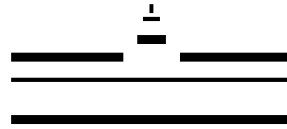


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Bachelor Thesis

DOING BUSINESS AT THE BOTTOM OF THE PYRAMID

WHAT ARE THE POTENTIAL EXPLANATORY FACTORS FOR SUCCESSFUL
CONTRIBUTION BY MULTINATIONAL COMPANIES (MNCs) THAT FACILITATE
SUSTAINABLE DEVELOPMENT AT THE BOP?

THE CASE OF NESTLÉ

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LIST OF ACRONYMS

BoP	Bottom of the Pyramid
CWAR	Central and West African Regions
et al.	Et alii (and others)
HLL	Hindustan Lever, Ltd.
ibid.	Ibidem (in the same place)
KSPCB	Kerala State Pollution Control Board
LDCs	Least developed countries
Ltd.	Limited
MNCs	Multinational Companies
NGOs	Non-governmental organizations
PPP	Purchasing power parity
PPPs	Popularly Positioned Products
R&D	Research and Development
ROCE	Return on capital employed
SD	Sustainable Development
s.	See
UNCED	UN Conference on Environment and Development

ABSTRACT

Poverty is one of the biggest problems in the world, which complicates the access of people to the basic needs such as nutrition, drinking water, accommodation and clothes. Poverty tends to have negative effects on health, freedom, education etc. Essentially, there are approximately 4 billion people in the world, who live on less than US \$ 3000 per year and therefore they are located at the so-called Base or Bottom of the Pyramid (BoP) (Schrader, 2011, p.1). In recent years besides making profit, alleviating poverty has been the main topic, which many multinational companies (MNCs) focus on. In order to fight hunger, to reduce child mortality and diseases and to provide at least primary education and sustainable development in the least developed countries (LDCs) they create market-based solutions for the world's poorest consumers. The first scholar who thought of this idea and is seen as the constitutor of the approach which maintains that eradicating poverty could be achieved by doing business at the BoP, was Professor C.K. Prahalad (2002). His claim has met both, followers and critics, among many international authors. Why are there different opinions in the literature about how the MNCs implement the BoP-proposition and what are the reasons for the failure of some MNCs while selling at the poor marketplace? This will all be discussed in this paper in order to finally answer the key question: "What are the potential explanatory factors for successful contribution by Multinational Companies that facilitate sustainable development at the BoP?". This work will chiefly concentrate on the multinational Nestlé, which is one of the biggest food companies working with the BoP. The key goal of this paper – based on both secondary data and on the results of my own investigation – is to establish recommendations how to do sustainable and profitable business for the poor, and to see whether and how MNCs apply these strategies in the BoP-market.

1. INTRODUCTION

Since the constructive work of Prahalad and Hart (2002), the scholars' interests have been considerably increased, if and how the private sector can contribute to alleviating poverty and improving the living conditions of the poor sustainably (Angeli & Jaiswal, 2013, p.1). Their approach, claiming that doing business at the BoP can help the poorest people, raises critical opinions among other authors, arguing that the BoP concept provides unrealistic expectations and hopes to the deprived people and some MNCs just exploit them (Karnani, 2007; Simanis, 2012). Does the BoP approach actually bring profit to the poor? Do MNCs really contribute to reducing poverty through serving the BoP market? In order to be able to make a scientifically objective statement, I decided to take a deeper look at the inside of the BoP market. The analysis of the business strategies of some MNCs and the comparison of their working practices with the poor will make certain assumptions about which of these are the most effective and sustainable.

The topic of this work can be essential in two ways: societal and economic. On the one hand, as Prahalad claimed, the private sector plays a key role in alleviating poverty. By doing business in the low-income market, the MNCs satisfy the basic needs of the poorest people to improve their lives. On the other hand, by serving the BoP market, MNCs make a profit, which means not only capital gains for the large international companies, but for the economy as a whole. In addition, there is one more significant sphere, particularly for me, where this topic finds its application. Studying Public Administration, I dare to claim that the talking point is also politically relevant: Realizing a connection between the biggest multinational organizations and the poorest socioeconomic segments in the world, the business between them has a major impact on the political system of the LDCs.

The relevance of the topic and the explicit target behind it require a clearly formulated structure of this work. As I am writing this paper I will concentrate on the following objectives: an identification of the working practices of MNCs in the BoP market; an analysis of their business strategies; and a determination of the best practice contributing to poverty alleviation. In order to finally answer the central research question of the paper: "What are the potential explanatory factors for successful contribution by Multinational Companies that facilitate sustainable development at the BoP?" I have formulated some sub-questions, which will be answered successively in the different sections:

- What is BoP and who are the key actors serving its market?
- What motivates the critical opposition of Prahalad's approach?
- What are the best business strategies at the BoP, which bring profit to the poor, and how are they applied by the MNCs?

In this paper both the theory and the practice at the BoP will be explored. Beginning with the theoretical framework, major concepts such as “Sustainable Development” and BoP will be introduced, followed by the target market the approach focuses on and the MNCs working there. The paper will then continue with the methodological part, where the data sources I used for the preparation of the content will be presented. The way the company within my investigation was approached will be also explained precisely in this section. This is followed by the empirical part, including interesting facts on the MNC I have interviewed, this will complete the conceptual framework and lead to the essential conclusion. By summarizing all of the information above at the end I intend to finally address the research question and I will express my own opinion and recommendations on the matter.

2. THEORETICAL FRAMEWORK

2.1. WHAT IS SUSTAINABLE DEVELOPMENT?

In order to answer the central research question of the paper, it is necessary to explain the meaning of all key terms included in the question, which play a main role during the whole work. One of these is the concept “Sustainable Development” which is linked to many definitions from omnifarious sources. The first came after the publication of the Brundtland report titled “Our common future” (1987), named after Norwegian Prime Minister Gro Harlem Brundtland. The World Commission on Environment and Development’s (Brundtland Commission) report created and popularized the most commonly used definition of Sustainable Development (SD):

“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (The World Bank, 2001).

Having received political prominence, five years later the term appeared again at the UN Conference on Environment and Development (UNCED) in Rio de Janeiro, Brazil, commonly referred to as the Rio Summit (Drexhage & Murphy, 2010, p.6).

The concept has had various connotations over the years, but three of them remain the pillars that exactly determine sustainable development. The convergence between economic development, environmental protection and social equity make up the best consistency, including the concern about the rights of future generations, defining perfectly the concept of SD (ibid.). Since the Brundtland report and the Rio Summit SD has been taken up as an attractive goal for many governments and organisations which have managed to enforce this modern thinking in their working process. Certainly, implementing sustainable development

as a main aim and a method of work is not always easy since it requires transforming abstract theory into practice. The extent to which companies enabled this process I will introduce later and whether they managed to provide SD for the poor at the BoP, will be shown in the last sections of the paper.

