

**How can multinational enterprises conquer the market of the people in urban areas living at the bottom of the pyramid and at the same time create motivation for development of these people's life conditions?**

A case study on Egypt's society in urban areas living at the bottom of the pyramid and Unilever Egypt.



Msc Thesis

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**ABSTRACT** — This thesis raises the subject on the poor life conditions of the society in urban areas living at the bottom of the pyramid and how multinational enterprises can conquer this market and at the same time improve this group of society's life conditions. Until now this group of society has not been fully recognized as a profitable market, which has made them live in poor life conditions. This thesis shows that this group of society is in fact very profitable but at the same time has its needs that need to be fulfilled so their life conditions can actually improve. When multinational enterprises create strategies and business models that meet this group of society's needs and at the same time makes it possible to conquer this market, multinational enterprises will increase their profits and market share and this group of society will increase their life conditions.

## Preface

Before you start reading my thesis I want to say a few words. My parents have brought me up with the idea that we are all equal to each other, no one is better than the other. But after I started to understand the world a little better, I saw that even though we are all equal there is still so much unequalness in the world we are living in. From then on I started to develop an interest for microcredits, I thought of it as a way to make the unequal equal. Last year, during a course given by Henk Ritsema I started to develop an interest for emerging markets. They are interesting because of their oppositions. The idea to dedicate my thesis to the less fortunate was by then half way there, and then (through Henk Ritsema) I came in contact with Bartjan Pennink. We had many conversations in which he patiently and with enthusiasm guided me through the process of setting up the eventual idea for this thesis. I therefore want to start with thanking Henk Ritsema, for his Emerging Markets course, his willingness to introduce me to Bartjan Pennink, and for his second supervision over the final version of this thesis. I am happy he is my second supervisor, because during the time I have spent with him last year I have developed a huge amount of respect for his intelligence. And then I want to thank Bartjan Pennink, he has developed my interest in emerging markets even further and has introduced me to regional economic development which is a very important and interesting topic. I want to thank him for his patience with me, the hours he has spent in reading my drafts and providing me with detailed and very useful feedback, his enthusiasm for the subject and introducing me to many more of these subjects which I will be taking with me to my future and hopefully use them and apply them one day, for his kindness. I have started to consider him as one of the people this world is aching for, because he is participating in making the difference so very much needed in the world. A huge amount of respect for him! A big thanks for Unilever Egypt, Ahmed el Sheikh, Rabab Galal, Suzan Salim, Rania Bahaa, Alyaa Kassem, Alaa Hasaballah for making the case study of this thesis possible, their time and effort.

And then I want to thank my mum for everything she has done and is doing for me. Her strength and patience, her believe in me. And my dad, may he rest in peace! Always made me look up to him, his intelligence and wise words which guide me until this day on. Still by my side!

This master thesis and my master are dedicated to them, my mum and dad! I owe it all to them, and without them I would have never been the person I was in the past, the person I am today and the person I will be in the future!

*‘When will our consciences grow so tender that we will act to prevent human misery rather than avenge it?’ - Eleanor Roosevelt*

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# Chapter 1: Introduction

## 1.1 Background

The world is globalizing, that is a fact. Multinational enterprises all over the world want to take advantage of the opportunities of globalization and therefore enter new markets. One of the opportunities multinational enterprises gain from entering new markets is profitability, and one of the opportunities the new market gains is prosperity of the country and its market. But in emerging countries this prosperity is often unequally divided, and so the bottom of the pyramid is created. An unequal distribution is the result, literature has labelled this as the bottom of the pyramid.

The goal is to develop an in depth research on the people in urban areas living at the bottom of the pyramid and the strategies and business models developed by multinational enterprises to gain from and at the same time develop the life conditions of this group of society. This research will be done in the form of a case study on people living in urban areas in Egypt at the bottom of the pyramid and Unilever Egypt. The reason for implementing this particular case study is the fact that Egypt is one of the emerging countries in the Middle East, which is at this moment an interesting area to do research on because of the ‘Arab Spring’. On the other hand, Unilever is a very interesting multinational to include in the case study because it is one of the well-known multinationals worldwide with a high interest and commitment to sustainable development.

According to Trivedi and Stokols (2011) the markets and countries all over the world have not delivered satisfactorily when it comes to worldwide economic, social and environmental problems. They have ignored human needs and produced implausible social inequalities. These social and economic inequalities have ensured that the majority of the world’s consumers, especially in emerging countries, live below or just above the poverty line making them unable to be part of the world’s globalization and its prosperity.

But according to Prahalad (2010) multinational enterprises can reignite profits and growth by serving the world’s five billion poorest people. By building large, profitable businesses that are reducing poverty and eliminating human misery at the same time. Multinational enterprises must revolutionize how they do business in emerging markets to make sure both sides of the community (rich and poor) take advantage of the developing aspects of the market.

