



Getting to the Bottom of the Latin American Pyramid

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**“The secret of life is honesty
and fair dealing”.**

**If you can fake that, you've
got it made.**

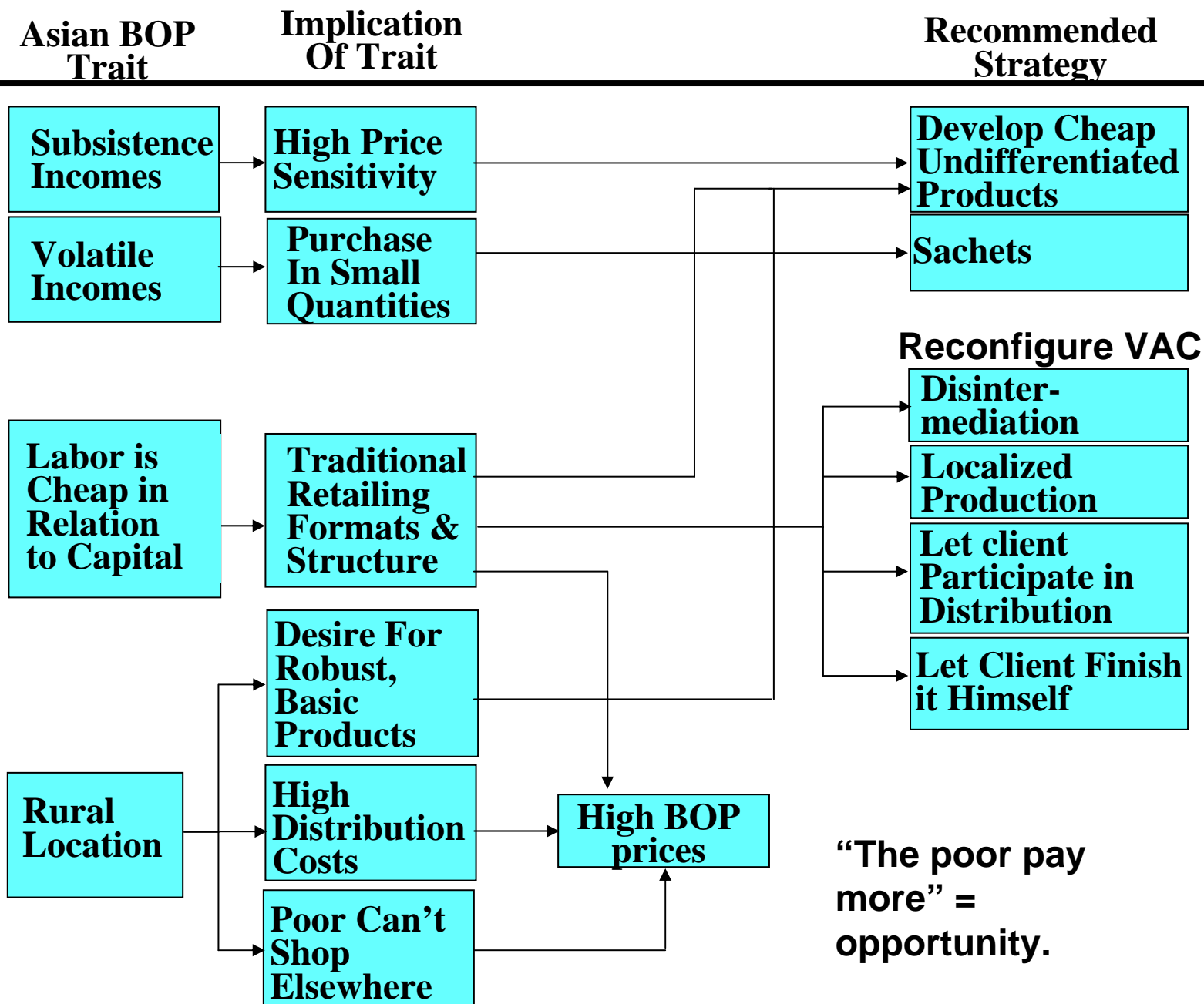
Groucho Marx.