2.2. "BOTTOM OF THE PYRAMID" – DEFINITION AND CHARACTERISTICS

Next appears the term "Bottom of the Pyramid" which was first introduced in the article "The Fortune of the Bottom of the Pyramid" by C.K. Prahalad and Stuart L. Hart (2002), where it drew attention of the international business community to the "large socioeconomic segment" at the base of the economic pyramid (De Boer et al., 2012, p.32). In their work the authors encouraged the private sector, mainly comprising multinationals (MNCs), to do sustainable business with the poorest 4 billion people around the world, who live on less than 1.5 U.S. Dollars a day (Prahalad & Hart, 2002, p.2). As can be seen in Table 1 (s. Appendices) these 4 billion poorest people form Tier 4 of the so-called economic pyramid, where the majority – two-thirds of the world's population – are located. Most Tier 4 people are based in Sub-Saharan Africa, South Asia, Eastern Europe and Latin America (Pervez et al., 2013, p.55), live in rural villages, have received little or no education and little access to the basic human needs like water or clean energy. The quality and the quantity of the products or services that they have and use, are markedly low (Prahalad & Hart, 2002, p.2). The extremely bad living conditions were the main argument of implementing the Prahalad concept which can be briefly summarized as follows: Instead of referring to the poor as victims of the society, they should be seen as potential customers offering modern market opportunities to the world's biggest companies. The new marketplace not only helps the poor by increasing their access to innovative and payable products and services but also brings benefits to MNCs selling enormous quantities of these products in a large market. According to the author this would be the perfect win-win scenario for both sides: the poor as well as the private sector representing particularly multinationals (Chartterjee, 2009, p.4f.). Closely related to the business circles, BoP research aims to determine the conditions for success, the business strategies and motivations of MNCs to provide sustainable economic growth for the poorest individuals of the planet (Payaud, 2014, p.51).

2.3. TARGET MARKET AT THE BOP

Beginning with the analysis of the target market at the BoP, it should be mentioned that among the literature sources there are some inaccuracies regarding its size. According to Prahalad and Hart (2002) the group of 4 billion people at the BoP (Tier 4) represents a

potential market amounting \$ 13 trillion at purchasing power parity (PPP)¹. Furthermore, it is to be expected that the poorest population could increase from 4 to 6 billion people over the next 40 years because of bulk of the world's population growth (Prahalad & Hart, 2002, p.2). Considering the size of the population in developing countries, there are, for example, more than 75 million inhabitants in the Democratic Republic of Congo and the majority lives below the poverty line (Payaud, 2014, p.51). Moreover, while real growth rates in developed countries are close to zero, these in LDCs are mostly between 5 and 10 percent per year (s. Table 2) (ibid.). Especially the urban areas in developing countries are, as Prahalad claimed, a "magnet" to the poor: By 2015, "more than 368 cities in the developing world will have more than 1 million people in each" and at least 23 cities – more than 10 million residents (Prahalad, 2010, p.37). The ever increasing amount of people who are poor, will lead to the enlargement of the BoP market.

However, as has already been mentioned at the beginning, there is no consensus on the real size of the BoP market (Chikweche, 2013, p.240). Critics do not agree with Prahalad's statement, whereby the BoP potential market is \$ 13 trillion at PPP, and claim that the presented hypothesis is not true. Some conservative authors such as Subrahmanyam and Gomez-Arias (2004) argued that this market is estimated at \$ 5 trillion (Pervez et al., 2013, p.55), which does not approach the above mentioned number at all. One of the staunchest critics of Prahalad's approach, Michigan school of Business professor Aneel Karnani, argued in his article "The Mirage of the Marketing to the Bottom of the Pyramid" that the number of poor people is equal to 2,7 billion, which implies a BoP market size of \$ 1,2 trillion at PPP in 2002 (Karnani, 2007, p.91). In his opinion such a big difference in the number of poor and in the size of the market respectively, could only prove that the claim of the well-known approach is grossly overestimated (ibid.).

Overestimated or not, the BoP market is definitely a challenge for large firms and multinationals. Access to distribution in rural markets should be especially problematic: the lack of audio and television signals, the unavailable wireless connection, etc. hinder the access to products and services and limit the knowledge that these exist at all (Prahalad, 2010, p.37). Furthermore, Prahalad and Hart mentioned some other difficulties which complicate the access to the poor and the implementation of a sustainable and profitable market in the developing world: for instance, the hard finding of intelligent and motivated managers who want to work there or the impossibility of the poor to afford products and services offered in the developed countries (Prahalad & Hart, 2002: p.4). Due to these

¹PPP – "PPP is used worldwide to compare the income levels in different countries. PPP thus makes it easy to understand and interpret the data of each country." (The Economic Times, 2015)

complicacies the underdeveloped market cannot be compared with that of the developed world and therefore it would be difficult to continue the success of Western MNCs in the developing countries. They should have a motivation and follow new business strategies which address the needs of the poor population at the BoP market, regardless of its size.

2.4. MULTINATIONAL COMPANIES IN THE BOP MARKET

Within the private sector there are different groups of actors included, who all can contribute to the sustainable development of the poor: from local entrepreneurs, over small and medium-sized national firms and organizations, until large multinational companies, which will be the key actors in this paper. As MNCs are defined these corporations, which are making foreign direct investments and are controlling value-added activities in more than one country (Schrader, 2011, p.27). One can increasingly observe the presence of large companies in foreign countries, especially in LDCs. More known as a new trend in a business, MNCs working at the BoP generate controversy, whether their activities in the poorest world really can lead to economic growth and decreasing poverty is just a “mirage” (Karnani, 2007). In the next two sections the two opposing sides will be introduced, as each of them has its followers and arguments for their own theories. Only by discussing the differing points of view one can follow the dimension of market strategies in the time to successfully determine what the successful ingredient is in order to do sustainable business at the BoP.

2.4.1. MNCS ACCORDING TO PRAHALAD’S APPROACH

As mentioned above the multinationals are only one part of the different potential actors at the BoP market, though, according to Prahalad and Hart, they play the most important role in alleviating the global poverty. Both claim in their work, that “only large firms with global reach have the technological, managerial, and financial resources to dip into the well of innovations needed to profit from the opportunity” (Prahalad & Hart, 2002, p.14). The MNCs possess some key characteristics, which serve as an advantage over the other actors: access to resources, ability to transfer knowledge from one BoP market to another as well as innovations from the BoP to the top of the pyramid, enabling connectivity among the partners (Hart, 2010, p.196f.). According to Prahalad followed by scholars on his side of the discussion, MNCs sell their products – food, cosmetics or even technology - to the poor and using the method – large quantities at low prices, they make profits and help the poor people by providing goods as well. The “low price, high volume” model (Simanis, 2012, p.120) is for many MNCs the best market formula which was already applied at the BoP and actually

worked. As example could be given the Unilever`s success in selling of its detergent to low-income customers in India (s. below) (ibid.).

For successful realisation at the BoP Prahalad and Hart suggest five recommendations for action, which MNCs should apply at the poor market:

- “build a local base of support”;
- “conduct Research & Development (R&D) focused on the poor”;
- “form new alliances”;
- “increase employment intensity” and
- “reinvent cost structures” (Prahalad & Hart, 2002, p.12ff.).

