Needs or wants?
Unravelling demand, affordability and accessibility when selling to the base of the pyramid

Inclusive businesses often face a considerable challenge in creating consumer demand for new products or services. To add to the challenge, they need to ensure that pricing, payment mechanisms and access are right for the base of pyramid consumers. This Insider seeks to unravel this challenge, drawing on experience in the Business Innovation Facility portfolio.

A lot of people creating products or services for consumers at the base of the pyramid (BoP) think they know what poor people need and automatically assume that there will be demand for this product or service. For them, it is common sense – but as the saying goes – common sense is not so common.

People below the poverty line, referred to as the BoP, have a limited amount of money to spend, but really have their own logical framework for what they want to spend their money on. And more often than not, it is not always what the product development or business development people in business organisations think it is. That is why it is very important for us to understand their demand patterns before we design a product or service for them. And when we market a new product, we have to sell it based on what matters to them – the obvious benefit, such as good health, is not what necessarily drives sales.

It was insights such as this from our Business Innovation Facility (BIF) projects in Bangladesh – which we cross-checked and expanded with our colleagues from other BIF countries – that led us to write this Insider. We hope you find it useful.

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The ‘Inside Inclusive Business’ series is based on the real-world experiences of companies who are actively expanding opportunities for people at the base of global economic pyramid through their core business activities.

Each edition explores one aspect of inclusive business. The aim is to share practical ideas, challenges and solutions, as they emerge, in ways that are relevant to other business and development professionals.
Understanding consumer decisions and demand

Understanding what poor people purchase with their very limited resources, and why, is notoriously difficult. We can enter a poor person’s home and wonder why they have a television, when they are unable to buy fertiliser for their crops or send their children to school. But casual observers are unlikely to understand the complex decision-making of those for whom every penny or cent has to be carefully managed.

What we do know for sure, is that inclusive businesses cannot make assumptions about the needs and wants of the poor if they are to succeed in selling to them as consumers. Just because fertiliser boosts yields, or micronutrients or sanitation improve health, does not mean that poor household will automatically buy them if the price point is low enough. Is it ‘needed?’ Probably yes. Is it ‘wanted?’ Quite probably not, at least not yet anyway for most poor people who do not understand the value it brings to their lives.

Experience of businesses supported by the Business Innovation Facility illustrates many lessons on how to reach poor consumers with useful products/services and tackle complex issues around consumer demand. Three related issues emerge:

1. Successful inclusive business (IB) may be about creating demand. Poor people may not yet know the benefit of products or services that have not been available in their context before. They lack awareness of the long-term impact of, say, poor nutrition and health costs. They may also resist the changes, especially where traditional practices are being challenged (‘what my mother fed me’). Or they may have information about benefits but simply not see the appeal, trust the product, want to take a risk, or feel the compulsion to change behaviour.

2. Affordability is clearly a major issue in supporting demand creation. Poor people have low purchasing power and also need to be able to buy – or save – in many small instalments that meet their earnings. So, both pricing and payment mechanisms have a significant role in supporting the demand creation.

3. Linked to affordability, products and services also need to be accessible. Cost of transport is a major factor for people to reach a market, but there are many cultures where it is also difficult for people (mainly women) to leave the home or village in order to procure goods and services that they need.

We have found it useful to combine these three issues into the following matrix and ‘pathways’ which an IB project may navigate:

We can then see that the pathways that an inclusive business opportunity will take in order to achieve success may fall into the following broad groups:

1. IB opportunities where the starting point is to address the lack of demand because awareness and understanding of the benefits of the product or services are not yet present. As demand is created, there will usually also be a need to address affordability and access.

2. IB opportunities where the main task is to address issues around accessibility and/or affordability because the demand is already there.

3. There may be a few situations where there is a low cost and accessible product, but demand is very low. This may be the least common scenario, so we show this pathway with the arrow with a dotted outline.

When there is low demand the IB model can be developed around creating demand through various schemes such as awareness raising, educational campaigns, brand-building and marketing.
When demand has been raised for a product or service but it is too expensive or difficult to access, then the IB model can be developed to make the products or services affordable through redesign, use of technology, or bundling with other products or services. Accessibility can be addressed through a distribution model targeted at the base of the pyramid.

Of course all IB models probably have to address demand, affordability and accessibility to some degree to make the products or services more attractive for BoP consumers. However, we have found that certain types of product or service are more likely to fall into one group or other.

