

# **Developing BoP Business as the Principal Strategy in Emerging and Developing Economies (Volume 1)**

**— Paving the road to a new market that is expected to reach 5.5 billion people and 70 trillion dollars by 2030 —**

**Shusuke WATANABE, Tokutaro HIRAMOTO, Naoya TSUZAKI**

# Developing BoP Business as the Principal Strategy in Emerging and Developing Economies (Volume 1)

—Paving the road to a new market that is expected to reach 5.5 billion people and 70 trillion dollars by 2030—

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With increases in the populations of emerging and developing countries, primarily in Asia and Africa, the world's population has already reached seven billion. In particular, people falling under the category of the Base of the economic Pyramid (BoP) constitute a huge market involving 4.7 billion people and 5 trillion dollars<sup>1</sup>. Many companies are making efforts to promote BoP business with the main aim of either “acquiring a share of the huge BoP market that already exists” or “acquiring a share of an even more massive market (5.5 billion people and 70 trillion dollars as of 2030) that is expected to develop when the incomes of people in the BoP segment increase and they come to fall under the Middle of the economic Pyramid (MoP).”

The BoP is defined as the socioeconomic segment of people who live on annual incomes of less than 3,000 dollars. The MoP refers to the segment of people whose annual incomes are between 3,000 and 20,000 dollars and the Top of the economic Pyramid (ToP) refers to the segment of people with annual incomes of 20,000 dollars or more.

In 2009, which is the “first year of BoP business” in Japan, Japanese government organizations as well as international agencies all either began or expanded initiatives to promote BoP business. These support programs have led to a significant increase in the number of Japanese companies making the first move to engage in BoP business.

Despite their efforts, many Japanese companies have not been able to create a sustainable BoP business easily. Nomura Research Institute (NRI) considers that such companies must address the following three challenges. They are: (1) from the perspective of customers, integrating BoP business into a company's portfolio strategy for a target country; (2) from the perspective of products and services, strengthening the attitude of “Genchi Genbutsu (Local immersion and identify needs)” and (3) from the perspective of a business model, aiming to improve the profitability of BoP business.

To create a BoP business that will grow, it is necessary to incorporate the following three elements in the flow of new business development. They are “impact” at the concept development stage, “insight” at the product development and business planning stage and “dynamism” at the business promotion stage.

## I BoP as a Huge Upcoming Market

With the rise of emerging and developing countries, the center of world economy is shifting from Europe and America towards Asia and Africa. Here, attention is increasingly being paid to the Base of the economic Pyramid (BoP), which, as of 2005, constituted a huge market involving 4.7 billion people and 5 trillion dollars and is extremely attractive to companies seeking new opportunities for growth.

The BoP is defined as the socioeconomic segment of people who live on an annual per capita income of less than 3,000 dollars. Within emerging and developing countries in Africa and Asia, which have recently been recognized as rapidly growing markets, the majority of their populations falls into this BoP segment. While purchasing power per capita within the BoP segment is low, the fact that they are purchasing daily necessities as well as products and services that can improve their lifestyles is evident when we look at the business activities of leading U.S. and European companies that have already engaged in BoP business.

In Japan, companies in various fields have started to move into the BoP business with the aims of “acquiring a share of the huge market that already exists” and “acquiring a share of an even more massive market that is expected to develop when the incomes of people in the BoP segment increase and they come to fall under the Middle of the economic Pyramid (MoP) (the segment in which annual incomes are between 3,000 and 20,000 dollars).

The fields in which BoP business is most likely to develop are those that were identified by the United Nations Millennium Summit in September 2000 as common goals for the international community in the shape of Millennium Development Goals (MDGs). These include, for example, the fields of food/nutrition, water/sanitation, health care/medical service, education and environment/energy. As such, the majority of new products and services offered through BoP business will aim to address many social issues still facing the BoP segment and contribute to improving quality of life in this segment.

BoP business sees people falling under this segment not only as consumers but also as business partners such as producers and retailers so as to incorporate them in a business value chain. Through business activities based on such a value chain, it is highly likely that the income of the BoP segment will increase and the market will become more dynamic. From this perspective, BoP business has been recognized as not only having an economic impact, but also offering the potential for resolving social issues. In this paper, however, from the viewpoint of promoting the participation of Japanese enterprises in BoP business, the focus is placed on a dis-

ussion of how the BoP market will change in the future and measures for increasing the profitability of BoP business. (For the significance of BoP business from the perspective of international development, see *BoP business senryaku—shinkoukoku/tojyoukoku shijyo de naniga okotteiruka* (BoP business strategy—What is occurring in emerging and developing economies), Nomura Research Institute, Tokutaro Hiramoto, Mia Matsuo, Hiroko Kihara, Noritaka Kobayashi and Keita Kawagoe, Toyo Keizai Inc., 2010.)

Given that BoP business is expected to provide a means of solving many social issues facing emerging and developing countries, in recent years, government organizations and international agencies have been launching programs to support BoP business. Companies that intend to start BoP business are now at a crucial time in that they can benefit from the backing and support of these organizations and agencies.

In this context, what trends can we expect to see in the BoP market which has been recognized as offering massive potential?

Nomura Research Institute (NRI) believes that the world will change considerably by 2030. For example, partly due to its one-child policy, China will begin to see its population fall in 2026. Before then, in 2021, the population of India is expected to overtake that of China, despite the country having always held the title of the world’s most populous country. Any global strategy will have to consider the change in this type of power relationship among countries. It will be very important to first focus on population changes by 2030 in attempting to forecast the markets. Therefore, in this paper, we estimated population changes and market size changes for each income bracket by 2030. We based our estimates on the United Nations and World Bank population projections as well as on data taken from “The Next 4 Billion” published by the World Resources Institute and International Finance Corporation.

According to NRI’s estimates (Figure 1), by 2030, the size of the BoP market will fall to around half of its 2005 level. In terms of value, it will hold steady at around 3 trillion dollars. On the other hand, the MoP market will more than triple in size by 2030 over its 2005 level, and will consist of 5.5 billion people and be worth 70 trillion dollars.

The point that we should note here is that people who move up from the BoP segment into the MoP segment will constitute the majority of the MoP market. As of 2005, the size of the BoP segment was about 4.66 billion people. By 2030, this will drop to 2.44 billion. Given the rate of growth of the world’s population leading up to 2030, the size of the BoP segment will fall by 3.52 billion people. We assume that these people will move from the BoP to the MoP as enabled by economic growth. In other words, by 2030, about 60 percent of the MoP segment will be migrants from the BoP segment. Therefore, approaching the BoP market

now will provide a stepping stone to the future MoP market.

In view of the estimate that the MoP segment will be swelled by migrants from the BoP segment, it might be sufficient to develop products and services aimed specifically at the needs of the existing MoP segment. However, because the BoP segment will follow different growth scenarios from those followed by developed countries that mostly consist of the Top of the economic Pyramid (ToP; annual income of at least 20,000 dollars) and MoP, it should be kept in mind that the BoP segment has a different sense of value that affects buying priorities from that prevalent in developed countries.

