or touch-points, who come in contact with the customers, must display empathy and reliability to the consumers. This is true for all services. According to E M Johnson (2000), a customer sees a company through its front – line employees. Therefore, they must, be well-informed and provide the kind of service that wins the customer's approval. The firm must recognize that each employee or his representative is a salesman for the company's service.

The Need to Innovate

C.K. Prahalad describes in comprehensive detail how "bottom-of-the-pyramid" thinking can lead to the creation of "an impossibly low-cost, high-quality new business model."

The service-provider could provide additional facility similar to the India Telephone Card facility, provided by the BSNL on land-lines. This may be very useful to customers, and may increase the usage of the mobile telephony.

The BOP consumers may also take up the role of intermediaries. For e.g. Network Marketing could help in proliferation of the market size as well as help the consumer to earn commission maybe in terms of additional talk-time.

Also the shared-access model of Grameen Telephones in Bangladesh can be adopted where rural telephony can be improved through the provision of mobile telephone service by creating micro-enterprises that can both generate individual income and provide the whole village with connectivity. By working closely with their customers, service providers can co-create value and deliver innovation that will form the basis for a competitive advantage and mutual success.

Conclusions

The Bottom of pyramid market is a huge opportunity waiting to be tapped. The challenge is to identify and accept the uniqueness of these markets and develop strategies to suit their needs. Understanding these local markets and developing local insights is of utmost importance for succeeding in these markets. These consumers should be pushed higher up the value chain by a process of co-creation which would benefit both the company as well as the BOP community. One ultimately comes to the conclusion that any sound strategy should be devised only in tune with the “aspirations of the consumer”.

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