In order to recover their credibility, multinationals should cooperate with local government and non-government organizations (NGOs) to try to create a common agenda and exchange ideas. Preferably MNCs should put their sustainable activities in to practice at the local level, directly in the developing countries, so they can identify and understand the specific needs of the local poor population. In addition, MNCs have to establish three important relationships: firstly, with local firms and organizations; secondly, with local and international NGOs; and thirdly, with the government in the relevant LDC. Contrary to MNCs’ activities in developed countries, where high capital intensity and labor productivity play the most important role, in developing countries MNCs should decrease the capital intensity, but increase employment intensity and income among the poor. The final suggestion of Prahalad and Hart is reducing costs dramatically in order to create products and services which reflect the low purchasing power of poor individuals (Schrader, 2011, p.31; Prahalad & Hart, 2002, p.12ff.).

As Prahalad (2010) mentioned in his book “The Fortune at the Bottom of the Pyramid” there are three principles, known as the “Three As” which mobilize the capacity to consume: availability, access and affordability (Prahalad, 2010, p.42). Availability or also called “distribution efficiency” (ibid.) refers to the challenge for the firms at the BoP to bring their products to the poor, wherever they live (Payaud, 2014, p.55). The second factor leading to successful consumption is access. It concentrates on the location and the working hours of the stores at the BoP. They should be easy to reach by the poor and stay open long so that the working population can shop at the stores at the end of the working day. MNCs should therefore take into consideration where exactly the majority of the poor live and how long a day they have to work (Prahalad, 2010, p.43). The last but not least of the suggested elements is affordability. The customer determines the market and when they are not able to afford a lot of the products, their prices should be lowered (Payaud, 2014, p.54). These three factors are necessary conditions for reaching the poorest customers and shape some business strategies which many MNCs apply at the BoP market. In order to prove their effect

on the poor, I will now introduce some multinationals (s. Table 3 in Appendices) which, according to Prahalad, represent the best examples of firms that sustainably reduce poverty at the BoP.

One active explorer of the BoP market is the subsidiary of Great Britain's Unilever PLC – Hindustan Lever, Ltd. (HLL), later renamed Hindustan Unilever. For more than 50 years, the company pioneer was serving the small elites in India which were able to pay for the detergent products of the MNC (Hart, 2010, p.172). However, 15 years ago appeared the local Indian firm Nirma, Ltd. which is the biggest competitor for HLL until today. By offering its detergent products to the rural poor, Nirma automatically posed a huge threat to the multinational, which was forced to rethink its business strategy. The entire business model had to be completely altered: “a new product formulation, low-cost manufacturing process, wide distribution network, special packaging for daily purchasing, and value pricing” (Prahalad & Hart, 2002, p.5). For example, a change in the quality of HLL's new detergent product Wheel was observed: reducing the ratio of oil to water in the detergent due to the fact that the poor mainly wash their clothes in the river (ibid). Unilever has also modified the cost structure, because this is one of the most important prerequisites for reaching the world's poor. Based on the relation, low prices – small packages, the MNC began to sell sachets and small bottles like, for instance, the single-serve Sunsilk shampoo in Vietnam costing only 3 cents each (Payaud, 2014, p.54). Another problem, which the company also struggles with, is the distribution access to rural communities. One successful experiment has proved to be HLL's Project Shakti creating a direct distribution network in hard-to-reach areas in India. Shakti selected women from local places, who know the needs and the demands of the poor local people, and trained them to become distributors, providing them with all they need – education and access to the products. The so-called Shakti Amma (“empowered women”) earn money for their work, which allows them to provide food for themselves and their families (Prahalad, 2010, pp.37f). Thus, according Prahalad and Hart, Unilever has fulfilled many necessary conditions for developing a sustainable business strategy at the BoP.

Mexico's largest cement company CEMEX is another example of how MNCs managed to reach costumers at the BoP. In comparison to their middle- and upperclass customers, whose numbers drastically dropped after the 1994 financial crisis, the firm seemed to follow a completely different business method in the low-income market in order to gain the poor as its customers. Its idea came with the program “Partimonio Hoy” (“Equity Today”) and was to create savings clubs that allowed ambitious homebuilders in poor areas to make weekly savings payments. Cemex, in turn, provided them with material and technical support at low prices so that homes could be built in a safe and aesthetically pleasing way. Hereby, the

participants in the program could build stable homes up to three times faster and at lower costs than before. Cemex understood what the Mexican people needed and provided it to them in the way they could afford it. The success of the program spread to other Latin American countries like Costa Rica, Venezuela, Nicaragua and Colombia. The win-win scenario had been accomplished: the low-income customers have homes while the cement business grew in tandem (Hart, 2010, pp.178f.).

Another company which had a positive effect on the poor has been the global market leader in cleaning and air care products – S.C.Johnson. While other multinationals (like the already mentioned HLL and CEMEX) did business with individuals, this company took into account the common needs of entire groups of people. The project, created by S.C.Johnson, aimed to reduce rates of malaria infections among the most threatened poor population by promoting its mosquito control products to the low-income customers. However, the target market included villagers in poor areas earning between \$ 1 and \$ 5 a day, not a group with a lot of disposable money to invest in pest control products. Therefore, S.C.Johnson designed a membership program that allowed a group to use the insecticide, rather than an individual. That means, each group pays for the purchase of the promoted product on behalf of all its members. This strategy seemed to work: Many more customers than expected had been reached, sales immediately increased and the company made a profit (Simanis, 2012, pp.124f.). Last in my assortment of positive examples, but just one of many in the long list of MNCs following the Prahalad's approach, S.C. Johnson is a part of the evidence that a successful business at the BoP exists. Or maybe just in one theoretical aspect?!

All of the already mentioned MNCs were presented by the point of view of Prahalad and his followers. Nevertheless, this was just one side of the coin. The other side represents the business at the BoP as exploitation of the poor, which do not profit from the MNCs at all. Some sceptical opinions will be introduced in the following, whereby new suggestions will be made how to realize a sustainable business with the poor, which genuinely leads to preventing poverty and providing economic growth at the BoP.

2.4.2. MNCS ACCORDING TO KARNANI'S POINT OF VIEW

“The Fortune at the Bottom of the Pyramid” provoked heated debate and attracted the criticism of scholars, who did not agree with Prahalad's approach at all. The doubts in the theory started with Davidson's claim that “Prahalad is only half-right” in his statements (Davidson, 2009, p.31) and reach the absolutely critical view of Aneel Karnani (2006, 2007 etc.) arguing that there is no fortune at the Bottom of the Pyramid. The University of Michigan professor and a major critic of the Prahalad's theory Aneel Karnani is an author of some articles (“Fortune at the Bottom of the Pyramid: A Mirage”, 2006; “The Mirage of Marketing to

the Bottom of the Pyramid”, 2007) and books (such as “Fighting poverty together”, 2011), which maintain the thesis that BoP approach gives unrealistic expectations and false hopes to the poor (Costa E Silva, 2012, p.147). For example, in his article “The Mirage of Marketing to the Bottom of the Pyramid” Karnani claimed that “the BoP proposition is indeed too good to be true” (Karnani, 2007, p.91). He completely opposed the claims of Prahalad’s book as he concluded that “there is little glory or fortune at the bottom of the pyramid – unfortunately it is (almost) all a mirage” (ibid.). Driven by the desire to prove the untruthfulness of the well-known approach, Karnani aimed to propose an alternative perspective on how MNCs can really contribute to alleviating poverty at the BoP. Over the years the author has found also many followers, who do agree with his opinion and support his argumentation. Authors such as Davidson, Pervez, Angeli, Jaiswal, Van Dijk, Schrader, Agnihorti, etc. not only deny Prahalad’s proposition, but they have also suggested different ways how multinationals can really lead to sustainable development at the BoP without exploiting the poor and only making profit for themselves.

