Business models for low-income markets
How can MNCs capture value in the Base of the Pyramid?

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Executive summary
The world’s poor is the largest of all income groups in population, and it is increasingly argued that the private sector and MNCs could make a fortune by serving these markers, as the needs are so many and the competition low. Based on the assumption that there is a fortune at the bottom of the pyramid (Bop), how can MNCs build business models that will generate value in terms of profit in low-income markets?

Relying on both propositions from literature and empirical data, central arguments from the Bop-literature were first mapped according to how they approach value creation in low-income markers, in a business model canvas. There were 2 main propositions: a bottom approach, focusing on the capacity to consume, and the base approach focusing on mutual value and co-creation of markets. Second, 20 cases were reviewed for identifying for-profit businesses in low-income markets. 6 profiting Bop-business, and 4 that yet had not profited from their for-profit strategies were identified. These were analysed in the same canvas and compared to the propositions made in literature.

The result from the analysis was that MNCs are currently not extensively represented in Bop-businesses generating positive returns. Here local Bop-businesses are more represented. The analysis of the Bop-literature’s approach to business models, showed that the bottom and the base approaches are present in both the profiting – and the yet not profiting cases. Meaning that both approaches can result in business models generating profits – and both might fail. There is however an overrepresentation of base-approaches and local Bop-businesses in the profiting cases, which means that business models focusing on local integration and mutual value creation might be more able to generate value in terms of profit, than a bottom approach focusing on creating the capacity to consume through access, availability and affordability.

The business model building blocks that showed to create value independent of approach were focusing on a broad customer segment, targeting the “poverties” related to the state of low-income, and using partnerships extensively for both distributions, acquiring needed resources and development of business and offering. Furthermore, the business models were focused on at point sales, and keeping investment costs down. The time of operation before profiting depended on the initial investments, but is likely to exceed 5 years. However, the business model of a failing for-profit case shows that there is no simple recipe for generating value in the Bop, so there is no universal model that can guarantee profits.
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Preface

If starting with the beginning of the beginning – literally, “C.K. Prahalad argues that companies must revolutionize how they do business in developing countries if both sides of the economic equation are to prosper” (Bill Gates’ comment on Prahalad’s “The fortune at the bottom of the pyramid, Prahalad 2004, p.1).

Based on the assumption that there is a fortune at the bottom of the pyramid (Bop), the following analysis will investigate how this fortune can be reached. The aim is to provide international companies that wish to explore these opportunities, with tools for how they can build business models to make a fortune of the fortune in low-income markets. By focusing on business models, the analysis will aim at showing how companies can commercialize their products and services in low-income markets.

The research will start with describing the general low-income markets’ business environments, followed by an analysis of selected approaches to Bop-markets. These approaches will be compared on their suggested business models. After mapping the approaches to business models for low-income market from the literature in a business model canvas, a case review will be conducted to detect cases that have create value in terms of profits in these markets. The cases that are selected from the case review will be analysed on their business models, plotting them into the same business model canvas as in which the Bop-litterature has been mapped. This canvas will be compared to literature, and on the basis of these findings, the research question will be answered: How can MNCs build business models that will generate value in terms of profit in low-income markets?

Relying on secondary sources, the flowing analysis will use existing approaches to Bop-markets, in an analysis of existing cases – with the aim of providing the reader with insights and new perspectives on business models for low-income markets.
**Introduction**

The base of the economic pyramid is potentially great in purchasing power – “holding a fortune” (Prahalad 2004). By serving the poor, the private sector can not only profit, but also contribute to poverty reductions. Both the roles of the private sector in serving the needs of the poor, and the private sector’s views on the growth potential in low-income markets are getting increased attention from business managers, public organizations and developing agencies and other non governmental organizations (NGOs). The question to be answered in this analysis is not so much on *if*, rather *how* this fortune can be reached by the private sector.

**The Bop**

The world’s poor are according to Bop-literature the largest of all income groups in population, accounting for 4-5 billion people, resulting in an economic pyramid, where the rich are the tip at the top, and the poor the bottom – or the base (Prahalad 2004, London & Hart 2004, Hammond et.al. 2007). Speaking of the needs of the poor, and low-income markets as underserved in their needs, the business opportunities in these markets relates to providing food, water, energy, finance, communication technologies, basic health care and so on. Poverty is therefore not just about income, but also about access to necessities, addressed as “poverties” – as also addressed by the Millennium Development Goals (UNDP 2000).

Serving the needs of the poor is increasingly addressed by the private sector, and though the first characteristic of this consumer group is that they are poor – the size of the market, the low level, or absence of competition and the many needs unserved, serving low-income markets is not only a contribution to poverty reduction, but also a great market opportunity for growth and profits. Though widely debated and disagreed upon, the Bop might potentially constitute a 5 trillion dollar in PPP global consumer market (Hammond et.al 2007), or 1.3 trillion when adjusted to for US dollar (London & Hart 2010). Furthermore, in serving these markets, businesses might benefit from innovations in cost structures, new efficiencies and solutions, which can be very attractive for the top of the pyramid as well, resulting in reversed innovations and further increased opportunity of growth (Prahalad 2004).

**The role of the private sector – a change in the dominant logic**

Prahalad (2004) spoke of breaking the power of dominant logic of the private sector being unsuited to engage in development and poverty reduction work. These had for too long been
the matters of public initiatives and NGOs. One example of that this logic has changed since the first issues of Bop-discussions (Prahalad and Hart 1999, Prahalad and Hammond 2002, Prahalad 2004) is that the United Nations’ development goals, the Millennium Development Goals initially were not giving the private sector much focus in reducing poverty. In the report “Unleashing Entrepreneurship: Making Business Work for the Poor” (UNDP 2004), the Commission on Private Sector and Development focus on how businesses can help achieve the Millennium Development Goals. The poor can be consumers, and by supplying these markets, poverty can be reduced. Also in Denmark, the national development organization Danida, which is part of the Ministry of Foreign Affairs of Denmark stress how the private sector can contribute to poverty reduction and reaching the Millennium goals (Danida 2010).

There is also an increasing focus on the business opportunities in low-income markets. Bill Gates (also referred to in Prahalad (2004) comes up with the concept of creative capitalism in an interview with Time Magazine in 2008:

“Capitalism has improved the lives of billions of people – something that’s easy to forget in time of great economic uncertainty. But it has left out millions. (…) It is mainly corporations that have the skills to make technological innovations work for the poor. To make the most of those skills, we need a more creative capitalism: an attempt to stretch the reach of market forces so that more companies can benefit from doing work that makes people better off” (Time Magazine 2008).

The business interest for Bop-markets is rising, especially in the consumer goods segment (Hammond et.al 2007). Examples of large MNCs reaching for the Bop-consumers are addressed by several sources; Microsoft, Royal DSM, GlaxoSmithKline, Philips Electronics and Uniliver (Prahalad 2004), Vodaphone, Wall-Mart Banking, Celtel, Motorola, Samsung, Uniliver BP, Philips (Hammond et.al 2007), P&G, DuPont, G&B (London & Hart 2010), Barclays Bank, Eriksson, Thomsen Reuters, MAP International (UNDP.org1) and Grundfos (boplearninglab.dk). Some of these cases are investigated in the following case review. Also Danish companies and are becoming more focused on the growth opportunities in low-income markets. Though these often are high-risk markets, the growth opportunities cannot be ignored. Many of the poorest countries in the world are located in Sub-Saharan Africa (SSA), and as some countries are becoming more stable in terms of politics, and the levels of corruption are falling, foreign companies are becoming more interested in taking the risks of
investing in low-income markets (Berlingske 2011). The Danish newspaper Politiken highlights how the poor in the world has become a market, and how Grundfos and FanMilk are taking advantage of this (Politiken 2010). Furthermore, The Confederation of Danish Industry’s (DI) International Business Development launched in 2007 a BOP Learning Lab (BOPlearninglab.dk). BOP Learning Lab Denmark is part of a global network of learning labs, which target and assist companies in their development and implementation of Bop-strategies. In the wake of the financial crisis, new markets are targeted for growth – and the previous Danish minister for foreign affairs stated that future growth in exports has to come from other markets than Europe (Børsen 2011). MNCs not only being “forced” to new markets to achieve new growth, but also being the best suited for the job is also the argument of Prahalad and Hart (1999), arguing that MNCs have the necessary technological resources to build Bop-infrastructure, and are able to create a more inclusive world economy and leverage knowledge across markets, furthermore innovating for to markets as well.

Based on this recent focus on the poor as consumers, and the great growth potential in low-income markets for foreign companies, this research questions “how” the low-income consumers, living in areas with several poverties in relation to infrastructure and formal institutions, can become a source of growth for MNCs.

**The research question**

Over the last years, the poorest of the world’s population has increasingly been addressed as consumers – and their markets a source of great growth opportunities for the private sector. By capturing these opportunities private companies can not only make a profit, but also contribute to poverty reduction – a win-win equation! The aim of the following discussions and analyses is to investigate the profit-side of this equation. How can multinational companies with a profit-making agenda, reach the growth opportunities that are argued to be in the low-income market – the base of the economic pyramid?

For the analysis of how the private sector can make a profit in low-income markets – business that have shown to create value in terms of profits will be the main area of investigation. Both MNCs and local Bop-business will be analysed on their business models to identify the building blocks that could generate value in a low-income market.
Low-income markets hold different challenges than MNCs are used to from the top markets, and serving these customers will therefore demand innovations beyond technologies, products and services. MNCs need to rethink their business models, and the latter will be the area of investigation in the following analysis. Based on these arguments this analysis will aim at answering the following research question:

• How can MNCs build business models that will generate value in terms of profit in low-income markets?

Definitions
Low-income markets
The economic pyramid is an illustration of the world’s purchasing power parity (PPP) in U.S dollars, and the share of the population in each tier of PPP. The bottom of this economic pyramid is the share of the population that have less than 1,500 USD PPP income a year – or less than 2 USD a day in 2002 (Prahalad 2004). This categorization and delimitation of the poor is widely discussed, both concerning the size and PPP of it. Furthermore, there are different limits in PPP for what can be considered the poor – or the base of the pyramid. London and Hart (2010) refers to the World Research Institute (WRI) and the International Finance corporation (IFC) definition of the market as an alternative definition - as one example of an alternative definition. These authors used less than 3000 PPP per year incomes per capita as limit for the Bop-segment, also the Bop-limit used by Hammond (2007). London and Hart (2010) does however conclude that the size is difficult to measure. Others have argued that Prahalad (2004), and London and Hart’s (2010) definitions are too vague, and that the purchasing power of the poor is overestimated (Karnani 2008, 2009, Jaiswal 2008). These definitions and discussions will be addressed later, and the definition for this research will not be of major relevance for the analysis. Low-income markets is a term both defining the poor consumers, but also characteristics of a business environment that calls for business model innovation beyond pricing to build the capacity to consume. Low-income markets are in this analysis the term used for the “Bottom” or “Base” of this economic pyramid and vis-à-vis.

TOP-markets
Within the terminology of the Bop for low-income markets, the markets, or consumers that represents the high-income markets are in this analysis referred to as TOP-markets. These are typical Western markets and developed economies, and they are represented as the top tier of the economic pyramid described by Prahalad and Hart (2002). By high-income, they have 20
000 UDS or more a year, and from the original source in Prahalad and Hart (2002) it was a 75-100 million people market.

**Business models**
The definition used in the following analysis is one by Osterwalder and Pigneur (2010), operating with 9 basic building blocks describing the rationale of how an organization creates, delivers and captures value. These building blocks are the customer segments, the value proposition, the channels of how value is delivered to the customers, customer relationships, revenue streams, key resources, activities and partnerships, and the cost structures. This follows the same idea of Teece (2010), defining business models as the general architecture of how a company creates, delivers and captures value.

**Strategy**
This research focus on for-profit strategies – and a strategy is as argued by Teece (2010) more specific about a company’s business aims, and a business model is a generic design of the business pursuing that specific strategy. Strategy and business models are interconnected, as the business model should support the company’s strategy. As this is an analysis of for-profit strategies – the business model analysis will also address the building blocks that are key for profit to be generated. This is on a very general level of the company’s strategic level, but also the limitation of the area of investigation. CSR strategies, branding strategies or other strategies related to low-income businesses are not included in the scope of investigation.

**Delimitations**

**Value creation**
The opportunity of profit in low-income markets will be the area of investigation of the Bop-equation. Value creation in terms of poverty reduction, can also be part of the motivation from MNCs to engage in Bop-markets, businesses as well. It is however the value captured by the business model in terms of positive returns that will the focus in the analysis.

**Business models**
The tool of analysing the ability of creating value will be the business model behind the Bop-operations. The details of strategy and the execution will not be part of the discussion of value creation. These are however not independent units, and might be central to the company’s
ability to generate positive returns, but the area of investigation is delimited to the business model. Neither will the company’s offer – product or service, be the focus of the analysis. All of the cases selected do however offer products or services targeting “poverties” of the poor.

**Sectors and geographies**

The case selection was not sector or geography specific, but both sectors and geographies will be briefly mapped for the case analysis to map immediate differences. It will however not be part of the analysis of how value is generated. This delimitation is not insignificant, and the sectors in a value creation analysis are very important, as there are great differences in the market growths over the last years between the different sectors. Telecommunication has had a very different development than e.g. energy and water (Hammond et al. 2007, DI 2007), but why there might be differences and delimiting the investigation to one sector is beyond the scope of this discussion. In the general discussions of business models for low income markets, no sector differentiations are made in the selected literature, and neither will this analysis.

**Assumptions**

**The fortune**

This research is based on the assumption of there being a fortune in low-income markets. The argument of the Bop-markets hold a fortune, the size of the market in PPP, and the poor’s true ability to consume as they are – poor, and spend most, if not all of their income on absolute necessities is however widely debated. This will be addressed by referring to central critics in the literature analysis. Nevertheless, the framework from which the research question is developed does not question the potential fortune the Bop holds, and there being a fortune is therefore the main assumption behind this research.

**Low-income markets**

The following analysis takes a multi national approach, however the business environment challenges are assumed to be similar across low-income markets. Though there might be great differences between the markets in terms of culture, PPP, geography, infrastructure and demands, these are assumed to be similar in some extent related to their “poverties”. These common characteristics of low-income markets are later addressed, and the possibilities for differences between them are not included in the business model analysis of value creation.
Methodology
The method for answering the research question is a qualitative multi-case analysis – trying to detect business models that can create value in low-income markets. The approach takes a deductive position, as existing literature is the base for the formulation of the research question, and selected Bop-approaches is the framework in which the data is analysed. First, Bop-literature representing the development in arguments from the initial Bop-articles is addressed, and mapped within a business model framework, or canvas – a matrix that enables comparison on differences and similarities. Second, multiple cases are reviewed in identifying cases along the same parameters as the research question holds. The ones matching these parameters are then selected and analysed within the same business model framework as the Bop-literature. The cases are summarized and simplified within the business model framework, and patterns between them are identified – resulting in a business model that could create value in low-income markets. The results from the case-analysis is compared to the selected literature, and based on the case analysis results, indications for the predictability of the literature are given.

Multi-case
The method for the analysis is a multi-case analysis. Using a multi-case method is helpful when answering a research question of “how”, which is the case of this research. According to Yin (1994), a multi-case is not only useful for explanatory researches asking how – it is also the preferred strategy when the phenomenon in focus is a contemporary phenomenon in a real life context. The cases were selected within the framework of developed literature, by first developing a research question based in Bop-literature, and second reviewing the cases according the parameters from the research question. Within this framework, the analysis aims at detecting patterns across the selected cases.

The selected cases had to hold the same criteria as the research question. The parameters from the research question are low-income market and value creation in terms of profit. Furthermore, the cases had to hold information on the business model for the low-income market operations. All of these criterions have to be present for the case to provide information to the research question. Also local Bop-businesses that show value creation in terms of profits will be included as these can provide information on how MNCs can use business models to profit in low-income markets. Based on the research question; How can
MNCs build business models that will generate value in terms of profit in low-income markets? the following parameters for selection was defined:

- Low-income markets
- Business models
- Value creation

The first criterion that had to be present was operations in low-income markets, and it was the case criterion that was the base for the first selection. The cases were selected from different sources such as, GMI (GMI.org), the BOP-Learning Lab (BOPlearninglab.dk) and the World Bank (WorldBank.org), all organizations with a Bop-approach with focus on the private sector. Cases not holding information in the business model of the low-market operations were immediately excluded. The business model criterion is not about the business operations, rather a coverage criterion ensuring its ability to be used in the analysis. Cases not holding information on the company’s business model might very well fulfil the other two criterion, but will be without value for the research as they do not have the necessary information to be used in the analysis. It did however not become a great reason for exclusion, as most business cases from low-income markets from the listed sources held extensive information on the business models. After selecting 20 cases with sufficient information on the business models, representing low-income market business operations, the cases was reviewed according to the next parameter – their success of their for-profit strategy. The cases of (see Appendix A); ANZ, Kraft Foods, Lafarge, EDF, Sanofi-Aventis, Mekong Bamboo, Temasol, Grundfors, Defta Partners, Abbott, Barklays Bank, Procter & Gamble, Selco, Saraman, Olam, Pot-in-Pot, Unilab, GiroNil, Basix and Britannia were selected on the basis of their business in low-income markets and holding information on the majority of the nine business model building blocks. Of these 20 cases, 11 for-profit strategies were identified. Of these 6 represented profit generating businesses, 4 had yet not generated positive returns, and one had turned its profit generating business into a non-profit after not succeeding in its for-profit strategy. These cases were the ones that became the base for the following business model analysis, with the profit generating cases as the main area of investigation. To not only rely on the success stories for answering the RQ, the cases that had not generated profits yet, plus the one failing non-profit business were included in the business model analysis with the aim of analysing whether some business models show to be more able to generate value than others. As also pointed out by second generation Bop-
approaches, it is important to take learning from “failures” (Simanis and Hart 2008, London & Hart 2010). 9 cases were excluded from the business model analysis, as they did not represent for-profit strategies.

The research approach
The research question is developed based on the Bop-literature’s arguments of a fortune being present in low-income markets, which MNCs can reach and profit from. This approach is not deductive in the sense of a hypothesis being tested, but deductive in using existing literature to shape the approach, which is adapted to the qualitative research. The analysis of a multi-case study is also deductive as it is conducted within the same literature, and not developing new theory based on the case analysis findings, but exploring existing Bop-approaches (Yin 1997, Saunders et.al. 1997).

Reliability – Bop-literature, case sources and business model definitions

In the presentation of the literature and the introduction to the Bop-markets and the opportunities for MNCs, both the market data presented in the selected literature, and international organizations, such as DI (2007), UNDP (2004, undp.org) and the IMF (imf.org) will be included. These organizations represent the private sector and development agencies’ point of view, but they mainly add more specific measures and updated data to the Bop-market presentation.

The business model canvas is developed based on the framework of Osterwalder & Pigneur (2010). Their approach is chosen on their systematic presentation of an area that according to Teece (2009) is too vaguely defined in existing literature. Osterwalder & Pigneur (2010) present a business model in a systematic way, as 9 building blocks. The business model
canvas is used as the analytical framework as it operationalize the way a business creates, delivers and captures value (Osterwalder & Pigneur 2010).

**Bop literature – development and criticism**

In 1999, Prahalad and Hart issued the first article on the term BOP (Prahalad & Hart 1999). This article focused on how the base of the economic pyramid – those living on less than 1500 dollar a year, is an untapped market, and that there are great business opportunities for MNCs in these markets. In this article, the market was defined in size and purchasing power, but the effects MNCs’ operations in BOP-markets could have on poverty was not directly addressed. The role of the private sector in reducing poverty first became a central argument in Prahalad’s “The fortune at bottom of the pyramid: Eradicating poverty through profit” (2004). In the meanwhile, the Bop as a market had gained acknowledgment in literature and among organizations and businesses, when the Harvard Business Review picked it up in the “Serving the world’s poor, profitably” (Prahalad & Hammond 2002). The real impact of the approaches to the poor as markets of opportunity, developed by Prahalad (Prahalad & Hart 1999, Prahalad 2004), Hammond (Prahalad & Hammond 2002, Hammond et al. 2007) and Hart (Prahalad & Hart 1999, London & Hart 2004) might be well illustrated by the increased acknowledgement of the role of the private sector by international organizations such as the UN, when they in 2003 established the he Commission on Private Sector and Development – which in 2004 issued the “Unleashing Entrepreneurship: Making Business Work for the Poor” (UNDP 2004).

The central BOP-arguments have also developed from Prahalad and Hart’s first introduction of the BOP-concept in 1999. These will be addressed in more detail later, however the general picture is a development from Prahalad (Prahalad & Hart 1999, Prahalad 2004) focusing on the poor as consumers, to a more inclusive approach represented by London, Hart and Simanis (Simanis & Hart 2008, London & Hart 2004, 2010).

One of the main critics of the Bop-approach is Karnani (2008, 2009). Karnani has questioned both the real size of the Bop-markets, and whether Prahalad’s findings and arguments might be more appropriate in some markets than others, not taking the big differences within the Bop into consideration. Other critics such as Jaiswal (2008) has questioned whether the bottom of the pyramid really is the middle, and Landrum (2007) points at the lack of evidence.
for that entering low-income markets can reduce poverty, and that a Western for-profit perspective with a Bop-business strategy does not automatically qualify as a sustainable business strategy in automatic poverty reduction. Prahalad has responded to these critics in the latest edition of the Bottom of the Pyramid (Prahalad 2009), by first stressing that the real size of the market is not important for the real fortune it holds, and by addressing new cases proving his point, the arguments of the Bop as a market opportunity – and the role of the private sector, gets further supported. It is however pointed out by Karnani (2008) that the cases Prahalad (2004) address are either not profiting, non-profit initiatives or extensively supported by the public sector or NGOs – which makes the business related opportunities the market holds even harder to identify (Karnani 2008). The points of the critics will not be of central focus in the following analysis, as many of the criticisms focus on the size of the market – which is beyond this scope. Some point by Karnani (2008, 2009) will however be addressed in the case analysis and the discussion.

Business model literature
Teece’ (2009) article on business models argue for the same challenge identified by the author – that business models are vague concepts, and to be able to analyse the business model of the cases selected, an analytical framework providing some specific delimitations of the business models was needed. Teece defines a business model as:

“(…) it crystallizes customer needs and ability to pay, defines the manner by which the business enterprise responds to and delivers value to customers, entices customers to pay for value, and converts those payments to profit through the proper design and operation of the various elements of the value chain” (Teece 2010, p.191).