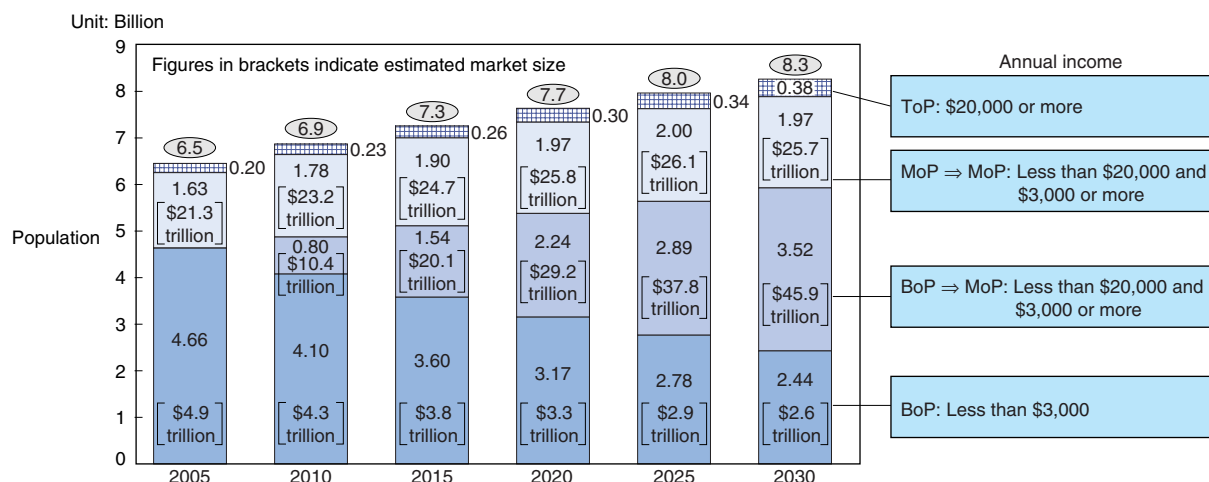
For example, in developed countries, the evolution of telecommunications services saw landline phones becoming fully mature before the appearance and spread of mobile phones. However, in many emerging and developing countries in Asia and Africa, which are mostly comprised of BoP segments, mobile phones are spreading at the same pace as in developed countries despite the landline network still being underdeveloped.

Furthermore, in recent years, the BoP segment has not only been making purchases in the areas corresponding to those targeted by the above-mentioned MDGs such as food/nutrition, water/sanitation, health care/medical service, education and environment/energy, but has also been buying products and services in the entertainment field such as flat-screen TVs and DVD players.

As such, broadly speaking, two types of markets will be formed by 2030. One is a market of 2.35 billion people who have a sense of value based on a currently prevailing situation, which consists of the existing ToP and MoP segments. The other is a market of 5.96 billion people who have a new sense of value, which consists of the BoP segment and the part of the MoP segment that migrated up from the BoP segment (Figure 2).

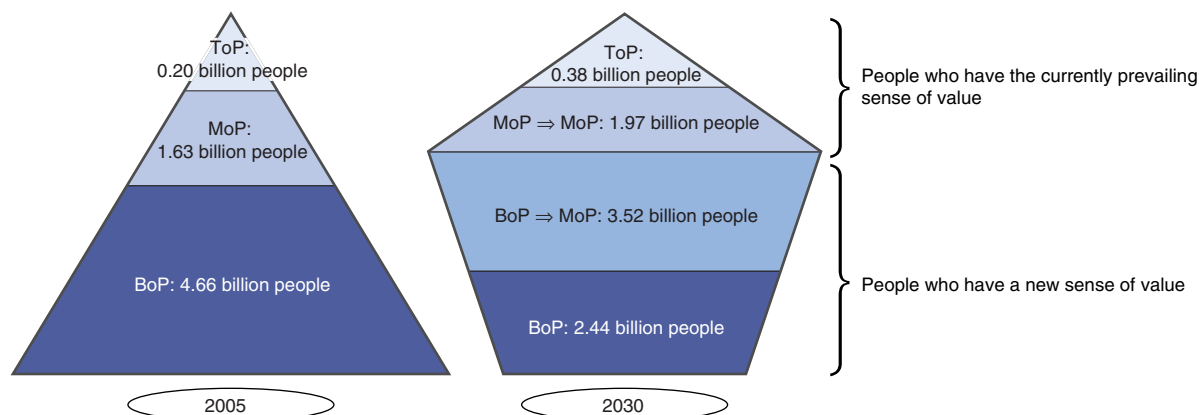
Therefore, as mentioned above, in addition to acquiring a share of the huge market that has already emerged, those companies that now take on BoP business will be able to provide a stepping stone towards acquiring a share of the market consisting of consumers now falling under the BoP segment but who will in time migrate to

**Figure 1. World's segment-by-segment population and estimated market size**



Notes: BoP = Base of the economic Pyramid, MoP = Middle of the economic Pyramid, ToP = Top of the economic Pyramid.  
 Source: Compiled based on the United Nations, "World Population Prospects, the 2010 Revision," the World Bank, "World Development Indicators," Allen L. Hammond, William J. Kramer, Robert S. Katz, Julia T. Tran, Courtland Walker, *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid*, World Resources Institute, International Finance Corporation (2007) and other materials.

**Figure 2. Structural change in the world market in terms of population**



the MoP segment. Acquiring such a share will constitute a source of a competitive advantage in the future MoP market, which is expected to be the main arena of competition.

NRI believes that regardless of whether a company is entering the field of BoP business because “it already constitutes a huge market” or because “in the future, the BoP segment will grow into the MoP segment, which is expected to constitute a more massive market,” taking on BoP business is significant for the company. However, those Japanese companies that have moved into BoP business in recent years have experienced a sense of crisis in that they have not been able to attain the achievements that they initially anticipated for the reason of either targeted customers, deployed products or services or an applied business model. In this paper, therefore, we look at the efforts and actions of the Japanese government and Japanese companies in the area of

BoP business, and examine the cases of pioneering companies to analyze the factors that have led to failures in BoP business. We then go on to discuss practical steps that can be applied to overcome the factors that led to these failures, thereby fostering the growth of BoP business.

## II Support for BoP Business by the Japanese Government and the Evolution of BoP Business by Japanese Companies

In 2009, which is said to be the “first year of BoP business” in Japan, Japanese government organizations such

**Table 1. List of projects on BoP business by Japanese companies using public support programs 1**

Company	Product/business description	Target country	Public support program	Implemented in
Ajinomoto Co., Inc.	Nutrition improvement food	Ghana	METI, Invitation of proposals for feasibility studies on BoP business	2009
	Nutrient-enriched food during weaning period	Ghana	JICA, Preparatory Survey on BOP business	2010
Sanyo Electric Co., Ltd.	Solar lantern	India	METI, Invitation of proposals for feasibility studies on BoP business	2009
		Uganda	MOE, CDM feasibility studies (FS)	2009
		Kenya	UNDP, Growing Sustainable Business (GSB)	2010
		Kenya	JICA, Preparatory Survey on BOP business	2010
Sumitomo Chemical Co., Ltd.	Insecticide treated-bed nets	Kenya	METI, Invitation of proposals for feasibility studies on BoP business	2009
	Long-lasting insecticidal nets	Kenya	JICA, Preparatory Survey on BOP business	2010
Sony Corporation	Small-scale decentralized power generation/battery storage systems	India	METI, Invitation of proposals for feasibility studies on BoP business	2009
	Off-grid energy solutions	Ghana	JICA, Preparatory Survey on BOP business	2010
Sony Computer Science Laboratories, Inc.	Off-grid energy solutions	Ghana	JICA, Preparatory Survey on BOP business	2010
Terumo Corporation	Blood packaging for blood transfusion	Tanzania	METI, Invitation of proposals for feasibility studies on BoP business	2009
Toyota Tsusho Corporation	Bio-diesel energy generation systems	Kenya, Uganda	METI, Invitation of proposals for feasibility studies on BoP business	2009
	Water supply business	Sri Lanka	JICA, Preparatory Survey on BOP business	2010
	Promoting use of agricultural machines	Tanzania	JICA, Preparatory Survey on BOP business	2011
Nipro Corporation	Diagnosis kit for tuberculosis	Thailand	METI, Invitation of proposals for feasibility studies on BoP business	2009
Hitachi, Ltd.	Solar power generation facilities	Indonesia	METI, Invitation of proposals for feasibility studies on BoP business	2009