In order to make a better comparison between Prahalad’s point of view and those of his critics, an already mentioned example of MNCs will be repeated once again. It is about the well-known firm Unilever (HLL), introduced this time in a different way. Thanks to early access to BoP market, its large measures and outgoing success, the huge Indian multinational did not recognise competition from other firms, because they did not represent any threat for Unilever’s business. In their article Angeli and Jaiswal described the attitude of the MNC towards the local Indian company Nirma: HLL did not perceive Nirma as a competitor and just ignored its presence, because “Nirma’s business model was not sustainable” due to its very thin margins and impossibility to survive on a long term (Angeli & Jaiswal, 2015, p.187). Unilever’s indifference helped the local firm to become one of the largest companies selling detergent worldwide as a result of its high volume, high capital efficiency and lower cost structure than the multinational’s. This is the reason for the significant differences in return on capital employed (ROCE): 121 % for Nirma in comparison to 22 % for the products of the giant at the detergent market (ibid., pp.187f.). Unilever needed a long time to realize the dominance of this comparatively small company. After a few years the MNC offered its own low-cost detergent named Wheel in order to inhibit Nirma’s growth and to regain its position as a “detergent giant” on the world market.

Another product of the multinational, which was the main factor for stormy discussions and critical opinions, called “Fair & Lovely” and represented a whitening skin cream. Used for lightening the color of dark-skinned Indian women, the slogan of the fashion product was: “She has a choice and feels empowered.” The advertisement showed a story describing the life of an Indian woman who because of her dark skin cannot get a better job or get married.

After the use of the cream the girl became fairer and suddenly got a better-paid job as an air hostess (Karnani, 2007, pp.98f.). This campaign strongly worried the All India Democratic Women's Association determining the advertising as "racist, discriminatory, and an affront to women's dignity" (Davidson, 2009, p.25). The alarm escalated in the Indian government which banned two of the Fair & Lovely advertisements humiliating the women's community (Karnani, 2007, p.99). According to Karnani, Unilever has a right to make profits by selling its product, but to claim that women's poverty can be eradicated by buying the lightening cream, is simply impudent. Regarding the motto of the campaign – there is no empowerment of a woman! The critique added: "At best, it is an illusion; at worst, it serves to entrench her disempowerment." The real way to empower women is closely connected with making them less poor, more educated and financially independent (ibid.). This was actually the key goal of the BoP concept, which nonetheless remained difficult to achieve by buying Unilever's cosmetic product.

A lot of the MNCs may create serious problems for the BoP and provide inadequate solutions for eradicating poverty, according to the scholars denying the proposition of Prahalad and Hart. I will introduce just one more example of world famous brand following the BoP approach and also highly criticized: Coca-Cola is a company also doing business with the BoP and trying to reduce the prices of its products in order to be affordable for the poor population. In 2003, Coca-Cola lowered the price of a 200 ml bottle to 5 rupees, what correspond to 0,57 US Dollars. This business strategy to reach the poorest consumers was not sustainable. Only two years after changing the price, the big company increased it again with the excuse that the firm could not recover its cost at the given price. The idea to reach the BoP market by making the products payable for the people was just a false illusion for a short period (Agnihorti, 2013, p.597). At the same time Coca-Cola decided to set up a plant to bottle water in a small village in the southern Indian state Kerala. Instead of doing good for the Indian population, Coca-Cola was accused of dumping waste sludge which included a high percentage of cadmium. First the BBC and then the Kerala State Pollution Control Board (KSPCB) saw the danger caused by the existent heavy metals in the groundwater, what can poison its local users. Eventually, the Coca-Cola's plant was ordered to cease operating as it threatened the lives of the population in the neighbouring villages. Jaiswal determined this example as a serial case, in which the BoP people are perceived once again only as customers, not as active participants in the business process – a main mistake in the strategy for sustainability of developing countries (Jaiswal, 2007, p.12).

According to Karnani and other critics of Prahalad's concept, the multinational companies could successfully reach the BoP market and contribute to its sustainable development, only if they changed certain points of their business strategies. As already mentioned, the first and

most important change that should be made would be discarding the false notion of the BoP people. The vulnerable consumers who have often been manipulated by the MNCs owing to their lack of education, information and basic skills, are not the only opportunity of doing business with the poor population. Karnani's suggestion to see the poor not as consumers, but as producers is the most logical alternative for the critique. By buying from the BoP instead of trying to sell to them, the income of the BoP people will rise, which is one of the key premises for taking away poverty (Jaiswal, 2007, p.19; Karnani, 2007, p.102). Subsequently, the literature has then developed a new view of the people: seeing them no longer as "consumers" or as "producers", but as "partners" giving the poor a feeling of co-operation with the companies (Ansari et al., 2012, p.817). There should be this kind of relation offering understanding and equality between both sides of the market. Other authors such as van Dijk and Trienekens develop further this concept and point out that "people at the BoP should be seen as innovators, entrepreneurs, producers, researchers and market creators as well" (van Dijk & Trienekens, 2012, pp.33f.).

Seeing the BoP people not just as consumers was only one aspect of many more innovative ideas, summarized by the authors Simanis and Hart, 10 years after the appearance of Prahalad's and Hart's first BoP approach. Both tried to draw up a revised proposition for BoP sustainable strategies which was called "Next Generation" (BoP 2.0) and "BoP Protocol" as well (Schrader, 2011, p.33): "A Second-generation BoP strategy requires an embedded process of co-invention and business co-creation that brings corporations into close, personal business partnership with BoP communities" (Simanis & Hart, 2008, p.2). The new theory includes some key points which differ significantly from the view of the first BoP generation (s. Table 4): The first important element mentioned are the BoP people who should be perceived as business partners of the multinationals, not just as consumers or as producers (ibid.). In this connection, Dr. Ted London, Vice President at the William Davidson Institute (WDI)² commented in an interview why he changed the business approach from 'finding a fortune at the base of the pyramid' to 'finding a fortune with the base of the pyramid' in his book "Next Generation Business Strategies for the Base of the Pyramid". According to his theory, there is no such place as 'at the BoP'; BoP is a socio-economic segment of people who should be seen as active, equal participants in the business process. Establishing partnership is the main idea of this approach and MNCs need to do it with the BoP (Arnold & van den Ham, 2015, p.28). Another significant change is the development from 'listening' into 'deep dialogue' with the poor. As active participants they have a right of a

² The William Davidson Institute (WDI) is an "independent, non-profit research and educational organization focused on providing private-sector solutions in emerging markets". Using methods research, field-based collaborations, education/training, publishing, WDI creates long-term value for academic institutions, partner organizations, and donor agencies active in emerging market (William Davidson Institute, Homepage, 2015).

real conversation with the companies in order to express their own desires and wishes. Forward in the BoP Protocol stay expanding imagination and combining capabilities which were missing in Prahalad's approach. Moreover the BoP-activities of the second generation are marked as direct private relations with NGOs instead of distant contacts just like before (Simanis & Hart, 2008, p.2; Schrader, 2011, pp.33f.). Dr. London completed in his interview how important is the role of NGOs in linking the BoP with the private sector. Providing access to key local stakeholders, to distributors, awareness and training as well, NGOs are a major factor in aiding the BoP market and a perfect partner for the poor population (Arnold & van den Ham, 2015, p.28).

