Close to a decade after the idea of the “Bottom of the Pyramid” (BOP) came into the business vocabulary (disclosure: my father, C.K. Prahalad, put it there), the struggle to understand its role as a market and as a source of innovation continues.

Yes, there are notable examples of BOP innovation from global corporations (such as the GE portable ECG machine) and emerging market companies (such as the Chotukool refrigerator) that have broken through in global markets. Yet businesspeople and designers still have much to learn from and about the BOP consumer.

At the BOP, affordability is necessary but not sufficient. Tastes and aspirations change rapidly. This is precisely what can make the BOP such an important learning platform for designers. Independent of any altruistic motives, engaging with the BOP can help designers and innovators gain insight into the following three key issues:

1. **Usability** — A great idea remains just that until it is manifested into a design that motivates people to use it. The bar for usability is very high in developed markets because of an abundance of choice and competition. A great interface, ease of use and a pleasurable consumer experience help break through the noise.
Ironically, the usability test in the BOP is often even higher precisely because the poor remained below the radar of multinational corporations for so long. BOP consumers are used to creating their own gadgets with what they have or with help from the community. That means that the poor are used to getting a highly personalized interface at an acceptable price point with very low training requirements. There is also help available locally and affordably when things break down.

The poor are also used to a highly collaborative design process. While a custom-made garment is a luxury even for middle and high-income consumers in Europe or the US, it is the norm for many poor consumers. The same is true for personal care products and small electronics. Women in India often mix their own beauty products from herbal powders at home, and local electronics shops fix and modify devices to suit consumers’ needs.

Demographics also force companies to sharpen usability. In India and China, multigenerational households are still the norm. Due to the recession, they’re making a comeback in the U.S., too: from 4.8% to 6.1% of households. Communal purchase decisions and usage patterns make the BOP a robust testing ground for usability across generations, skill sets, aesthetic preferences and income categories. Cell phone makers, for example, have used ethnography to ensure that their devices can be shared easily among family members.

2. Income Volatility — The focus on affordability alone cannot create a BOP success story. Companies must pull off a difficult feat: create products and services that are aspirational and combine them with business models that can work with income volatility, not just low incomes. Absolute income in many emerging markets supports higher levels of consumption than the actual levels observed (especially in the case of China). A long-term view, anxiety about the future and lingering conservative attitudes about money are the causes most often cited.

The same is increasingly true in developed economies. In the U.S., the recession forced people to increase their savings as credit tightened. Companies must rely on a crystal-clear value proposition, not an early adopter model, and offer flexibility and innovation in their business models. Hyundai captured market share and quickly increased its market share in part because of its Hyundai Assurance program in 2008 (the program offered to take the car back with no damage to the credit
report in case of job loss). Best Buy’s Buyback program allows consumers to sell back their gadgets at a guaranteed price when they upgrade to a newer technology. The “new normal” will force companies to design business models that can work with income volatility, regardless of geography.

3 Understanding Consumer Pain Points — In the not too distant future, companies may be venturing to emerging markets to learn about consumers in the West, not only those in the BOP. Any country with significant call center experience (India and the Philippines are among the largest) can gain an advantage as an innovator. Why? Consumer pain points often spark innovation, and most people who call a customer-service hotline are in pain.

The people answering the phone halfway around the world are likely to have an undergraduate degree and have received extensive training. In a few years, they hear plenty of complaints across geographies and demographics, and gain familiarity speaking with the most difficult consumers. As entrepreneurship gains credibility at home and young professionals are surrounded by BOP consumers, it’s easy to envision how emerging markets will become a place to gain insight into global consumer preferences, develop design manifests for a wide range of products and services, and launch new global companies.

Much of the angst regarding the BOP stems from unresolved questions about whether (and how) companies can do well by doing good. The simple answer is that the financial and social value of BOP initiatives is as individual as the firms and entrepreneurs leading them. Engaging with the BOP should not be a debate about the social obligation of the firm. In many cases, companies may be doing themselves a favor.


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