Multinational enterprises can do so by integrating their knowledge sources and corporations in emerging countries (Narula, 2003), because they are a sine qua non (an essential element) for development (Narula and Portelli, 2007). For this research it is very important to have a clear view on the people and the community living in urban areas at the bottom of the pyramid, an extensive introduction to the actors of the play which are the people in urban areas living at the bottom of the pyramid, what the aspects are that have caused for this group of society to exist and at the same time what the people and community as a whole living in urban areas at the bottom of the pyramid needs to be able to prosper. This will be mapped out through an extensive literature review on this group of society. . For this research is chosen to introduce the actors of the play but not the multinational enterprises, because the reader most probably already has a sufficient view on multinational enterprises because they exist in our every day lives (through for example, the usage of their products), but the same does not count for the information the reader has of the society in urban areas living at the bottom of the pyramid. It is therefore thought wise to dedicate an extensive part of this research on the introduction of this group of society. The multinational enterprises will be mentioned by the strategies and business models they have created to be able to gain from the previously mentioned group of society. This research will embody three different aspects which will be

eventually interrelated. These aspects are, individuals in urban areas living at the bottom of the pyramid which will be based on the theory by Maslow, the community as a whole in urban areas living at the bottom of the pyramid and multinational enterprises and their strategies and business models.

## **1.2 Motivation**

Research that has been implemented in the past has found its majority in multinational enterprises entering emerging economies for their own growth and profitability, not taking into account the prosperity of the emerging economy's society at large and in particular the community in urban living at the bottom of the pyramid. There has also been extensive research on multinational enterprises' so called concern with the moral obligations to society and the environment (Kotler and Lee, 2004), because according to Privato et al. (2008) corporate social performance is indirectly related to the financial performance of the corporation. Also, multinational enterprises contribute to corporate social responsibility until shareholders become concerned with the corporations performance and corporate social responsibility investments go at the expense of its wealth. This research will illustrate the individuals and community as a whole in urban areas living at the bottom of the pyramid and how multinational enterprises can gain from this part of society and at the same time develop their life's conditions. This research is interesting because the theories and the case study together, which will be implemented have not yet been implemented in previous research. This thesis will be a combination of theories, the theories that will be implemented are Maslow, the needs of individuals living in urban areas at the bottom of the pyramid, Stimson et al. on regional economic development and the needs of this community at large, the theory by Saddi et al. (2010) will add to the theory of Stimson et al. And multinational enterprises' pursue of business strategies and business models aimed at low-income communities to gain from this group of society and at the same time cause for development of their life conditions.