BOP Marketing Theory

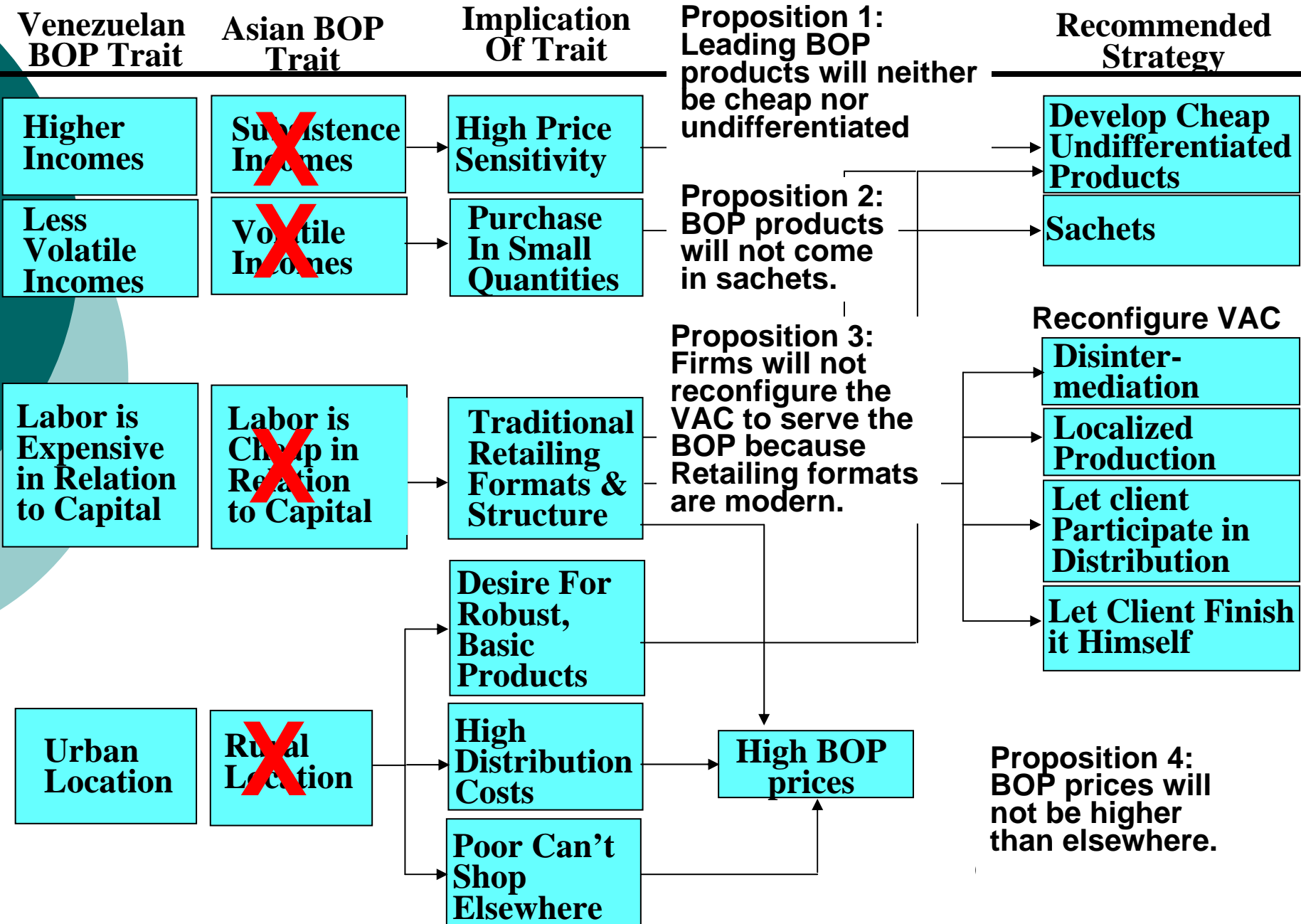
Most BOP theory is normative, anecdotal, vague and based on Indian experience.

Dawar and Chattopadhyay (2000), (hereafter Dawar) is an exception.

Dawar et al (2000)'s Implicit Conceptual Model



Dawar et al (2000) Adapted to Latin America





Methodology

A literature review.

Dozens of interviews with executives over a five year period.

Hundreds of interviews with poor consumers, often employing laddering techniques.

Direct observation of shantytown stores and some homes.

Results of the Proposition Tests

Proposition 1: Leading BOP products will neither be cheap nor undifferentiated

All market leaders were more expensive than the category average.

Differentiation was sometimes based on product superiority

- **DirectTV.**
- **Prepaid cellular telephones.**
- **Fixed cellular.**

Other products were differentiated through branding:

- **Gang's kill for Tommy Hilfiger & Nike.**
- **Miss Universe.**
- **Pioneering products that delivered high quality over time.**
- **BOP aspires to purchase leading brands of cheap categories. Brand associations are possessive: "My Primor".**

Results of the Proposition Tests

The Role of Consumer Insight in Differentiation:

- **El Nacional (newspaper).**
- **Las Llaves.**
- **Heinz's pasta sauce (Pronto).**

Results

Proposition 2: BOP products will not come in sachets.

**No successful use of sachets was observed.
P&G Tried sachets and failed.**

- **Inappropriate channels.**
- **Higher incomes.**
- **Venezuelans are heavy users.**

Results

Proposition 3: Retailing formats should be modern because the cost of labor is higher in relation to capital in Venezuela than in Asia BOP.

Retailing formats in shantytowns would be familiar to Africans.

Outside shantytowns, most food is sold in fairly modern supermarkets.

Results

Proposition 3: Firms will not reconfigure the VAC to serve the BOP.

- **Firms neither “allowed customers to “Finish it themselves” nor was production localized.**
- **Shantytowns residents were used both to obtain access and to add value through social means.**
 - **Avon.**
 - **Nestlé.**
 - **Polar.**
 - **Coca Cola.**

These firms really help the BOP by Leaving margins with residents rather than with retailers.

Results

Proposition 4: BOP prices will not be higher than elsewhere.

	BOP Price differential
Packaged Food (includes staples such as rice, corn)	+35%
Unprocessed Food	-50%
FMCG average	+7%
Public services *	-50 to -100%
Rent *	-70 to -100%
Transport:	the same price per kilometer
Financial services+	Better service, higher interest or price

*** Much lower quality.**

+ Not available from the formal sector.

Conclusions

- *BOP advice developed from Asian experience should be applied cautiously in Latin America.*
- **Successful products were higher priced than average and highly differentiated.**
- **Sachets failed. This means that they are not a universal remedy.**
- **The poor pay more for processed products if they purchase near to home. Opportunity knocks.**
- **Multilevel marketing schemes are highly successful and leave important sums in poor areas and provide social integration.**
- **The PIMS studies apply perfectly: become the leader through differentiation and you make a fortune.**
- **Consumer insight is just as vital in the slums of Caracas as in Beverly Hills.**



Future Research

- **It is time to develop a contingency theory for BOP marketing. Not all emerging poor are alike.**
- **I have microcredit data. It doesn't fit previous studies.**
- **Organizing for the BOP.**
- **P&G trained almost all Venezuelan marketing executives. How much is that worth to the economy?**