Fulfilling the conditions of the BoP Protocol, the second generation provides better chances for a win-win situation. The benefit for both MNCs and the poor is definitely higher when the BoP population is no longer treated as only customers, but more importantly as suppliers or/and employees; when a deep dialogue exists between both sides; and when the poor maintain a close contact to the NGOs. Big companies have followed the new next generation strategies in order not only to make profit, but mainly to contribute to fighting poverty and to reach sustainable development at the BoP. With the help of some smaller cases, the following explains how this type of a win-win scenario has been created.

The two apparent favourites of Simanis and Hart are the companies SC Johnson and DuPont, whose activities at the BoP they describe in detail. SC Johnson and DuPont, which launched the 2.0 initiative in 2005 in Kenya and in 2006 in India respectively, established a deep interaction with the local population. Pursuing a business partnership with slum communities, the two MNCs tried to realize the core concepts and techniques from the BoP Protocol (Simanis & Hart, 2008, p.4). By applying the BoP 2.0 methods, they aimed to create a "locally-embedded business founded on trust and shared commitment between the corporation and the community" in order to support the development of the poor village (ibid., p.41). Another positive example, where the poor acted simultaneously as producers, suppliers and co-owners is India's largest sugar firm Shree Renuka Sugars. Its founder, the Indian entrepreneur Narender Murkumbi, borrowed some money from a bank and persuaded local farmers (who also were the producers of sugarcane) to invest in his company in order to give it a good start. In return, he promised them regular sugarcane purchases at the market price. Eventually, Shree Renuka Sugars grew extremely fast and the farmers managed to earn huge returns on their investment. The farmers enjoyed higher incomes and the company benefited from easy procurement of the primary material – namely, sugarcane, so that both parties gained from the deal (Agnihorti, 2013, p.592).

BoP 2.0 is a new generation approach which partly opposes and partly complements Prahalad's version of the theory. Due to the innovations included in it, the BoP Protocol became a favourite business strategy for the critics of Prahalad's proposition. The new used methods should mainly help the poor to fight poverty and contribute to their sustainable development. According to the examples mentioned before, the innovative version seems to work. What about other MNCs, which depart slightly from the model? Are they also able to answer the poor's needs without exploiting them?

3. METHODOLOGY

In order to adequately answer the research question of how MNCs provide sustainable development at the BoP, I will introduce a case of a MNC which had been one of the first companies establishing business activities in BoP-markets. Using a self-made, pre-prepared questionnaire, I will analyse the big international firm Nestlé in detail in order to get information on how the company is adapting its business strategies to poorer markets.

3.1. RESEARCH DESIGN

Casual as the research question of this paper may seem, it needs to be answered by a qualitative research design which requires not only the theoretical reasons of MNC's initiatives in the BoP market, but also an empirical database regarding corporate practices and possible explanatory factors for successful BoP-activities. Moreover, Mahoney and Görtz argue that the qualitative research design focuses on the search of the causes for certain effects ("causes-of-effects approach"), whereas the quantitative research design should rather explain the effects of known causes ("effects-of-causes approach") (Mahoney & Görtz, 2006, p.229). Because the main emphasis of the work is the examination of motives and business practices of MNCs, or in other words, looking for factors causing sustainable development, the qualitative research design seems to be the better one in this case.

Another aspect supporting this thesis is the relatively high complexity of the research object. In contrast to qualitative methods, the quantitative research design supposes a clearly structured object and a researcher, who has a clear image of this structure in order to build hypotheses and to make operationalization of the elements. In my opinion the topic of this paper includes rather complex constructs which cannot be quantitatively examined due to their lack of a clean structure. In addition, neither the business practices on MNCs, nor the effects on the sustainable development can be easily operationalized, which supports once again the argumentation of the used qualitative research design.

3.2. CASE SELECTION

In a qualitative research one needs to pick over carefully a case in the empirical part, which supports the theoretical concept and tries to narrow down its complexity as much as possible. To select a case, which offers the most comprehensive answers, I had to choose a multinational that not only corresponded to the questionnaire, but which also had a profile of a company with a long experience in this kind of market. As already mentioned, it is about the worldwide known corporation Nestlé, whose workers were so kind to answer all of the questions I have prepared. Over the years Nestlé has received positive evaluations as well as critical comments regarding its practice at the BoP. Several examples according to different scholars on how they perceive the multinational and the analysis of questions, answered by the source will be introduced in the next chapter. A short overview of the company can be seen in Table 5 below.

3.3. DATA COLLECTION AND METHOD OF ANALYSIS

To reach the company I wanted to analyse, I used a questionnaire which I sent via email. Known also as an email survey, it is a cost effective method of gathering information. An email survey is ideal for sampling information coming from a wide geographic area (like the case with Nestlé), when the researcher does not have a realistic opportunity to interview a company representative face-to-face. As there is no interviewer, there is also no possibility of interviewer bias. The only negative quality of an email questionnaire is the inability of responding to more detailed information, which means that the researcher has to take much time to think out short and clear, but at the same time, comprehensive questions.

Closed, multiple choice questions made up the majority of my questions in the email survey. With given a selection of responses, the chances that the response rate and the probability of correctly answering the questions were much higher. As tested, their small number took approximately 5 to 8 minutes of the respondent's time, which also raises the chances of getting them returned answered. Each one of the survey questions consequently corresponds to the sub-questions of the paper, already mentioned in the introduction of this work. Having answered all of them, the respondent reaches the main research question, which has to be answered, also taking Nestlé's part into account.

Aside from the questionnaire, which was used as primary data source for the case studies, I collected secondary data for the conceptual part of the chapter from various other sources. I gathered information from journal articles, reports published by organizations such as the World Bank, academic books and the official homepage of the chosen company. My goal is

to have enough and diverse literature in order to penetrate more deeply into the thin material of the doubtful approach and to give a concrete answer to the central question of the paper.

4. WITHIN CASE ANALYSIS: NESTLÉ

4.1. ABOUT THE COMPANY

The history of the company Nestlé began back in 1866, when the first European factory producing condensed milk opened in Cham, Switzerland. Its founder, a German pharmacist, Henri Nestlé made a combination of cow's milk, wheat flour and sugar, which saved the life of a neighbour's child. After a couple of decades Nestlé merged with the Anglo-Swiss Condensed Milk Company, founded by Americans George and Charles Page, in order to form merge into one of the biggest milk companies in the world (Nestlé: The Nestlé company history).