**Table 1. List of projects on BoP business by Japanese companies using public support programs 2**

Company	Product/business description	Target country	Public support program	Implemented in
Yamaha Motor Co., Ltd.	Small-scale water purification and water supply systems	Indonesia	UNDP, Growing Sustainable Business (GSB)	2008
		Indonesia	METI, Invitation of proposals for feasibility studies on BoP business	2009
	Small-scale clean water supply systems	Vietnam	NEDO, Proposal-based development support and research cooperation	2009
	Village water supply using water purification systems	Senegal	JICA, Preparatory Survey on BOP business	2010
Nippon Poly-Glu Co., Ltd.	Water purification agents and small-scale water purification systems	Bangladesh	METI, Invitation of proposals for feasibility studies on BoP business	2009
Shikoku Chemicals Corporation	—	India	JETRO, BoP Business Partnership Support Program	2011
	Safe drinking water supply	India	JICA, Preparatory Survey on BOP business	2010
Fujifilm Corporation	—	India	JETRO, BoP Business Partnership Support Program	2011
Nippon Telegraph and Telephone West Corporation	—	India	JETRO, BoP Business Partnership Support Program	2011
Seven Bank, Ltd.	—	India	JETRO, BoP Business Partnership Support Program	2011
Yamato Motor Co., Ltd.	—	India	JETRO, BoP Business Partnership Support Program	2011
ITG	—	India	JETRO, BoP Business Partnership Support Program	2011
Heart Line	—	India	JETRO, BoP Business Partnership Support Program	2011
Relations Co., Ltd.	—	India	JETRO, BoP Business Partnership Support Program	2011
Century Yamakyu Corporation	—	India	JETRO, BoP Business Partnership Support Program	2011
Toyotomi Co., Ltd.	—	India	JETRO, BoP Business Partnership Support Program	2011
NEC Corporation	—	India	JETRO, BoP Business Partnership Support Program	2011
NTT Communications Corporation	Hybrid education business	Indonesia	JICA, Preparatory Survey on BOP business	2010
Sumitomo Metal Industries, Ltd.	Steel slag soil improvement agent	Indonesia	JICA, Preparatory Survey on BOP business	2010
ARUN, LLC.	Social investment	Cambodia	JICA, Preparatory Survey on BOP business	2010
Earthnote Co., Ltd.	Production of bio ethanol	Vietnam	JICA, Preparatory Survey on BOP business	2010
Institute on Sky Water Harvesting	Social business using rainwater tanks	Bangladesh	JICA, Preparatory Survey on BOP business	2010
PEAR Carbon Offset Initiative, Ltd.	CDM business by introducing energy micro utility system	Bangladesh	JICA, Preparatory Survey on BOP business	2010
Itochu Corporation	Water purification project	India	JICA, Preparatory Survey on BOP business	2010
Kokuyo S&T Co., Ltd.	Stationery products	India	JICA, Preparatory Survey on BOP business	2010
Japan Jatropha Inc.	Jatropha BoP business	Tanzania	JICA, Preparatory Survey on BOP business	2010
Nichiei International Incorporated	Solid fuel production	Tanzania	JICA, Preparatory Survey on BOP business	2010
Organic Solutions Japan Ltd.	Microbial material business	Rwanda	JICA, Preparatory Survey on BOP business	2010

**Table 1. List of projects on BoP business by Japanese companies using public support programs 3**

Company	Product/business description	Target country	Public support program	Implemented in
Japan Resources and Energy Development Co., Ltd.	Energy conversion BoP business	Mozambique	JICA, Preparatory Survey on BOP business	2010
Community Road Empowerment (CORE)	Road maintenance in rural villages by using "donou" (sandbags)	Ghana	JICA, Preparatory Survey on BOP business	2010
Mitsui & Co., Ltd.	Solar power generation systems and irrigation pumps	Mozambique	UNDP, Growing Sustainable Business (GSB)	2009
Nidec Corporation	High-performance, low-cost small wind power generators and wind power generation systems	Indonesia	NEDO, Proposal-based development support and research cooperation	2011
Nippon Poly-Glu Co., Ltd.	Simple water purifiers	Bangladesh	METI, Support program to facilitate trade and investment (demonstration project)	2010
Kyushu University	Computerization of microcredit	Bangladesh	METI, Support program to facilitate trade and investment (demonstration project)	2010
Kyushu University	Microcredit-related electronic money business	—	METI, Support program to facilitate trade and investment (demonstration project)	2011
Hitachi High-Technologies Corporation	Water purifiers using power generated by solar power generation system	Indonesia	METI, Support program to facilitate trade and investment (demonstration project)	2010
Suido Kiko Kaisha, Ltd.	Portable water supply with solar power generation system and small water desalination units	Indonesia	JICA, Preparatory Survey on BOP business	2011
Luvina Software Joint Stock Company	Electrification of remote islands designated as a world natural heritage site using renewable energy system and development of marine fishery resources	Vietnam	JICA, Preparatory Survey on BOP business	2011
Sharp Corporation	Remote e-education systems	India	JICA, Preparatory Survey on BOP business	2011
Earth Biochemical Co., Ltd.	Nutritional supplementary food development	India	JICA, Preparatory Survey on BOP business	2011
Yukiguni Maitake Co., Ltd.	Development of production systems for green mung bean	Bangladesh	JICA, Preparatory Survey on BOP business	2011
Nippon Basic Co., Ltd.	Water purification system mounted on a bicycle	Bangladesh	JICA, Preparatory Survey on BOP business	2011
Original Engineering Consultants Co., Ltd.	Safe water supply	Bangladesh	JICA, Preparatory Survey on BOP business	2011
The Kaiteki Institute, Inc.	Lightweight flexible solar panels	Bangladesh	JICA, Preparatory Survey on BOP business	2011
Fruta Fruta, Inc	Agroforestry system promotion	Brazil	JICA, Preparatory Survey on BOP business	2011
Kaiho Sangyo Co., Ltd.	Establishing bicycle recycling value chain	Nigeria	JICA, Preparatory Survey on BOP business	2011
Kawasho Foods Corporation	"Local production for local consumption" business	Ghana	JICA, Preparatory Survey on BOP business	2011
Saraya Co., Ltd.	Infection control with new alcohol hand rub	Uganda	JICA, Preparatory Survey on BOP business	2011
The Organization for Urban-Rural Interchange Revitalization	Promoting use of agricultural machines	Tanzania	JICA, Preparatory Survey on BOP business	2011

Notes: 1) In addition to the above-mentioned companies and organizations, 40 companies and organizations have participated as cooperative entities. 2) NEDO = New Energy and Industrial Technology Development Organization, JETRO = Japan External Trade Organization, JICA = Japan International Cooperation Agency, METI = Ministry of Economy, Trade and Industry, MOE = Ministry of the Environment, UNDP = United Nations Development Programme, CDM = Clean Development Mechanism.

