

RG-T2401 Mapping BoP Markets Today
TC ABSTRACT

I. Basic project data

▪ Country/Region:	Regional
▪ TC Name:	Mapping BoP Markets Today
▪ TC Number:	RG-T2401
▪ Team Leader/Members:	Lourdes Gallardo (OMJ/OMJ) Team Leader; Viviane Azevedo (OMJ/OMJ); Monica Fernandez (OMJ/OMJ); Lina Salazar Ortégón (OMJ/OMJ) Cynthia Boruchowicz (OMJ/OMJ); Cesar Bouillon (RES/RES); Fabiana Machado (RES/RES); Ana Silva (OMJ/OMJ).
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Research & Dissemination
▪ Reference to Request: (IDB docs #)	38012501
▪ Date of TC Abstract:	August 23, 2013
▪ Beneficiary:	OMJ/OMJ
▪ Executing Agency and contact name	OMJ/OMJ
▪ IDB Funding Requested:	US\$575,000
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period:	18 months
▪ Required start date:	September 15, 2013
▪ Types of consultants:	Individual and firm consultants
▪ Prepared by Unit:	OMJ/OMJ
▪ Unit of Disbursement Responsibility:	OMJ/OMJ
▪ GCI-9 Sector Priority:	Reducing poverty and inequality

II. Objective and Justification

- 2.1 The objective of the Technical Cooperation is to understand how do Base of the Pyramid (BoP) markets operate today. The study will look deeper into (i) the BoP population and its socio-economic characteristics in at least three countries of Latin America and the Caribbean, (ii) the formal and informal channels through which the BoP acquires its goods and services and market dynamics and (iii) the behavioral aspects behind the decision making on whether to source public or private goods and services. Finally, this research will also look at how innovative and often complex business models identified from the above exercise are delivering high value solutions to this market.
- 2.2 Justification: In 2002, C.K. Prahalad and Stuart L. Hart coined the term “Base of the Pyramid”, which is the segment of the population that earns less than US\$ 3,260 dollars per capita PPP. This represents less than 10 dollars a day and a significant market and a business

opportunity for the private sector. This segment presents a great business opportunity for companies interested in providing goods and/or services that meet the needs of the BoP.

- 2.3 Although there are several success stories among the companies that have ventured into this new industry—many of them part of OMJ portfolio—others haven't experienced consistent results.¹ In some cases sales do not meet expectations, social benefits are limited, and the projects soon lose momentum and many eventually die. Even after huge investments in product development and research and marketing, the products and services fail at properly meeting the needs of the BoP.
- 2.4 Despite the vibrant nature of BoP businessmodels which is finding more advocates and supporters every day, , there is limited comprehensive research or data on BoP markets today. Household and expenditure surveys can shed light on income levels and consumption patterns, but they don't provide information on who and how is serving the BoP. Furthermore, recent literature does not show a deep insight on the reasons behind the current patterns of consumption, as well as what are the unmet needs of this share of the population. In order to better serve the BoP it is necessary to have a deeper understanding of the market, understand what makes a product or service successful, and target existing business opportunities, it is necessary to develop market intelligence.
- 2.5 The study will be based on new household and firm surveys that will be designed exclusively for the purpose of this research. Data will be collected in at least three countries in Latin America and the Caribbean. The research will help to identify markets that are currently underserved or those without an efficient or fragmented delivery of goods and services. It will also provide insights on successful business practices (surveying firms) that have made the BoP their niche. It will also help to understand the patterns of consumption in different countries around the region (surveying the BoP), and in particular, but not limited to, four key sectors: (i) education; (ii) health; (iii) housing and (iv) financial.
- 2.6 The proposed TC is consistent with the Ninth General Capital Increase (GCI-9) priorities relating to contributing to poverty reduction; increasing the percentage of private sector operations in the Bank's portfolio; and the Social Sector strategy areas of health, education, and housing.

III. Description of activities and outputs

3.1 COMPONENT I: MAPPING BOP MARKETS

3.1.1 Activity 1: Survey Design

A consulting company or a group of consultants will be selected to design the household and firm surveys that will be used throughout the study. The company, with the support and feedback of OMJ, will design the survey which will be the main instrument in all four countries. The survey will include questions regarding general patterns of expenditure, product and service needs in four sectors in particular: (i) education; (ii) health; (iii) housing and (iv) financial services.

3.1.2 Activity 2: Mapping the BoP markets today

3.1.2.1 Selection of Countries and Consulting Firms

3.1.2.1.1 Call for proposals:

¹ DUKE, Duncan: Base of the Pyramid (BoP) Market Entry – Finding BoP Opportunities That Match your Customer Relationship Strategy. Inter-American Development Bank. June 2013.

OMJ will conduct a call for proposals in order to assess the best consulting companies throughout the region that are capable of conducting the survey in at least three (3) countries in the region.

3.1.2.1.2 **Evaluation of proposals and Selection of Countries:**

The evaluation of the proposal will be based on the experience of the consulting firm in conducting surveys, the level of knowledge of business models for the BoP, and the country in which the study will be taking place.

Once the proposals have been evaluated, the countries will be selected in regards to the strategic focus of IDB and OMJ, and the proposals from firms that meet the standards of quality to conduct the study in each country.

3.1.2.2 ***Data Collection and Analysis***

The consulting firms will conduct the household and firm surveys, collect the data, and analyze the results that are representative of the BoP populations for each of the countries selected. The data and analysis will be digitalized and presented in a clear form.