This definition illustrate the theory behind Teece, of dynamic capabilities, which has a similar approach to value creation as the Bop-strategies, as it argues that value is created by a firm through its processes of combining and coordinating assets, rather than strategizing for keeping out competitors (Teece et al. 1997). This rather practical approach to value creation, in terms of resource oriented business models to create value, is especially present in the second generation of Bop-business models. However, Teece (2009) does not provide more specific measures than defining business models as the “architectures” behind how value is created, delivered and captured. Therefore, Osterwalder & Pigneur’s (2010) “Business model generation” is used as the analytical framework. Their guide is a practical guide of how to design or reinvent business models, and their framework is based on their own experiences, as
well as the experiences, cases and feedbacks from the 470 members of the Business Model Innovation Hub (businessmodelhub.com). The analytical framework is not a contribution to business model literature, but a systematisation of experiences of value creation defined in building blocks that fit Teece’s (2009) general definition of an architecture.

Case data
The cases are selected from secondary sources; the “Growing inclusive markets” (GIM.org), Bop-Learning Lab (BOPlarninglab.dk) and the World Bank Institute (Wbi.org). The sources are all working with Bop-market’s as business opportunities, and being secondary sources – when based on the same assumption as this analysis, the cases are evaluated as valid in their descriptions of Bop-business model measures and interpretations. There can however be reliability challenges, when different sources are used, and for this purpose – most cases are selected from the GMI.

The GIM is an UNPD research initiative with the aim of understanding business models for development of opportunities for the poor. The initiative is empirics-driven, based in case studies that demonstrate how the poor can be included in business successfully, in ways that also demonstrate good business. The cases GMI presents are written by developing country case writers – located in their specific markets and all the cases are developed based on a set of research questions. The GIM cases are developed based on a wide range of research questions and focus on challenges and opportunities in low-income markets, adaption and scaling of product/service and business model, and the impact on development (GMI.org).

The GMI cases are reliable in holding extensive information on the case delimitations through a set of research questions. As the case is independent from the company, biases in relation to the company are low. The challenge is the fact that the cases were written for GMI, which has a primary focus on value creation beyond profits, and the success in BOP-strategies are also measured along development impact – which is beyond the scope of this analysis. For having extensive information on the business models, the cases were however used – but some cases have limited updated information on the profit making part of the businesses. In these cases, when available, information from the company’s official homepages was used as supplementary sources.
The sources of Bop-learning Lab (BOPlearninglab.dk), and the World Bank (Wbi.org) also represent organizations, which work towards better understandings and conditions for the private sector to enhance the situation for the poor. They are both extensively independent from the businesses described in the cases, and provide sufficient information on the cases business models. Operating within the same perspectives on the Bop, and their independency from the businesses in questions make them reliable and comparable to the GIM cases.

**Transparency**

By taking a research approach of deduction, and following a methodology of a multi-case, analysed within the same framework of which the research question is answered, the research follows a clearly defined path that could be repeated with other cases. The data selected is also presented with argued reliable sources – and when mapped within the defined framework, the results are transparent in how they were developed.

**Validity**

This research has carefully selected cases, through a case review followed by a case selection. The framework for selection is the research question, which has been developed from the selected literature. This ensures the internal validity, making the data appropriate for answering the research question within the delimited context of the selected Bop-literature. As this research is based on qualitative data and Bop-literature, the level of generalization is analytical – not statistical (Saunders et al. 1997). The external validity therefore delimits to an analytical generalization of a defined set of businesses in a delimited market - Bop-businesses with profit-strategies. The generalization in answering the research question is also delimited to the assumption of there being a fortune at the base of the pyramid, and with the “right” set f building blocks it can be reached. However, with this analytical generalization, the generalization that the research question requires is enabled.
Low-income markets – a business opportunity

Business models are the companies’ models for commercializing their products – and how they bring value to the customers and themselves (Teece 2009). Business models are argued to be innovated – or build in a new way compared to top markets, to be able to capture value in the Bop (Prahalad 2004, London & Hart 2004, 2010, Simanis & Hart 2008). This is because the Bop-markets are different from TOP markets, both in customer needs and preconditions for consumption and business operations. The needs of the poor are many, and to a great extent related to the state of poverty. The market growth, low levels of competition, and opportunities of cost efficiencies and reversed innovation, the size of the market and the many needs of the poor is argued to serve great business opportunities for MNCs. There are however different approaches to Bop-markets, and before mapping the business opportunities and challenges; the selected scholars’ approaches to low-income market will be addressed.

Prahalad

Prahalad’s (Prahalad and Hart 1999, Prahalad 2004) approach to the BOP-markets is about entering the BOP-markets through creating the capacity to consume. Prahalad and Hart (1999) are know as one of the first to stress how low-income markets can hold great opportunities for MNCs, and in “The Fortune at the Bottom of the Pyramid, Eradicating Poverty through Profits” (2004), Prahalad was one of the first to approach poverty as a matter of the private sector, and that by doing business with the poor, the private sector could raise their income levels and reduce their poverties. Doing business in low income markets call for innovations in products and services – as well as business models and mindsets. Successfully innovation to meet the needs of the poor does not only mean success in markets holding altogether 4-5 billion potential consumers, it can also improve the MNCs competitive position in their home market, bringing improved products and costs structures to the top of the pyramid. Prahalad therefore identifies 4 main opportunities in the Bop. First, the markets are potentially large stand-alone entities, which can provide the MNCs with great scale. Second, many local initiatives can be scaled across other Bop-markets. Third, innovating for the Bop can become a TOP market opportunity if the BOP-innovation is applicable to high-income markets as well, such as new solutions or qualities. Finally, the experience from the BOP-business can influence the management practices of the global firm. Through e.g. cost efficiencies, MNC can increase value generation for TOP markets as well (Prahalad 2004).
Prahalad (2004) sees the Bop market as holding a fortune in all the un-served needs. The market has been ignored by MNCs and an organized private sector, and by innovating products, services and business models, the fortune can be captured – and bring both growth to the private sector, as well as value to the low income market consumers (2004).

Hammond
Hammond (et al. 2007) wrote the “The next 4billion – market size and business strategy for the base of the pyramid” for the World Research Institute (WRI), and presents in this work a more detailed picture of the BOP-market than presented by Prahalad (2004). He describes the Bop market – the market composition, how it is different from TOP markets, the spending patterns, sectors and the unmet needs. He presents the industries that have been of main interest for MNCs and how the informal economy that often dominates these markets. The sectors, which are presented in detail, are; the health market, the information and communication market, the water market, the transportation market, the housing market, the energy market, the food market and the financial services market. The approach is similar to Prahalad (2004), seeing the BOP as a market of unmet needs, holding great opportunities for MNCs. Focusing on the poor as both consumers and producers can benefit them – and reaching the market calls for new products and business models. Hybrid, and sustainable businesses solutions – can meet the needs of the 4 billion, and a market-oriented solution is sustainable (Hammond et al. 2007). Hammond’s (et al. 2007) paper for the WRI holds detailed data on the BOP market, its sectors and consumers – and Hammond’s paper is in this analysis used as the main source of market data, rather than a Bop-approach. DI (2007) also uses Hammond’s (et al. 2007) market data. Hammond (et al. 2007) has also contributed to London and Hart’s (2010) discussion of business strategies for the Bop. In this contribution, Hammond (London & Hart 2010) argues for the need of combining bottom-up, and top-down enterprises to best create value in low-income markets. Hammond’s (London & Hart 2010) stress how there must be a combination of both bottom-up and top-down approach to be able to reach scale. Hammond will not be extensively referred to in the following analysis, but these arguments reflect the same development in Bop-approaches as later presented –moving away from simply serving, to co-creating Bop-market opportunities.
London & Hart

London and Hart’s contribution to the Bop-approach “Reinventing strategies for emerging markets: beyond the transnational model” (2004) acknowledges the opportunities in the Bop, but that business models that leverage the strengths in the existing market – instead of focusing on overcoming low-income market weaknesses, will outperform traditional market-serving businesses models. Through mutual value creation, low-income markets can be “reached” (London & Hart 2004). They do also reframe the “Bottom” of the pyramid to the “Base” of the pyramid as they instead of taking an approach of finding the fortune at the bottom, the fortune appears through mutual business. The poor are not just consumers – but also suppliers and local entrepreneur, which MNCs can create a fortune together with. Also in the more recent work of London and Hart (2010), where several Bop-scholars are presented, London and Hart argue that since Prahalad’s first issue of “The Fortune at the Bottom of the Pyramid: Eradicating poverty through profits” (2004), numerous initiatives have been started in the Bop. Many have yet not “found the fortune”. The Bop market is getting the attention from MNCs looking for new growth opportunities, and the private sector has been acknowledged as a possible positive driver in poverty allocation, but serving the Bop is about more than just simply new, affordable products and new distribution models.

Hart and London (2004, 2010) represent the second generation of Bop-approaches, focusing on that the success of Bop-business depends on mutual value creation. It is about both selling goods to – and sourcing products from the Bop. By doing business with, not to the Bop, business opportunities do not delimit to the needs of the poor, but MNCs can innovate for green-technologies, opening opportunities in global markets (London & Hart 2010).

The poverty-definition in terms of setting an income-limit, and calculating the market size, is according to London and Hart (2010) based in difficult-to-defend assumptions, and as they see Bop-business as a question of creation, potential market sizes become even more difficult to determine. Income-levels are imperfect measurements, and are often used as measures of convenience, and whether the poverty line is set at 1,25 – or 1.5 dollar a day, it might not change the person’s part in the BOP socioeconomic demographic. Though London & Hart (2010) do not disagree with measuring poverty in income – they add more dimensions to the Bop-segment. The Bop-market is heterogeneous across multiple dimensions, and through mutually creating the fortune; MNCs (and other Bop-opportunity seeking enterprises) will be more able to scale across these dimensions.
In addition to low-income, a characteristic of the poor is that they live primarily in the informal economy, with few enterprises in the formal economy. In the absence of legally recognized boundaries, enforced contracts and property rights protection, tapping into low-income markets through capability and capacity building and addressing the informal sector though mutual business practices, can tap into the assets and entrepreneurial talent that the Bop holds. It might therefore be further opportunities if MNCs integrate their business models instead of only focusing on building the capability to consume (London & Hart 2004, 2010).

**Simanis**
Representing the last point of view in this Bop-discussion, Simanis (Simanis & Hart 2008, London & Hart 2010), takes the mutual value creation discussion a step further. Still representing the second generation, Simanis (Simanis & Hart 2008, London & Hart 2010), takes a market creation approach to the Bop-opportunities. A market is defined as a lifestyle built around a product, and as the poor are “unserved” and non-consuming, there is no market – yet. Business models and strategies for already existing markets are inefficient in creating new consumer markets. It is not about information gaps – where the consumer yet does not have the information about a new solution. It is about the mental schemas of the consumers, and in market creation they do not have the benchmarks of other “poorer” products. Lacking a reference point, consumers have no basis for changing their lives – and way of thinking for a new product. Statistics showing how there are millions of poor living without access to basic sanitation, electricity and clean water do not represent a market. They might have needs, but before this pose any economic potential for MNCs in bankable returns, the Bop needs to be created into a consumer market, creating the need from within, following a strategy that is not much different than creating consumers in TOP markets (Simanis in London & Hart 2010). Simanis (Simanis and Hart 2008, London & Hart 2010) therefore adds the points of co-creation of markets to the second generation of Bop-approaches, all focused on the fortune being possible to create if the MNCs and the private sector use the capabilities already latent in the low-income markets, and define and create solutions to the needs together.

**Approaches to low income markets as business opportunities - Summary**
The selected theories represent a development from market entry to market creation.
Approaches to low-income markets in literature:

- **Prahalad**
  - Reaching the bottom - creating the capacity to consume

- **London and Hart**
  - Mutual value - reached through tapping into local capacities

- **Simanis**
  - Co-market creation - mutual value through co-defining and creating the market

Source: the author

Prahalad (Prahalad & Hart 1999, Prahalad 2004) speaks of a market that holds great and unmet needs that can be converted into business opportunities if the poor is enable to consume, and Hammond’s (et al. 2007) report for the WRI measures these needs by presenting the income distribution across different sectors and business opportunities. London and Hart (2004, 2010) argue that it is not a bottom, rather a base in the economic pyramid, and take an approach to low-income markets as a business opportunity if the markets are if they are approached as an opportunity of mutual value creation. They approach the poor as consumers, but also producers and local entrepreneurs, which also create value from a bottom-up perspective. Simanis (Simanis & Hart 2008, London & Hart 2010) also takes a mutual value approach, and argues for the need of a co-creation approach, and that the private sector must create consumers before one can speak of a market and business opportunities.

The development from doing business to – to doing business with is also evident in the public view of the BOP, where the UNDP focus on inclusive markets, and the contribution of Simanis and Hart (2008) in the BOP-Protocol “Bop-Protocol 2nd edition - Toward Next generation BOP strategy”. The Bop-Protocol is an incubator with NGOs, universities, the WRI and actors from the private sector, that share and discuss the opportunities and challenges that companies face in Bop-markets (Simanis & Hart 2008, bop-protocol.org). How the poor is viewed in literature also guides the different scholars’ approach to business model innovation, and therefore presenting these different views on the poor and low-income markets is important for the following analysis. Before presenting the different business models presented by the different scholars, the Bop-market and its opportunities will be described more in detail to get a better idea of the markets that the later discussed business models aim at create value for.
The Bop market – opportunities
The Bop-market differs from TOP-markets in several ways beyond the low-income consumers. Using selected theories and market reports; the market and its potential opportunities will be presented, followed by the challenges of operating in these markets. Low-income markets are not one homogenous market, and there are varieties in geography, level of literacy, rural-urban mix, income levels, culture and religion, etc (Prahalad 2004). However there are some characteristics that are common. These relate to the needs from poverty, and the nature of the market being unserved. The size of the market, the needs of the poor, growth and competition and possibilities of reversed innovation will now be addressed to describe the opportunities in low-income markets.

Market size
Poverty is often defined in terms of income, and reducing poverty has become one of the main proxies for development, but its definition and range is widely discussed. As earlier addressed, a central critique of the Bop-proposition is that the poor are too vaguely defined and the market overestimated. For this purpose the size of the market, and whether it being 2 billion or 5 billion, whether the income is 1 dollar or 2 dollar a day is not of major importance for the analysis. As highlighted in the introduction, low-income markets are becoming increasingly acknowledged as a business opportunity for MNCs, and investigating the “how” rather than the “if” is the scope of this analysis. The relative poverty line used by the World Research Institute (wri.org) is also the reference of Prahalad (2004) and London & Hart (2004, 2010), and will also be poverty-limit used for this research. Within this delimitation, equivalent to a 3000 USD income a year in local purchasing power, the Bop-population constitutes a 5 trillion USD consumer market (Hammond et al. 2007).

There are great differences in the distribution in geographies in the Bop-markets. Asia is the biggest market in relation to population and income, and the BOP market is the biggest consumer market in Africa.
Low-income markets – Size of Bop by population:

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
<th>Income (dollar)</th>
<th>BOP-market of total population</th>
<th>BOP-PPP of total population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>2.86 billion</td>
<td>3,47 trillion</td>
<td>83%</td>
<td>42%</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>254 million</td>
<td>458 billion</td>
<td>64%</td>
<td>36% (of income)</td>
</tr>
<tr>
<td>Latin America</td>
<td>360 million</td>
<td>509 billion</td>
<td>70%</td>
<td>28% (of income)</td>
</tr>
<tr>
<td>Africa</td>
<td>486 million</td>
<td>429 billion</td>
<td>95%</td>
<td>71%</td>
</tr>
<tr>
<td>Global BOP</td>
<td>3.96 billion</td>
<td>4,866 trillion</td>
<td>72% (of 5.575 in 2005)</td>
<td>BOP PPP of total world PPP – widely debated</td>
</tr>
</tbody>
</table>

Source: Hammond (et al. 2007, p9), Data: 2005 World Resource Institute

There are also differences in the market sizes concerning the sectors.

Low-income markets – Size of Bop by sector with opportunity:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Size (BUSD)</th>
<th>Opportunity – needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>20</td>
<td>Access to water, and purification systems</td>
</tr>
<tr>
<td>ICT</td>
<td>51</td>
<td>A rising demand for ICT – especially mobile telephony and internet services. ICT is developing into other sectors as well – further increasing the opportunity.</td>
</tr>
<tr>
<td>Health</td>
<td>158</td>
<td>The need for medicines and health care services, as well as life saving products.</td>
</tr>
<tr>
<td>Transportation</td>
<td>179</td>
<td>Personal transportation, and more efficient distribution channels for products and services.</td>
</tr>
<tr>
<td>Housing</td>
<td>332</td>
<td>Increased urbanization has created a demand for construction materials and know-how.</td>
</tr>
<tr>
<td>Energy</td>
<td>433</td>
<td>Access to sustainable energy solutions.</td>
</tr>
<tr>
<td>Food</td>
<td>2 895</td>
<td>Increase the access to food and beverages, and other consumer goods that have a price and quality that can bring the poor out of the poverty penalty.</td>
</tr>
</tbody>
</table>

Source: Hammond (et al. 2007, p.9), Data 2005 World Resource Institute

In addition to these sectors listed in Hammond’s (et al. 2007) research for the WRI, the financial sector is becoming a great market in the Bop – an opportunity that several MNCs have pursued with solutions of microfinance and mobile banking. The market is not described in Hammond’s (et al. 2007) report, but finance is an area where the poverty penalty has been especially high, and the market could potentially hold between 1-3 billion customers. There are also big differences in the developments of the listed sectors over the last years. Telecommunication has been booming in BOP markets over the last years, and so has microfinance and consumer goods. Mobile banking is also a solution that is spreading across BOP-markets, illustrating that the sectors do not have to be independent from each other (Gradl & Knobloch 2009). The energy sector has not seen the same level of growth, and neither has the water market (Hammond et al. 2007).

Beyond the poverties related to income, poverty can include the social and physiological burdens of the daily survival many low-income people are struggling with (wri.org). Drawn from interviews with the poor themselves other measures of poverty, all clustered around the
state of ill being can be identified. Besides income-poverty, material lack or want and capability deprivation are measures of poverty. Other definitions of poverty include social burdens of working in bad places, negative gender relations and powerlessness (UNDP 2006). Some of these social and psychological burdens and poverties are also acknowledged by Prahalad (2004), which argues that Bop-business can create dignity and choice for the Bop consumer. The UN Millennium Goals (UNDP 2000) also include deprivations that are results or variables of poverty, and steps in development, and when measuring development impact, impacts such as education, gender equality, health and environmental sustainability are some of the poverties growing inclusive markets aim at reducing (GIM.org)

Common characteristics
Low-income markets are often rural, dominated by the informal economy, and therefore generally inefficient and unproductive. They are often categorized as poorly served, trapped in the informal sector and poverty penalty (Prahalad 2004) – paying more for their products than higher income segments, called the poverty-penalty. Though there are great differences within the market (Karnani 2007), general characteristics are their “poverties” in access to consumer goods, financial services and basic needs solutions for clean water, health care and education. One of their first “poverties” is therefore access.

Business opportunities beyond the needs of the poor
Africa’s low-income countries are forecasted to be in the lead of the world’s fastest growing economies in the next years to come, with an average growth of 5.5 percent driven by an increase in private consumption (IMF.org, Berlingske 2011). Other Bop-markets such as countries in Asia, Latin America and Eastern Europe are growing with an even higher pace (DI 2007). Market presence when low-income consumers move into higher levels of income, increases the growth potential in the Bop. Furthermore, leveraging the wealth trapped in the informal sector could strengthen the purchasing power even more. Unlocking these assets by lowering the barriers of formal registration could spur growth further (De Soto 2003).

Low income-markets also have low levels of competition, and though there are some sectors that have become increasingly “served” over the last years, such as telecommunication, many Bop-markets have low, or no level of competition (Prahalad 2004, London & Hart 2010). Blue Oceans (Kim & Mauborgne 2005) are markets where companies have the opportunity to create markets instead of fighting over them – creating new demands they can be alone about
serving. Bop-markets as “unserved” are spoken of as “Blue Oceans” of business opportunities (London & Hart 2010, Sánchez & Ricart 2010) and by pursuing Blue Ocean strategies, MNCs can not only serve the unmet needs, but also create new demands and growth for themselves.

The Bop can be a source of process and business model innovations that can create cost savings. Serving the low-income markets forces the MNCs to emphasize price performance, and cut costs to give the Bop the capacity to consume through affordability. By serving the low-income markets, MNCs will have to rethink their costs and capital of organization. The result can be more efficient cost-structures in manufacturing, testing and distributing, providing the MNCs with greater economic returns (Prahalad 2004, DI 2007).

An additional opportunity of the BOP is that the innovations and solutions for the Bop can prove to become solutions for the TOP-markets as well. This process is called, reversed innovations – where new products for the Bop have great potential for TOP markets, further increasing the growth opportunity by engaging in Bop-business (Prahalad 2004). The Bop could also pose as a “test field” for MNCs that wish to explore “small-footprint” products and services. The Bop is over 70 percent of the world’s population, and if the developing world was to start consuming like the TOP-consumers the world’s consumption would increase eleven-fold, and already spending 40 percent of the world’s net primary productivity, the world simply cant hold a future world consuming like Americans. Serving the Bop in a sustainable way is the only way to serve it, but also the future for the TOP-markets. Bop-markets could be an attractive space to test and commercialize new sustainable solutions. This is called the Green Leap, and is an additional opportunity (Hart in London and Hart 2010).

**Low-income markets are not a “monolith”**
Treating low-income markets as one market, with some common characteristics, opportunities and challenges, is a generalisation that can be very misleading. MNCs that wish to explore the opportunities in the BOP, and scale their offers across them, must take variations in consumer cultures and preferences, local policies and conditions into consideration. The critique (Karnani 2007) of Prahalad’s (2004) approach is that the differences in these markets will make them very expensive to serve, and scale difficult to exploit. However, in this research some general characteristics will be used to describe the poor–characteristics that are results, or variables of poverty. Furthermore, it is neither argued within the Bop-proposition of the
selected approaches that the Bop is homogeneous market, and no single business model can serve all geographies, sectors or low-income consumers (Prahalad 2004). How MNCs can serve all BOP-consumers is neither the scope of this research, rather an analytical framework that provides some building blocks for these markets.