Nestlé has grown from a milk company founded nearly 150 years ago to a "global leader in Nutrition, Health and Wellness" (Brabeck-Letmathe & Bulcke, 2014, p.4). By the end of 2014 Nestlé operated in 197 countries worldwide and has a trading operating profit 14 billion Swiss Francs. Over the years this MNC has developed its product line extensively and sells products from different branches such as powdered and liquid beverages, milk products, prepared dishes and cooking aids, nutrition and health science, petcare, confectionary and water (Brabeck-Letmathe & Bulcke, 2014, p.1). A selection of some of the best-known brands produced by Nestlé are Nespresso, Nescafé, Nesquik, Nestea, Vittel, Maggi, Alete and Kitkat (Schrader, 2011, p.110). Emerged as a market leader, the company aims to retain its positions worldwide.

Since 2006, when Nestlé adopted a new approach to business, the MNC concentrated its sustainable activities in the Central and West African Regions (CWAR). This approach named Creating Shared Value (CSV) meets not only the needs of shareholders, but encourages businesses to pay attention first and foremost to their respective societies. To address its needs successfully, Nestlé developed Popularly Positioned Products (PPPs) which aims to serve low-income customers around the world. The aim of the high-quality food products is to provide nutritional value at an affordable price to the BoP population worldwide (Payaud, 2014, p.56). As one of the first multinationals doing business with the BoP, the motivation, the strategies and the ways in which the company behaves towards its customers have changed over the years. Whether they become more profitable for Nestlé only or their main goal is to improve people`s livelihood by removing poverty, some different

points of view regarding Nestlé's business practices will be mentioned next before analysing the answers that were given on the questionnaire.

4.2.NESTLÉ FROM THE VIEW OF OTHERS

Nestlé is a company that over time has found itself lauded and criticized in equal measure. As with Prahalad's approach, scholarly opinions on the behaviour of the MNC with the poor population are often disparate. Beginning with a good example of increasing productivity and efficiency in the BoP market, authors like Pervez (2013) and Schrader (2011) describe the positive impact that Nestlé had on the poor people in Pakistan. Although Pakistan is one of the largest producers of milk in the world, because of inefficient milk collection and storage and refrigeration problems, the full potential of milk production could not be used and a lot of its produce is being wasted (Pervez, 2013, pp.57f.). Following the BoP 2.0 statement that the poor people should be perceived as producers (Schrader, 2011, p.111), Nestlé set up milk collection centres in local villages, which not only removes the waste and pollution, but also helps the local farmers gain full profit from their production (Pervez, 2013, p.58). A clear win-win situation can be observed: except that the total volume of milk purchased by Nestlé has gone up, the number of small farmers selling their product to the firm has trebled. The whole process of innovation goes as follows: Nestlé buys milk directly from the peasants, it is then cultivated and packed into bottles, boxes or pots in order to produce products like yoghurt, powdered milk, etc. Then they can be sold to people occupying the middle and higher segments in the economic pyramid. In this way the big company creates a lot of job opportunities for small farmers and provides better life conditions for them and their families. Empowering BoP not as customers, but as producers could bring not only the firm a profit by buying products from this social segment, but improves the livelihood of the local population by removing poverty at its roots successfully and sustainably (ibid.).

Unfortunately, there is another side to the debate regarding the Nestlé's business with BoP. After a research of PPPs, although the products satisfy four of the five criteria for sustainable BoP marketing strategy (affordability, availability, adaptability and customer education), the fifth dimension, fair and inclusive growth, does not seem to be fulfilled at all (Payaud, 2014, p.56). As example for this I will introduce a documentary film which investigates the truth about Nestlé's business in water in developing countries. Made 2013 by the Swiss journalist Res Gehringer, the film named "Bottled life" presents a story about the schemes and strategies of the food giant in the BoP market, which according to the filmmaker are a sign of villainy and insensibility. The critique is directly aimed at world's best selling brand of bottled water called "Pure Life", which is in fact purified groundwater, bottled and sold as mineral water to the population in developing countries. This product was a brainchild of Peter

Brabeck, the Chairman of the Board of Nestlé, who contests the statement of the United Nations claiming that water is a Human Right and every person in the world must have access to drinking water for free. According to Brabeck, water is just like any other foodstuffs that should have its value. Certainly Nestlé's price is much higher than the production cost of the product and consequently unaffordable to the BoP people. Another point is that "whoever owns land or has acquired leasing rights is permitted to pump as much water as he likes" (Bottled Life, 2015). So, due to the company's exhaustion of millions of cubic metres of water yearly in Pakistan, for example, the groundwater levels have fallen dramatically and the public water supply became close to collapsing. The inhabitants of the villages were forced to buy the bottled water, presented by Nestlé as a safe alternative (ibid.). Some of the local people, who received jobs in the factory, did not even enjoy free water for themselves nor for their children. Based on the evidence set, the whole business strategy, applied at the BoP, was determined by the journalist Gehringer as a scandalous and shameless situation. In search of retribution the food giant Nestlé was prosecuted, and after 10 months judicial process, convicted guilty. Because of exploitation, activities and violations of human rights, observed at the BoP, Nestlé had to pay the symbolic amount of 5,000 euros compensation. Even though the amount is not very intimidating, the judgment has brought hope to the poor that Nestlé could one day withdraw the brand "Pure Life" from the BoP market (Jentzsch, 2013). The one thing that people want is to have the opportunity to drink clear and safe groundwater for free, which actually represents a Human Right.

Criticism of the company has grown. An increasing number of scholars, other MNCs, governmental and non-governmental organizations who paid attention to Nestlé's business practices found out that the goal of doing business with the BoP is not really alleviating poverty. The MNC's business practice does not seem to help the poor population by tackling the bad living conditions. Therefore I wanted to interview exactly this company in order to introduce its position regarding the business at the BoP market and to collate it with the sustainable strategies of BoP 2.0. Whether both overlap will be revealed in the next chapter.

4.3. NESTLÉ'S PERSPECTIVE

After sending the questionnaire "Doing business at the BoP" to Nestlé, it did not take a long time (maybe two or three days) until I received a reply (s. Appendices B), one which I am going to expose now. My goal had not only been to introduce its answers, but to juxtapose them with the suggested sustainable strategies by Simanis and Hart from BoP Protocol in order to conclude whether the company's business method approaches to the most efficient and effective practice that can be applied at the BoP.