Source: Compiled by NRI based on information published on websites, etc. (as of November 2011).

as the Ministry of Economy, Trade, and Industry (METI), the Japan International Cooperation Agency (JICA) and the Japan External Trade Organization (JETRO) as well as international organizations such as the United Nations Development Programme (UNDP) all either began or expanded initiatives to promote BoP business. In particular, a scheme of providing funds for feasibility studies and a program of providing support for finding potential local partners are thought to have led to a significant increase in the number of Japanese companies making the first move to enter the BoP markets (Table 1).

Specifically, in 2009, the Ministry of Economy, Trade and Industry (METI) invited proposals for projects through a scheme of the Survey for Feasibility Studies on BoP Business, which was conducted by NRI at the request of METI. As a result, ten projects were selected. In 2010, JICA invited proposals through a program of the Preparatory Survey for BoP Business Promotion. Under JICA's program, 20 projects were provisionally selected and 19 survey projects were implemented. In 2011, JETRO launched the BoP Business Partnership Support Project and 11 projects were selected. Through its second public announcement, JICA provisionally selected 13 projects in 2011.

Beside these moves, there are also related projects that have been undertaken by the Ministry of the Environment, the Ministry of Internal Affairs and Communications and the Japan Bank for International Cooperation (JBIC). If we include support programs provided by international organizations such as UNDP, we find that 92 organizations have undertaken 62 projects under the initiative of the public sector. (Projects having similar themes for the same region are counted as a single project. Because there are many cases of multiple organizations taking on a single project, the number of projects is less than the number of organizations.)

Furthermore, when we consider the number of applications made to JICA's publicly announced program, we see that there are even more businesses that are considering engaging in BoP business, with more than 200 enterprises either making full-scale studies of BoP business or actually going ahead and promoting these efforts.

In addition, many companies are moving into BoP business without being supported by any of the initiatives offered by public entities. They include Fumakilla Limited, Mandom Corporation, Unicharm Corporation, Yakult Honsha Co., Ltd. and Nissin Food Products Co., Ltd. (For details, see *BoP business senryaku—shinkoukoku/tojyoukoku shijyo de naniga okotteiruka* (BoP business strategy—What is occurring in emerging and developing economies), which was introduced in Chapter I.) Taken altogether, we find that a large number of Japanese companies have started to become involved with BoP business.

### III Examining Cases of Early Entrants into BoP Business to Identify the Factors that Led to Failure

Although Japanese companies have started to move into BoP business, are all of them capable of actually developing properly? When we look at European and U.S. companies, we find that the road to the successful development of BoP business has been steep, and many have been forced to fight hard. Japanese companies have faced the same struggle, and as far as NRI has been able to determine, the same goes for even those companies that people refer to as being successful and/or advanced.

While every new business is difficult for a company to launch, BoP business is particularly difficult in that it presents unique challenges such as “the customers are completely different from those that we have dealt with before” and “the products and services that we offer are unlike anything we have ever offered before.” As a result, BoP startups appear to be more challenging than usual. When promoting BoP business, therefore, we need to take more of a mid- to long-term view than would be warranted by a conventional startup.

At the same time, if such a business is to be successful, it is necessary to surmount the difficulties that were faced by early entrants. Therefore, in this paper, we present some actual cases of companies that abandoned their efforts to develop BoP business even though they had gone as far as initiating feasibility studies and developing their businesses. Those cases of European, U.S. and Japanese companies that have abandoned their efforts can be broadly divided into three categories. These are:

- (1) Business could not be developed although feasibility studies were conducted
- (2) Business discontinued due to the loss of a key person
- (3) Because products failed to sell, the company was considering the abandonment of the business

#### 1 Cases where business could not be developed although feasibility studies were conducted

Although a company conducted a feasibility study by using a public organization's program of offering funds for such studies, the results of the feasibility study revealed facts that were contrary to what the company initially expected. Therefore, the company chose not to move forward. Specifically, there have been many such cases in which it was revealed that the market actually had little need for the company's products and that it



would incur much greater costs and take much more time than expected to start the business by using its products. Companies taking on BoP business with an approach of “the product comes first rather than the needs of the market” often tend to fall into these cases. One of the reasons why there are many such cases is that only very little data are currently available on the needs of the BoP market.

There are also many cases in which a company insists on marketing their own products, and is unable to move fast enough to pursue a new BoP business even if its field survey reveals different needs and different business opportunities. For example, one of America’s leading IT companies, which we call “Company A,” tried to develop its printer business in rural India. In some parts of rural India, Internet kiosks (stores with Internet terminals installed) have become widespread. Some of these kiosks also offer photography and printing services. Therefore, there was definitely a demand for printers. However, as a result of a feasibility study, Company A decided not to pursue this business. This was because one of Company A’s main sources of profit is sales of replacement print cartridges. However, in rural India, to keep costs down, the main demand is for refillable cartridges. Because Company A insisted on the way it conducts its printer business in developed countries, the company failed to develop another means of generating profit and was forced to abandon its entry into BoP business.

## 2 Cases where business discontinued due to the loss of a key person

These cases are those in which even though BoP business was dependent on the existence of a key person who promoted such business, BoP business has either diminished or been abandoned altogether as a result of the key person being transferred or experiencing a job change.

Such cases often occur when a company is unfamiliar with launching new business in emerging and developing countries, can only apply limited organizational and budgeting resources to such new business and is not yet fully ready to evaluate the efforts that will be needed over the medium to long term. With no means of evaluating the efforts of a key person, it is easy for that person to be reassigned or to change jobs. The BoP business is particularly prone to such a situation because it takes more time than usual to achieve results after business is first started. If BoP business is discontinued, the recognition that BoP business is something that is not worth the effort will become widespread within a company, subsequently making it more difficult to start any new BoP business.

For example, a major U.S. chemical manufacturer, which we call “Company B,” set out to develop its business in India by offering high-quality soy protein as a

means of improving nutrition. Local communities had been successfully incorporated into the project, and the mid- to long-term prospects for the project were starting to look very good. However, because the director who had been driving the project forward left the company at this stage, the project was discontinued. Because the director was the only person who understood the project within the company, the project was dependent on the backing of the director. Furthermore, the profitability of the project was not as good as anticipated when compared to that of ordinary new businesses. For these reasons, it seems inevitable that the project would be abandoned.

## 3 Cases where because products failed to sell, the company was considering the abandonment of the business

There have been cases where despite a company making a move into BoP business, it has not been able to sell its products at all. Such cases have often occurred where a company sets out to completely solve some kinds of social issues and has attempted to do so by being overly reliant on its own advanced technology. As a result, the products end up being too expensive and so are not purchased by the intended customers, leaving the company mired in a situation from which it cannot escape.

In the case of BoP business, the solving of social issues is often put forward as an important aspect of the project. Therefore, BoP business is more prone to succumb to this type of situation than in the case of ordinary new businesses. These cases have often been seen in projects that were intended to bring either water to rural areas or renewable energy to areas without electricity.