**Business opportunities – sum up**
4 billion people are living on 2 dollar or less a day and their size adds up to a 5 trillion-USD consumer market in local purchasing power. The food sector is the biggest sector, accounting for over 2.8 trillion USD. The needs of the poor are many, and they lack access to goods and services, the formal sector, and consumer choice when it comes to price and quality – trapped in the poverty-penalty. Many other “poverties” follow low-income, and needs for education, information and high levels of insecurity are just some of the social and physiological burdens of low-income. Based on the potential size of the market, providing the poor with good and services can not only reduce their poverties, but also be a great business opportunity for MNCs. Furthermore, there are the opportunities of gaining market share in a growing market; potentially big market shares as there are low levels of competition. Engaging in the Bop can also improve the companies’ cost structures, and product and service innovations for the Bop might be attractive for TOP-consumers as well. If the opportunities are so great and almost unlimited in the economic pyramid, why are MNCs not fighting for the low-income markets as we speak? Low-income markets are challenging and risky business environments beyond consumers being poor.

**The challenges of operating at the BOP**
The commercial challenges that MNCs face in doing business in low-income markets range from having customers with very low incomes that are potential very price sensitive, a business environment with poor institutional and physical infrastructure – to illiteracy and non-consumerism. These are challenges that vary in degree from country to country, sector to sector, and what kind of product or service the company is providing. However, there are some characteristics that are similar across these variables, based in the nature of the market; poverty. Based on DI (2007) analysis of the Bop-market, the commercial challenges of doing business can be listed to be; cash poor consumers, geographic, economic and cultural distance, limited product awareness and understanding, weak physical and institutional
infrastructure and working with longer timeframes (DI 2007). These five challenges consist of several factors, many also addressed by the selected Bop-literature.

**Cash poor consumers**
Poor consumers have in the nature of definition, little money to spend. They need to be enabled to consume, and with low daily income and ability to save, the products and services offered at the BOP need to be affordable. As a result of their low-income, the poor are very price sensitive, and value oriented in their purchases (Prahalad 2004).

**Geographic, economic and cultural distance**
At least 70 percent of the world’s poor lives in rural areas (IFAD 2011). In developing countries, the physical access to rural areas is often poor in terms of infrastructure. When no pre-existing infrastructure is present, reaching these markets become matters of further investments in distribution means and systems. As TOP markets are mainly North America and Western Europe, and some countries in Asia, the physical distance to e.g. a Sub-Saharan country is long to begin with. The real geographic challenge might however be at a local-Bop level, reaching the rural areas. According to Karnini (2007), the challenges of distance and distribution also challenge the ability of creating scale.

BOP-markets are often developing countries, with political instability and high levels of corruption. This also has implications for the economic development, increasing the chances for inflation and increase risk. Many developing countries, especially in Sub-Saharan Africa, also have trade barriers, which further increase the cost and difficulties of doing business. A weak financial sector also challenges the ease of doing business, as the potential customers and trading partners have poor access to finance (DI 2007).

Corruption is a major concern for many MNCs that approach the low-income markets. According to the Corruption Perception Index 2010 (CPI 2010), low-income markets have higher levels of corruption than high-income markets. Besides unforeseen costs, it increases risk by insecurity of permissions, approvals, and bureaucracy. Prahalad (2004) argues that one must understand the difference between corruption and local practice. Some local customs and micro regulations might be “understood” but not explicit local practices. Either way –
corruption is about opaque transactions, and independent of the form it takes, it poses a challenge for the MNCs to understand and adapt to – or avoid.

The BOP-market includes countries and markets across the continents, and there are great cultural differences between these markets. For MNCs – typically based in a TOP-market, with Western values and consumers’ cultures, the distance to a rural village in a developing country might be experienced as longer than the geographical distance. This is a challenge not extensively addressed by Prahalad (2004), however the norms and traditions that Bop-market customers have, might be very different from the communities of ideas and values of the TOP-markets. Creating value for the Bop might be about more that distribution systems and financing. Simanis (London & Hart 2010) argues that there are “emic understandings” – a collective sense-making effort behind consumption, which goes beyond the defined need and serving it. Cultural distance stretches from having different norms and values, to also having different understanding of consumption. This is a more intangible challenge, and a central argument in the second generation Bop-approaches, which increasingly argue for creating demand instead of “just” serving it (Simanis & Hart 2008, London & Hart 2004, 2010).

**Limited product awareness and understanding**
As many low-income markets are non-consuming, they may be “unaware” of their needs and the goods that can solve these needs. Simanis (London and Hart 2010) would have described it differently, saying that there are no felt needs, and it is more than just informing about them and their potential solutions. The poor’s unfelt needs is a commercial challenge for MNCs, and it becomes a challenge of education and training of potential customers as much as marketing and market creation.

Illiteracy is also a challenge in low-income markets, and how to inform and market a product. New ways to communicate needs to be developed for MNCs to inform about their offerings and to do business. Furthermore, though there has been a great development in telecommunication over the last years, many especially rural areas have been, and still are information dark. Radio and television does not have the same range as in TOP markets, and identifying and developing information channels for marketing and education of new customers is therefore a challenge for MNCs (DI 2007). With poor physical infrastructure, the information dark areas could become even more difficult to reach.
Weak physical and institutional infrastructure
Not only is distribution a challenge in relation to cutting cost and reduce price, poor physical infrastructure challenge the physical distribution, especially to rural areas. In addition, a great informal sector and many small, independent outlets limit distribution channel options.

A great share of the assets in low-income markets is located in the informal sector. The International Label Organization (ILO) has estimated that about 70 percent of the workforce in developing countries operates in the informal economy, averages about 40% of the official GDP in Asia, Africa and Latin America (Hammond et al. 2007). Informal markets are difficult for formal business to interact with because it is not organized, and often inefficient and uncompetitive, and the ones living in it have limited access to finance or depend upon the same legal rights formal businesses. Doing business without the formal institutions that MNCs often rely on in TOP-market force them to rethink their value chains, and from an inclusive point of view, the poor might not be able to participate in value chains of larger companies, and sometimes not even receive services from utilities (Hammond 2007).

Bop-markets often have poorly developed institutional infrastructure (DI 2007). Lacking institutions that support a market-oriented economy can create institutional voids, which often can be filled by informal institutions. These voids could also be a business opportunity when businesses go in and fill them (Khanna & Palepu 2010). Either way – MNCs need to find ways around or bridging that enable their business to operate in an environment that lacks institutions they rely on in TOP-markets. The institutional framework, its formal and informal structures and functions must also be understood in relation to consumer behaviour, as people’s values and actions connected to the environment they live in (North 1990).

Timeframes
The last challenge to be addressed is that MNCs must prepare to work with longer timeframes than they are used to in TOP-markets. All or some of the challenges that have been mentioned, to some degree will impact a Bop-business model. Learning, testing and adjusting takes time and the business models might need adjustments along the way. This adds to the time needed to generate profits (Simanis in London & Hart 2010, DI 2007). Furthermore, to make their products and services affordable to the poor, many products and services are sold
in smaller, but affordable volumes. A second model to make the products and services affordable is to reduce the mark up per unit, and reduce the units (Prahalad 2004). For both of these reasons, MNCs often rely on higher volumes before business becomes profitable – prolonging the timeframe before positive returns can be made.

**Conclusion – challenges**

Operating in Bop-markets pose commercial challenges for MNCs. The consumers are poor, the market is difficult to access both physically and culturally and the information channels are limited. The business environment also poses challenges as informal and underdeveloped institutions and corruption characterize it. Profiting from a Bop-business might therefore have a longer timeframe than in TOP-markets, due to the process of adapting, but also with low-mark ups and dependency on scale.

A new and different business environment is challenging in any context – not just in the Bop. Commercializing a new product or service in the Bop can have many similar challenges as in TOP-markets, as markets need to be created, and not just entered. However, the challenges described illustrate the need for developing business models that can create value in a market with different rules of the game, energized by different stakeholder expectations, and implemented with unfamiliar customers, suppliers and partners (London & Hart 2010). Managers must be willing to experiment and innovate – and “forget” traditional developed market approaches to business (Prahalad 2004). Bill Gates stressed the need for companies having to “revolutionize how they do business in developing countries if both sides of the economic equation are to prosper” (Prahalad 2004, p.1). MNCs must develop new business models to create value in low-income markets. The aim of the this analysis is to find out how.
Business models for low-income markets:
“A business model describes the rational of how an organization creates, delivers, and captures value” (Osterwalder & Pigneur 2009, p14).

A business model is the architecture of the value creation, delivery and capturing mechanisms, which a company employs whenever established (Teece 2009). These architectures must be innovated, adjusted or developed to capture value in low-income markets. No matter degree, order or process of change, the different Bop-approaches suggest some specific building blocks for low-income markets. The different approaches have different suggestions for what the specific building blocks are made of, and the most central ones will now be mapped into a business model canvas. A selection of cases will in the case analysis chapter be matched with this canvas, to identify which models are used to create value in low-income markets.

Business models – defining the building blocks
The concept of business models does not have a theoretical grounding in economics or business studies. Teece (2009) argues that the reason for it not being in economic theory is that within that discipline markets solve the problems, that business models are created to solve. Its point of departure is typically tangible products sold in established markets, and it assumes that if value is delivered – customers will always pay for it if it has a competitive market price. Teece (2009) also stress that business models have a small and neglected place also in organizational and strategic studies, and that this interdisciplinary topic is important to further develop, as business models can both facilitate and represent innovations, and are crucial to capture value from new products and services.

A business model makes implicit assumptions about the customers, the behaviour of revenues and costs, the changing nature of user needs. It defines how a business goes to the market and the logic of making a profit, but not in the same way as strategy. A business model is more generic than a business strategy, and it needs to fit the strategy to be viable (Teece 2009). When we in this research speak of a Bop-strategy, it is the profit orientation of the Bop-business. The business models are analysed on how the business makes a profit. A business model and a strategy are therefore two that go together. A business model is like a blueprint
for strategy to be implemented through organizational structure, processes and systems (Osterwalder & Pigneur 2009).

A business model canvas – drawing the lines
To draw the lines of the business model architecture, the framework of Osterwalder & Pigneur (2010) will be used. They argue that a business model consists of 9 basic building blocks; customer segment, value proposition, channels, customer relationships, revenue streams, key resources, key activities, key partnerships and cost structures. These cover the four main areas of business; customers, offer infrastructure and financial viability. The table shows Osterwalder & Pigneur’s (2010) canvas details:

<table>
<thead>
<tr>
<th>Building block</th>
<th>What</th>
<th>Examples</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer segments</td>
<td>Who they aim to serve</td>
<td>Mass market, niche market, segmented market, diversified market, etc.</td>
<td></td>
</tr>
<tr>
<td>Value proposition</td>
<td>The bundle of products or services that create value for the customer segment</td>
<td>Newness, performance, customization, price, cost reduction, risk reduction, accessibility, convenience etc.</td>
<td></td>
</tr>
<tr>
<td>Channels</td>
<td>How is the customer segment reached to deliver a value proposition</td>
<td>Channel types: Own (direct or indirect), partner (direct or indirect)</td>
<td>Channel phases: awareness, evaluation, purchase, delivery, after sales</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>The type of relationship established with the customer segment</td>
<td>Personal assistance, self-service, communities, co-creation, etc.</td>
<td></td>
</tr>
<tr>
<td>Revenue streams</td>
<td>The cash a company generates form its customer segments</td>
<td>Assets, usage fees, subscription fees, leasing, licensing, etc</td>
<td>Can be fixed or dynamic</td>
</tr>
<tr>
<td>Key Resources</td>
<td>The most important assets to make a business model work</td>
<td>Physical, intellectual, human, financial, etc</td>
<td></td>
</tr>
<tr>
<td>Key activities</td>
<td>The most important things to do to make the business model work</td>
<td>Production, problem solving, platform/network, etc</td>
<td></td>
</tr>
<tr>
<td>Key partnerships</td>
<td>The network of suppliers and partners that make the business model work</td>
<td>Strategic alliances, competition, joint ventures, buyer-supplier relationships</td>
<td>Optimization and economy of scale, reduction of risk and uncertainty, acquisition of particular resources and activities</td>
</tr>
<tr>
<td>Cost structures</td>
<td>All costs incurred to operate a business model</td>
<td>Cost driven, value driven, fixed costs, variable costs, economies of scale or scope</td>
<td></td>
</tr>
</tbody>
</table>


These building blocks will be the analytical framework on which the selected Bop-approaches on business models for low-income markets will be mapped.
The selected Bop-approaches’ delimitations and definitions will now be presented, and in addition to Prahalad (2004), London and Hart (2004, 2010) and Simanis (Simanis & Hart 2008, London & Hart 2010), Sánchez & Ricart (2010) contributions to business models for low-income markets will be included to illustrate how low-income markets’ business models must differ from the MNCs traditional TOP-markets.

**New business models for low-income markets**
Sanchéz and Ricart (2010) argue that these two approached to business models for low-income markets, and these can be categorized as isolated business models and interactive business models. Isolated business models focus on value creation in new markets by leveraging the firm’s current resources and capabilities, and taking advantage of existing opportunities. An interactive business model requires the firm to combine, integrate and leverage both internal and external resources with ecosystem capabilities to create new business opportunities. Isolated business models can introduce new technologies and more efficient systems of manufacturing and distribution, enabling increased availability and affordability to the low-income consumers. However, there is a tendency of corporate imperialism, where the new low-income markets are seen as an opportunity to increase the sales of traditional products. Interactive business models provide benefits beyond availability and efficiency, and the relationship between the firm and its stakeholders is more intense. Interactive business models permit trust building, identify unmet needs and can respond to them. In the context of low-income markets, interactive business models might be more sustainable, as the business environment is more complex (Sanchéz and Ricart 2010). It is argued by all the discussed Bop-approaches that there is a need for innovating the way of doing business if to succeed in the Bop. Both the first and second generations of BOP-businesses models presented here therefore aim at being interactive business models, but based in their approach to the Bop-consumers, they are interactive in different ways.

**Business models for the BOP – first generation business models**
Prahalad (2004) argues that a Bop-strategy is about creating the capacity to consume, which is based upon three “As” principles: affordability, access and accessibility. Prahalad identifies 12 principles of innovation needed to serve the Bop. The first innovation addressed here by
Prahalad, cannot be seen as a building block in a business model, but as a per-phase needed to innovate and develop sustainable business models for low-income markets (Prahalad 2004).

Process innovation: How to deliver is just as important as what to deliver, and this point is not a business model building block, but rather the process of understanding the inputs and outputs and innovate the process of making the products affordable, accessible and available for the poor (Prahalad 2004).

Price performance: It is not just about reducing price, but also innovate the pricing performance in relation to payments. This could mean both single serve packages, or novel purchasing schemes of dynamic pricing systems, per use payments and financial service solutions that give low-income consumers access to the goods and services. Reducing the units, and the margins per unit will make the base for return on investment the ability to commercially scale the operation (Prahalad 2004).

Hybrid solutions: A Bop-strategy cannot be based on the traditional technology solutions from developed markets. Advanced technologies creatively combined with existing or evolving infrastructure. This means that new technologies, and new business segments need to be innovated, and several needs might be served through the same business model, or with new technologies compared to TOP-markets (Prahalad 2004).

Sustainability and functionality: Serving 4 billion people cannot be based on the same resource uses that are expected in TOP-markets. The Bop-solutions must be sustainable and ecologically friendly. Furthermore, the Bop-products and services need to be functional in relation to the customer needs, and understanding the dynamic needs of the Bop-consumers is crucial to make solutions robust enough for their needs and environments (Prahalad 2004).

Designing for hostile infrastructure: As the environment in the Bop differs from the TOP, not just in a climate but also in stability and access to power, poor communication networks and standardized practices in hygiene and pollution, the designs of the products and services need to be developed accordingly (Prahalad 2004).

Scalable solutions: The market is potentially big, and as many needs are similar due to the state of poverty, the solution needs to be scalable. This is also important as the margin per
unit is low, and the MNCs often are dependent on economies of scale to generate profits. MNCs are ideally suited for scalable solutions as they already have great global reach, and have the necessary size to make investments for great scale (Prahalad 2004).

Deskilling of work and educating customers: As many low-income markets are in shortage of talent, work must be deskilled. Reducing complex technologies, and standardize processes so they can be executed without high skills is necessary to make the business activities work in a low-income market. The customers also need training in how to use and benefit from the new offers. As many Bop-markets are information dark, media based communication needs to be replaced by more hands on training and education, and using the infrastructure and networks of NGOs can be a good way to reach the customers (Prahalad 2004).

Interfaces: As most of the Bop-customers are first-time users, and the adoption of a product or service cannot be based on long and complex learning curves. The MNCs need to analyse their assumptions about the pre-skills needed for value creation, and prepare for unexpected ways of adoption and usage of the their products (Prahalad 2004).

Distribution: Innovations in distributions are just as critical as product and process innovation, and finding efficient distribution solutions to create availability in often rural and poor infrastructures could mean new partnerships, distribution systems or hybrid solutions – combing products and services beyond their main offer (Prahalad 2004).

The last innovation Prahalad (2009) identifies is a result of engaging with Bop-markets. Success in Bop-markets will break existing paradigms. Through innovations of ways to deliver products and services, conventional wisdom of that Bop-markets are not viable is challenged, and Bop-innovations might travel to advanced economies (Prahalad 2004).

Not all of the elements need to be adopted by business managers, and they can pick those that are most relevant. The costs of these changes will be covered by the rewards of success. Success is both reaching a potentially large pool of customers, and the cost-efficiencies from improved management processes, from focusing reducing capital intensity, logistics and revenue management and reducing capital tied up in receivables (Prahalad 2004).
Innovating products and business models might not be an isolated task for the MNCs. Cooperating with public institutions and civil society can be a mutual beneficial approach to the Bop-markets. Business models making use of existing, and develop new ecosystems can increase the possible value creation, as the private sector and social actors make use of each other’s strengths, knowledge and experience and access. These ecosystems can allow firms to build new and profitable growth markets (Prahalad 2004).

Prahalad (2009) has a general top-down focus, where the MNCs must innovate their business models, and only then they can reach the bottom of the pyramid through, access, affordability and availability.

**Inclusive business models – mutual value creation**

London and Hart (2004, 2010) argue that MNCs need to create a fortune with the Bop, and not for the Bop. MNCs should purchase goods and services from local producers and not only sell to them. By engaging in co-operative manner with the Bop, MNCs can combine the resources and technologies from TOP-markets and the formal sector, with the local knowledge, human face and local embeddedness of the often, informal Bop-markets. This is needed to succeed in mutual value creation (London & Hart 2004).

Bop-ventures should span in both sector and size, and not just delimit to for-profit MNCs, but also include domestic companies, local- and social enterprises, and the relationships should be inclusive business models. This should also be reflected in partnerships that are formed, using cross sector collaborations between for-profit, non-profit and development agencies. Also as pointed out by Prahalad (2004), Bop-ventures should cross-traditional industry boundaries, providing hybrid solutions. Furthermore, due to the poor infrastructure, crossing boundaries of traditional ventures and industries can increase the chance to be successful. Finally, to become financially self-sufficient, meaning at least cover costs and be scalable, Bop-ventures should not exclude the possibility for external financial support. This external support could be received from national or local governments or from the development community. Without this support, MNCs will find themselves in a position where it could be difficult to demonstrate economic viability (London & Hart 2010). The contribution by Hammond in London and Hart (2010), stress that there is a need for a combination of both bottom-up and top-down enterprise formation to serve the Bop and achieve significant scale. This can be achieved by bridging the global-local divide through alliances and partnering, creating
global/local business structures. Without these bridges, MNCs will find themselves in lack of on-the-ground knowledge and connection, and it will be difficult to achieve the collaboration and local innovation that Prahalad (2004) stress as important to succeed. For the local enterprises, not cooperating with global partners will make it difficult to reach sufficient scale that will enable them to survive (Hammond in London & Hart 2010).

The process of building a business model is also stressed as important for its ability to capture value. London (London & Hart 2010) argues that there are three stages to Bop-venture development, all grounded in mutual value creation. The first stage is designing, followed by testing and scaling. This process is also about managing failures in a way that can provide information about how to improve the business model – making business models for low-income markets an ongoing process. Success in each stage depends on mutual value creation, because without a deep understanding of what the Bop-communities need and expect, the consumers might not return, the suppliers may explore alternatives, and partners might become disenchanted, causing the Bop-business to fail (London in London & Hart 2010).

London and Hart’s (2004, 2010) approach to business models focuses more on the inclusive mechanisms, and the poor are not just seen as potential consumers, but also as producers and local entrepreneurs. The MNCs or Bop-ventures should not isolate their business models to one sector or business, and hybrid businesses and partnering across sectors and industries is necessary for value creation. A Bop-venture should at least be financially sustainable, and without bridging the TOP and the Bop ventures, neither sufficient scale or local knowledge can be acquired to reach economic viability.

**Market creation – co-invention**

Single serve packages, low cost production, extended “mom and pop” distribution and partnerships with NGOs have become the dresscode for Bop-ventures’ business models. This approach belongs to the first generation of Bop-strategies, and it has often failed to hit the mark of mutual value creation as the Bop-business is likely to stay alien to the community it want to serve (Simanis in London & Hart 2010). Simanis (Hart & Simanis 2008, London & Hart 2010) also represents the second generation Bop-strategies, and in the BOP Protocol 02 (Hart & Simanis 2008) he provides some building blocks for Bop-business models within the market creation approach. Simanis (Simanis & Hart 2008, London & Hart 2010) argues that
is necessary to have a co-invention perspective, and only through co-development of the business model it can become culturally appropriate. The aim is not to serve, but to co-create, and to develop close and personal business partnerships with Bop-communities (Simanis & Hart 2008). The process of creating business models of co-creation consists of several steps, and Simanis (London & Hart 2010) argue that due to the time of learning, testing, adjusting, profit in low-income markets has a timeframe of 5 to 7 years – potentially longer.

Simanis (London & Hart 2010) approaches the poor as not-a-market-yet. To turn the economic potential into bankable returns, the Bop needs to be created into a consumer market. Simanis (London & Hart 2010) first step in creating a market, is framing the market-creating value proposition. The initial value proposition needs to be open-ended, and the consumer should fill it out. This will create the needed ownership feeling and personal commitment needed for the behaviour to change and an identity around the product to evolve. Furthermore, and open-ended value proposition will not limit the innovation to one consumer category, which is even more important in a Bop-context. The next step is to define the market-creating innovation strategy, which should be built around the nature of sense-making. This is called embedded innovation, and Simanis (London & Hart 2010) recommends breaking the process down into three main phases: The first one is seeding, which is about creating trust in the community. Here it is important not to define the needs in-depth, as this can create a negative business concept, which will have a narrower and less sustained emotional appeal than a growing the impact of good things. The next phase is base building, which is about cooperating with the community, and involving close networks. As the consumers are together with their close friends and family, they will be more open for trying something for the first time, resulting in a more supportive mind-set. The third phase is about growth and consolidation, leveraging the goodwill developed in the community. It is about “normalizing” the consumer offering and make it part of the community and consumer mental scheme.