1. Where demand needs to be created first

BoP consumers in BIF projects appear to have a low demand for products with high nutritional value, for farm extension services and agricultural information services. These can be characterised as having some kind of ‘delayed’ benefits which can be hard to appreciate or come with too much associated risk. For example:

- Applying the right amount of fertilizer to a field will increase yields, but this is a future gain which has a high level of risk in a farmer’s mind.
- Paying for agricultural advice to adjust the amount and timing of fertilizer can be very effective (saving money as well as boosting yield) but is even harder for the farmer to know the benefits in advance.
- It is difficult to understand the benefits of regular micro-nutrients in a diet for a child. You never get a chance to compare your child against the child who ‘might have been’ to see the level of stunting or compare brain development.

Case studies from the BIF portfolio: Companies in the BIF portfolio have innovated in order to address the need for market creation, in the following ways:

**Tapping into existing demand to build a user-base for new services.**

mKRISHI, TCS is a mobile phone based product that offers farmer a host of services such as access to input, expert cropping advice and access to market. Farmers like the service, but constant engagement by field staff is essential to both retain existing farmers and recruit new farmers. With every additional farmer in the network, the mKRISHI platform becomes data rich. To acquire more data, mKRISHI continues to create demand for its platform by offering a wide range of services the farmer. The influence of field staff on farmer acquisition will be gradually reduced as farmers move to use the technology themselves.

**Reducing the risk and building trust** are critical when the consumers are not familiar with a product.

The ACI Agribusinesses contract farming project encouraged farmers to buy their innovative seeds by agreeing to buy-back the outputs if the farmers could produce to the right quality standards. They also provided credit. Across the board, in energy, sanitation, nutrition and more, companies know that word-of-mouth from a friend, neighbour, community leader or nurse is the key to boosting sales. This is why they focus on local-level marketing events that create a ‘buzz’, not expensive conventional marketing in the media.

**Building demand can mean collaboration amongst many players,** including companies who may normally be competitors, and including government and NGOs.

In Nigeria, the idea of cooking with LPG (gas) is entirely new for the mass market. Oando Plc asked BIF to help them to work with stakeholders such as public agencies and NGOs to boost trust and awareness of the ‘switch’ to cooking with LPG instead kerosene.
2. Translating demand into sales via pricing and accessibility

In BIF projects, BoP consumers exhibit a **high demand for health services, for education for their children, for energy and for low-cost housing**. The business models we have seen therefore tend to be around how to reduce the cost of such services in order to make them affordable to poor people, and/or to increase the quality of what is available at a low price.

Accessibility often also comes into the equation as well as cost. Such services have value in the ‘here and now’ as Banerjee and Duflo explain in ‘Poor Economics’. For example, if a sick child requires treatment then this is an immediate, and very high, priority for the family, who will go to any length to access the help required. Energy to light a room is an instant reward to expenditure.

**Case studies from the BIF portfolio:** Companies in the BIF portfolio have tackled the issues of pricing and accessibility in the following ways:

**Product financing which allows the customer to pay for the product in installments** is being used by d.light. They are piloting a two-pronged approach that combines innovative solar technology with user-friendly financing, to provide accessible, affordable, and adaptable power to households throughout Uganda.

**Bringing the product to the doorstep of BoP consumers.**

Jita Social Business have done exactly this in Bangladesh by bringing fast-moving consumer goods (FMCG) products to women who are otherwise unable to go to the market to buy their daily essentials.

One Family Health in Zambia are making health care services accessible and affordable to BoP consumers by setting up a network of rural clinics, with a focus on populations that otherwise have to travel many kilometres to hospital.

**Reducing logistical barriers to adoption is key.**

This can be done by providing additional service components to make it easier for the BoP consumers to use the product or service.

The ERAS low-cost soil testing business model provides service personnel to ensure that the soil is collected from the field and taken to the test site, and the results brought back to the farmers.

Accessibility can also be achieved through innovative product design. Oando Plc redesigned their LPG stove cylinder to create a smaller lighter version that can be carried on foot, yet still meet tight durability and safety specifications.
Constant iteration

An entrepreneur should be checking off all three issues and checking if strategies are in place:

- Is there sufficient awareness of the product and consumer demand?
- Are the price and payment system affordable for the BoP?
- Is the product or service accessible in terms of logistics?

But in practice, strategies do not stay in boxes. Constant iteration will be needed because the three factors inter-relate.

Demand for sanitation, for example, can be low if people do not appreciate the potential health implications of sewerage entering the water supply. But where decisions are being made whether to use free open space or payment-based facilities, pricing and accessibility are also critical factors.