The answers arrived at the end of August and came from the Public Affairs Manager of the company. The first question regarding the start of business with the poor was answered as expected: Nestlé started doing business at the BoP in order to alleviate poverty. This is the answer which was to be expected, even though it sounds exaggerated and not very honest at the same time. At next the point regarding the relationship between the company and the poor was referred. As mentioned before, according to Simanis and Hart (2008) seeing the poor not as customers is the first innovative aspect that one should focus on in order to start a successful and sustainable business at the BoP. Not only as producers, but much more as business partners is the notion, suggested by the BoP protocol. The main idea of the approach is establishing a partnership with people who are not simply passive consumers, but active participants in the business process. According to Nestlé the poor are perceived rather as customers who buy its products such as foodstuffs, enriched vitamins and mineral products. This proves that the company uses the old method of Prahalad's business strategies, which has been criticized multiple times by different scholars. For Nestlé 'poor as customers' seems to be the main and most profitable structure to their business model. The conclusion, which could be made after a couple of examples of firms in the first sections of the paper, is that each company, treats the poor as customers, with the aim to make profit primarily for itself, rather than for the BoP. So that these kinds of firms do not at all strive to eradicate poverty, as Nestlé mentioned at the beginning of the questionnaire. In my opinion there is a large discrepancy between the answer of the question and the business strategy of the food giant indeed.

On the next question, where one expects to receive corroboration of the statement that seeing the poor as customers is the better practice at the BoP for Nestlé, the company gives a new answer. Right here the Public Affairs Manager interposes the sustainable approach of the firm - CSV, determining it to be the best method of business, which brings profit to the company and the poor at the same time. CSV, as already mentioned above, is a project, which mainly meets the needs of society by providing high-quality food products at affordable prices to the low-income population. One question remains unanswered however: has this strategy actually been applied at the BoP, or is this whole theory just a good advertising for the company and a false illusion for the poor?

The next set of questions is connected to the development of the MNC and the BoP as well. As answer to the question "How has the BoP market developed since you started working with the poor?" Nestlé has stated the following: "One can observe a positive change of the poor as a whole". The given answer sounds very impersonal for a company whose main interest it is to pay more attention to the poor. Other strategies for sustainable business of the BoP Protocol were "deep dialogue" and "direct private relation" to BoP and other NGOs.

Concerning its generalized response, Nestlé does not seem to have a close relation with the poor people needing someone they can trust. On the other side the big organization enjoys increased demand and sales since beginning to work with the poor, which proves once again that the desire of being profitable is stronger than the ambition to alleviate poverty and to nurse sustainable development at the BoP.

Certainly Nestlé was also asked about the competition at the BoP. Due to the growing interest of doing business at the BoP in the last years, it is not surprising that there are a lot of MNCs active in this market today. Therefore it would be uncontroversial to claim that the competitors in this field of business with the poor are other multinationals, as Nestlé actually did. More important it is to know how to stand out among these other MNCs. Among all of the answers that were given, the food giant chose “improving the quality of the products” as its answer. The company does not want to lower its prices in order to make its products accessible to its low-income customers, quite the contrary. By improving the quality, the price increases automatically, which means expensive and unaffordable products for the BoP people. The high quality is always profitable for the market, because the society’s high and middle classes buy it more eagerly and the its price is not necessarily a barrier for them. For the BoP however, quality plays only secondary role and loses out to cheaper prices.

The questionnaire ends with an interpellation, aimed at the future. The aim of the last question has been to reveal the secret of Nestlé’s success and sustainable development of its business with the BoP. Though the company remains distant and offers not so much information about its practices. The reason to become one of the most successful multinational food organizations while still maintaining this fame is pursuing its own proven method of business, according to Nestlé’s manager. Whether this is meant to refer to the quality of its products, the company’s business partners, or just sleek advertising, remains a mystery. The one clear thing is the means which helped the firm rise to the top in order to make it leader in the BoP market: the set of qualities like persistence and competitive spirit, patience and loyalty to the poor, as well as ability to adapt fast, have helped Nestlé to save its comfortable position in the market. At the end the firm’s manager gives another reminder of the current CSV report, which seems to be as an addition to the answer to every one question of the performed interview. In my opinion these kinds of reports resemble closer an advertisement, only showing the good sides of the company and one cannot expect from it to unveil any hard truths.

5. CONCLUSION

Doing business at the Bottom of the Pyramid is a large topic, which difficulty cannot be summarised in one paper. In order to draw a clear conclusion of this work, it is necessary to go back to the introduction and to pay attention to the sub-questions, whose answers were given in the process of writing. Building this compositional framework, the paper started and will end with an explanation about the main research question: “What are the potential explanatory factors for successful contribution by Multinational Companies that facilitate sustainable development at the BoP?”.

Bottom of the Pyramid is a socioeconomic segment of approximately 4 billion people around the world who live on less than 1.5 U.S. Dollars a day. The term was mentioned for the first time in the article “The Fortune of the Bottom of the Pyramid” by C.K. Prahalad and Stuart L. Hart (2002), who aimed to encourage the private sector to do business with the poorest population. The main idea of this approach had been to realize a win-win scenario to both sides: the private sector makes a profit while helping the poor tackle their poverty. The actors included in the private sector could be local entrepreneurs, small and medium-sized national firms and organizations or large multinational companies MNCs which the whole paper focused on. MNCs are, for example, Danone, Unilever, Cemex and Nestlé – the company that was analysed for the empirical part. The practice of the multinationals at the BoP was not only introduced from Prahalad’s point of view, where by doing business they contributed to removing poverty and hence, to providing sustainable development for the poor. From the opposite side the MNCs really helping the poor look unrealistic. According to Karnani, Simanis, Costa e Silva etc. MNCs just give false hopes to the BoP because the only thing they want is to benefit themselves. The critics of Prahalad’s approach, sure that all one can find in this proposition is an illusion, propose an alternative perspective how MNCs really can contribute to alleviating poverty at the BoP. The new suggested strategies were connected with the BoP 2.0. (or BoP Protocol) which includes some significant changes, differing from the first approach, points, leading to sustainable development: perceiving the poor as customers or rather as business partners, transforming the deep listening into deep dialogue, establishing partnership with NGO’s and close connection to the poor. The effectiveness of the new methods was proved by the BoP activities of some MNCs such as CS Johnson and DuPont. Indeed, the innovative 2.0 version seems to work and to answer the main research question of the paper by helping the poor fighting their poverty and providing sustainable development at the BoP.

The sad truth is that not so many multinationals have chosen to apply the new strategies at the BoP. The food giant Nestlé, interviewed by me, is an example of how the company uses

only its proven methods at the BoP and does not accept any new strategies at all. Still perceiving the poor mainly as customers, establishing no personal contact to the poor, ignoring their needs and wishes and only thinking about its business results, are, in my opinion, effective strategies to make a profit, but not to sustainably develop the BoP market. Together with the critique, the firm gathered along the scandal with “Pure Water” I see Nestlé’s practice as a well thought strategy which is simply aimed at misleading the vulnerable low-income population. Unable to help themselves, the poor will always find themselves manipulated and exploited by large multinationals, like Nestlé, which have other priorities than alleviating poverty. The business strategies for sustainable development at the BoP exist, there are just still too many MNCs that refuse to use them and to help the poorest population in the world.

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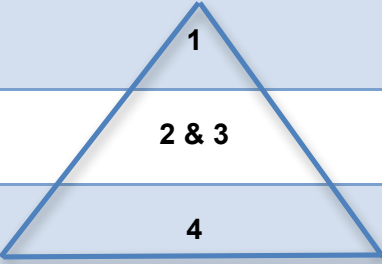
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APPENDICES

A. TABLES

TABLE 1: THE WORLD ECONOMIC PYRAMID

Annual per Capita Income*	Tiers	Population in Million
More than \$ 20,000	1	75 - 100
\$ 1,500 – \$ 20,000	2 & 3	1,500 – 1,750
Less than \$ 1,500	4	4,000



*Based on purchasing power parity in U.S. \$

Source: Prahalad & Hart, 2002, p.4.