Building a Bop-business that creates community value and establishing a foundation for long-term corporate growth requires new strategic processes. Simanis (London & Hart 2010) stresses the same aspects as in the BOP Protocol 02 together with Hart (Simanis & Hart 2008). In the BOP Protocol (Simanis & Hart 2008), these processes are described more in detail, and presented in a two-step strategic process – where the first is a pre-field process, and the second an in-field process that moves from the phase of opening up and building an ecosystem – to the enterprise creation phase.
The pre-field process is selecting an appropriate Bop-project, and a location that should be of long-term strategic interest. The location should not already have an extensive part of the current business present, and one site should be selected over multiple, as approaching multiple sites at once would increase the complexity of the Bop-venture development. The other parts of this pre-field process are related to building bonds to the local community, and integrating local knowledge into the business model development. In the in-field process, it is about building trust; create mutual understanding and involving representatives from the community to open-up for the new business. Then it is about formalizing these bonds and trusts developed, building a mutual ecosystem where members from both the corporation and the community conceptualize an initial prototype that is up for testing. The last phase is the enterprise creation phase, where the business model is developed. Based on the experiences, community engagement and networks from phase one and two, local market demand is created, and pulled through, rather than push as with traditional fixed business models. Local capability is then further developed with the goal of one day having local units leading the business independently, so the corporation can start “seeding” for scaling to new geographies (Simanis & Hart 2008).

In the business model development it is important to have joint decision-making, and management, experiences should be documented and codified – all actions that will develop the capabilities needed to make the business model self-sufficient. Furthermore, actively using and developing the community ties and personal connections will create the right mode of “pull-through demand”. To further broadening the support and involving the community, products and services should be provided pro-bono to public organizations in exchange of feedback. The supply chain should be localized whenever possible, as this can enable creation of new community enterprises that can provide the business with inputs that initially were unavailable. These are some of the necessary actions and resources according to Hart and Simanis (2008), and they are all dependent on a business model that is locally integrated. Furthermore, to implement all the nuances of customer needs and wants, the business must be able to continuously experiment. Therefore, it is important to keep the organization as flexible as possible when developing the business model, and investments in fixed assets should be minimized (Simanis & Hart 2008).
Creating a new Bop-consumer market is similar to creating new, Blue Ocean industries in the TOP. The difference is in the degree of management complexity – which for a Bop-market creation is much higher (Simanis in London & Hart 2010). However some of the principles of value innovation from Blue Ocean strategy have much in common with Bop-business, and therefore Blue Ocean strategy is often linked to Bop-business models (Simanis in London & Hart 2010, Sánchez & Richart 2010, DI 2007). First, Blue Ocean is defined as untapped market space (Kim & Mauborgne 2005), which often also is argued to be the case for Bop-markets. Furthermore, the cornerstone of Blue Ocean strategy is value innovation – creating a leap in value for both the customers, by increasing customer value, and the company, by reducing costs (Kim & Mauborgne 2005). Innovating costs structures to make the offers affordable is one of the main business model innovations that can capture value in low-income markets according to Prahalad (2004). In Blue Ocean, the market boundaries need to be re-constructed (Kim & Mauborgne 2005). From a Bop-perspective, this can be compared to the arguments of creating hybrid businesses, both concerning products, business organizations and creating demands. A second principle is to focus on the big picture, and not the numbers (Kim & Mauborgne 2005). Simanis (Simanis & Hart 2008, London & Hart 2010) also stresses the importance of longer time periods and ongoing experimentation to finalize a revenue model that is sufficient. Changing the cognitive patterns and policies is also recognized by Blue Ocean, and identifying key players and convincing them, is central in flipping conventional wisdom (Kim & Mauborgne 2005). In a Bop-strategy this is not just about organization, but also the community in which demand is to be created. According to Osterwalder and Pigneur (2009), Blue Ocean is a potent method for exploring new customer segments – and in this case, which low-income markets often are as they are “unserved”.

Within the market creation approach to the Bop, the building blocks of the business model are more flexible, than in a bottom-approach, with focus on the three As and creating the capacity to consume. The community is also part of the innovation process, management and business development. Market creation is about developing demand, and trust and commitment is essential to the corporation and community relationship. Creating Bop-markets have similarities to Blue Ocean, but they differ in the aspect of co-invention. The community, or the customers are directly involved throughout the whole way, and that is also why the management process is more complex in market creation for the Bop than for industry creation that Kim and Mauborgne (2005) describe. The two generations of Bop-approaches
presented can be plotted into the business model canvas developed by Osterwalder and Pigneur (2009).

### Business model canvas for low income markets – a bottom or base approach:

<table>
<thead>
<tr>
<th>Building blocks</th>
<th>Bottom approach</th>
<th>Base approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating capacity to consume</td>
<td><strong>Prahalad</strong></td>
<td><strong>London and Hart</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Low income markets, the poor as consumers</strong></td>
<td><strong>The low income community, and the customers are also venture co-creators</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Functional solutions + the 3 “As”</strong></td>
<td><strong>Open-ended, evolving through co-designing with the community</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Geographical intensive, hybrid solutions through NGOs</strong></td>
<td><strong>Integrate the value chain into local ventures</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Trust based, education of customers</strong></td>
<td><strong>Personal connections to the community, and co-creation</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Innovative pricing systems</strong></td>
<td><strong>Consumers, producers, development and government agencies</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Ecosystems of wealth, high-technology and deskill work</strong></td>
<td><strong>Tacit knowledge of the community, and the Project Team</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Hybrid solution and, and scaling the businesses</strong></td>
<td><strong>Dialogue, capability development and experimentation</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Cross sector partnerships with existing infrastructure</strong></td>
<td><strong>Partnerships across sectors</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Economies of scale</strong></td>
<td><strong>Minimize fixed investments</strong></td>
</tr>
</tbody>
</table>


The approaches presented move from the first generation of Bop-business models to the second, starting with Prahalad’s (2004) approach, which is about creating capacity to consume. Within this perspective, the business model is focused on how to enable the poor to consume by creating access, affordability and availability. London and Hart (2004, 2010) have an approach to the poor as not just consumers, but also as suppliers and entrepreneurs, and the suggested business model is more inclusive. Simanis (Simanis & Hart 2008, London & Hart 2010) also represents an inclusive approach to business models for low-income markets, however as one of his main arguments is that the Bop-customers are non-consumers, markets first need to be created. Simanis’ (Simanis & Hart 2008, London & Hart 2010) approach to business model for low-income markets is therefore also close to the suggested business models for market creation (Kim & Mauborgne 2005), and within a Bop-perspective, the markets are created together with the poor.
Case review
The different Bop-approaches have different views on how the private sector should build their business models to create value in low-income markets. To analyses which approaches and building block that have shown to create value in practice, some experiences from businesses doing business in low-income markets will be investigated. A selection of 20 cases representing Bop-businesses will first be reviewed, and evaluated on the criteria from the research question, representing a low-income market business and showing for value creation in terms of profit. Cases holding these criteria will be used for the further analysis.

Parameters for selection
The selected cases have to hold the same criteria as the research question, and the following parameters for selection was defined:

- Low-income markets
- Value creation
- Business models

Low-income market
Based on the definition of low-income markets, the selected cases have to be on business operations targeting consumers with an income of 2 dollar a day or less. This does not have to be countries with an average income level of 2 dollar a day, or less, but the customer target group business has to fit this criterion. Cases of businesses targeting poor consumers in countries with a higher average income than the BOP-limit will not be excluded, and neither will cases with low- and middle- and/or high-income. Businesses targeting high-income consumers in low-income markets will not be included.

Value creation
As the area of investigation is serving the needs of the poor through profits, and only cases that represent value creation in terms positive returns and for-profit strategies will be included in the analysis. The cases should therefore have information on the income bringing part of the business, and not only value creation in terms of development and reducing poverty. Business with a sole social business strategy will not be included in the case analysis, and neither will non-profits or CSR operations, business foundations or other not-for profit projects. Within Bop-literature, business activities in low-income markets can be assigned social benefits as business can foster development and reduce poverty. Cases where social
benefits are part of the strategy, or a result of business are not excluded, but the business has to have a for-profit strategy, and not only have value measured on the development side of the Bop-equation. If a CSR strategy has a for-profit business model, they will not be excluded in from analysing how a MNC can create value in a low-income market.

**Business model**

The aim of the analysis is to highlight business model generation for the purpose of creating value in low-income markets. The selected cases therefore need to have information on the business model of the company. According to the business model framework used in this research, the cases should hold information on the customer segments, value proposition, channels, customer relationships, revenue streams, key resources, key activities, key partnerships and cost structures. If a case does not hold information on the majority of these building blocks, it will not be included. The business model criterion differs from the other criteria as it refers to the content of the presented case, and not to the business operation.

**Review**

The first criterion that had to be present was operations in low-income markets, and after selecting 20 cases with sufficient information on the business models, representing low-income market business operations, the cases was reviewed according to the next parameter – their success of their for-profit strategy. The cases of; Kraft Foods, ANZ, Lafarge, EDF, Sanofi-Aventis, Mekong Bamboo, Temasol, Grundfors, Defta Partners, Abbott, Barclays Bank, Procter & Gamble, Selco, Saraman, Olam Nigeria Limited, Pot-in-Pot, Unilab, GiroNil, Basix and Britannia were selected on the basis of their business in low-income markets and holding information on the majority of the nine business model building blocks. They were matched with the case criteria of value creation. Case descriptions are found in appendix A.

**Case review results**

Mapping the cases according to their ownership, Bop-strategy and value creation in terms of profit shows that MNCs are not pursuing for-profit strategies and generating profit to the extent that could be expected from the literature and Bop-assumption of low-income markets holding a fortune.
### Case findings:

<table>
<thead>
<tr>
<th>Case</th>
<th>Ownership</th>
<th>Value creation strategy</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kraft Foods Guinea</td>
<td>MNC</td>
<td>Non-profit</td>
<td>-</td>
</tr>
<tr>
<td>ANZ</td>
<td>MNC</td>
<td>Non-profit</td>
<td>Long term profit</td>
</tr>
<tr>
<td>Lafarge</td>
<td>MNC</td>
<td>For-profit</td>
<td>Yet none</td>
</tr>
<tr>
<td>EDF</td>
<td>MNC</td>
<td>Sustainable business</td>
<td>Profit but not for EDF</td>
</tr>
<tr>
<td>Sanofi-Aventis</td>
<td>MNC</td>
<td>Non-profit</td>
<td>-</td>
</tr>
<tr>
<td>Mekong Bamboo</td>
<td>MNC</td>
<td>Social enterprise</td>
<td>For profit, but not for the initiator or partnering business</td>
</tr>
<tr>
<td>TEMASOL</td>
<td>MNC</td>
<td>For-profit</td>
<td>Successful profit generation</td>
</tr>
<tr>
<td>Grundfos LIFELINK</td>
<td>MNC</td>
<td>Sustainable business</td>
<td>Non-profit for Grundfos</td>
</tr>
<tr>
<td>Delta Partners</td>
<td>MNC</td>
<td>For-profit</td>
<td>Yet none</td>
</tr>
<tr>
<td>Abbott</td>
<td>MNC’s Foundation</td>
<td>Non-profit</td>
<td>-</td>
</tr>
<tr>
<td>Barclays Bank</td>
<td>MNC</td>
<td>For-profit</td>
<td>Long term for-profit strategy – yet none</td>
</tr>
<tr>
<td>Procter &amp; Gamble</td>
<td>MNC</td>
<td>For-profit</td>
<td>Failing for-profit – started non-profit</td>
</tr>
<tr>
<td>SELCO</td>
<td>Local BOP</td>
<td>Social enterprise</td>
<td>Successful profit generation</td>
</tr>
<tr>
<td>Saraman</td>
<td>Local BOP</td>
<td>For-profit</td>
<td>Successful profit generation</td>
</tr>
<tr>
<td>Olam Nigeria Limited</td>
<td>BOP MNC</td>
<td>For-profit</td>
<td>Successful profit generation</td>
</tr>
<tr>
<td>Pot-in-pot</td>
<td>Local BOP</td>
<td>Sustainable business</td>
<td>N/A</td>
</tr>
<tr>
<td>UNILAB</td>
<td>Local BOP business</td>
<td>For-profit</td>
<td>Successful profit generation</td>
</tr>
<tr>
<td>GiroNil</td>
<td>Local BOP business</td>
<td>For profit</td>
<td>Long term for-profit strategy – yet none</td>
</tr>
<tr>
<td>BASIX</td>
<td>Local BOP business</td>
<td>For-profit</td>
<td>Successful profit generation</td>
</tr>
<tr>
<td>Britannia</td>
<td>Local BOP business</td>
<td>CSR strategy</td>
<td></td>
</tr>
</tbody>
</table>

Sources: See case description appendix A.

*Non-profit also including income generating business models, but no for-profit strategy.

The first cases, Kraft Foods, ANZ, Lafarge, EDF, Sanofi-Aventis, Mekong-Bamboo, TEMASOL, Grundfos, Defta Partners, Abbott, Barcalys Bank and P&G are all MNCs. Of these, Lafarge, TEMASOL, Defta Partners, Barclays Bank and P&G can be identified with for-profit BOP strategies, where only TEMASOL currently are having a profitable business based on the available data. EDF and Mekong Bamboo are sustainable business, but the profit generated are not added to their bottom lines, and neither will a potential profit for Grundfos’ Lifelink, which will donate all profits back to the local community. Defta, Lafarge and Barclays Bank have long-term profit-strategies, and no current profits can be identified based on available data. P&G failed to generate profit, and turned their business into a non-profit business, selling their product at production cost. Abbot and Sanofi-Aventis are pure non-profit initiatives, which Bop-business is based on donations, and Kraft Foods Bop-operations are also of goodwill, and currently not part of their business operations.

The last cases, Selco, Samaran, Pot-in-pot, Olam, Unilabs, Basix, GiroNil and Britannia, are local BOP-businesses, where only Olam can be categorized as a MNC – but origins from a
local Bop-business. Pot-in-Pot is a social enterprise that aims at being sustainable at least, and Britannia is currently pursuing non-profit strategy. The other local Bop-businesses have for-profit strategies, only Gironil yet not successful. This means that of the for-profit strategies, and successful profit generation, local Bop-businesses are more represented in the case selection than profit generation by MNCs.

<table>
<thead>
<tr>
<th>Value creation and business organization – MNC vs. local Bop-businesses:</th>
</tr>
</thead>
<tbody>
<tr>
<td>MNC</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>MNC</td>
</tr>
<tr>
<td>Local Bop-business</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Sources: See case description appendix A.

The cases that have successfully executed for-profit strategies, all are local Bop-businesses except one. MNCs are most represented with non-profit strategies. Out of 11 for-profit strategies, one MNC is currently generating profits, and 3 have yet not had positive returns.

Based on the selection criteria, there is a difference between the profit making cases based on ownership. This is also a point made by Karnani (2007), which argues that local Bop-business are better suited than MNCs to reach the opportunities in the Bop-markets. There is however other criteria that could be reasons for the cases to differ in profit generation beyond ownership.

**Size, time, sector and geography:**

Local Bop-business being the greatest representative of profit-generating cases indicates that the companies generating profits at the BOP are considerably smaller in size that the ones not generating profit. These data are however very dispersed and differ from 12 to 13 000 in employees, and 30 000 USD to 167,7 million USD in profits for the local Bop-business – however, none of them reach the same scale as the MNCs, starting at 80 000 employees and having billion USD sales.
### Size, time, sector and geography – profit vs. yet none:

<table>
<thead>
<tr>
<th>Company</th>
<th>Ownership and size</th>
<th>Size</th>
<th>Time</th>
<th>Sector</th>
<th>Geography</th>
</tr>
</thead>
<tbody>
<tr>
<td>Olam Nigeria Limited</td>
<td>Local Bop-business</td>
<td>13 000 employees, 167.7 million USD profits 2008</td>
<td>22 years</td>
<td>Agriculture</td>
<td>Nigeria, Africa</td>
</tr>
<tr>
<td>Selco</td>
<td>Local Bop-business</td>
<td>170 employees, 1,36 million INR 2008</td>
<td>16 years</td>
<td>Energy</td>
<td>India, Asia</td>
</tr>
<tr>
<td>Basix</td>
<td>Local Bop-business</td>
<td>5000 employees, 70.5 million INR profits 2008</td>
<td>15 years</td>
<td>Finance</td>
<td>India, Asia</td>
</tr>
<tr>
<td>Saraman</td>
<td>Local Bop-business</td>
<td>65 temp/12 perm. Employees, 3.9 million USD turnover 2009</td>
<td>7 years</td>
<td>Housing</td>
<td>Iran, Asia</td>
</tr>
<tr>
<td>TEMASOL</td>
<td>MNCs</td>
<td>92 000 employees, 19 billion Euro sales 2010</td>
<td>6 years</td>
<td>Energy</td>
<td>Morocco, Africa</td>
</tr>
<tr>
<td>Unilab</td>
<td>Local Bop-business</td>
<td>N/A</td>
<td>2 years</td>
<td>Medicine</td>
<td>Philippines, Asia</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>For profit – yet none</th>
<th>Ownership and size</th>
<th>Size</th>
<th>Value creation – none/ +profits</th>
</tr>
</thead>
<tbody>
<tr>
<td>GiroNil</td>
<td>Local BOP-business</td>
<td>N/A</td>
<td>5 years ICT Egypt Asia</td>
</tr>
<tr>
<td>Defta Partners</td>
<td>MNC</td>
<td>N/A</td>
<td>4 years ICT Bangladesh, Asia</td>
</tr>
<tr>
<td>Lafarge</td>
<td>MNC</td>
<td>80 000 employees and 18 billion USD in sales (2005)</td>
<td>3 years Housing Indonesia, Asia</td>
</tr>
<tr>
<td>Barclays Bank</td>
<td>MNC</td>
<td>145 000 employees and 30 billion Pounds sales (2010)</td>
<td>2 years Finance Ghana, Africa</td>
</tr>
</tbody>
</table>

Sources: See case description appendix A.

One observation by Simanis (London & Hart 2010) is that profit in low-income markets has a timeframe of 5 to 7 years – maybe more. Taking the time of operation into consideration, the cases of for-profit strategies, but yet none – the business has been operating between 2 to 5 years. Compared to the for-profit cases that are generating profit, these have a longer history of operation than the ones that still have not had positive returns. The profit generating cases span from two to twenty-two years of operation, where half have over 10 years of Bop-operations behind them. This could indicate that the Bop-businesses that yet have not generated profits might do so within a long-term perspective.

### Time of operations and profits

<table>
<thead>
<tr>
<th>Time of operation</th>
<th>Value creation – none/ +profits</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-3 years</td>
<td>2 none / 1 profit</td>
</tr>
<tr>
<td>4-5 years</td>
<td>2 none</td>
</tr>
<tr>
<td>6-10 years</td>
<td>2 profit</td>
</tr>
<tr>
<td>11&lt;</td>
<td>2 profit</td>
</tr>
</tbody>
</table>

Sources: See case description appendix A.
The argument might not be exclusive for Bop-markets, but also just as valid for any new business investment. However, as further discussed in the business model analysis, there is a difference between the profit making businesses and the ones yet not making one, in terms of investment costs. Most of the cases that yet have not generated profits have all have relatively higher fixed investments costs, and this might explain why their profit strategies have not paid off yet. The profit generating cases have cost-structures less relying on high-investment cost, and are extensively operating with variable costs, meaning their costs depend on the number of clients, outputs, and can expand accordingly to market growth. This is difficult to measure in detail, as the exact investment cost of the different companies not appears from all cases. There are however indications of investment cost being a difference between profit and not profiting cases, and higher investment costs could further prolong the time before profiting.

**Sector and geography**

The cases were selected across different sectors and geographies, and these factors could also affect the value creation in the Bop-markets. In the divide between profit, and not profit generating cases, the sectors do not stand out to be divided accordingly. Both finance and housing are present in both categories. The two ICT cases are both in the not making profit yet category. This could be due to high investment costs for this sector, however the sector is also known for great growth in the 21st century (Hammond et. al. 2007), but this is not reflected in this case selection. Two energy cases are found in the profit category, a sector that has shown to be difficult to establish in the bop (Hammond et. al. 2007). The case selection might however not be extensive enough to say anything about success patterns across industries – and the only indications given by this data is that ICT is less able to generate positive returns than energy. This indication is however bold, as both energy cases have been operating for longer than the ICT cases, which could be the reason for difference in profits.

The geography of the cases is 8 from Asia and 3 from Africa, which could be a natural divide as Asia has been a market viewed with opportunity over the last 10 years, and Africa just has become of interest Also FDI patterns show greater share of investments going to South-East Asia than Africa (UNCTAD 2009). Concerning the divide in profit generation, no pattern can be detected. The Asian market is also the biggest Bop-market in absolute size (Hammond et. al. 2007), which could make a greater share of business cases from Asia a natural result.
The non-profit initiatives

The non-profit cases have the development aspect of Bop-businesses as their main objective. As they do not add value to how business models can create value in terms of profit, they will not be investigated in the following analysis. What is interesting is that, 7 out of the 9 cases are MNCs, and cases that initially appeared as profit oriented, such as Grundfos and EDF – did not add potential profits to their bottom line, but transferred it to the local community or partners in the Bop-markets. Grundfos, EDF and Mekong Bamboo could be further investigated in terms of profit generation, as they have aim at being sustainable profit generating businesses – it is just not part of their profit strategy. However, as this research is based on the assumption of great growth opportunities in the Bop, Bop-activity beyond own growth opportunity is also beyond the scope of investigation, and these cases are therefore not included in the following analysis. Beyond their revenue models, they do represent the same sectors, have similar partnerships and value propositions as the for-profit cases.

