

**21G.034 / CMS.930**

**Media, Education, and the Marketplace**

**Prof. Shigeru Miyagawa**

**Class # 6: October 18, 2005**

**Handout # 7A: ICTs and Entrepreneurship for Development – Summary**

**C.K. Prahalad's argues that there are five discernable misconceptions about the nature of the bottom-of-pyramid (BOP) market. Below are one-paragraph summaries of his beliefs, as produced by the 21G.034 / CMS.930 students:**

**1) There is money at the BOP.**

First, he argues that the actual purchasing power parity (ppp) of developing countries rivals that of developed countries. Second, the large population within developing countries allows for low purchase prices to have a significant impact on a company's bottom line. Third, if businesses make a conscious effort to address the poverty penalty, it would cause a narrowing of the gap between rich and poor. Lastly, Prahalad states that due to the consumption choices of the poor, mainly choosing luxury goods, there is big opportunity at the BOP.

**2) Access to BOP markets is neither limited nor difficult to obtain.**

The BOP is comprised of two populations, the urban population and the rural population, which must be targeted in different ways. In most areas of the world, the BOP urban community has such a high concentration of poor people in a small location, that it would be easier to access this population from a single distribution point. The rural community is much harder to reach from one focal point because it is very sparsely populated. In order to overcome this, the provider must branch out into the community by recruiting many representatives to setup small, local operations.

**3) The BOP market is connected.**

The proliferation of mobile networks in developing nations proves that the BOP market is connected. The availability and affordability of PCs and wireless devices is increasing this level of connectivity both among and within BOP markets. Connectivity is allowing the BOP consumers to communicate with each other, with companies from which they purchase products, and with the politicians who govern them. The BOP markets are also able to communicate across borders to compare the quality, cost, and availability of products and services.

**4) The BOP markets are brand-conscious.**

Brand consciousness is universal because everyone aspires to a better quality of life. The problem for BOPs is that they can not afford the high end brands. The challenge for companies is to make the brands cheaper so that they can be sold at a lower price to BOP consumers. As a result, MNCs must increase their level of efficiency in order to sell to BOPs.

**5) BOP consumers accept advanced technology readily.**

The section provides three major examples, in which the BOP consumers have adapted new technologies because they lack an older technology that gives these farmers a ground for comparison. ITC's work with E-Choupal showed that farmers immediately adapted a new technology. Similarly, Fishermen in Kerala readily accepted and appreciated the new form of access to information on prices. Additionally, Women entrepreneurs in southern India are using video conferencing to discuss issues of importance with each other. All these technologies have fostered support and enthusiasm from the public mainly because there were no similar technologies available.

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