For example, a major U.S. consumer goods manufacturer, which we call “Company C,” offered a purification powder that could be used to sanitize water in areas without clean water supplies. In the rural areas of emerging and developing countries, people are not well educated about the importance of drinking clean, safe water. It is generally accepted that water is free. Therefore, the concept of actually paying for an agent to purify water went against the common sense of the local inhabitants. Company C tried direct sales but simply could not manage to increase the sales of the product at all. Because it was thought that the cost of a program to educate people on the importance of clean drinking water would be too expensive, Company C switched to a business model where it sells its water purification agent to international organizations and NGOs (non-governmental organizations). While Company C continues to sell its product now, it most likely would have abandoned the business if it had not switched its business model.

Such cases are not limited to western companies—more and more Japanese companies have experienced the same difficulties. If Japanese companies are to be

successful in BoP business, they need to avoid situations like those described above.

On the other hand, all around the world, more and more companies are overcoming these difficulties and seeing their BoP business grow. In this paper, therefore, we look at some successful examples in an effort to clarify the procedures and practices that Japanese companies should adopt in order to overcome the challenges that BoP business presents.

## IV Issues that Japanese Companies Must Overcome

In order for Japanese companies not to suffer the same fates as those suffered by the companies described in Chapter III, what hurdles must they overcome to promote their BoP business? NRI believes that success in BoP business requires that three main issues be overcome. These issues are:

- (1) From the perspective of customers: Integrating BoP business into a company’s portfolio strategy for a target country
- (2) From the perspective of products and services: Strengthening the attitude of “Genchi Genbutsu”
- (3) From the perspective of a business model: Aiming to improve the profitability of BoP business

The above three perspectives are illustrated in Figure 3.

### 1 From the perspective of customers: Integrating BoP business into a company’s portfolio strategy for a target country

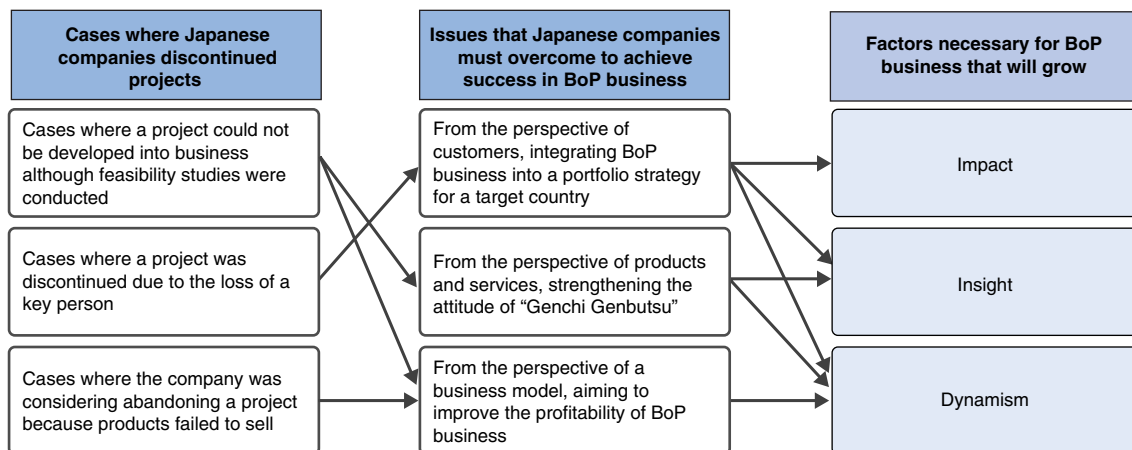
The first issue involves the one seen from the customer perspective. That is, the customers that a company ultimately plans to approach in its BoP business must be identified, and the reason why those customers are

important to the company must be made clear. Once these factors become clear, the company can integrate its BoP business into its portfolio strategy for a target country.

Generally, Japanese companies recognize BoP business as one that requires a special strategy that is distinct from a portfolio strategy that is formulated for each target country. It is often unclear why a company must approach the BoP segment. Because of the lack of such clarity, the positioning of BoP business in the company’s portfolio strategy is also unclear, resulting in a situation where the positioning of BoP business within the company’s overall global strategy is lowered. Given this situation, it becomes difficult to secure sufficient budget and resources for promoting BoP business and the efforts of personnel engaged in BoP business are not appropriately evaluated.

On the other hand, for the local subsidiaries and agents of large multinational companies, BoP business does not require any special strategy, but is naturally a part of their global businesses. They are always aware of market trends in all of their target countries. Upon understanding such trends, they have moved into the BoP market that is untapped and is growing. In terms of a portfolio strategy, for example, they do not limit themselves to the large-scale but low-growth “urban ToP business,” but are also aiming to increase their share in the medium-scale, medium-growth “urban MoP business” and the small-scale but high-growth “rural BoP business.” The local subsidiaries and agents of major multinationals have positioned the rural BoP market as one that is important for the company to continue growing in the future. In addition, if companies that are placed second or third within an industry seek to develop the rural market as part of their strategies for differentiating themselves from the first-place company and attain a certain level of results, the first-place company also adopts a strategy of using its superior cost competitiveness to try to capture this market. Adopting such a strategy is very common among the local subsidiaries and

Figure 3. Issues that Japanese companies must overcome and factors necessary to overcome these issues



agents of multinationals. This situation constitutes competition to acquire prime customers.

In the same way as do the agents and subsidiaries of multinationals, Japanese companies must also clarify where their BoP business will be positioned within their portfolio strategies (Figure 4). Specifically, one possible approach is that by considering that the buying power of the BoP segment can drive a company’s growth, the company takes on BoP business to develop it into a stellar business in terms of market size and growth rate. Another possible approach is that a company considers it sufficient if BoP business generates enough profit to cover operating costs even though large profits are not generated; by engaging in BoP business, the company captures the BoP segment that will someday migrate into the MoP segment, and develops the existing urban MoP business into a future stellar business. In order to have as many specific strategies as possible to clarify which direction is pursued, head-office management executives, subsidiary management executives and managers of the concerned department at the head office need to have daily conversations on BoP business. As part of these activities, head-office executives and head-office departmental managers need to visit the actual sites of the BoP market and should participate in talks with companies achieving remarkable growth in the BoP market. In so doing, they will be able to actually feel the rapid pace at which the BoP market is growing and can establish an appropriate portfolio strategy for the target country.

## 2 From the perspective of products and services: Strengthening the attitude of “Genchi Genbutsu”

The second issue concerns taking the perspective of products and services. The aim of this challenge is to create products and services that consumers in the BoP segment will be willing to spend money to buy. To achieve this goal, the attitude of Genchi Genbutsu must be strengthened. When Japanese companies consult NRI on BoP business, NRI often encounters a situation where

the company making the inquiry has already decided on the technologies and products that it plans to bring to the BoP market, despite not having a deep understanding of the conditions in the field. In such case, even though a feasibility study has been started, it often becomes clear that the intended technologies and products cannot be applied as is. Regardless of how much data is collected in Japan (though the amount of data relating to the BoP segment is limited) and even if any hypotheses are established based on collected data, it is not realistic to consider that a hypothesis developed by Japanese personnel who have no real sense of local conditions is 100 percent correct.