Review findings

Looking beyond some of the cases widely used in Bop-approaches and Bop-organization, the for-profit-strategies and profit generation is not as evident as what could be expected for MNCs. Value creation at the development side of the equation is central in most Bop-business cases, but not the profit as predicted by Bop-literature. Karnani (2007) also questions the real success-rates based on profits in Prahalad’s cases. He questions whether the cases really have Bop-customers in their customer segments, and how profits can be used as a measure of success, when it is either no data available on profitability, many cases of no profitability yet, or really – just cases with non-profit strategies that is base for the “fortune”-arguments. These arguments are both in this and Karnani’s (2007) case interesting and should be further investigated on a greater scale. However, for this analysis the aim is not to question the fortune, rather to investigate how it could be reached. Nevertheless, Karnani (2007) also questions the role of MNCs in doing business at the Bop. This case-review shows that local Bop-businesses are more present in the profit making business than MNCs, and Karnani (2007) argues that due to market fragmentations, poor infrastructure and difficulties in reaching sufficient scale, local small and medium sized businesses are better suited to profit from the potential opportunities at the Bop. In how these markets could be reached, local Bop-business might hold important information on business models that can generate profits.
Value creation at the BOP – case analysis

After the case review – 10 cases with a for-profit strategy were identified, where 6 of these have created value in terms of profit in their respective markets. First, the business model building blocks for the profiting cases will be identified, second the building blocks of the cases that yet have not generated profit – trying to find out if the business models differ in any way between them. These findings will be plotted in a canvas and compared to the predicted business models suggested in the Bop-literature.

The cases that represent value creation in terms of profits differ in sector size and ownership. Local-bop businesses is however the general ownership structure. Plotting them into the canvas (Osterwalder & Pigneur 2010), gives the following canvas:

<table>
<thead>
<tr>
<th>Building block</th>
<th>TEMASOL</th>
<th>Selco</th>
<th>Saraman</th>
<th>Olam Nigeria Limited</th>
<th>Unilab</th>
<th>Basix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer segments</td>
<td>Low and middle income rural population - consumers</td>
<td>Rural low-income – consumers</td>
<td>Low-income and public sector - consumers</td>
<td>Nigerian food consumers and producers</td>
<td>Low-income, middle, and high - and public consumers</td>
<td>Low-income consumers and community institutions</td>
</tr>
<tr>
<td>Value proposition</td>
<td>The 3 As</td>
<td>Open-ended and mutual value</td>
<td>Co-developed</td>
<td>Mutual value, developed in the Bop</td>
<td>The 3 As</td>
<td>Mutual value and open-ended</td>
</tr>
<tr>
<td>Channels</td>
<td>Public institutions</td>
<td>Hybrid and integrated into local ventures</td>
<td>Public institutions</td>
<td>Local value chain</td>
<td>Use of NGOs as mediators</td>
<td>Hybrid, and integrated into local value chains</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>Product delivery</td>
<td>Personal connections and co-creation</td>
<td>N/A</td>
<td>Product delivery, and mutual dependency with the farmers</td>
<td>Trust based and education of customers</td>
<td>Personal connections and co-creation</td>
</tr>
<tr>
<td>Revenue streams</td>
<td>From sales (fees and installation) and subsidiaries from the government</td>
<td>Flexible pricing systems</td>
<td>Sales</td>
<td>Sales and support from investors</td>
<td>Sales</td>
<td>Sales and commercial and development investors</td>
</tr>
</tbody>
</table>
### Key Resources

<table>
<thead>
<tr>
<th>Resources</th>
<th>High technology and external partners</th>
<th>External partners and local knowledge</th>
<th>High technology</th>
<th>Local knowledge</th>
<th>Technology and local knowledge</th>
<th>Local knowledge and the community involvement</th>
</tr>
</thead>
</table>

### Key activities

<table>
<thead>
<tr>
<th>Activities</th>
<th>Scaling</th>
<th>Inclusive business and dialogue</th>
<th>Scaling</th>
<th>Scaling and capacity development</th>
<th>Scaling</th>
<th>Capability development</th>
</tr>
</thead>
</table>

### Key partnerships

<table>
<thead>
<tr>
<th>Partnerships</th>
<th>Government</th>
<th>Cross-sector partnerships and local community</th>
<th>NGOs</th>
<th>Cross-sector and NGOs</th>
<th>Government and NGOs</th>
<th>Cross-sector partnerships and local community</th>
</tr>
</thead>
</table>

### Cost structures

<table>
<thead>
<tr>
<th>Structures</th>
<th>High fixed investments (but subsidized)</th>
<th>Economies of scale.</th>
<th>Investment costs: N/A, but 90% of equipment costs were subsidised.</th>
<th>Variable costs - low investment cost, depending on investors.</th>
<th>Own investment 2,45 million USD in 2008-2009.</th>
<th>Variable costs - no pre-sale investment</th>
<th>Cost driven - low initial investment costs. Amount N/A.</th>
<th>Economies of scale, but low investment costs as products already are available. Investment: 0,17 million USD</th>
<th>Variable costs - low investment cost. Amount N/A</th>
</tr>
</thead>
</table>

### Business model: Main points

<table>
<thead>
<tr>
<th>Model</th>
<th>Public partnership – cover 90% of equipment costs</th>
<th>Financing model – distribution through local banks credit programs</th>
<th>Technological innovation – new technology to suit the needs of the poor and their environment</th>
<th>Mutual value creation – increased productivity through local capacity building</th>
<th>Customer relationship – education and marketing</th>
<th>Capacity building – microfinance with supportive non-bank services</th>
</tr>
</thead>
</table>

Sources: See case description appendix A.
Case details: See appendix B.
Canvas analysis: the author.

### Customer segment

The cases range from energy to finance, but all target the low-income markets, however not only low-income customers, but also middle and high income. Furthermore, targeting the community and the public sector is part of their segmentation. In the cases of Selco, Olam and Basix, the poor are also suppliers and entrepreneurs, so what the cases have in common is broad customer segments, except from Selco, which mainly targets the rural poor.

### Value proposition

The value propositions differ from providing access, affordability and availability (the 3 As, Prahalad 2009) to mutual value creation. The latter is present in half of the cases; Selco, Olam
and Basix which also see the poor as suppliers. Selco and Basix also have open-ended value propositions, developed in cooperation with the local target group. Selco has a value proposition of providing solar lightning systems to the rural poor in India, and after years of local cooperation, piloting and operations, including a financing model of microfinance added to the value proposition. Olam has also been holding their value proposition open to some extent by starting with one product, and expanding both product range and services to their suppliers to increase own efficiency. By having an open-ended value proposition, Olam keeps the business model flexible enough to exploit peripheral opportunities – however in tandem with current operations. Saraman’s value proposition is also created in the experience of and cooperation with its local community. More fixed value propositions is also represented in the profit-generating cases, in TEMASOL and Unilab. The open-ended value propositions seem to be connected to mutual value creation, and the more fixed to the 3 As.

Channels

TEMASOL, Saraman, Olam and do not use hybrid solutions but sell direct to their customers – being the poor, public institutions or local wholesalers. Unilab also sell direct to their customers, both end-users and public agencies, but use local NGOs to support the distribution. The two last cases, Selco and Basix are hybrid solutions; using actors form other sectors in reaching their customers. Selco supplies energy by cooperating with financial agencies, such as local banks. The customers are reached by financing models, enabling them to invest. Basix is a financial service provider, distributes their products and services also through non-bank activities. Hybrid solutions are not overrepresented channels for these profit-cases. Local value chains are central in the cases of Selco, Olam and Basix, using local suppliers and entrepreneurs. Hybrid solutions and local value chains could therefore be connected – and less integrated value chains is the case for the cases with more direct sales and one sector solutions.

Customer relationships

The customer relationships differ from being focused on education and providing the products, to personal connections and co-development. Unilab has a customer relationship focusing on education of the customers and local communities about their products’ qualities and benefits. TEMASOL has a non-personal relationship with their customers, simply making their products and services accessible. The three last cases have more integrated relationships
with their customers in terms of mutual dependency, personal connections and co-creation of business venture. Olam is mutual dependent on the local suppliers, and their productivity – meaning earnings for the farmers, benefits Olam. Basix and Selco both have personal connections to the customers’ communities and are mutually dependent through co-creation. The founder of Selco co-created the business in terms of using local banks, and living in the local community. Furthermore, Selco is mutually dependent on that access to energy reduces poverty, as this better will enable the poor to pay back their loans for the solar lightning systems. In the case of Basix the relationship changes as products and services are delivered. As capacity is developed, the customer relationship change from receiver and provider to equal partners, working together for further building capacity in new areas and institutions.

**Revenue streams**

The revenue streams in the cases come from sales, or from sales and external support. Selco, Saraman, Olam and Unilabs have all their income from sales. Selco’s revenue are generated through a financial model combining low-cost products together with microfinance – as for Saraman, Olam and Unilab, sales are generated through low-price products. TEMASOL and Basix belong to the other category, which revenues are generated through sales and from external support. TEMASOL is heavily subsidized – covering 90% of their equipment cost in installations. Basix is heavily dependent on development and commercial investors. However, the main share of the cases has their revenues from sales, and all cases have developed pricing schemes, which make their products affordable for the low-income consumers. Only in the case of Selco does the financial model depend on financing systems of microfinance.

**Key resources**

Determining the key resources is a matter of judgment, and many resources and the mix of these can be central for a business model to create value. Based on the cases there can however be identified two groups of key resources; technology and local knowledge. TEMASOL, Saraman and Unilab depend on their technologies and products for value creation. The products and services in the other cases are strongly linked to the local knowledge gained through personal connections and experiences and cooperation. Selco, also heavily depended on the physical assets of its solar systems, has through personal involvement and cooperation, not only developed strong insight about its customer segment, but also the social capital needed to keep the access to its physical capital through supplier
connections. Olam’s key resources are also its input from suppliers, and though local connections and activities, presence and knowledge; Olam has developed a supplier base that is reliant and efficient. Local knowledge has enabled Olam to build relationships that are cultivated not forced or unreliable, which has reduced their risks of product failure. Basix make use of both own and partners’ local knowledge and community involvement.

**Key activities**

Same as for key resources, they can be difficult to delimit, and the activities might be interdependent in how they contribute to value creation. Scaling the operation is however a central activity in 4 of the cases. TEMASOL, Saraman, Olam and Unilab are all focusing their business activities on how to scale the business, getting more customers and business operations. TEMASOL’s objective is to increase their customer base, and has a product that enables scale without building new infrastructure. Saraman tries to reach scale by selling to the public sector, and educating key community actors such as students about the technology to scale the use of its technology. Olam scales both to new markets and by increasing their product range, and Unilab also focus its activities to increase the use of generic drugs both among the low- mid- and high-end customers – targeting both end-users and public institutions. For Selco, the business is scaled as its current customers have generated enough income for them to expand; the main activities are focused on building local capacity. Their scaling capabilities are also dependent on the customers of the banks with which they partner – which customers Selco again targets. Basix also focus on capacity building. As customers’ capacity is developed they become partners or are offered new products. Scale is therefore also central for Selco and Basix, but the main activities are building local capacity.

**Key partnerships**

All of the cases make extensive use of partnerships. NGO partnerships and cooperations are present in all cases, but key in the cases Saraman, Olam and Unilab. Saraman’s product development was managed by NGOs such as universities and research institutions – both national and local. Olam partnered with international development organizations, and local cooperatives, and Unilab partnered with NGOs from the health care sector. Partnering with public agencies is key in the cases of TEMASOL and Unilab. For TEMASOL it was a partnership for financing, and Unilab used the partnership for distribution. Partnering across business sectors are key partnerships in the cases of Basix and Selco, but also present in the
case of Olam. Basix partnered with non-bank initiatives to add these competences to the capacity building program, and Selco partnered with banks for financing. Selco also partnered with central supplier, to get less vulnerable to market changes in demand. Having a supplier with the same development objective reduced the risk of loosing the supplier to high-end clients. These are just some of the partnerships in the cases, and is appears to be one of the more central building blocks in a BOP business models. The motives are natures of these partnerships are just as many as the number of partnerships, but 3 main motives can be identified. First, partnerships are central for financing, second for distribution, and third, as mediators for business development.

**Cost structures**
What most of the cases have in common are indications of relatively low initial fixed investments, though the exact numbers are generally unknown. TEMASOL and Unilab’s investment costs were potentially big, but TEMASOL reduced this by capitalizing own technology and know-how, and subsidiaries from the Bop-government. Unilab had the medicine, and already distribution networks; therefore the potentially big investment of R&D and distribution was eliminated. Selco, Saraman, Olam and Basix have invested in line with market expansion. Furthermore, as local Bop-business they had local knowledge and community connections. Developing these resources did not take much initial investment.

**Profiting cases - Similarities**
The business models that have generated profits are similar in their broad target groups, the extensive use of partnerships, and external distribution channels. Furthermore, their revenue streams focus on affordability, as revenues are mainly generated from sales to low-income customers. Only in two cases: TEMASOL and Basix, financial support from external sources is dominating the cash flow. This also means that though scaling is not the key activity for all, it is a central concern in all cases due to high dependency on sales and low margins. Partnerships are made in all of the cases, and the motivations are mainly, financial, for distribution or to use as mediators. The use of partnerships therefore stretches into several building blocks.
**Profiting cases - Differences**

There are indications of two broad groups of business models in the selected for-profit cases. First, the cases seem to be divided between having a bottom perspective (Prahalad) and having a base perspective (London, Hart & Simanis), with different degrees of overlaps. This also indicates that the building blocks are interconnected, and that with e.g. an open-ended value proposition, the key resource is not likely to be a technology, or the customer relationship to be direct sales. The building blocks follow the patterns of the Bop-perspectives from the literature, and mapping the cases according to the results from the business model analysis show how 2 of the cases follow a bottom perspective, one case overlapping – but leaning towards a base-perspective, which has 3 cases represented.

<table>
<thead>
<tr>
<th>How the profiting-cases represent different Bop-approaches:</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEMASOL</td>
</tr>
<tr>
<td><strong>Bottom</strong></td>
</tr>
<tr>
<td>Low-income as consumers</td>
</tr>
<tr>
<td>Fixed value proposition – the 3 As</td>
</tr>
<tr>
<td>Direct sales and low level of cross-sector business operations</td>
</tr>
<tr>
<td>Education of customers and scale</td>
</tr>
<tr>
<td>Technology</td>
</tr>
<tr>
<td>Increase consumption</td>
</tr>
</tbody>
</table>

Sources: See case description appendix A.
Canvas analysis: the author.

As already mentioned, there are many similarities between the cases, however this divide shows how some of the building blocks take different forms. All cases have broad customer segments, but there is a divide in how these are defined and approached – from consumers to suppliers. For partnerships, these are used differently – from distribution of products to local suppliers and local input. Finally, cost structures do not divide into the same divide in Bop-approaches. Though TEMASOL and Unilab both could have operated with high initial investment costs, these were avoided through subsidize and capitalizing on own technology already available. Saraman is the case where the information of the business model is most limited, but it has elements form both approaches, leaning towards a base-approach.
To sum-up the business models for value creation in terms of profit, they seem to follow the patterns of a bottom Bop-approach, and a base Bop-approach – the latter with a more open-ended value proposition and more integrated in the local market. This means that both approaches can create value in terms of profit, however the share of more integrated models is greater. The case that are least integrated is the MNCs, which turns out to be extensively subsidized, which could potentially question its own profitability. Local Bop-businesses might have advantages in the ease of localizing value chains, and local knowledge, and this also appears as the business model that is most likely to generate positive returns.

<table>
<thead>
<tr>
<th>For profit initiatives, yet none – case canvas</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Building block</strong></td>
</tr>
<tr>
<td>Customer segments</td>
</tr>
<tr>
<td>Value proposition</td>
</tr>
<tr>
<td>Channels</td>
</tr>
<tr>
<td>Customer relationships</td>
</tr>
<tr>
<td>Revenue streams</td>
</tr>
<tr>
<td>Key Resources</td>
</tr>
<tr>
<td>Key activities</td>
</tr>
<tr>
<td>Key partnerships</td>
</tr>
<tr>
<td>Cost structures</td>
</tr>
<tr>
<td>Business model: Main points</td>
</tr>
</tbody>
</table>

Sources: See case description appendix A.  
Case details: See appendix B.  
Canvas analysis: the author.
Yet no profit cases - Similarities
The cases that yet have not generated profits have all broad customer segments. Their distribution channels are all integrated into local value chains, except Defta, which are building a new infrastructure, however adding local competences by partnering with a NGO with local experience. Besides Lafarge, which has a flexible revenue structure, all are dependent on fees from interests and user fees. This makes the revenues more long-term oriented than if only depending on direct sales. All make use of partnerships, both cross sectors and with local actors. All cases have formed partnerships motivated by distribution, both in co-creating new infrastructure, and getting access to existing infrastructure. The final building block that is the same across the cases that have not profited yet is the cost structures. Except Barclays Bank, they all have relatively high investment costs, and comparing these costs to the cases that have generated profit, this becomes even more evident. Except Barclays Bank, investment costs were 5 million USD, or more. In the profiting cases this did not exceed 2.5 million USD.

Yet no profit cases - Differences
The divide between a bottom and a base approach is also evident in the cases that have not profited yet. Defta and GiroNil focus on the 3 As, with customer relationships focused on product delivery, and key resource being advanced technology. Scale is a central matter in all cases, but for Defta Partners and GiroNil, scaling is a key activity. With a base approach, Lafarge and Barclays have more inclusive business models, with open-ended value propositions. The low-income customers add value to the business, making them mutually dependent. Customer relationships are focused on personal connections, building local capability. Through local capability Lafarge and Barclays can grow their business further.

How the cases represent different Bop-approaches – not profiting cases:

<table>
<thead>
<tr>
<th>Bottom</th>
<th>Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>GiroNil</td>
<td>Low income as both consumers, suppliers and partners</td>
</tr>
<tr>
<td>Defta Partners</td>
<td>Mutual value proposition – open ended</td>
</tr>
<tr>
<td>Lafarge</td>
<td>Local value chains and hybrid solutions</td>
</tr>
<tr>
<td>Barclays Bank</td>
<td>Personal connections and co-creation</td>
</tr>
<tr>
<td></td>
<td>Local knowledge</td>
</tr>
<tr>
<td></td>
<td>Increase local capability</td>
</tr>
</tbody>
</table>

Sources: See case description appendix A. / Canvas analysis: the author.
Based on the same divide in business models, again there are indications of the building blocks are interlinked. It also indicates that the two kinds of business models for low-income markets, which have shown to create value – not necessarily will do so.

**Profit vs. yet none**
The cases that have not generated profits yet are similar to the profit cases in that they target broad target groups; use external partners in their distribution channels, and main revenues come from sales with low margins and are therefore dependent on scale. Partnerships are also present in several building blocks, and are to a great extent cross sector. What seem to differ the cases that have made profits and the ones that yet have not generated any is the fixed investment costs. Additionally, with main revenues from fees, interests and re-purchases, they all dependent on high adoption rates, and continues use of their products. This makes the cases that have not profited yet extensively dependent on scale and time in their revenue models. Lafarge has a revenue model based on maintenance of donated products – with a 20-year guarantee. Considering their current time of operations of 3 years, there are good indications of the reason for why they still are not profiting from their business activities to be time. The same scenario is applicable to the other cases as well; 1) the investment costs are high, 2) the revenue models are dependent on scale and time, 3) none of these cases have been operating for more than 5 years. This means that the profit generation could be allocated in the future, and it is difficult to determine whether the businesses models or the cost structures have affected their inability to generate profits at this point.

High fixed investment costs also make the business models vulnerable to potential adjustments. For example, if the perceptions of concrete houses in the low-income segment do not change, they are likely to suffer great losses as the investment is fixed. This argument is applicable different extents to the other cases as well. Simanis and Hart (2008) argue that companies should avoid great investment costs. This is to stay flexible in their business models, if adjustments are needed. Within the current time of operations of 5 years or less, it is however difficult to determine whether the lack of profit generation is due to long-term profit objectives, or lack of business model flexibility. Either way the cases that have not profited yet could hold greater risks of failing, as they are less able to adjust.
**Literature**

As touched upon already, the approaches suggested by Prahalad (2009) and London and Hart (2004, 2010) and Simanis (2008, 2010) are all present in the profit generating, and yet not profiting cases, as the case analysis show that they follow the paths of both a bottom perspective and a base perspective.

**Case experiences and approaches to the Bop (Profiting top/not profiting bottom)**

<table>
<thead>
<tr>
<th>TEMASOL</th>
<th>Unilab</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saraman</td>
<td>Olam</td>
</tr>
<tr>
<td>Basix</td>
<td>Selco</td>
</tr>
<tr>
<td><strong>Bottom</strong></td>
<td><strong>Base</strong></td>
</tr>
<tr>
<td><strong>Prahalad</strong></td>
<td><strong>London, Hart &amp; Simanis</strong></td>
</tr>
<tr>
<td>Defta Partners</td>
<td>Lafarge</td>
</tr>
<tr>
<td>GiroNil</td>
<td></td>
</tr>
</tbody>
</table>

Sources: See case description appendix A.

Canvas analysis: the author.

Profit generating cases are represented in both groups, therefore indicate that Prahalad (2004) and London (2004, 2010), Hart (2004, 2008, 2010) and Simanis (2008, 2010) have approaches to low-income business models that all could work in practice. There is however a greater share of profit generating cases on the more inclusive business model side, taking a base perspective – and also as 5 out of 6 profit generating cases are local-Bop businesses, the points made by the second generation Bop-approaches could be better at predicting business models for successful commercialization in low-income markets.

London and Hart (2004, 2010) and Simanis’ (Simanis & Hart 2008, London & Hart 2010) approaches can be difficult to delimit from each other, and as they all represent a base-approach to the Bop-markets. However, Selco and Basix have more focus on co-creation, where the latter is very close to the Bop-protocol 0.2 by Simanis and Hart (2010).

