

The Base of the Pyramid: Land of Opportunities for the New Technologies

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Technological development usually implies huge investments and, as we all know, money is very impatient. Because of this, the logical route for the commercial development of a new technology seems to necessarily start at the top of the socioeconomic pyramid and then, little by little, widen its base of users. “We start with the most capricious (excuse me, I mean the most advanced) and as costs decrease and the possibilities of forgers increase, we widen our market”. Perhaps this is the logic of money and perhaps it is helpful for technologies to create necessities.

But the logic of money may be short-sighted and the technological advances can satisfy needs instead of creating them.

On the contrary of what common sense seems to indicate, the best cradle for new technologies may be found far from the comforts of the developed countries.

Two thirds of the world’s population subsist on less than four dollars a day. This is the so-called “base of the pyramid”, and its four thousand million people have real and multiple needs. Accustomed as we are to turning on the light with the flick of a switch and making a phone call from anywhere, we take for granted just how much those everyday acts multiply the possibilities of our lives. We do not realise that there are two thousand million people who have never used a phone and a similar number do not have electric light. Well, in this distressing scenario the new technologies can develop and even go from being mere ideas to becoming realities.

Bangla Desh is one of the poorest countries in the world. Its almost one hundred and fifty million people have an income per capita of just over a dollar a day. Who could identify a business opportunity for a mobile phone company in that country? Well, after setting up in 1997, Grameen Phone grossed one hundred million dollars in 2004, not in income but in profit.

The reasons behind this must be sought in its mother company, Grameen Bank, set up by Muhammad Yunus, the inventor of micro-credits. His aim was to provide a high value service for the people of Bangla Desh and in so doing contribute to the social development of the country. His

Highlights

1 In a region where infrastructures are scarce, telephones became unreliable after the tragedy. The SMS continued to work. According to The Times, rescue services took advantage of this technology to contact the active foreign network telephones in Sri Lanka, inviting them to get in touch with a special number. Of the 10,000 terminals contacted, some 2,321 answered.

2 Mobile messages also helped to diffuse information about the tsunami disaster. The media have called attention to the work of a journalist who created a local news service through SMS. This technology has also come to be used as a micro-payment tool that is widely accepted. In Spain, all the operators started a campaign by sending SMS to collect funds for victims of the tsunami and, in all, 3,400,000 messages were sent in 48 hours.

3 On the contrary to what many managers think, the base of the pyramid is a source of business opportunity. At the top of the pyramid there are 800 million people that amass 15,000 million dollars; at the middle there are 1,500 million people that have between 1,500 and 15,000 million dollars; at the bottom there are the poor, 5,000 million with less than 1,500 million dollars.

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business model is as follows: in every village the company sells on credit a phone terminal and the rest of the necessary equipment to a woman who is trained and provided with continuous support. These women rent out the phone to their neighbours, getting enough money to pay back the loan and, at the same time, to increase the household income. In this way, Grameen Phone and those female entrepreneurs have literally opened a window to the world and a world of possibilities to the inhabitants of Bangla Desh. According to a study by the Canadian Agency for International Development, the possibility of making a call to Dhaka, the capital, instead of travelling there means a saving of between 9.8% and 264% of an average monthly income. Apart from helping to improve their income, it increases their self-esteem and the social consideration of the female entrepreneurs in a country where there is easily room to improve the situation of women.

The case proves that, in countries where setting up a fixed phone network was unthinkable, a disruptive technology like mobile telephony, that satisfies a real need, can be commercially successful.

In developed countries, disruptive technologies can find tremendous difficulties to mature. Among the many reasons for this are vested interests or satisfied customers. Solar energy is a good example. Unlike mobile telephony, this alternative technology is growing at a snail's pace in developed countries. And this in spite of the subsidies it gets. However, in countries like Tanzania, Uganda, Kenya, Mongolia, China, Sri Lanka, Honduras or Guatemala it is thriving. Once again the reason here is the satisfaction of a real need.

In the best of cases, homes without access to electricity have a kerosene lamp as the only source of light. This is expensive, unhealthy and dangerous. For this, the sale of solar panels of between 5 and 40 watts, that generates enough energy for a few light bulbs and a TV in black and white for a five or six hours, has become a viable, economical and satisfactory alternative. In addition to light, the buyers get time, comfort, health and security.

On the other hand, apart from environmental reasons, undoubtedly worth consideration, what can bring the inhabitants of developed countries to substitute the safety, comfort and power of what they enjoy for the promises of solar energy?

Unquestionably, the possibility of solar energy taking off and some day substituting the present generation technologies in developed countries is much greater than in the past. Its penetration in the base of the pyramid will allow solar energy to achieve all sorts of improvements necessary to displace, in the near future, the present sources of energy used in developed countries. In spite of what most managers think, the base of the pyramid is a huge market for disruptive technologies. Because of their capacity to satisfy the needs of the base of the pyramid and, in short, create value, many technologies can find fertile ground that will enable them to overcome the deficiencies inherent in any new technology.

All things considered, companies must increase their scope beyond the markets where they have traditionally focussed their attention, that is, on those markets where the population of the world with the most buying power is concentrated. It is time to recognise the wide range of opportunities that exist in the markets made up from the population with least resources. What is even more important, given the power of transformation of companies, is the fact that it is time to change the perspectives of the poor and to construct the foundations of a more just and global development.

