Assault On The Bottom Of The Economic Pyramid

The discovery of the huge untapped potential market at the bottom of the economic pyramid (BOP), is a recent one. The market always existed – more than 4 billion people all over the world, earning less than $2 a day. Yet, multinational corporations (MNCs) did not touch these markets principally because they were assumed it would be difficult to reach, they would be less brand conscious and overall far less profitable to serve. In the last ten years, several MNCs have proved these apprehensions to be wrong in many countries.

C.K.Prahlad and S.L.Hart drew the attention of MNCs to the fortune at the Bottom of the Pyramid in their article which appeared in a business magazine. Since then, corporations have responded to this clarion call and are deploying resources for getting a share of this huge pie. The authors showed that MNCs have long ignored the largest markets in the world. These consumers in emerging countries like India, Brazil, Mexico among others, offer a huge unexploited potential, also Prahlad argued, that it could benefit the poor consumers when they are offered good quality choices.

Prahlad’s book- ‘The fortune at the Bottom of the Pyramid – Eradicating poverty through Profits’ followed in 2004. This was an account of his years of research in the economically poor markets of the world, India featured dominantly in it. The book illustrates with examples how multinationals have been serving the BOP successfully in many countries. Corporations were quick to sense this opportunity and responded with a deluge of products and services aimed at this segment. One of the great successes often discussed in this context and in numerous
management journals is that of the ‘single serve sachet revolu-
tion’.

The inconspicuous little plastic sachet was created which served products in single-use quantities. With uncertain incomes, the poor could not buy and stock products for tomorrow but could afford to pay for today’s consumption. The single serve sachet precisely addressed this issue with the one-time consumption quantity. This created price points which could easily be bought by the poor. Very soon rural Indian shops were bursting with ‘malas’ of single serve sachets – shampoos, detergent pow-
ders, tea, sauces, jams, candies, chewing gum, toothpastes, hair oils, fairness creams - goods that were out of reach for the BOP were now being lapped up by these very consumers. As their prices range between Rs. 0.50 and Rs. 5, their annual demand in India has today reached over 1 billion sachets of all products put together. The format is now so popular, that even high profile brands cannot afford to overlook this. It makes perfect sense for the MNCs – serving up products in affordable portions, so that consumers use their brands. The volumes and profits grow. Shops get in additional business with low cost inventory and consum-
ers enjoy products they would never have bought. Thus started an assault of products on the economic bottom of the pyramid. Growth in a free market economy thrives on consumption and here was a tool for furthering the consumption cause. ‘Sachet marketing’ is now an accepted term in B-schools.

The Repercussions

There is one vital aftermath to this assault on the BOP market – the consumed sachets end up in our countryside. Management gurus don’t tell you this – in India, many of these single serve sachets are consumed in open or public spaces – villagers wash clothes or bathe by a river, candy and ‘namkeen’ are often con-
sumed out of the house, gutkha is nearly always. What does that leave us with? All the empty sachets left where consumed. The other fact not mentioned by corporations and management gurus is that sachet packaging uses between 2 to 50 times more packag-
ing materials than its larger unit pack counterpart!

Most of urban and rural India lacks any effective garbage collection and disposal process. This backdrop creates a frighten-
ing dimension to the ubiquitous single-serve sachet. It is glar-
ingly visible all over the country. In many cities there exists an informally organized rag-picking industry which contributes in its own little way to recycling. This is not seen in rural India and certainly not in our magnificent mountains. During a recent study tour to Chakrata in the lesser Himalaya, we saw even small villages of about 50 households littered with these sachets. We trekked from one village to another through a thickly forested route by a stream – here too sachets coexisted with the biodiversity. Mind you, this was not a mainstream tourist track; it was used only by the two tiny villages it connected. Nor was there any road connection to it. In the trans-Himalayas too things are no better. I have been pained to see the gulls in Pangong Tso munching on plastic packets. Man leaves these calling cards as high up as Khardung La. The story is the same in the other parts of the country. And who is to blame – it is second nature for us Indians to drop off a packaging where we open it.

It would only be foolishness to suggest that the poor do not need these products and are better off without them, when the consumers higher up in the economic pyramid make their lives easier with them. Of course the poor should have access to quality and safe products, and of course they need to be packaged in a way that would keep them free from contamination and counterfeiting. The rural and the poor have aspirations which can rival their wealthier counterparts – they see the very television programs that we see, are exposed to the same ads as we are, live in the same society which creates wants in the economically better off. And they are equally brand conscious. The natural response then, to these affordable single serve packs, is to buy them. MNCs were able to stimulate ‘consumption’ in the BOP with this little wonder.