**First generation Bop-approaches**

Prahalad (2004) argues for Bop-business models needing to create the capacity to consume, and through 12 principles of innovations, companies can create the 3 As. In relation to price
performance, the case analysis show several examples of reducing prices, both through single serve packaging in e.g. the case of Unilab, and to some Selco, which offers “fixed” packages of energy (two light systems, Selco 2011), to reduce the risk of payment failure if consumption increase above the affordable level. A second point made by Prahalad is that solutions need to be hybrid – a point also made by second generation Bop-approaches. This building block is to a great extent present with Selco, Basix and GiroNil. Hostile infrastructure solutions have not appeared as explicit in any of the cases except Saraman, and scalability is the main goal of most cases – but not as explicit in the more inclusive business models, which do not depend on scale in the same extent as the capacity to consume oriented business models. Deskilling of work, and simple use is present in most of the bottom cases, however, as inputs from local suppliers are low in these cases, deskilling is mainly related to usage, and consumption. Distribution is a central concern in all cases, and here hybrid solutions, partnerships and local value chains are central to the building blocks used. This is also a point made by Prahalad (2004), and the second generation Bop-approaches. The reverse-innovation point made by Prahalad (2004) and London and Hart (2010) does not seem to be central in the cases selected. Only a failing case of P&G (presented later) has explicitly introduced their Bop-innovation to Top-markets. There could be many reasons for this, but based on the case findings reverse-innovation is not a motivation for engaging in Bop-markets. The last point made by Prahalad (2004), sums up a central architecture of most of the cases analysed: new ecosystems through partnerships and cooperation seems to be integrated in several of the building blocks – both concerning revenues and finance, distribution, acquiring resources and developing the offers to be made to the poor.

What the case analysis says about first generation Bop-approaches, is that it can both be successful in terms of generating profits, and it may not.

**Second generation Bop-approaches:**
London & Hart (2004, 2010) argue that the private sector need to create a fortune with the Bop – and that low-income markets need to be addressed as both consumers, suppliers and local entrepreneurs. The level of integration differs between the cases taking a base-approach, from using local experiences in product development in the case of Saraman, using the informal sector to reach the end users in the case of Barclays Bank, to converting customers into partners in the case of Basix. The base-approach is evident in 4 out of 6 profiting businesses, and half of the ones that yet have not profited, and is therefore a central business
model for Bop-markets, and in capturing value. A second, and extensively present point made by London and Hart (2004, 2010) is that the Bop-businesses should not delimit to MNCs, but also include domestic companies. Of the profiting cases, 5 out of 6 are local Bop-businesses, and this indicates that business models with local ownership could be more likely to generate profits. Half of the cases that have not profited are also local Bop-businesses, so it is still not a guarantee for success. Part of the point made of needing to span in ownership, is the need for spanning in size and sector. London and Hart (2004, 2010) also point out that hybrid solutions are a building block that will increase the ability to overcome poor infrastructure, but as mention, it only appeared as key building block in 3 cases, Selco, Basix and GiroNil. External financial support could also be a revenue model that is necessary to prove economic viability (London & Hart 2010). In two of the profiting cases, TEMASOL and Basix, external support is one of the key revenue streams. These are also the only two cases that have external support as part of key revenues, where the rest depend on sales. External support only being present in the profiting cases could indicate that this is not key to generate positive returns.

The contribution by Hammond in London and Hart (2010) stress the need for bridging local and global business structures, and this is a central aspect of a business model to reach sufficient scale. Partnerships with local and global actors appear on most of the cases, however local partnerships is more apparent with the MNCs, such as TEMASOL and Defta Partners, than global partners with the local-Bop businesses. As the local Bop-businesses are overrepresented in the profiting cases, this could indicate that the bridging is not crucial for scale being sufficient enough to generate positive returns.

The final point of London and Hart (2010) is the process of first testing, then adjusting and managing potential failures, before scaling. This introduces the market creation arguments of Simanis and Hart (2008) and Simanis (London & Hart 2010). Bop-markets are not just new markets with different challenges than what e.g. MNCs are used to, and therefore is about more than market entry. Markets need to be created, and this is a process of trial and error as well as developing market demand and solutions in the cooperation with the local community. Simanis (London & Hart 2010) suggests that when creating a market the business needs to start out with an open-ended value proposition, and co-create it with the target group. Getting the local acceptance, using personal connections, as well as pulling through demand by building local support for the offering is crucial for creating the demand, and without the target group feeling the need as defined by themselves, they are not likely to repurchase – and
start consuming. This process of co-creation is difficult to delimit from the other base-approach business models, but two cases stand out – Selco and Basix. Both cases have open-ended value propositions, and include the local community in both the business development phase, as well as integrated into business operations – and a high degree of personal connections. Of the not profiting cases Barclays Bank is closest to have a co-creation business model, which illustrates that it is not a guarantee for success in generating profits. The process of testing, adjusting and developing the business model that will enable scale can take 5-7 years or longer according to Simanis (London & Hart 2010). This seems to be the case for the businesses analysed, as the cases that have not generated profits, have operated for 5 years or less, and the cases that have profited generally have been in business for more than 5 years. The process of building a business model in low-income markets, is therefore resource intensive in terms of time and local capacity building, but should however not introduce too great investment costs to keep the business model flexible for adjustments (Simanis & Hart 2008). In the second edition of the Bop-Protocol, Simanis and Hart (2008) describe this co-creation business model in detail. Their point of investment costs also appears as central in the cases analysed, where the profiting cases have had relatively lower investment costs than the cases that yet have not profited.

**Case analysis summary**

There are four main findings from the case review and analysis. First, local-Bop businesses are more present in the profit generated case selection than MNCs. Second, the business models with for profit strategies are divided along the different generations of Bop-approaches, and all the approaches discussed in this research can generate profits at the Bop – or they may not. There is however a greater share of profit generating cases that follows the second, with a more integrated approach to Bop-business models. This could be related to the fact that the profitable bop-businesses are local, and therefore integrated by nature to a greater extent than MNCs. Third, there are differences in the time of operations and investment costs, both shorter and higher for the not profiting cases. Whether the shorter time of operations combined with relatively higher investment costs is the reason for the not profiting cases to not have generated returns yet – or having less flexible business models, is difficult to determine. Finally, and fourth, though the cases’ business models are divided along two generations of Bop-approaches, they do not differ too much on a general level. The customer segments that are targeted are broad – and though some only focus on the poor as consumers,
and other include them as producers and local entrepreneurs, most of the cases do target “poverty” in the market with solutions that are also potentially beneficial for other income groups as well. Furthermore, the channels are hybrid and to a great extent localized through use of either NGOs or local partners. In the cases that have profited, most revenues are collected through a sale of a product or service. Partnerships are used extensively, with different motivations. The findings from the case analysis can be plotted into a case canvas:

**Business model canvas for low-income markets – analysis findings:**

<table>
<thead>
<tr>
<th>Building block</th>
<th>Bop-business model</th>
<th>Bottom / base approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer segments</td>
<td>Broad customer segments.</td>
<td>Consumers / producers and local entrepreneurs</td>
</tr>
<tr>
<td></td>
<td>The level of local integration depends on base or bottom approach</td>
<td>3 As - increase consumption / mutual value and open-ended – increase capacity</td>
</tr>
<tr>
<td>Value proposition</td>
<td>The “poverties” of low income markets</td>
<td>NGOs and public institutions / local value chains</td>
</tr>
<tr>
<td></td>
<td>How these poverties are reached depends on base or bottom approach</td>
<td>Direct sales / co-creation and mutual dependency</td>
</tr>
<tr>
<td>Channels</td>
<td>Use of partnerships.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The level of localization depends on base or bottom approach</td>
<td></td>
</tr>
<tr>
<td>Customer relationships</td>
<td>Depending on base or bottom approach</td>
<td></td>
</tr>
<tr>
<td>Revenue streams</td>
<td>At point sales</td>
<td>Technology / local knowledge</td>
</tr>
<tr>
<td>Key Resources</td>
<td>Generally external through partnerships</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The key resource depends on base or bottom approach</td>
<td></td>
</tr>
<tr>
<td>Key activities</td>
<td>Depending on base or bottom approach</td>
<td>Scaling / local capability development</td>
</tr>
<tr>
<td>Key partnerships</td>
<td>Cross sector and NGOs for finance, distribution and as mediators</td>
<td></td>
</tr>
<tr>
<td>Cost structures</td>
<td>Low fixed investment</td>
<td></td>
</tr>
<tr>
<td><strong>Business model: Main points</strong></td>
<td>The business model depends on base or bottom approach. In both cases, partnerships extend into several building blocks and could therefore be key for business model generation at the Bop</td>
<td></td>
</tr>
</tbody>
</table>

Source: the author

This business model canvas shows the main building blocks that are present when creating value in terms of profits in low-income markets. The white space shows the similarities, and represents the core of a low-income market business model, based on the case analysis. However, many of the building blocks depend on whether the Bop-business takes a bottom or base approach – in practice, their levels of integration. As the case analysis has shown, value in terms of profits can be created with different levels of integration. The ability to capture value in terms of profits might increase with integration, as the greatest share of the profiting cases followed a base-approach, as described by second generation Bop-approaches.
Not that simple - Procter & Gamble

Though there seem to be similarities between the business models that have generated profit in Bop-markets, these similarities as listed in the business model canvas is no simple recipe for how value can be generated. This could be illustrated by analysing the failing for-profit case – Procter & Gamble’s PUR project, a water-purifying for-profit strategy which failed to generate profits and was turned into a non-profit initiative.

P&G is a MNC with almost 140 employees worldwide, and with sales of over 78-billon dollar in 2010, the case have a similar size profile as the other MNCs in this case. Plotting the initial profit-model into the business model canvas shows how many of the same building blocks are present as in the profit generating cases.

**P&G business model canvas:**

<table>
<thead>
<tr>
<th>Building block</th>
<th>Procter &amp; Gamble</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer segments</td>
<td>Low-income consumers in multinational markets</td>
</tr>
<tr>
<td>Value proposition</td>
<td>The 3 As</td>
</tr>
<tr>
<td>Channels</td>
<td>Own distributors, local retailers and NGOs as mediators</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>Product delivery and education</td>
</tr>
<tr>
<td>Revenue streams</td>
<td>Sales</td>
</tr>
<tr>
<td>Key Resources</td>
<td>Own technology</td>
</tr>
<tr>
<td>Key activities</td>
<td>Scaling and education</td>
</tr>
<tr>
<td>Key partnerships</td>
<td>International and local NGOs within health care</td>
</tr>
<tr>
<td>Cost structures</td>
<td>High fixed investments – economies of scale. Investment cost: 15 million USD</td>
</tr>
<tr>
<td>Business model: Main points</td>
<td>The main building block is the technology of the PUR product</td>
</tr>
</tbody>
</table>

Sources: See case description appendix A.

Case details: See appendix B.

Canvas analysis: the author.

**Customer segment**

P&G targeted the world’s poverty of safe and clean drinking water, and this means typically the rural poor in low-income countries. The commercial business targeted 5 markets, Guatemala, the Philippines, Morocco, Pakistan and Vietnam (Procter & Gamble 2007).

**Value proposition**

The point-of-use (POU) water purifier powder PUR, was developed by P&G and the US Centres for Disease Control and Prevention (CDC), and the commercialization model was aimed at leveraging the technology innovation through distribution and marketing infrastructure of the private sector, combined with advocacy, education and research efforts.
by collaborating groups, to build the necessary awareness to properly treat and store water. The value proposition was focused on providing access through easy use and safe storage, availability through awareness building, and affordability through low cost and single serve sachets – the 3 As. The simple steps in cleaning the water, single serve sachets and the great advantages of reducing the risk of water-borne diseases would potentially improve the health of the rural poor all over the world (Procter & Gamble 2007).

**Channels**
P&G would use their own local distributors and other private companies, which already sold water treatment products, and local shops and bazaars. This meant not using cross-sector channels, but some level of local integration by using local shops and bazaars. In the first phase of the commercialization, the sachets were given out for free to the NGO, UNICEF – to increase awareness and spur demand (Procter & Gamble 2007). This is pointed out as important by Simanis (London & Hart 2010) to create the necessary goodwill and spur demand. However, with a relatively low level of local integration – only using local distributors to some of their sales, their key channels are close to a bottom approach.

**Customer relationships**
Direct sales and education was the main relationships with the customers, where partners conducted the overall training programs. P&G connection to its customers where therefore mainly oriented toward product delivery – while partners had the interactive role in building the capacity to consume through one-time education programs (Procter & Gamble 2007). Not being directly in contact with their customers also makes P&G close to taking a bottom approach, where the main focus is access, availability and affordability before co-creation and personal connections.

**Revenue streams and cost structures**
All revenues came from sales, and with a low production cost of 0.04 USD and a sales price of 0.08-0.10 USD; the product was sold with a relatively high mark up. However, the investment costs was high as 15 million USD had been invested over a period of 6 years. PUR was given out for free in times of e.g. flooding when the demand was higher and more urgent (Procter & Gamble 2007). With sales as the only revenue stream, and the high
investments costs from R&D and education programs, P&G revenues were dependent on economies of scale.

**Key resources, activities and partnerships**

P&G key resource was the technological innovation behind the PUR product. The main activity to commercialize the product was oriented towards increasing scale and repurchases; educating the end-users about the products’ benefits and how to use it. Furthermore, advertising to key decision makers within health care and children’s education was increase awareness about water purification and hygiene. Partners conducted all the none-sales activities. The key partnerships were with both local and international NGOs, which educated and marketed the PUR to the target groups (Procter & Gamble 2007). Also in terms of having a technology as a key resource and focusing the activities on scaling makes P&G close to a bottom approach to Bop-business models. Partnerships are mainly with NGOs, and motivated by distribution to- and education of end users.

**P&G – could it have been a success?**

The P&G case does not differ much from TEMASOL and Unilab. The approach is a bottom-approach to Bop-markets, where the business model is focused around the 3 As, and the main resource is a technology. The P&G business model is however different in time of operations, cost structures and customer segments compared to TEMASOL and Unilab.

The PUR product became a non-profit initiative after 3 years of commercial operations. The adoption rate was below 5 percent of target market, and the product did not sell fast enough for P&G to make a positive return. Only Unilab has made a profit within less than 3 years – however, they did not face the same investment costs as P&G. With an investment of 15 million USD in product development and market entry, the initial investment cost was high, which brings P&G closer to the cases that have yet not generated profit. These cases also represent the same timeframe – 5 years or less. The P&G case therefore has more similarities with the cases that have not made a profit yet. Of these cases, P&G are similar to Defta Partners and GiroNil in its business model, as they are close to pursing a bottom approach.

P&G’s business model could have generated positive returns based on the experiences from the business models of TEMASOL and Unilab. Its inability to generate profits could be due to
its high investment costs combined with a relatively short time of operations. Furthermore, before turning the business into a non-profit strategy, P&G had realized that one-time educational programs had not created regular use, and the high investment costs could have made P&G less able to change their business model according to their market experiences.

As argued in the case analysis, taking a bottom approach could be less successful than more integrated models, generally taken by local Bop-business. Local integration of the business model could have increased their ability to generate positive returns, and this is also the point made by Simanis (London & Hart 2010) when he discussed why the P&G case failed. Also concerning ownership, Karnani (2007) questions the role of MNCs – arguing that local enterprises are better suited to sell to the poor, and that the scale that MNCs are depending on is difficult to reach due to geographical and cultural fragmentation and poor infrastructure. Local, small and medium sized companies can better operate in these business environments. The points made by Simanis (London & Hart 2010) and Karnani (2007) could be the reason for P&G not profiting. However, as the analysis has shown, TEMASOL and Unilab, which took less integrated business models, still generated profits. Additionally, TEMASOL was a MNC; so a MNC, and a bottom approach, could both generate profits at the Bop. Therefore, so could potentially P&G.

P&G had a similar business model to TEMASOL, Unilab, Defta and GiroNil – where the two latter also had similar cost structures. P&G does however differ from all the other for-profit cases in terms of the customer segment they targeted. P&G’s commercial operations were tested in Guatemala, the Philippines, Morocco, Pakistan and Vietnam – which makes it the only case in this case selection that targeted multinational markets from the beginning. According to Simanis and Hart (2008), multiple project sites should be avoided as it increases the complexity, and first after succeeding at the first site, they can scale to new geographies.

There are many possible reasons for P&G’s business model failing to generate profit, and based on the experience of other cases – P&G could have made positive returns within a longer timeframe, which might also become the case for Defta Partners and GiroNil. Both Bop-approaches has shown to work – and fail, and this illustrates the complexities of building a business model for low-income markets, and that there is no recipe for how to successfully commercialize in a low-income market. It potentially also illustrates the weakness of a bottom approach, and the vulnerability by taking on great investments costs.
**Findings**

This research aimed at identifying how MNCs can build business models that can generate positive returns in low-income markets. The literature on the area had different approaches to Bop-markets, and suggested different business models for Bop-businesses, but had the same expectations to great business opportunities in low-income markets. Based on this assumption, the result from the case review of 20 cases in total was surprising, as 7 out of 12 MNC were pursuing non-profit initiatives in low-income markets. Only one of the 5 for-profit MNCs had generated profits, and with 5 out of total 8 local Bop-businesses generating profits, local initiatives could hold information on for profit business models.

10 for-profit businesses were selected for the business model analysis. 6 cases showed profit generation, and 4 had yet not profited. The ones that had profited and those who had not, differed in terms of: ownership, investment costs and time of operation. The ones who had profited were to a greater extent local Bop-businesses, had lower investment costs and operated for a longer period of time than the ones that yet had not profited.

The 6 profit generating cases were analysed and mapped within a business model canvas. The building blocks are interlinked, and cluster around the two approaches to Bop-markets. The first is a bottom approach, suggested by Prahalad (Prahalad & Hart 1999, Prahalad 2004) as the business model that can reach poor consumers. The second is a base approach, suggested by London, Hart and Simanis (London & Hart 2004, Simanis & Hart 2008, London & Hart 2010). They differ in level of integration into the local markets, and both approaches are identified in the cases of profit generating business – meaning both approaches can be used in building business models in low-income markets.
Low-income market business models:

<table>
<thead>
<tr>
<th>Building block</th>
<th>Bop-business model</th>
<th>Bottom / base approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer segments</td>
<td>Broad customer segments. The level of local integration depends on base or bottom approach.</td>
<td>Consumers / producers and local entrepreneurs</td>
</tr>
<tr>
<td>Value proposition</td>
<td>The “poverties” of low income markets. How these poverties are reached depends on base or bottom approach.</td>
<td>3 As - increase consumption / mutual value and open-ended – increase capacity</td>
</tr>
<tr>
<td>Channels</td>
<td>Use of partnerships. The level of localization depends on base or bottom approach.</td>
<td>NGOs and public institutions / local value chains</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>Depending on base or bottom approach.</td>
<td>Direct sales / co-creation and mutual dependency</td>
</tr>
<tr>
<td>Revenue streams</td>
<td>At point sales.</td>
<td>Technology / local knowledge</td>
</tr>
<tr>
<td>Key Resources</td>
<td>Generally external through partnerships. The key resource depends on base or bottom approach.</td>
<td>Scaling / local capability development</td>
</tr>
<tr>
<td>Key activities</td>
<td>Depending on base or bottom approach.</td>
<td></td>
</tr>
<tr>
<td>Key partnerships</td>
<td>Cross sector and NGOs for finance, distribution and as mediators.</td>
<td></td>
</tr>
<tr>
<td>Cost structures</td>
<td>Low fixed investment.</td>
<td></td>
</tr>
<tr>
<td>Business model: Main points</td>
<td>The business model depends on base or bottom approach. In both cases, partnerships extend into several building blocks and could therefore be key for business model generation at the Bop.</td>
<td></td>
</tr>
</tbody>
</table>

Source: the author

Mapping the profit-cases according to which Bop-approach they are similar to, shows a skew towards the base-approach, which could be due to the greater representation of local businesses in the profiting cases.

**Profiting business models:**

<table>
<thead>
<tr>
<th>Bottom / base approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEMASOL</td>
</tr>
<tr>
<td>Unilab</td>
</tr>
<tr>
<td>Saraman</td>
</tr>
<tr>
<td>Olam</td>
</tr>
<tr>
<td>Basix</td>
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<tr>
<td>Selco</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Bottom / base approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
</tr>
<tr>
<td>Prahalad</td>
</tr>
<tr>
<td>London, Hart &amp; Simanis</td>
</tr>
</tbody>
</table>

Source: the author

It could also indicate that a base-approach and a business model more integrated into local value chains, and focus on co-operation and mutual value creation is more likely to result in positive returns – than a business model oriented towards access, availability and affordability, where the poor are seen as consumers only, and not integrated as suppliers and local entrepreneurs.
The business models for low-income markets are complex and diverse. Both the approach by Prahalad (2004), London (2004, 2010), Hart (2004, 2008, 2010) and Simanis (2008, 2010) can generate value. Though some patterns can be detected in terms of target group, value proposition, revenue and cost models and use of partnership, the P&G case illustrates that there is no simple solution, and that though following the same business model as an profiting case such as e.g. Unilab – positive returns are no guarantee, and the suggested Bop-business models are no recipes for how to create value in low income markets.

Critical review

This research has used the method of a multi-case analysis, where 20 cases have been reviewed, and those who fitted the parameters of the research question were subject for the analysis. The cases were analysed within the framework provided by different Bop-approaches, and the findings are generalized on an analytical level, providing information about how MNCs can build business models that will capture value in low-income markets within these frameworks.

The method has enabled a systematic analysis of the cases and literature, resulting in findings that answer the research questions within its own delimitations. More cases on MNCs profiting in Bop-markets could have increased the validity, as business models generating value for MNCs could be analysed more in detail – providing a result more related to MNCs, and a more rich result for external generalization. The low presence of cases of MNCs profiting in the Bop, could be a lack of data that could be acquired through a more extensive case sample. However, after reviewing 20 cases, where 12 were MNCs, and 7 of these were non-profit or CSR strategies not providing profits to own bottom lines, the low presence of MNCs in the profiting and for-profit cases is more likely to be a finding. It might therefore not be a question of validity as much as a challenge of the basic assumptions of it being a fortune at the Bop – and these markets are attractive for MNCs that seek new opportunities for growth and profits. Furthermore, a challenge of the proposition of MNCs being best suited to capture this opportunity. Outcomes that are inconsistent with the expected outcome and underlying assumptions can be the result of a deductive strategy according to Yin (1994), and further research might be needed to identify the role of MNCs in low-income markets, and their ability to capture value in the Bop. Either way it indicates that MNCs might have to
learn from the experiences of the local Bop-businesses to increase their ability to capture value in low-income markets. This also strengthens the propositions made by second generation Bop-approaches.

The Business Model Canvas provided an analytic tool for the business model analysis. This enabled a systematic analysis of the cases, increasing comparability between them, resulting in a business model canvas for low-income markets; the answer to the RQ. It does however limit the RQ answer to 9 building blocks. Though these building blocks have been analysed on a general level for the different Bop-approaches, the result for the business models for low-income markets limits to the analytical tool of the business model canvas by Osterwalder and Pigneur (2010). The ability for reflection upon the definitions of the building blocks has however been low, due to what also Teece (2009) points at: that business models have a weak role in theory. Therefore, different propositions of which building blocks a business model holds have not been identified.