3.1.2.3 ***Country-specific Report***

Each consulting firm will produce a detailed report that will include: (i) a summary of the applied surveying methodology; (ii) the results obtained from the surveys; (iii) a thorough analysis of the responses that will include expenditure and patterns, current successful business practices aimed at the BoP and possible business opportunities at the BoP based on current unmet needs of the population segment and main conclusions. Additionally, consultants will prepare a Power Point presentation that summarizes the information contained in the report.

3.1.2.4 ***Comparative Regional Report***

One consulting firm will produce a comparative analysis obtained by contrasting the results of each country-specific report that will draw observations and conclusions regarding regional trends.

3.2 **COMPONENT II: DISSEMINATION OF RESULTS**

The objective of this component is to set up a dissemination platform to launch and socialize the reports among key stakeholders in order to position the IDB and OMJ as thought leaders in the BoP field.

3.2.1 **Activity 1: Publication**

Each of the reports will be published as a separate knowledge product. Additionally, OMJ will also lead and edit one only report that will compare results thrown by each one of the individual reports.

3.2.2 **Activity 2: Dissemination and Presentation at the BASE III Forum**

The BASE III Forum to be held by the IDB in Mexico in 2015 will be the dissemination platform for the results and conclusions thrown by the surveys and reports. The publications will be launched and discussed during the BASE Forum. They will serve as inputs to structure the Forum's agenda. The responsible party for this component will be OMJ. The Forum will gather between 1,000-1,500 people from all around the world, including business

leaders, government officials, investors, international organizations, academia, non-governmental organizations, and media. BASE III will be the perfect scenario to launch the reports as it will convene key practitioners and thought leaders interested in the state of the art of the BoP field. It will be the opportunity to innovate and move forward in a field that's in need of new content and business opportunities.

3.3 COMPONENT III: WORKSHOP WITH SELECTED MEXICAN COMPANIES

The objective of this component is to replicate and improve the workshop organized by the IDB with over 10 large and medium Colombian companies during the BASE II Forum in June 2013 in Medellín, Colombia. Business development and positioning the IDB are the two main goals of this exercise.

3.3.1 Activity 1: Mapping and identification of companies.

OMJ will take advantage of its local network of contacts to do intelligence work in order to identify large and medium-sized Mexican companies that are at their earliest stage in regards to serving the BoP. OMJ will hire a specialized firm that will support this activity.

3.3.2 Activity 2: Workshop in Mexico 2014

OMJ will hold a two-day workshop with large and medium-sized national companies in Mexico in 2014. The workshop's contents—to be developed by firm hired mentioned above—will provide a hands-on training on how to penetrate the BoP. Minimum contents include: understanding the BoP consumer; characterizing the BoP market; identifying companies' strengths and capabilities; marketing at the BoP, among others. The firm will structure the training. OMJ will be in charge of logistics.

IV. Budget

The table below describes an indicative budget for the TC in the amount of US\$575,000

Indicative Budget

Activity/ Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
I.	Mapping the BoP Markets	US\$425,000	US\$0	US\$425,000
1.1	Survey Design	US\$ 30,000		
1.2	Mapping the BoP Markets (3) <i>Country Analysis</i> (1) <i>Comparative Analysis</i>	US\$395,000 US\$375,000 US\$ 20,000		
II.	Dissemination of Results	US\$100,000	US\$0	US\$100,000
2.1	Publication	US\$10,000		
2.2	Dissemination & Presentation at BASE III Forum	US\$90,000		
III.	Workshop with selected Mexican companies	US\$50,000		\$50,000
3.1	Mapping and ID of companies	US\$15,000		
3.2	Workshop in Mexico 2014	US\$35,000		

TOTAL	US\$575,000	US\$0	US\$575,000
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V. Executing agency and execution structure

- 5.1 This TC is classified as a knowledge generation and dissemination product. It will be executed by OMJ/OMJ. OMJ is the only operational window within a multilateral development bank with an exclusive focus on the BoP. Since its creation at the IDB in 2007, it is widely recognized for its convening authority as well as its operational-based business knowledge in this area. As such, OMJ will be the Executing Agency of this TC as it has the instruments and platforms necessary to assure the socialization of the research to both a public and private sector audience. The Bank will carry out the selection and hiring of the consulting services necessary for this TC in accordance with the applicable Bank's procedures and policies. The Opportunities for the Majority Division (OMJ/OMJ) will have the responsibility for the implementation and monitoring of the project. Maria Lourdes Gallardo (Email: mgallardo@iadb.org, Phone: 202-623-1821), Opportunities for the Majority Specialist, will be the contact person for this project.
- 5.2 The Bank will carry out the selection and hiring of consulting services necessary for this TC in accordance with the applicable Bank's procedures and policies. Key partners to the success of this TC are the local counterparts that will be in charge of carrying out the surveys.
- 5.3 The Opportunities for the Majority (OMJ/OMJ) department will have the responsibility for the project. The contact points will be Lourdes Gallardo (email: mgallardo@iadb.org; tel. +1 (202) 623-1821) or Viviane Azevedo (email: viviane@iadb.org; tel. +1 (202) 623-1686).

VI. Project Risks and issues

- 6.1 There are no anticipated risks related to this TC. Risks associated to changes in the management teams of every project are being mitigated by maintaining constant communication with the executing units and flexibility in terms of defining treatment and control groups.

VII. Environmental and Social Classification

- 7.1 There are no environmental and social risks. The TC has been ranked in category C by ESG. It will allow for better appreciation of the impact of OMJ's operations on the productivity of businesses and well-being of the households and the community that is recipient of the project.