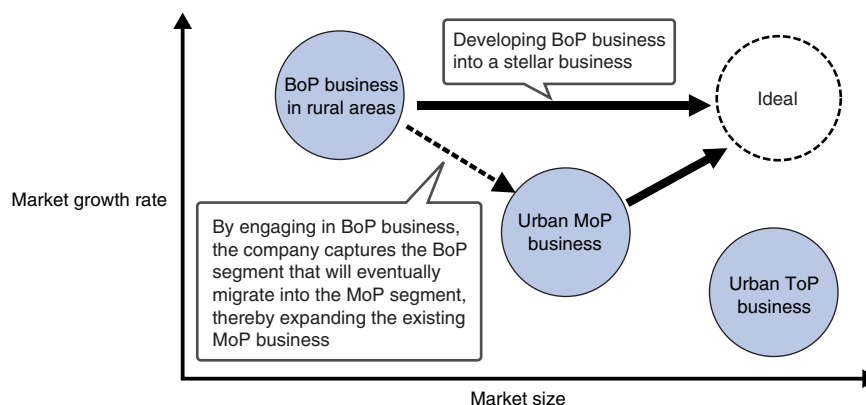
Therefore, by realizing that a hypothesis is simply an assumption, a company must create multiple business model hypotheses, and these business models must be improved based on the results of a field survey.

Japanese companies generally place an emphasis on the “go and see” approach. However, for business in emerging and developing economies, this approach has not been fully in place. The pace at which the cycle of “product development → understanding customer reaction → product improvement” moves is slow. For example, there are actually some companies that know that their products have started to sell in rural markets, but that have never set foot in these rural areas. To fully utilize the strengths of Japanese companies, it is necessary to reaffirm whether the “go and see” attitude has firmly taken root within a company.

## 3 From the perspective of a business model: Aiming to improve the profitability of BoP business

The third issue relates to the perspective of a business model. This issue must be addressed by creating a business model that will improve the profitability of BoP business. Currently, Japanese companies often take little or no account of profitability in their efforts to promote BoP business because they focus too much on simply providing products and services to the BoP segment. Therefore, business activities that do not provide a

Figure 4. Positioning of BoP business in a portfolio strategy



means of operating in the black are increasing. It is true that through BoP business, companies can benefit from fruits such as “acquiring a share of a future huge market” and “giving rise to innovation that can overturn even the markets of developed countries.” Again, it is true that it is important to take a patient approach to achieving these goals. Nevertheless, even for companies that take a medium- to long-term outlook, it is difficult to continue business activities with no prospects of even covering operating costs.

Then, how do companies that had entered this market early and have been promoting BoP business manage to increase business sustainability? In fact, the generation of profit by business in rural markets alone is difficult. The scale of rural markets is considerable. The sales of companies that have already been operating business in these markets have been approximately several billion yen. However, because these companies have to adopt a marketing technique of door-to-door sales to individual farmers, sales costs are much higher than are those for urban markets. Therefore, business sustainability should be enhanced by also undertaking other business that produces a good return on investment. There are two strategies that are particularly effective. They are:

- (1) Adopting a “whole pyramid” strategy that also targets higher income earners (MoP segment)
- (2) Adopting a “B2X2C” strategy (described in Section (2)) that targets international organizations, local governments and agriculture-related companies as direct customers, with the BoP segment positioned as final customers

These strategies are shown in Figure 5.

**(1) A whole pyramid strategy that also targets higher income earners (MoP segment)**

The whole pyramid strategy targets not only the BoP segment but also the MoP and ToP segments in urban areas as customers so that an appropriate profit margin can be secured by selling products to those customers.

This is business development that targets people in the entire economic pyramid.

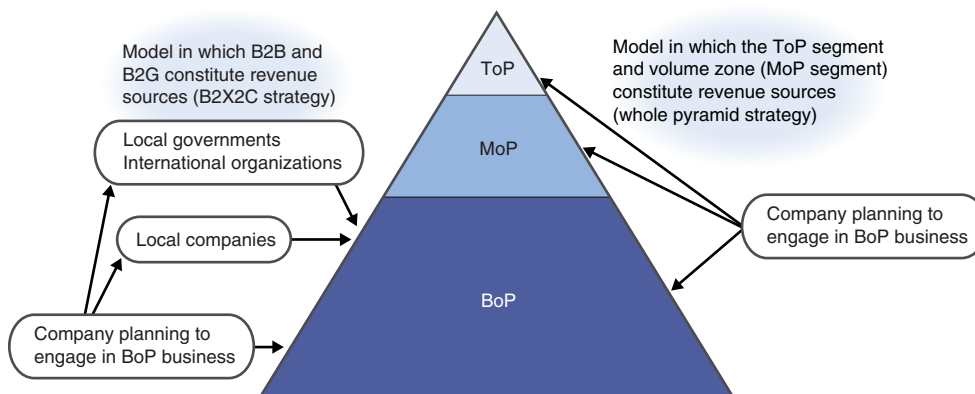
In emerging and developing countries, even in urban areas, basic infrastructure, such as water and electricity supplies, is often lacking. As such, even the MoP segment faces the same issues as do people in rural areas. Solving these countrywide social issues is, therefore, a pressing need for people throughout the country. For this reason, rather than selling products only in rural areas, companies should also offer products that are based on the same concept as that applied to the products aimed at rural areas to the MoP segment in urban areas. This is the kind of ingenuity that can improve the overall profitability of business.

**(2) A B2X2C strategy that targets international organizations, local governments and agriculture-related companies as customers**

A B2X2C strategy is designed to increase sales efficiency and improve profitability by targeting people in rural areas as the final customers (referred to as “C”) and by actually selling products to international organizations, local governments and agriculture-related companies (referred to as “X”). In other words, international organizations and local governments, whose mission is to improve the quality of life of people in rural areas, and agriculture-related companies, whose main markets are rural areas, are targeted as direct customers. In order to improve the quality of life of people in rural India, for example, international organizations and local governments spend a considerable amount to fund a wide range of activities. For these international organizations and local governments, a breakthrough product that is developed in the private sector can be of huge value to the extent that they may decide to purchase the product in large quantities for use in their own activities.

In the case of agriculture-related companies, many similar companies are competing within the same market, with each company promoting the sale of its products in many different ways. To this end, providing people in rural areas with innovative products that can

**Figure 5. Business models to increase the profitability of BoP business**



Notes: B2B = business-to-business transactions, B2G = business-to-government transactions.

improve their quality of life is recognized as being a powerful PR technique. Selling directly to these organizations, governments and companies is overwhelmingly more cost effective than door-to-door sales to farmers, and offers the potential of selling products in huge quantities.

## V How to Develop a BoP Business that will Grow

What steps are involved in actually creating a BoP business that will grow? In this chapter, for each of the steps needed to create a new business, three elements that are unique to a BoP business that will grow are introduced (Figure 6).

### 1 Incorporating “impact” at the concept development stage

To create a BoP business that will grow, a theme with sufficient impact to promote the growth of the target country must be identified at the business concept development stage. In so doing, a company should not restrict itself to just the BoP segment, but should instead aim to acquire as wide a grasp as possible of the factors that hinder the growth of the target country. In particular, it is important to focus on the areas of “life,” “wealth” and “culture,” in which people can actually feel change.

In the case of “life,” for example, the introduction of drugs to prevent diarrhea and infections greatly reduces the mortality rate and leads to the improved health of the population, thereby contributing to the development of a target country. Meanwhile, for “wealth,” if the income of individual people can be increased by a factor of 2 or 3, this increase will also lead to the development of the country. For “culture,” if people can enjoy their lives in the way they wish, or if their sense of independence can be stimulated by realizing that, with effort, they can enjoy an even more affluent lifestyle, this factor again will lead to the development of the country.