This research answers the research question as presented in the methodology. The research question is developed from Bop-literature, and answered within the same framework. The case-analysis provides empiric data on how MNCs can build business models in low-income markets, as well as the base for the analysis on the literature. The research question is answered by an analysis of both literature and cases, and the conceptional framework that was base for the research question guides the research. This is in line with the multi-case method described by Yin (1997), and a deductive approach (Saunders 1997).
Conclusion

Through a multi-case analysis of for-profit Bop-businesses and the propositions from selected Bop-literature, the following model answers the research question of how MNCs can build business models that will generate value in terms of profit in low-income markets:

Low-income market business models:

<table>
<thead>
<tr>
<th>Building block</th>
<th>Bop-business model</th>
<th>Bottom / base approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer segments</td>
<td>Broad customer segments.</td>
<td>Consumers / producers and local entrepreneurs</td>
</tr>
<tr>
<td></td>
<td>The level of local integration depends on base or bottom approach</td>
<td>3 As - increase consumption / mutual value and open-ended – increase capacity</td>
</tr>
<tr>
<td>Value proposition</td>
<td>The “poverties” of low income markets</td>
<td>NGOs and public institutions / local value chains</td>
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<td></td>
</tr>
</tbody>
</table>

Source: the author

Based on the case-analysis, both a bottom and base approach can be taken, but a base approach could be more able to capture value in terms of profits, as 4 out of 6 of the profiting cases were closer to a base approach than a bottom approach. This means that the second generation Bop-businesses might be more able to provide a framework for how to build business models for low-income markets than first generation Bop-approaches. Furthermore, as 5 out of 6 profiting cases are local Bop-businesses, MNCs might need to look towards local Bop-businesses in how they build their business models, and adapt more integrated business models. There are also many similarities between the business models, and independently of which Bop-approach and level of integration. These are the building block listed in the white space in the “Low-income market business model” listed above. The P&G case does however illustrate that there is no simple recipe for generating value in terms of profits in the Bop, and there is no universal model that will guarantee profits.


**Discussion and last remarks**

This research came across some findings that could challenge two of the variables in the RQ – the role of MNCs and MNCs’ value creation in terms of profit in low-income markets.

Prahalad and Hart (1999) argue that business opportunities in low-income markets best can be captured by MNCs. The role of MNCs doing business in low-income markets did however show not to be extensive in the case analysis of the for-profit cases. MNCs appear less able to generate profits at the Bop than local businesses, also when partnering with local actors, as seen with Defta Partners and Barclays Bank. These results could indicate that Prahalad and Harts’ (1999) first arguments of MNCs being most able do not hold. Further research could be to investigate how MNCs could build integrated business models or why MNCs are not more present in the Bop.

Value creation focusing on profits showed to be challenging if only looking towards MNCs. In this category, most strategies were non-profit, CSR oriented, sustainable businesses, or for-profit: but not for the MNCs involved. Profits and market shares might be the long-term aims, but currently MNCs’ operations in low-income markets appear as non-profit strategies. First, this challenges the basic assumption behind this research: that there is a fortune at the base of the pyramid. If there was one – why are MNCs so extensively pursuing non-profit oriented strategies? Second, the different “profits” and business motivations for engaging in the Bop challenge the traditional business models and for-profit strategies discussed in this analysis as well. The fortune at the base of the pyramid seems to be approached with less pure-profit oriented strategies. MNCs does however seem to be experimenting with some new strategies and business models. How MNCs approach low-income markets could be an area of further investigation, as there could be different reasons for this. It could be due to having shareholders to satisfy. A Bop-market entry might be more accepted with the motivation of branding, CSR or local business development and capacity building, reducing the risk of “failure” if value is not generated and captured in the form and pace expected in a for-profit strategy. It could be because the target group is poor and profiting would mean first raising income levels. Finally, it could also challenge the traditional understanding of a “for-profit” strategy. In the complex environment of low-income markets, not only new business models might be needed – also new delimitations of what is a for-profit strategy…
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  Case: [http://www.boplearninglab.dk/bop-learning-lab/markets-cases/cases/grundfos-lifelink.html](http://www.boplearninglab.dk/bop-learning-lab/markets-cases/cases/grundfos-lifelink.html)

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Appendix A – Case data

Kraft Foods
Kraft Foods, is the world’s largest food company. It is a US based food distributor, with an annual revenue of almost 50 billion dollar, and over 120 000 employees worldwide (Kraftfoods.com). Together with USAID, Kraft Foods launched in 2004 the Global Development Alliance Partnership with local cooperatives and the government in Guinea. This partnership was to assist local cashew producers to better utilize their cashew production. The profit was in for the farmers, but the investment from Kraft Food came as funding (250 000 dollar), and technical expertise in advising for a commercial strategy for the cashew sector. Kraft Food has through this partnership gained access to the African Cashew Alliance, and through USAID they can replicate and expand their involvement to other African cashew producing countries (Kraft Foods 2007). Without more information on Kraft Foods long-term strategy in Africa, this partnership had a no-profit strategy.

ANZ
ANZ is an Australian bank, with a global presence in 32 countries. With over 8 million customers and 48 000 employees worldwide, ANZ is one of the top 50 banks in the world (ANZ.com). In 2003, ANZ started to develop a banking program for the rural poor in Fiji, and in a partnership with the UNDP, they formed a partnership for sustainable and inclusive banking services. ANZ would provide a mobile banking service through a fleet of “bank-on-wheels”, and the UNDP would conduct financial literacy education. The rural banking program held two services – a savings account and an everyday account. The fleet consisted of 6 mobile banks, with a staff of 20 people, which travelled on a regular schedule to 150 designed rural villages and settlements. The investment required equipment and staff, and the initial value of this investment was 615 000 USD, granted by ANZ’ office in Australia. For their rural banking operations in Fiji, ANZ could benefit from a 150% tax rebate. From 2004 to 2008 ANZ rural banking had 62 257 clients. ANZ hopes that the program once will become sustainable, and profitable, and thinks it is great opportunities for this as the young rural population, when entering formal employment is likely to stay with ANZ as their bank (ANZ 2008). The case is a non-profit project, and though there might be profit in the future, the strategy is not profit-oriented.
Lafarge
Lafarge is a world leading building material supplier, and in 2005 they had over 80 000 employees in over 76 countries, and sales over 18 billion dollar. Their operations in Indonesia were a cement plant, and they had been present in the Indonesian market for many years – supplying the high-income segment. After the tsunami in 2004, the whole country needed to be rebuilt, and Lafarge saw this as an opportunity of speeding up the market penetration, of also providing the low-income consumers. As this segment could not afford the investment of a cement house, Lafarge developed a long-term for-profit strategy. Lafarge donated 500 houses, 5 million dollars worth. In the long run they would increase sales and market share as rebuilding and maintenance would occur. As this is a long-term strategy, and a cement house lasts about 20 years, profits have yet not been made from the low-income segment (Lafarge 2007).

EDF
EDF (Electricité de France) and the EDF group is a world leader in providing low-carbon energy solutions. In 2010 they had over 150 000 employees worldwide, and sales of over 65 billion Euros (edf.com). In 1999 and 2001, EDF, NOUN and TOTAL, with the support from the French Agency for Environment and Energy Efficiency created two rural energy service companies (RESCOs) in Mali – Koraye Kurumba and Yeelen Kura. The long-term goal of the business was to bring electricity to the rural areas through a sustainable business model, which eventually would be a 100% owned by the local companies. The model is designed to be for profit, but in 2007, the revenues only covered cost. A planned expansion was to be increase revenues through a greater customer base. Until the business showed to be sustainable – the risk were too high for the local companies to get ownership in the RESCOs. Once it shows to be sustainable EDF will transfer all its shares to local companies, and this will cover at least costs (EDF 2007). In the case of EDF, the for-profit strategy is not for the company, and when the RESCOs become sustainable and potentially profitable, EDF will sell its shares. The for-profit strategy can therefore not be assign EDF.

Sanofi-Aventis
Sanofi-Aventis is a French pharmaceutical company, and with its almost 100 000 employees, and sales of over 30 billion Euro in 2010, it is the largest pharmaceutical company in Europe and the fourth largest in the world (sanofi.com & Sanofi-Aventis 2007). In line with their corporate strategy of “healthcare is a right and a right that all should enjoy” (Sanofi-Aventis
2007, p2), they started in 2001 a cooperation with The World Health Organization (WHO). One of their projects was to fight sleeping sickness in Sub-Saharan Africa, where Sanofi already had four major drugs available. In 2004 Sanofi committed 5 million US dollar worth of drugs to fight sleeping sickness, and another 20 million in the support of other tropical diseases. The program also included cooperation with Doctors Without Boarders and local health ministries in the areas where the program was being implemented. Sanofi had the financial supportive role in terms of providing the drugs, and moving some of their manufacturing to developing countries to reduce price. Sanofi benefited from the program by increased visibility and increased dialogue with public healthcare leaders (Sanofi-Aventis 2007). The program did create value in terms of increased access to healthcare, and a reduction in deaths caused by sleeping sickness, but it was a non-profit strategy for Sanofi.

Mekong Bamboo
Mekong Bamboo is a consortium compromised by various donors, enterprises, famers and international businesses. It is lead by the UK-based social enterprise Prosperity Initiative. Businesses that are involved are information partner, advisory partners or investment partners – where the latter are third parties which finance and advice local projects (mekongbamboo.org). The aim of the consortium is to facilitate and kick-start the bamboo industry in the Mekong area, which consists of three developing countries: Vietnam, Laos and Cambodia. Focusing on several points in the value chain, local businesses developed and income was generated for the local farmers. In the case time frame, 2004-2006, the annual market size of 261 million dollar employed over 400 000 people (Mekong Bamboo 2010). The project was not a non-profit project, and it did generate revenues for the bamboo business involved, but for the initiators, and business partners involved, no profit strategy could be identified.

TEMASOL
The French oil and electricity companies TOTAL and EDF have a joint venture affiliate TENASOL, which is aimed towards the Moroccan solar energy market. Both TOTAL and EDF are leading MNCs within the energy sector. TOTAL has over 92 000 employees operating in more than 130 countries and over 19 billion Euro in sales in 2010 (total.com). EDF had in 2010 over 150 000 employees worldwide, and sales of over 65 billion Euros (edf.com). In response to a public tender on providing rural areas with electricity, TEMASOL
was created in 2002 within the national program championed by Morocco’s National Electricity office (ONE). The program’s aim was to take the percentage of electrification in Morocco from 12 percent in 1994 – to 97 percent in 2007-2008. TEMASOL is a for-profit business, but it took them 3 years to become profitable. Though a for-profit business, TEMASOL has a pro-poor strategy of providing the poor with energy in a sustainable way. Through the efforts of the different actors involved in the ONE program, the electrification in Morocco increased to 95.4 percent in 2008. TEMASOL was a contributor to this increase, and the many developing impacts increased access to electricity has. With an operating profit of 419,000 US dollar in 2008, they were able to do so with successful a for-profit strategy (TEMASOL 2011).

Grundfos
The world’s leading pump manufacturer, Grundfos established the LIFELINK subsidiary to provide rural areas in developing countries with safe drinking water. Grundfos is a Danish company with operations in more than 50 countries, over 16,000 employees and a turnover of over 19 billion DKK in 2010 (grundfos.dk). Together with Safaricom Limited, they have developed a business model where the customers pay for the water they use through mobile banking, and the income from usage works as a down payment system. After the loan from acquiring the pump is paid down – the local community owns the pump and can use the income from the usage in new development projects. LIFELINK is business with a responsible approach, closely linked to Grundfos’ CSR strategy. Though the business model is sustainable with its income generating business model, Grundfos does not profit from the LIFELINK project. If there are any revenues left after deducting all the costs of operation – it goes back to the community’s account (Grundfos LIFELINK BOP-Learning Lab and Grundfos LIFELINK.com).

Defta Partners
Defta Partners is a US venture capital company, which invest in information technology companies based in the US, UK, Japan, Israel (where they also have offices) and emerging economies in Africa, Asia and Latin America (investing.businessweek.com). In the wake of the financial crisis, Defta Partners points at the resilience of many developing countries to resist the global downturn, and the potential in these markets for growth technology development (Defta Newsletter 2010). In 2005, Defta Partners did its first initiative towards reducing poverty through BracNet, a project of bringing Bangladesh into the digital age. The
pilot project focuses on deploying WIMAX, a wireless infrastructure technology that enables low cost broadband communications. In a joint venture with BRAC, a social development organization, Defta’s BracNet set the ultimate goal of becoming the largest wireless IP-based communication company in Bangladesh by 2010. Shareholders have questioned Defta’s low-income market activity, and how it will maximize shareholder value. Defta Partners has responded with arguing for the future growth opportunities these markets hold, and that for any long-term business plan expansion is important to stay competitive. Expected profits for BracNet for 2009 were 17 million dollar, and the Bangladesh project shows a promising development in relation to fulfilling these expectations, and owing 60 percent of BracNet, Defta Partners could profit as well (Defta 2005). No profit generation could be identified for Defta Partners or BracNet in 2009 and expansion was moving slower than planned (Harvard Business School case 2009). However, stable returns might convince the initially sceptic shareholders that this strategy will pay off – also in terms of profits.

Abbott
Abbott is a global health care company with products and services with medicine, technologies and managing care. In 2010 Abbott had nearly 90 000 employees and revenues of over 35 billion dollars. In 2001 Abbott started a public-private partnership with the Tanzanian health ministry, for modernizing the health care system in the country. In 2008 over 90 local hospital facilities and 23 regional hospital laboratories have been modernized, new health systems have been implemented and staff has been trained. The program also included increased access to HIV testing and treatment services, and the program has given 150 000 patients access to testing and treatment in improved facilities (Abbott 2008). The program was a project by Abbott Fund, which is a private foundation by Abbott. The foundation is non-profit, and the investment in Tanzania, which was one of the Abbott Fund’s grater program investments, has to date (2011) been of 85 million dollars in grants or donations (abbottfund.org). The philosophy is that economic benefits can be created though improved health. Several economic benefits of the program are identified on the development side of the equation, as the program has attracted other private organizations resources, however, the strategy of Abbott Fund is non-profit.

Barclays Bank
Barclays Bank Ghana is a wholly owned subsidiary by Barclays Bank PLC, which is a UK based international bank with operations in over 50 countries and over 145 000 employees
and an income of over 30 billion pounds in 2010 (barclays.com). Barclays Bank Ghana has been operating since 1971, and their initial customer group was middle, and high-income level retail banking and business investments. In 2005, Barclays Bank Ghana decided to approach the low-income segments through the informal collection system, Susu collectors. Previous attempts to reach the low-income customers had failed, and as over 60 percent of the country’s money supply was outside the commercial banking system, getting access to the informal systems could increase the banks market share, and increase income. By 2006, Barclays Bank of Ghana had trained over 170 Susu collectors, and innovated their products and services so the Susu collectors could continue their work, but with the benefits of the bank. So far Barclays has invested over 300 000 US dollar in the project, and if it is successful they hope to scale the program and start microfinance operations in other developing countries in which they are operating (Barclays Bank 2007). There is no data available on whether the project of including the informal Susu collectors in Ghana has yet has been profitable, but the strategy is that as the Susu collectors get access to increased services, such as microloans, they could lend money to their clients. When the clients are able to invest, their businesses might grow – and eventually become Barclays’ customers. Both in Susu collectors, and their clients Barclays have potential new customers, so it might become a profit-generating business in the long run.

Procter & Gamble
Procter & Gamble (P&G) is a MNC, producing more than 300 consumer goods, operating in over 140 countries, has almost 140 000 employees, and had in 2010 sales of over 78-billon dollar (procter&gamble.com1). P&G has experience from different low-income markets, such as Always in many African countries, where this feminine care product is distributed to over 450 000 outlets (procter&gamble.com2). P&G have since 1995 been working on new ways to purify water, and in 2000 P&G launched the PUR powder – a water purification product innovation at point-of-use (POU) usage. The PUR is a powder that separates clean water from dirty water, and it is simple to use and the process takes about 20 minutes. Furthermore, the product was sold in individual sachets at an affordable price. The for profit strategy was to commercialize the technological innovation by distributing and marketing through the private sector combined with advocacy and education by the efforts of collaborative partners to build the market demand of safe water. By testing for commercialization, specific activities were conducted. In addition to testing for efficiency, education and training, local capacity building and monitoring was steps in building a sustainable business model. Though cooperating with
international NGOs and using own local distributors, after 3 years of testing – P&G failed to
profit from the innovation. P&G failed to trigger sustainable behavioural change, which
resulted in an insufficient re-purchasing of the PUR product. In 2003, 3 years after its launch,
P&G reverses its strategy, turning the PUR business into a non-profit model (Procter &
Gamble 2007).

SELCO
SELCO is a social enterprise, based in Bangalore, with 25 Energy Service Centres (ESC)
throughout India. SELCO currently has about 170 employees, and in 2008 they had an
operating profit of 1.36 million INR. SELCO provides rural low-income customers India with
access to solar lightening technology. SELCO beliefs incomes can rise with productivity, and
a source to increased productivity can be clean and cost efficient electricity. The business
model is based in this assumption. SELCO cooperates with rural state owned banks which
provide the poor with access to finance through a loan, so the poor can make the investment
in the solar lightning technology. SELCO ensures that the repayment pattens match the cash
flows generated as a result of the additional income generated by access to the more cost
efficient energy – and raised productivity. Though SELCO is a social enterprise, they believe
their business models can be profitable – which it has shown to be. The business was founded
in 1995, broke even in 2001, and in the end of 2005 they made a profit. There were some
turbulent years between 2005 and 2008, as the world demand for solar lightning technology
increased. SELCO was not able to pass on the price increase to their customers, and their
suppliers was moving to more lucrative markets where the customers where able to pay. By
receiving funding from some socially oriented investors, and developing a strong relationship
with one supplier, instead of having many more flexible suppliers, SELCO was able to turn
things around, and again made profits in 2008. Today SELCO has provided solar energy to
more than 100 000 households, and the next challenge is to scale the business beyond the
clients accessed through the cooperation with the rural banks (2011).

Saraman
The Iranian company Saraman was started in the aftermath of the earthquake of BAM in
2003, and is an example of how making housing affordable and safe for low-income
communities can be a profitable business. In cooperation with Iranian and German
universities, the German Academy Exchanges Service (DAAD), engineering companies and
local investors, Saraman aimed at finding technologies and ways to reduce the time and cost
of building earthquake proof constructions – within a profitable business models. They have so far succeeded, and between 2002 and 2009 Saraman was awarded 27 public construction projects in Iran – representing a turnover of about 3.9 million USD. Saraman is currently employing 12 permanent and 65 temporary employees (Saraman 2010). It is claimed to be a profitable business, but the case provides no information on the share of profit from the turnover.

Olam

Olam International Limited is a world-leading supplier of raw and processed agricultural products. Olam International Limited started in 1989 as Olam Nigeria in Nigeria. The initial business was a one market, one product business, and today Olam Nigeria Limited has become Olam International Limited, with a company portfolio cutting across the total supply chain from procurement of farmers products, to distribution or around 20 business units from coffee to wool products. In 2008 they sold to over 10 000 customers world wide – with 65 end markets. They are currently present in 60 countries, and have more than 13 000 employees. In 2008 alone, Olam International Limited made a total profits of 167.7 million USD, growing rapidly from the 109 million USD the year before (Olam 2011, Olam.com). Besides being the supplier of agricultural products, Olam partners with financial institutions and offers their farm-clients loans so they can invest in more modern equipment. This will raise the farmers’ productivity – benefiting both the farmers and Olam. Furthermore, Olam builds capabilities through holding training programs, also aimed at increasing productivity. In Nigeria, these efforts have had great impacts on productivity. The national average of earnings per hectare is 235 USD, and an Olam client has 1000 USD earnings per hectare. The development impacts go beyond the increased income. The farmers report of increased well-being through financial freedom through access to credit, and more stability and reduced risk and uncertainty, as inputs are given early in the planting season, and not first when it is over. Part of their future growth strategy, Olam is continually developing new ways to serve their customers by adding more processed farm products to their portfolio (Olam 2011).

Pot-in-pot

Mallam Abba founded in 2000, Mubah Rural Horizon is the producer of the pot-in-pot products, which are “fridges for the poor” – preservation/cooling systems for rural farmers. Already in 1995-1997, the first 12 000 pots were produced, and distributed for free to promote the product and stimulate demand. With modest financial assistance from own
savings, friends and family and the UNDP, Mr Abba, together with local pot maker, commercialized production in 2000, and in 2005 over 90 000 pots had been delivered. Though this converts into 360 000 UDS in revenues, the profit is modest after deducting all the production and distribution costs. Mubah Rural Horizon is only formally employing the founder Mr. Abba, and as the business operates as a typical informal sector business with little records of the exact number of pots made and pot-makers, the real workforce is difficult to determine. The pots have had great income effects for the customers as they have gained greater flexibility in selling their farm products (Pot-in-pot 2011). There are also many other developing benefits, but no records of profit can be made from the case.

UNILAB
United Laboratory Inc (UNILAB) is a Philippine pharmaceutical company, founded in 1945. In 2002 they had 300 market leading pharmaceutical brands, and about 19% percent of the market share in the Philippines. In 2002 UNILAB set up the subsidiary RiteMed. The mission was to market and distribute generic medicine, low prices so the poor could afford them – mission grounded in their CSR commitment. The market was commercially untapped, and both the public and private consumers were sceptical to begin with. The introduction of the generic medicine was therefore through a business model of intensive marketing and education, using local partnerships and targeting central public actors. Through economies of scale, RiteMed became profitable after just 6 months, and though selling also own (UNILAB) branded medicines as generic alternatives at a 20-75 percent lower price, profits of 450 000 USD were made in 2005. After three year with RiteMed, UNILAB market share had gone up from 19 percent to 32 percent. UNILAB is planning the future growth of RiteMed through more extensive training of clients and health care personnel, single serve sachets and new geographies such as Vietnam and Cambodia – markets that share similar needs in the healthcare sector (UNILAB 2007).