TABLE 2: SIZE AND GROWTH OF BOP MARKETS

	Populations (in billions, 2013)	Population below the poverty line (%)	2012 GDP growth rate (%)
BoP Markets			
Bangladesh	163	31,5 (2010)	6,1
Bolivia	10,5	49,6 (2010)	5,2
Burkina Faso	18	46,7 (2009)	8,0
Congo (D.R.C)	75,5	71 (2006)	7,1
Ivory Coast	22,4	42 (2006)	9,8
Mexico	116	51,3 (2009)	3,9
Developed Markets			
Canada	34,5	9,4 (2008)	1,8

France	66	7,8 (2010)	0
Germany	81	15,5 (2010)	0,8
United States	316	15,1 (2010)	2,2

Source: Payaud, 2014, p.52.

TABLE 3: MNCS AT THE BOP AND THEIR PRODUCTS TARGETED TO BOP CONSUMERS

Company	Industry	Product Category	Product Name	Home Country	BoP Markets
Hindustan Lever, Ltd. (HLL)/ Unilever	Consumer goods	Foods, beverages, cleaning products	Sunsilk; Project Shakti; Comfort One Rinse	India (1932)	India, Vietnam, Indonesia, Brazil, Philippines, Sri Lanka
CEMEX	Building materials	Construction / Housing	Patrimonio Hoy	Mexico (1906)	Mexico, Costa Rica, Venezuela, Nicaragua, Colombia
S.C.Johnson	Consumer goods	Cleaning products, Household pest control	Bayfresh, Favor, Raid etc.	USA (1886)	India, Kenia, Guatemala

Source: Neli Ilieva, 2015 (own table), based on Payaud, 2014, p.52; Homepages of HLL, CEMEX and S.C.Johnson.

TABLE 4: NEXT GENERATION BOP STRATEGY

BoP 1.0	BoP 2.0
<ul style="list-style-type: none"> • BoP as consumer 	<ul style="list-style-type: none"> • BoP as business partner
<ul style="list-style-type: none"> • Deep listening 	<ul style="list-style-type: none"> • Deep dialogue
<ul style="list-style-type: none"> • Reduce price points 	<ul style="list-style-type: none"> • Expand imagination

<ul style="list-style-type: none"> • Redesigning packaging, extend distribution 	<ul style="list-style-type: none"> • Marry capabilities, build shared commitment
<ul style="list-style-type: none"> • Arm's length relationships mediated by NGOs 	<ul style="list-style-type: none"> • Direct, personal relationships facilitated by NGOs
"Selling to the Poor"	"Business Co-Venturing"

Source: Simanis& Hart, 2008, p.2.

TABLE 5: OVERVIEW OF THE SELECTED COMPANY: NESTLÉ

Company	Nestlé
Industry	Consumer goods
Product category	Baby food, coffee, dairy products, breakfast cereals, confectionery, bottled water, ice cream etc.
Founders	Henri Nestlé, Charles Page, George Page
Founded	1905
Home country	Switzerland
BoP-markets	CWAR, Asia (India, Pakistan)
Experience in BoP-markets	Since 2006
Business activities in BoP-markets	Development and establishment of business model in order to serve rural fragmented areas with consumer goods

Source: Neli Ilieva, 2015 (own table), based on Schrader, 2011, p.52; and Homepage of Nestlé: www.nestle.com

B. INTERVIEW GUIDE & ANSWERS FROM NESTLÉ

1. What is the name of the company you are working for?

Nestlé

2. Which is the department of the company you are working in?

Public Affairs

3. What position do you have?

Public Affairs Manager

4. How did you come up with the idea of doing business with the poor?

- a) Because of the enlargement of the own market;
- b) The main goal was alleviating poverty;**
- c) The thought of profit for both sides;
- d) Another reason. Please note.

5. How do you perceive the BoP?

- a) As consumers, who buy your products;**
- b) As producers, whose products you sell to the developed markets;
- c) Both.

6. If the poor are seen as consumers, what kind of products do you sell to the BoP?

- a) Foodstuffs;**
- b) Beauty culture;
- c) Technology;
- d) Others. Please note. – Enriched vitamin and minerals product to fight deficiencies**

7. If you see the poor as producers, what kind of products do you buy from the BoP in order to sell them to the developed markets?

- a) Foodstuffs;
- b) Beauty culture;
- c) Technology;
- d) Others. Please note. – Raw material**

8. In your opinion, what is the better practice, which brings profit to you and to the BoP, at the same time?

- a) The BoP as consumers;
- b) The BoP as producers;
- c) The combination of consumers and producers;
- d) The BoP as business partner;
- e) Another answer. Please note. – Creating shared value**

9. How has the BoP market developed since you started working with the poor?

- a) One can observe a positive change of the poor as a whole;**
- b) At least the people we work with look happier and satisfying their own needs;
- c) We do not have a personal contact with the costumers so that I cannot give a reliable assessment;

d) Another answer. Please note.

10. How has your own company developed since you started working with the poor?

- a) Not a real change in the company observed;
- b) Our personal became more sympathetic with the customers at the bottom of the pyramid and that has an influence on their working process as a whole;
- c) **The company enjoys more demand and sales;**
- d) Another answer. Please note.

11. Has the BoP's demand changed?

- a) No, it was always very high;
- b) No, it was never such a high;
- c) **Yes, more people from the poor want to work with us;**
- d) Yes, the demand became less.

12. Who are your competitors at the BoP market?

- a) No competition;
- b) Local companies;
- c) **Other multinational companies;**
- d) Another possibility. Please note.

13. What do you do to overcome the competition at the BoP market?

- a) There is no competition;
- b) Offering lower prices for the consumers/ higher prices for the producers;
- c) **Improving the quality of the products;**
- d) Starting a common business with the competitive companies;
- e) Something else. Please note.

14. What quality does a company need to be a leader in the BoP market?

- a) Patience, attention and loyalty to the poor;
- b) Persistence and competitive spirit;
- c) The ability of fast adaptation to new work conditions;
- d) **All of the listed;**
- e) Something else. Please note.

15. What do you do to stay successful at the BoP market?

- a) Keeping the prices payable for the poor;
- b) Changing the mood of operation according the requirements of the poor;
- c) Implementing a very close relation to the poor;
- d) **Following your own and proved method of business;**
- e) Something else. Please note.

16. Is there something regarding best strategies at the BoP market that you want to add?

Please refer to our CSV report.

Thank you for your request.

DECLARATION OF ACADAMIC HONESTY

Hereby I declared on oath that I have written this Bachelor thesis independently, without outside assistance and without making use of any other sources than stated in the thesis. All parts adopted literally or correspondingly from any publication have been acknowledged and fully cited.

Münster, 29/12/2015

/Place, Date/



/Signature/