Steps Towards a Solution

So where is the trade-off? Will these plastic sachets soon cover the face of our countryside? Can we do nothing at all? Improved waste collection? Sensitizing the BOP through education? Penalizing the offenders? MNCs will likely agree to all the above and suggest a few more ways. Their corporate social responsibility (CSR) programs would perhaps include community cleaning activities and such. And yet this is just treating the illness. What we seek is freedom from this illness, not a treatment.
When we address this problem with the constraints at hand – that the poor will buy more of these packets and that garbage collection may not happen in our lifetime, it leaves us with one viable solution – making the firms who make these products devise packaging solutions for India. They are the ones who can afford to pay for the development – they get to eat the pie. What stops us from enforcing such packaging norms? The Supreme Court has already taken the first step by ordering the gutkha makers to pack their stuff in paper sachets. The gutkha companies fought this directive and lost. It may not be as simple with the MNCs. They are a collective force to reckon with. They have far more legal power and influence in our government than our home-bred gutkha barons.

It would be naïve to expect MNCs to get into such packaging development by themselves. We need this legal enforcement which will trigger this development activity. Adam Smith’s entrepreneur – morally right, socially responsible and ethically correct – remains but a utopian dream in modern competitive free market economy.

The BOP theory also suggests that this would be an opportunity for the private sector to contribute towards alleviation of poverty. It is not easy to see the logic. For corporations, eagerness to serve the BOP will always be driven by the size and profit potential of the markets – not by benevolence. An organization is unlikely to serve markets with low profit potentials, when its growth drivers lie in the stock market. Do its shareholders want to make more money or save the planet while serving the poor? As the great BOP dream is pushed ahead, it will sooner or later crush the very environment on which it was created. While MNCs talk of environmental concerns, only a few have demonstrated actions which would lead to a sizeable impact in the future. Proctor and Gamble for instance examines its products for their definition of ‘Sustainable innovation products (SIP)’, which is (according to P&G) a product which has over a 10% improvement on the previous version, without negatively impacting the sustainability profile of the product (a) Energy (b) water (c) transportation (d) amount of material in packaging or product (e) substitution of non-renewable energy or materials with renewable ones. P&G’s SIP list for 2010-11 consists of 10 products of which 8 products talk of reduction of packaging material. We
need manufacturers in India to follow this path.

**Packaging Research**

Education and research is one area where the government has been successful – the IITs, IIMs, NIDs, IIScs and others like these. Why can it not replicate this with packaging institutes? India needs far more schools like the Indian Institute of Packaging in Mumbai. We have just one with four regional centers. None of our education creates any environmental sensitivity towards packaging – add to this the fact that no product can be sold without packaging – and you have a monster staring at you in the face. Ironically, technology tells us that there is no reason to believe that we cannot find a solution for these gruesome sachets. Measuring the sustainability of packaging is by no means a simple task. It is complicated by a number of industry-specific factors. This necessitates that before addressing the larger problem, we start with a few small steps:

1. **Clearly defining terminology.** This is perhaps the most important step towards the beginning. In absence of specific definitions, titles such as ‘green packaging’ and ‘environmentally friendly’ can be and have been misused. The terminology must be non-ambiguous and quantifiable.

2. **Assigning metrics.** It is common knowledge that ‘what’s measured improves’ and thus we need to start measuring things first. Wal-mart for example, helps its suppliers evaluate themselves on what they call as the “packaging scorecard” The score card has metrics which allow suppliers to determine how their packaging innovations, environmental standards, energy-efficiencies and use of materials match up against those of their peers. It would be wise to define some key metrics for India specific packaging. Like for example :
   - Product to package ratio – a lower ratio would mean less package and more product transported per truck
   - Percentage recycled content in the package – a higher percent means less new material goes in
   - Recyclability of the package – break up the package into components and mention their recyclability
   - Bio-degradability index for composite packaging materials – can be developed for commonly used materials

3. **Setting guidelines for corporations on disposal, collection, reuse and recyclability of their packages.**

4. **‘Green’ packaging design firms** Recently, there has been a
spate of firms engaged in sustainable packaging design and manufacture. These firms employ principles of green design: use more sustainable material, increase material recyclability, generate designs which reduce plastic use and energy and similar such initiatives to reduce the environmental impact of packaging. Many MNCs have been successfully using their services. Unilever USA, for instance engaged Sonoco Global Plastics, a global packaging firm, to redesign one of its shampoo bottles. Sonoco added a curve to the sides of the bottle, improving strength and reducing plastic resin use by nearly 16%. Sonoco was named as the top ‘green packaging’ company by Newsweek in its recent 2011 Green rankings[1]. Be Green Packaging designs and manufactures packages for food and consumer products. These are tree-free and compostable. P&G Europe hired Be Green Packaging for its Fusion ProGlide Gilette razors packaging. The new package developed by Be Green reduced plastic by 57% which it replaced by fiber made from bamboo, sugarcane and bulrush. GreenBox designed a Pizza delivery box which can be hand torn to make four serving plates, and after this, can be refolded into a smaller box for the leftover pizza storage. These examples not only show that it is possible to find packaging solutions for the BOP market but that it is profitable to do so. It is a question of when do we start this. Demands on engineering and development have always been driven by consumers – what we need is the environment driving it now. It is not enough for businesses to create economic value for consumers. They must provide ecological, social and economic value. The concept of the triple bottom line – People, Planet and Profit is now optional. We cannot afford to wait for nature to make it mandatory.

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