To understand the factors that hinder growth, attention must be paid to social issues such as MDGs. It must be noted, however, that there are inhibitors of development other than social issues. For example, the lack of elements stimulating personal growth or a sense of inde-

pendence such as entertainment and beauty also holds back the development of emerging and developing countries. When we look at our own history, we can understand how important these elements are to making efforts and achieving growth.

There are many instances where the BoP segment is directly involved in the factors that inhibit the development of a country. This is because in emerging and developing countries, the BoP segment often constitutes the majority of the population. At the same time, by paying attention to overall factors holding back the development of the country in addition to the BoP segment, it becomes possible to look at not only the BoP segment but also the MoP segment as well as organizations such as private sector companies and local governments. Taking this perspective will lead to an even wider range of BoP business opportunities. Moreover, if it is assumed that a candidate business will have an influence that is great enough to promote the development of a target country, it will be easy for a company to draw up a portfolio strategy that the company should pursue in the future in the target country that achieves growth. Only after a company considers a business model that can bring about growth to a target country does the BoP segment become important as a group of customers. Here, it should be noted that focus must first be given to national growth rather than to the BoP segment. By taking this approach, the concepts must be developed in terms of solving “whose issues,” “what issues” and “by what means.” Based on these concepts, new businesses that go beyond the existing business frameworks can be created.

For example, Unilever’s Indian subsidiary, Hindustan Unilever (HUL) offers the “Pureit” home water purifier to the MoP and BoP segments so as to improve the health of the Indian population by greatly reducing outbreaks of diarrheal disease. When HUL developed this business, the company paid attention to a “life” aspect of the social issues, i.e., diarrheal disease, and to the lack of water and electricity infrastructure that is the root cause of the issue.

Since 2000, HUL has been promoting its “Shakti Program” whereby it sells small soaps and shampoos through female entrepreneurs in rural areas. Thanks to this program, the practice of hand washing has been established and the number of outbreaks of diarrheal

Figure 6. Three elements unique to BoP business that will grow



disease fell considerably. However, such outbreaks cannot be eliminated just through the practice of hand washing. If there is no clean drinking water, no matter how much a person washes with soap and shampoo, bacteria will enter the body. To solve this issue, HUL set out to promote its business to provide safe drinking water. HUL now offers a wide range of Pureit products, priced between 1,000 and 6,000 rupees depending on purifying volume, none of which requires an electricity supply.

India suffers from a shortage of electricity supply and power outages frequently occur. Even if people become well off to some extent, the use of electricity depends on its supply. Therefore, even the MoP segment does not always have access to safe drinking water and electricity. HUL recognized that this social issue affects all of India, and first aimed Pureit products at the MoP segment. Pureit was well received by the MoP segment, resulting in the sales of 3.6 million units over three years. By making sufficient profit from the MoP segment, HUL has become able to offer lower-priced products and has sold 400,000 units to the BoP segment. In this way, business is continuing to grow rapidly.

As such, HUL recognized a social issue that was common to all of India, and targeted its Pureit business not only at the BoP segment, but also at the MoP segment. Because the company was successful in solving this issue and changing people's lifestyles, its business has grown to one that can continuously generate profit in overall terms.

## 2 Incorporating "insight" at the stage of product development and business planning

At the stage of product development/business planning, it is important for a company to strengthen and make use of its insight into any changes in the local environment and the needs of people. Specifically, a hypothetical business model that is created at the stage of concept development must be repeatedly brushed up by involving local inhabitants. This means that a candidate product/service or a prototype that constitutes the core of a company's business model should be brought to a local site, and that a cycle of "conducting pilot test with prototype → obtaining feedback from customers → improving the product/service and brushing up the business model" should be repeated. The speed at which this cycle, which is based on the needs of local inhabitants, can be repeated will have a major influence on the length of time it will take to develop a growing BoP business.

When a company is working through this cycle, it must be careful not to push its product, service or hypothetical business model onto local inhabitants. Instead, the company should be aware of the signs of any changes in local communities and look for ways of working with and incorporating such changes. As compared to a usual business start-up, the point that must be

particularly noted is spotting these signs. Attention must be paid to support schemes and activities that are spontaneously occurring in local communities or that have started to penetrate into local communities because of the efforts of local governments or other companies. The company must brush up its business model in such a way that any changes that are being brought about by such support schemes and activities can be augmented and expanded.

For example, a company must identify which efforts and activities are giving rise to continuous changes in local communities from among independent activities conducted by the BoP segment such as retailers, restaurants, mutual aid societies and credit unions or from among support activities conducted by social entrepreneurs, NGOs and support organizations such as farmer support, business creation support and IT kiosk operation. Furthermore, the company should identify the changes for which local inhabitants do not spare spending money, those that are contributing to the increase in people's incomes and those in which local inhabitants are willing to participate. By having insight into the signs of such changes occurring in local communities and the degree to which these changes are accepted in local communities, the company must fine-tune its business model from the perspective of expanding, developing and evolving such changes.

For a BoP business to grow to the extent of generating profit, it is desirable to start small. For this purpose, rather than focusing solely on products and services, efforts must be made to work together with the BoP segment to create an entire business value chain. After creating such a value chain, the business should be expanded so that it can be accessed by many people. Making use of the signs of changes that are taking place in the local community will greatly contribute to both the creation of products and services that adapt to local needs and the establishment of a value chain together with the BoP segment.

A wide range of activities is under way in emerging and developing countries that are rapidly growing. Each individual activity is sometimes similar to, or even superior to, that in developed countries. Because of these activities, small changes are taking place. Nevertheless, there have been many cases in which because activities are not very efficient or because of poor communication between those working on each activity, the resulting changes are limited. The company should brush up its business model so that these small changes can be made into a major change.

While striving to understand the activities and changes that are happening in the field, there may be occasions where, depending on the situation, it becomes necessary to return to the concept development stage and re-examine whether attaining the impact identified by the company is realistic. In this case, however, the company must avoid situations where office-based examinations

are repeated without taking any steps forward. By actually testing the business model even on a small scale, the business model should continue to be fine-tuned through a series of small changes. To continue these efforts efficiently, the company must create an environment in which its personnel can feel ongoing changes firsthand.

In recent years, the number of companies setting up local research centers has been increasing. Companies that are said to be moving well ahead in terms of BoP business, such as Unilever, Nestle, Nokia and Ericsson, have been striving to strengthen their local systems. Japanese companies are also taking this approach with, for example, Sumitomo Chemical establishing a research center in Tanzania. By setting up local research centers, these companies are giving themselves a means of spotting the signs of change in the market, and creating and brushing up a business model in cooperation with the local inhabitants. The more quickly this cycle can be repeated, the faster the BoP business will be accepted in the market and will begin to grow. Creation of these local systems is the key to product development and business planning.

For example, Ericsson has set up research centers called Mobile Innovation Centers, and has continued to create businesses aimed at the BoP segment from these centers. Such centers are currently located in South Africa, Kenya and Ghana. In particular, the research centers are engaged in research on information and communication services aimed at the BoP segment as well as those in the fields of education, medicine and agriculture.

The Mobile Innovation Center is not just a research center. It is also involved in creating new businesses. The center receives only minimal funding from the company's head office, with the rest of its budget coming from new businesses that it creates. The mechanism is established to retain 10 to 40 percent of the profits gained from new businesses that are created by the center, which will be a budget source for a next new business. In other words, the center must continue to create new businesses that will generate profit in order for the center to continue with its research.