GiroNil
GiroNil was established in Egypt in 2005 as a public-private venture for increasing the range of the banking system. The joint venture was between the technology providers, GiroNil and the Egyptian Banks Company (EBC), which were to co-develop the national Automated Clearing House (ACH). With the support from the Central Bank of Egypt, the aim was to develop and implement cashless payment systems (giro) to the rural unbanked low and middle-income consumers throughout Egypt. As part of this national giro system, GiroNil has
started to develop mobile banking and microfinance solutions, also with the low-income rural population as main target group. The aim of the ACH is up to 2 billion transactions per year by 2017. The revenue model is a profit sharing one – and the profit structure is based on large volumes of transactions. With the high investment cost, by the time they break even, approximately 18 million USD has been invested in network infrastructure. As the system is developed, GiroNil receives a nominal fee for every transactions, and with the aim of 2 billion transactions, the income potential is large (GiroNil 2010). GiroNil pursues a for-profit BOP-strategy, however there is no information on if profits have yet been made.

**BASIX**

BASIX Group is an Indian based group of institutions established in 1996. Their flagship company BSFL (Bhartiya Samruddhi Finance Limited) is founded as a Non-Banking Finance Company, with the mission of facilitating financial inclusion of low-income and poor groups by offering credit along with saving facilities based on the three principles of; operational efficiency, financial viability and sustainable social value. Not being a pure microfinance company, BSFL is to be a livelihood facilitator through financial services (credit, savings and insurance), agriculture and business development services (market linkages and productivity enhancer), and instructional development service, with focus on the poor in the rural areas of India. Its social agenda has a profitable business strategy, and many of its partners are also for-profit. BASIX cooperates with two non-bank financial institutions, the non-profit Indian Grameen Service, public institutions and NGOs. Furthermore, they have commercial investors, for which they strive to yield competitive yields of returns. With professionals representing different sectors and fields, diverse partnerships and a mix of investors, BSFL’s integrated business model is unique compared to other microfinance institutions in India. In their first years, BASIX received support from national and international donors, but in 2001 they raised the first equity, getting access to commercial financing. In 2008 return on equity was 17.8 (32.7 percent 2009), and more commercial investors are coming to. The same year profits were 70 510 000 INR (approximately 1.5 million USD), and a customer base of almost 1 million, and the workforce around 5 000. The future strategy is to expand in its presence across rural and urban spaces, reaching 10 million customers by 2014. Scaling is however challenging as the organization has such a complex structure, but it differentiates them from other MFI (BASIX 2011).
Britannia
Britannia is one of the market leading food companies in India, employs almost 2000 people, and known for its biscuits for over 100 years. Britannia’s biscuits reach 60% of all homes in India and in 2010 this meant sales of 35 246 million INR (approximately 766 million USD) – leaving Britannia with a profit of 2 112 million INR (approximately 45 million USD) (Britannia.co). Biscuits are central in the Indian diet and providing nutritious biscuits could contribute to combat the great problem of malnutrition and vitamin deficiencies among the Indian population. Pursuing their corporate identity “Eat Health – Think better”, Britannia had been exploring ways to contribute to improve nutrition for years. With the re-launch of healthier biscuits with added vitamins and minerals, as part of their CSR program, Britannia was looking for a partner to get these out to the poor. In 2007 Britannia partnered with the public trust organization Naandia Foundation, and the UN improved nutrition organization Gain. Naandia contributed with access to and information about the poor and their markets, and Gain brought essential funding. With focus on children, they started the midday meal program, which during the period (2007) would reach 110 million children, and 3 billion packs of fortified biscuits were sold. After the program ended, Britannia wanted to explore further commercial opportunities, and much work was done in brand awareness as a result of the programs (Britannia 2008). The CSR project was a success in its product testing and reach, however. 3 billion backs were also sold, but the case holds no information on the investment costs of the midday meal program, and the revenues from the products sold.
## Appendix B – case details

### For-profit – Profit generating cases:

<table>
<thead>
<tr>
<th>Building block</th>
<th>TEMASOL</th>
<th>Selco</th>
<th>Saraman</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Origin/Owneership</strong></td>
<td>MNCs</td>
<td>Local Bop-business</td>
<td>Local Bop-business</td>
</tr>
<tr>
<td><strong>Size</strong></td>
<td>For profit</td>
<td>Social entrepreneurship</td>
<td>For profit</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>Poor in a middle-income country, with poor or no access to electricity</td>
<td>Poor in rural India, currently depending on polluting and inefficient sources of energy</td>
<td>The poor in the earthquake exposed Iran</td>
</tr>
<tr>
<td><strong>Customer segments</strong></td>
<td>Electrifying rural regions with solar energy through PVKs (kits)</td>
<td>Electrifying rural regions with solar energy through doorstep financing and service solutions and services developed in coop with the community</td>
<td>Technology and supply for affordable and safe housing</td>
</tr>
<tr>
<td><strong>Value proposition</strong></td>
<td>Regional offices with local agents manage sales and installation of the kits</td>
<td>Regional service centres and local entrepreneurs. Partners for financing services</td>
<td>Public procurement</td>
</tr>
<tr>
<td><strong>Channels</strong></td>
<td>Instillation, product delivery and maintenance assistance</td>
<td>Personal assistance in sales and maintenance, building emotional and personal connections. Not managing finances</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Customer relationships</strong></td>
<td>Subsidiaries from ONE, connection fees and monthly fees independent from use</td>
<td>Installation and annual maintenance, collected through rural banks, microfinance agencies and credit cooperatives</td>
<td>Technology development: International organizations and local investors. Products sold: Fixed income by project</td>
</tr>
<tr>
<td><strong>Revenue streams</strong></td>
<td>Home company technology and knowledge, local agents and local partners</td>
<td>Close relationship with the supplier who shares the social vision</td>
<td>Knowhow from universities and research centres, and engineering companies</td>
</tr>
<tr>
<td><strong>Key Resources</strong></td>
<td>Supply and install, operation and maintenance</td>
<td>Active interaction with the community when conducting marketing, sales and maintenance services</td>
<td>R&amp;D, developing technology, delivering design, fabricates and pre-fabricated steel constructions</td>
</tr>
<tr>
<td><strong>Key activities</strong></td>
<td>International MNCs, a national public agency (ONE) and local partners (communes)</td>
<td>Long-term relationships with a limited number of suppliers. Cooperation with rural banks for finance, and local unions for product development.</td>
<td>Universities and research centres</td>
</tr>
<tr>
<td><strong>Key partnerships</strong></td>
<td>Projects sold and pre-paid</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Case descriptions in appendix A
## Building block

<table>
<thead>
<tr>
<th>Olam Nigeria Limited</th>
<th>Unilab</th>
<th>Basix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Bop-business becoming MNC</td>
<td>Local Bop-business</td>
<td>Local Bop-business</td>
</tr>
</tbody>
</table>

### Customer segments

- **Olam Nigeria Limited**: Poor farmers are sourced as input, and the customers is the world market
- **Unilab**: Primary market: The poor in the Philippines. Secondary market: other patients looking for value in medicine treatment
- **Basix**: The poor in rural and urban areas, across various subsectors in India

### Value proposition

- **Olam Nigeria Limited**: Provides its markets with processed and raw agricultural commodities, and with a low-risk product mix, the aim is to maximize economic value and sustain growth over time by increasing input productivity
- **Unilab**: Providing generic, low-cost-high quality, single serve entities - medicine
- **Basix**: Be a livelihood facilitator through enhancing economic productivity and reduce costs for its customers

### Channels

- **Olam Nigeria Limited**: Network of local buying agents
- **Unilab**: Pharmacies, health care providers, community based outlets and trade entities
- **Basix**: Providing financial services and supportive service in the non-financial sector

### Customer relationships

- **Olam Nigeria Limited**: Mutual dependent on the farmers productivity/income (for the farmers)
- **Unilab**: Information campaigns to build customer trust
- **Basix**: Community oriented (building institutions) and self-help support.

### Revenue streams

- **Olam Nigeria Limited**: Investors, and revenues from their 6500 customers (agents) worldwide.
- **Unilab**: Fixed price per product sold to client - reseller
- **Basix**: Support from commercial and development investors. Main revenues are captured in interest income from their financial services.

### Key Resources

- **Olam Nigeria Limited**: Training and financial incentives to farmers and buying agents/suppliers to stay loyal, that also raise productivity
- **Unilab**: The good brand and reputation by main brand UNILAB, government support of generic drugs, experience in the pharmaceutical business
- **Basix**: Local knowledge and experience, combining technical knowhow and capacity building and credit (microfinance)

### Key activities

- **Olam Nigeria Limited**: Sourcing products at farm-gate level, engage farmers in the production process, processing and distributing them in its global trade channels
- **Unilab**: Marketing generic drugs as just as good as branded, and cooperating with public health care institutions.
- **Basix**: Providing financial services, agricultural and business development services, and institutional development services

### Key partnerships

- **Olam Nigeria Limited**: International foundations and financial institutions, and national partners such as banks, farming cooperatives and buying agents
- **Unilab**: Trading organizations, medical and health organizations, municipalities. Support from the government.
- **Basix**: Non-bank financial companies, non-profits/NGOs,

### Cost structures

- **Olam Nigeria Limited**: Economies of scope in products and activities that command minimal economic attention. Flexible inputs through value driven supplier management
- **Unilab**: Low mark-up per product = economies of scale. Marketing costs were reduced by branding a whole product line under one brand (RiteMed)
- **Basix**: Low initial investment costs

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Sources: Case descriptions in appendix A
### For-profit – Non-profit generating cases:

<table>
<thead>
<tr>
<th>Building block</th>
<th>Defta Partners</th>
<th>Lafarge</th>
<th>Barclays Bank</th>
<th>GiroNil</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ownership</strong></td>
<td>MNC</td>
<td>MNC</td>
<td>MNC</td>
<td>Local BOP-business</td>
</tr>
<tr>
<td><strong>Customer segments</strong></td>
<td>Internet connection in Bangladesh</td>
<td>Both the low-income, high income and public sector in Indonesia</td>
<td>The rural and unbanked poor in Ghana</td>
<td>The rural and unbanked in Egypt</td>
</tr>
<tr>
<td><strong>Value proposition</strong></td>
<td>Wireless infrastructure technology that enables low cost broadband communications</td>
<td>To rebuilt 500 homes, and central public institutions at own cost to provide necessary assistance to the victims, and demonstrate the usability of cement to a new customer segment</td>
<td>Improve financial services in Africa, by linking Barclays to the existing traditional business practices (Susu collectors).</td>
<td>Providing cashless payment systems (giro) by developing a financial infrastructure that will reach the unbanked</td>
</tr>
<tr>
<td><strong>Channels</strong></td>
<td>Partnering with local entrepreneurs (bracNet Partners), franchise of digital centres (e-huts) and indirectly through schools</td>
<td>Direct donations of houses to employees and local inhabitants</td>
<td>Susu collectors - reaching the poor through the traditional informal system</td>
<td>Public-private partnership with the state-owned Egyptian Banks Company (EBC)</td>
</tr>
<tr>
<td><strong>Customer relationships</strong></td>
<td>Self-service, community (schools), training</td>
<td>Donations, and demonstrating the abilities of cement, local entrepreneurship assistance and coaching</td>
<td>Building capacity to take on more advanced products (financial services)</td>
<td>The payments processing hub - enabling cashless transfers between the network's members</td>
</tr>
<tr>
<td><strong>Revenue streams</strong></td>
<td>Installation and usage fees</td>
<td>Long-term: from rebuilding / maintenance</td>
<td>Interests from microfinance.</td>
<td>Fee per transaction</td>
</tr>
<tr>
<td><strong>Key Resources</strong></td>
<td>The partner's access to local experience and networks, and the advanced technology form own portfolio companies</td>
<td>Market access through own and partners' efforts; Own; previous experience, Local partners providing access to the local communities, and international partners with access to materials and training.</td>
<td>The network and trust of the Susu collectors</td>
<td>Own know-how, and the reach of its many partnerships</td>
</tr>
<tr>
<td><strong>Key activities</strong></td>
<td>Internet connections and services focused on low-cost and other &quot;poverties&quot; such as education and health care</td>
<td>Cooperate with local NGOs for appropriate design, rebuild coordination, and training programs for old and new employees</td>
<td>Creating awareness among end-users, provision of banking services to Susu collectors, and building their capacity</td>
<td>Implementation of the technology infrastructure, educating the market about payment systems</td>
</tr>
<tr>
<td><strong>Key partnerships</strong></td>
<td>BRAC, local social development organization with a strong brand and for-profit experience</td>
<td>Local and international NGOs, and public labour agencies.</td>
<td>The local Susu collectors association and local microfinance institutions</td>
<td>The central bank of Egypt, The Egyptian Banks Company, local/international banks, microfinance institutions, Egypt Post, Ministry of finance</td>
</tr>
<tr>
<td>Cost structures</td>
<td>High fixed costs in installation, once established, economies of scale</td>
<td>High fixed costs. Long-term investment.</td>
<td>High fixed costs of the program - training, and developing the project - long term economies of scale</td>
<td>High fixed costs of network infrastructure - then economies of scale</td>
</tr>
</tbody>
</table>

Sources: Case descriptions in appendix A
Failing for profit:

<table>
<thead>
<tr>
<th>Building block</th>
<th>P&amp;G</th>
</tr>
</thead>
<tbody>
<tr>
<td>Origin/Ownership</td>
<td>MNC</td>
</tr>
<tr>
<td>Customer segments</td>
<td>The global poor with no or low access to safe drinking water</td>
</tr>
<tr>
<td>Value proposition</td>
<td>Providing the poor with water purification - at low cost, and easy to use</td>
</tr>
<tr>
<td>Channels</td>
<td>P&amp;G's local distributors and other private companies which already sell water treatment products through shops and bazaars</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>Direct sales</td>
</tr>
<tr>
<td>Revenue streams</td>
<td>From sales - between 0.08 and 0.10 USD per sachet</td>
</tr>
<tr>
<td>Key Resources</td>
<td>Own research and product innovation</td>
</tr>
<tr>
<td>Key activities</td>
<td>Scaling through skill-based education and local capacity building, and advertising through local health care leaders and organizations</td>
</tr>
<tr>
<td>Key partnerships</td>
<td>International NGOs (PSI) (MERTU) (CDU) and UNICEF</td>
</tr>
<tr>
<td>Cost structures</td>
<td>The sachets were priced with a 100% mark up from production cost</td>
</tr>
<tr>
<td>Business model: Main points</td>
<td>The technology innovation</td>
</tr>
</tbody>
</table>

Sources: Case descriptions in appendix A
### Non-profit:

<table>
<thead>
<tr>
<th><strong>Building block</strong></th>
<th><strong>Mekong Bamboo</strong></th>
<th><strong>Grundfos</strong></th>
<th><strong>Pot-in-pot</strong></th>
<th><strong>Sanofi-Aventis</strong></th>
<th><strong>Britannia</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Origin/Owne rship</strong></td>
<td>MNC</td>
<td>MNC</td>
<td>Local Bop-business</td>
<td>MNC</td>
<td>Local Bop-business</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>Social Enterprise</td>
<td>Sustainable business</td>
<td>Sustainable business</td>
<td>Non-profit initiative</td>
<td>CSR-strategy</td>
</tr>
<tr>
<td><strong>Customer segments</strong></td>
<td>Facilitation partners between farmers, workshops and buyers</td>
<td>The rural poor with low/no access to clean drinking water</td>
<td>Rural farmers in Nigeria</td>
<td>The rural poor in Africa</td>
<td>Poor, especially children in India</td>
</tr>
<tr>
<td><strong>Value proposition</strong></td>
<td>Develop and open opportunities for businesses to do with the poor</td>
<td>A single point water supply pump, will through mobile banking provide the poor with affordable - clean water</td>
<td>Tapping into a large unemployed workforce and producing pots for rural farmers to preserve their farm products</td>
<td>Fight sleeping sickness and other neglected diseases among the world's poorest populations</td>
<td>To bring iron-fortified biscuits to children through a midday meal program, and reduce malnutrition among the poor</td>
</tr>
<tr>
<td><strong>Channels</strong></td>
<td>Local governments</td>
<td>Own subsidiary - Lifelink</td>
<td>Local pottery makers and retailers in the community</td>
<td>Doctors without boarders</td>
<td>Naandi's midday meal program, and informal kitchen networks</td>
</tr>
<tr>
<td><strong>Customer relationships</strong></td>
<td>Investors and organizers of production</td>
<td>Targets the whole communities, which down-pays the pump through usage</td>
<td>Direct sale and education about technology</td>
<td>Delivering medicine and treating the ill</td>
<td>School feeding program</td>
</tr>
<tr>
<td><strong>Revenue streams</strong></td>
<td>Combines financing from the public and private sector to finance their work. Fee based service</td>
<td>The mobile payments from usage cover expenses, and if profit this is given back to the community</td>
<td>From sales</td>
<td>The WTO covered the costs of the program</td>
<td>The government feeding programs, and from commercial sales of other biscuits.</td>
</tr>
<tr>
<td><strong>Key Resources</strong></td>
<td>Its partners and network of industry experts</td>
<td>Own technology and financing system</td>
<td>The technology (Innovated local age-old cooling system)</td>
<td>Own medicine and experience</td>
<td>Strong brand, developed distribution channels and experience in food manufacturing.</td>
</tr>
<tr>
<td><strong>Key activities</strong></td>
<td>Facilitates bamboo value chain activities</td>
<td>Establish the pumps and facilitate the down payments</td>
<td>Educating about the technology and getting the support of community leaders</td>
<td>Supply drugs, transfer manufacturing and campaigns and screenings in benefit of the program and the work of the WTO</td>
<td>Product development to make it according to customer needs, with the right amount of minerals added, and production at low cost</td>
</tr>
<tr>
<td><strong>Key</strong></td>
<td>Industry</td>
<td>The partners for</td>
<td>Support from</td>
<td>The WTO, International</td>
<td></td>
</tr>
</tbody>
</table>


### Business Model: Main Points

<table>
<thead>
<tr>
<th>Source</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnerships</td>
<td>The main business model innovation is the network of the enterprise, which not only provides it with competences, but also with financing. Main building block - partnerships</td>
</tr>
<tr>
<td>Cost Structures</td>
<td>N/A</td>
</tr>
<tr>
<td>Business Model</td>
<td>The main business model innovation is the financing model, which allows for at-point of use payments, and reinvestment back to the community. The main building block value proposition</td>
</tr>
</tbody>
</table>

Sources: Case descriptions in appendix A
Cont. Non-profit:

<table>
<thead>
<tr>
<th>Building block</th>
<th>Abbott</th>
<th>Kraft Food</th>
<th>EDF</th>
<th>ANZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Origin/Ownership</td>
<td>MNC</td>
<td>MNC</td>
<td>MNC</td>
<td>MNC</td>
</tr>
<tr>
<td>Strategy</td>
<td>Non-profit foundation</td>
<td>Non-profit initiative</td>
<td>For-profit initiative - but not for EDF</td>
<td>Non-profit initiative, but hoping for profit in the long run</td>
</tr>
<tr>
<td>Customer segments</td>
<td>Health care and health infrastructure in Tanzania</td>
<td>Cashew farmers in Guinea</td>
<td>The poor and rural in Mali</td>
<td>The poor and rural in Fiji</td>
</tr>
<tr>
<td>Value proposition</td>
<td>Modernize the health care system and expand access to HIV testing. This will improve the conditions for health, and economic growth</td>
<td>To provide technical support to community based organizations within cashew production, so they can improve their production - income and employment - under the program: Global Development Alliance Partnership</td>
<td>To provide the Malian population with electricity, with a business model that will ensure profitability, sustainability, reliability and local ownership</td>
<td>To provide the remote areas in Fiji with banking services through mobile banking - which will empower the clients and reduce poverty</td>
</tr>
<tr>
<td>Channels</td>
<td>Hospitals, accessed through the government of Tanzania</td>
<td>USAID and local Guinean partner organizations</td>
<td>Developed the Rural Energy Services Companies (RESCOs) business</td>
<td>Own-program of mobile banking - bank on wheels</td>
</tr>
<tr>
<td>Customer relationships</td>
<td>Public-private partnership which built on cooperation and trust</td>
<td>Contributing financially and with technical expertise to develop the local industry's strategy</td>
<td>Direct - but flexible; Fees are collected periodically, chosen by the customer</td>
<td>Providing the financial services, and interactive through training and co-defining market demand</td>
</tr>
<tr>
<td>Revenue streams</td>
<td>N/A</td>
<td>N/A</td>
<td>Subsidiaries and fees from customers</td>
<td>Account maintenance fees, and interests</td>
</tr>
<tr>
<td>Key Resources</td>
<td>Experience and funds</td>
<td>Own expertise (one representative) and financial resources</td>
<td>Technology in service delivery (fixed fees), regulatory environment (there were none) and flexible local ownerships</td>
<td>The product and channels of distributing them</td>
</tr>
<tr>
<td>Key activities</td>
<td>Modernization of hospitals, and training of healthcare professionals</td>
<td>Developing the Chamber of Commerce cashew organizations. Identifying business opportunities, increasing yields and linking the local value chain</td>
<td>Through RESCOs, install and manage local electricity generating systems, and the local infrastructure through training programs and development of equipments</td>
<td>Investigating market demand, and getting the &quot;acceptance&quot; from community decision makers. Travelling out to the villages</td>
</tr>
<tr>
<td>Key partnerships</td>
<td>The national government</td>
<td>The international organization USAID, local cooperatives and government</td>
<td>The partnering company, NUON, the Malian public agency for energy (AMADER), and</td>
<td>The UNDP and the support from the government</td>
</tr>
<tr>
<td>Cost structures</td>
<td>Funding the program</td>
<td>Low-cost fees through adapting supply to demand, and fixing the fees (reduces management and operation complexities)- Both economies of scale</td>
<td>Low margin business, so depending on a high take-up rate - economies of scale</td>
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<tr>
<td>N/A</td>
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</tbody>
</table>

**Business model: Main points**

<table>
<thead>
<tr>
<th></th>
<th>Main business model innovation is joining a partnership, which has provided access to many African key decision makers. Main building block: the partnerships and industry development activities</th>
<th>The main business model innovation is the risk-bearing role of EDF as main initiator and developer, and the transfer of ownership to local businesses as the business shows viability. The main building block is the resources - a business friendly environment (no regulations)</th>
<th>The main business model innovation was the channels for distribution. The main building block is the partnership with the UNDP, which helped overcome the hurdle of financial literacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>The main business model innovation was to form a public-private partnership to pursue the goals of the foundation. The main building block is the finance provided by the foundation and the partnership, which gave access.</td>
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</tbody>
</table>

Sources: Case descriptions in appendix A