**Case studies from the BIF portfolio:** Two sanitation projects, Saraplast supported by BIF and Sanergy supported by IAP, have both used a variety of techniques to build demand appealing to consumer aspiration not logic.

**Saraplast** know that emphasising security, dignity and cleanliness is a better way to build demand than focusing on reduced incidence of diarrhoea in the Indian slums where they work. Sanergy’s Fresh Life brand similarly is emphasising a lifestyle choice with consumer appeal, not a lesson in public health, in Kenyan slums. But pricing is also critical. Saraplast have found that willingness to pay varies enormously – from slum to slum, city to city, and between answering a consumer survey and reality! It can be better to provide the toilet service for free but draw revenue from sale of other products or advertising.

**Conclusions**

As with any consumers, poor people make purchase decisions based on a complex range of factors, including what they ‘want’ and their perception of what they ‘need’. Poor people are disadvantaged in many ways, and we can too easily think that they will prioritise spending on things that may bring them significant long term benefits such as nutritious food, education for their children or higher income from their production systems. However, assuming that there is a demand for all products and services that we believe poor people ‘need’ can be a mistake. Often, a starting point for an innovative IB product or service will be to create or stimulate consumer demand.

Even when there is demand, it may not be enough simply to reduce the price of the product or service until it appears affordable to a poor person. Ensuring that the product or service is highly accessible can be a crucial part of an IB business model. Access to credit and a payment mechanism that works, creating trust in the product or service, and adopting a culturally appropriate way of selling will often also be important.

In this Insider we have suggested a simple matrix and ‘pathways’ for developing an IB model, based on examples from the BIF project portfolio. We hope that this may help practitioners to untangle some of the complexities around selling to the BoP. As the Rolling Stones observed:

‘You can’t always get what you want
But if you try sometimes well you just might find
You get what you need’

Lyrics by Mick Jagger and Keith Richards, the Rolling Stones
The Business Innovation Facility supports companies as they develop and implement inclusive businesses. Inclusive business is profitable, core business activity that also expands opportunities for people at the base of the economic pyramid: either as producers, suppliers, employees, distributors, or consumers of affordable goods and services.

For further information and to join the discussion on inclusive business, go to:
Practitioner Hub on Inclusive Business: www.businessinnovationfacility.org

About the author:

Parveen Huda is the Business Innovation Facility Country Manager for Bangladesh. She has overseen the design and implementation of nine significant projects, ran a series of inclusive business workshops, and built a network of companies, NGOs, and individual practitioners who are dedicated to progressing inclusive business opportunities.

Tom Harrison is a member of the international team that is delivering the Business Innovation Facility. He has worked closely with Parveen and Business Innovation Facility consultants in Bangladesh to develop and deliver a pipeline of projects.

These recent blogs on the Practitioner Hub provide interesting insights:
- Common sense is not so common? Posted by Parveen Huda
- Mobile payments – an opportunity for co-created innovation
  Posted by Ruth Brannvall
- ‘Creaming off’ the easy to reach BoP? Posted by Caroline Ashley
- The Overlooked Insight of Bangladeshi BoP Market
  Posted by Shamema Akther Shamme
- Quality Services for the Base of the Pyramid
  Posted by Rajeev Kher, Saraplast
- How do you build a brand? Lessons from slum sanitation
  Posted by Ani Vallabhaneni, Sanergy

We welcome feedback on our publications – please contact us at enquiries@businessinnovationfacility.org

Additional resources:

Further information on the projects highlighted in this document can be found on the Practitioner Hub on Inclusive Business at:
http://businessinnovationfacility.org/page/projects-landing-page-template

Visit our ‘know-how’ section on ‘Base of Pyramid Products and Services’ in the Resource Gateway:
http://businessinnovationfacility.org/forum/categories/bop-products-and-services/listForCategory

We have other resources which look at issues involved when selling to BoP consumer. These are:
- Inside Inclusive Business “Distribution channels to the base of the pyramid”
- Inside Inclusive Business “The ‘last mile’ challenge”
- Checklist “Reaching the rural consumer: Is the village entrepreneur (VE) or local franchisee the right model for your initiative?”
- Spotlight “Getting Paid – how using mobile payment systems can increase your revenue and help you keep track of sales”
- Spotlight “Developing a successful solar lighting enterprise”

View these publications on the BIF publications page:
http://businessinnovationfacility.org/page/facility-publications