Under this mechanism, the researchers create businesses that are capable of generating profit through the following processes: frequently investigating the needs of the local BoP segment, repeatedly conducting pilot tests on prototype products, services and business models and improving such products, services and business models based on the opinions of the BoP segment. For example, Ericsson has created products, services and business models that are easy for entrepreneurs to use who handle public telephone services that make use of mobile phones, which have spontaneously been launched in the local community. These products, services and business models have now penetrated into the local market.

One example of a business that was developed by the Mobile Innovation Center is the Dynamic Discount Solution (DDS). DDS was developed in cooperation with MTN, a leading provider of communication services in South Africa. DDS offers up to a 95 percent discount on voice calls depending on the congestion of traffic using the same radio frequency within a given area and time slot. Thanks to this DDS service, BoP low-income earners can now afford to use mobile phones at low cost. Furthermore, MTN, as a partner, is working with local entrepreneurs to promote the spread of service. Among these local entrepreneurs is widespread recognition that it is easy to succeed in any business related to mobile phones and that profits are easy to generate. As such, their motivation is high. By working with these entrepreneurs to establish and improve a value chain, it has become possible to increase the expandability and scalability of business. Through these kinds of efforts, the number of mobile phone users has continued to increase.

In this way, Ericsson has honed its ability to recognize changes in the local market. By creating a mechanism whereby small changes lead to a business opportunity and the resulting business is popularized in the local market, Ericsson has given birth to a string of BoP businesses that are all capable of growth.

### 3 Incorporating “dynamism” at the business promotion stage

At the business promotion stage, it is important to either continuously grow the business or continuously devise new businesses in response to the rapid growth of the market. In those emerging and developing countries that have been experiencing significant growth, the environments in which people live have also been evolving considerably from year to year. Naturally, the things that people buy and the stores where people buy them also largely change. In these markets, there is a dynamism that seems to have been lost in the markets of developed countries. The presence of dynamism constitutes a major difference from starting a new business in a developed country. There are two ways in which this dynamism can be skillfully leveraged to develop a BoP business.

The first method involves offering a wide selection of product lineups and establishing various sales channels so that responses can be flexibly made when the income of the BoP segment increases or the living situation changes.

From the standpoint of product lineup, a wide range of products for which the price changes little by little depending on the quantity or functionality of the product should be provided. Making such a wide selection available will enable people to buy larger quantities of or higher quality products when their incomes increase. In the case of consumer goods, for example, rather than

just offering one-day supplies, products packaged in quantities sufficient for one week and even for one month should be offered. In the case of equipment for generating renewable energy such as solar panels, rather than just offering units that are sufficient for one family, larger units capable of generating enough power to sell to neighbors should also be offered.

From the standpoint of sales channels, distribution networks that are tailored to urban, suburban or rural areas should be created. Building appropriate networks respectively for those areas will enable a company to respond to changes in lifestyles when people become wealthier and the nighttime/daytime distribution of the population changes. For example, in urban areas, products can be distributed through existing wholesale and retail distribution networks. In suburban areas, a network of dedicated agencies should be set up, which would not only distribute products but also be actively involved in sales promotion. In rural areas, possible sales channels would include a network of women entrepreneurs who sell products.

The second technique revolves around capturing new business opportunities that arise as the income of the BoP segment increases and the living environments change. These opportunities should be skillfully used to establish new businesses. For example, when people's incomes increase and/or people act as members of an organization, individuals who have not previously been eligible as customers can be targeted as new customers. Otherwise, as people's abilities improve, they might start their own businesses using existing products and services. These changes should be considered as business opportunities. A company should start sales promotion activities for these new customers and provide support to expand businesses that are set up by local people.

Furthermore, an effective means of efficiently promoting these two methods is the creation of "business platforms" that can be readily used by the inhabitants of emerging and developing countries. What, you may ask, are "business platforms?" This term refers to infrastructure networks such as those for distribution, finance, communications and information, which everyone accesses when conducting business and for many other activities. These platforms include:

- A distribution network that extends over urban, suburban and rural areas; a financial network that can be accessed by people to receive a wide range of financial services
- A communications network that is available to everyone at low cost; scalable operating software (OS) and application software that runs on mobile phones and PCs
- An information database that stores an enormous amount of data about people's needs and other information

- A network of places where people get together; a network of entrepreneurs who provide a wide variety of services to individuals (including a network of agencies)

By creating a business platform (business model) that suits the company's own situation, local dynamism can be skillfully incorporated in developing its own business. Establishing such a business platform would lead to the creation of a company's own strengths that cannot be matched by any competitors in emerging and developing countries where such dynamism is inherent.

An example of a company that is promoting its business by focusing on the dynamism of the local market is ITC, which is a multi-business conglomerate in India. To develop a highly sustainable agricultural business, ITC launched the e-Choupal initiative in 1999 by using the Internet to directly procure agricultural products. Through this e-Choupal platform, the prices at which agricultural products are purchased, which were obscure in the past because of the presence of middlemen, were made transparent, and agricultural products are traded at reasonable prices. By the use of this platform, ITC can now procure agricultural products at lower prices than those that had been set in the public market in the past. Farmers are now able to sell their crops at higher prices than they were able to get from the middlemen, thus increasing their revenues.

Witnessing local dynamism in which many farmers were seeing an increase in their incomes through e-Choupal, ITC realized that the farmers could well become promising customers. Since 2003, therefore, ITC has built Choupal Saagar shopping centers near e-Choupal centers. In addition to fertilizers and agricultural machinery that are needed by farmers, these stores also sell daily necessities, groceries and home electrical appliances. Choupal Saagar provides an environment in which farmers can sell their crops and then turn around and use the money from the sales of those crops to make purchases. Furthermore, to help farmers purchase the products they need, ITC also offers seminars on how they can increase their productivity.

By being so closely linked to the farmers, ITC was in a position to notice another change that arose. From among the farming population, the number of people beginning to establish their own businesses has started to increase. In response to this situation, ITC began to take on those farmers that showed excellent entrepreneurial spirit as business partners, thereby developing various new businesses.

Examples of these new activities include a program that started in 2008 wherein some farmers began to provide demonstrations to guide other farmers in agricultural techniques. Other programs include providing marketing information on the demands and needs of rural consumers to companies in cities and using the Internet to provide a matching service for non-agricultural



employment. These businesses have enabled farmers to reap benefits such as learning how to increase the productivity of individual crops, expanding business opportunities through the distribution of consumer goods and enjoying greatly expanded employment opportunities.

In this way, ITC has created business platforms in the shape of e-Choupal and Choupal Saagar where local farmers gather. Using these platforms as hubs, ITC has developed new businesses successively as the incomes of local farmers increase and their abilities improve. In so doing, ITC has continuously grown its businesses aimed at farmers.

#### 4 Promoting a BoP business that makes good use of the characteristics of each country

In order to create a BoP business that will grow, it is important to follow the steps described in this chapter. In practice, however, it must be noted that the environment surrounding BoP businesses varies from country to country. In Volume 2, we will focus on India and South Africa, and discuss important points for the promotion of BoP business in each of these countries.

Note:

- 1 This report displays monetary data using the international dollar, which reflects differences in the cost of living seen in each country. The international dollar used here is calculated based on 2005 purchasing power parity (PPP).

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