## **1.3 Problem statement**

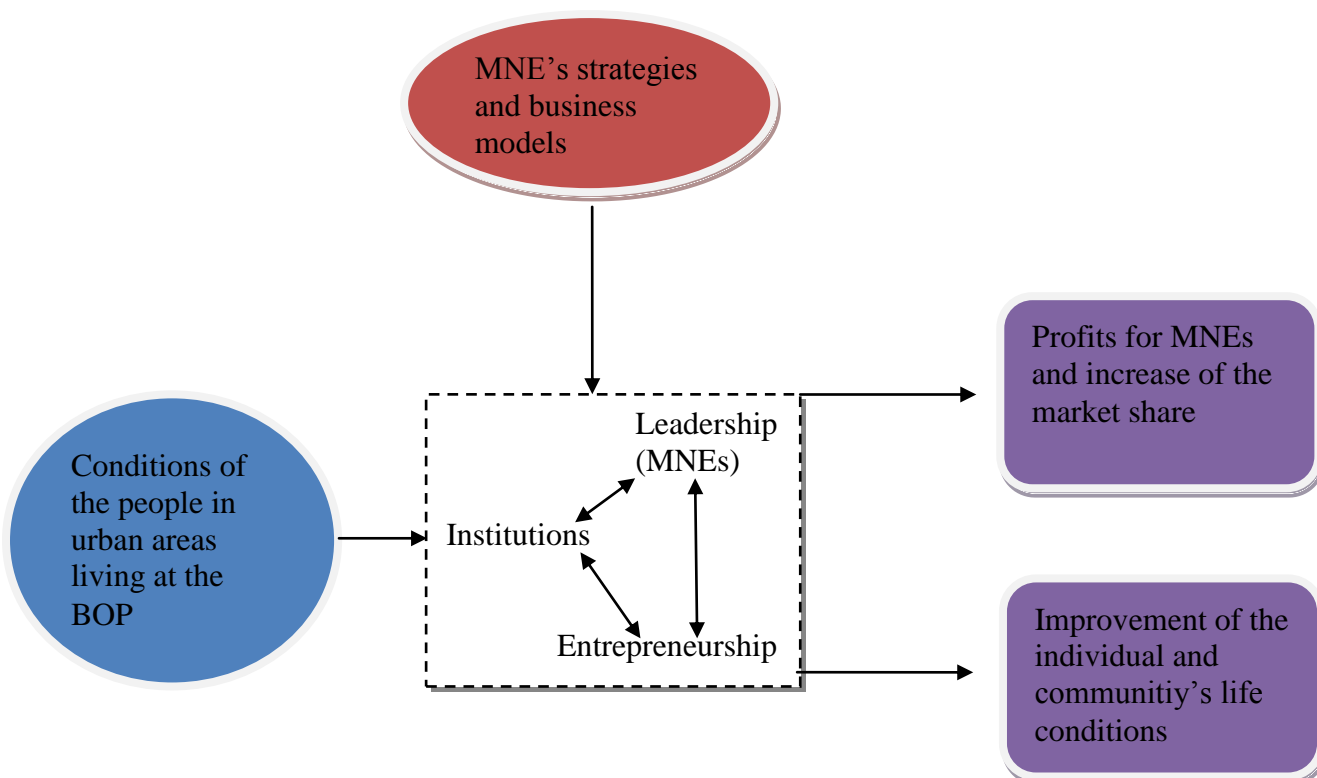
Strategies and business models have to be found which satisfy the unmet needs of the people in urban areas living at the bottom of the pyramid. When multinational enterprises start to develop and implement strategies and business models which meet the needs of the people in urban areas living at the bottom of the pyramid, the multinational enterprise will be able to conquer the market of this group of society and gain from that and at the same time the life conditions of this group will improve by having better access to products as well as in terms of employment (Grayson and Hodges, 2004; Hammond et al., 2007; Hart, 2005; Prahalad, 2005; Rangan et al., 2007; UNDP, 2007). Multinational enterprises can cause for a positive change in the improvement of the conditions of the people in urban areas living at the bottom of the pyramid (Lall and Narula, 2004) and become their new source of prosperity (Hart, 2005).

Economic growth and development of life conditions will happen when the availability of products is easier and products are cheaper, because this group of society has a high level of needs which they fulfill by purchasing products in high volume and will continue to do so. This means that when they start to be targeted by multinational enterprises, they will bring along their high volume of purchasing and will therewith also lead to the increase of the multinational enterprises' Return on Investment. Even if the price of products remain the same, it is important they are durable and are of better quality because that way the standard of living of this group will be uplifted. Also, private investments for producing better quality goods offered by a lower price will lead to a more stable life for this group (Hiroshi, 2010). When multinational enterprises adapt their operating, marketing, and distribution decisions to the bottom of the pyramid, the ability for this to happen is created (Prahalad and Lieberthal,

1998). These changes within a multinational enterprise to satisfy the bottom of the pyramid in urban areas, will at the same time lead to long term growth for the corporation, many academics have concluded that emerging economies and their bottom of the pyramid offer significant growth opportunities for multinational enterprises (Arnold and Quelch, 1998). But until now academics have mainly done extensive research on multinational enterprises regarded as a symbol of continues social, political and economic control by the industrialized world over the emerging countries (Narula, 2009). Research has concluded that multinational enterprises' only goal by serving these emerging countries is to be as profitable as possible by only targeting the top of the pyramid. They are mainly guided by an arrogant perspective, and when contributing to the prosperity of the bottom of the pyramid it is mainly done to build on a positive image of the multinational enterprise. It will not be denied that this is true and will always maintain to be like this, but at the same time when these are multinational enterprises' goals it does not mean that people in urban areas living at the bottom of the pyramid are unable to gain from this and improve their life conditions. This research will be implemented on people in urban areas in Egypt living at the bottom of the pyramid and Unilever Egypt, the findings of this local perspective can be appointed to a generalized phenomenon for emerging economies in comparable conditions. If this research will have interesting and realistic results that can be applied on other emerging economies, it will lead to a gain for these economies. It will also put the spotlight on the problem and might trigger other researchers to investigate deeper into this problem. This could all lead to more research about this problem in the future and the appliance of the results on emerging economies in a similar situation. The main research question of this thesis will be;

*'How can multinational enterprises conquer the market of the people in urban areas living at the bottom of the pyramid and at the same time create motivation for development of these people's life conditions?'*

## 1.4 Conceptual model



The conceptual model that will be implemented in this research can be seen above. The first step in the conceptual model is an illustration of the people in urban areas living at the bottom of the pyramid, their life conditions and what these individuals and communities as a whole need so their life conditions can improve. The second step is to elaborate on the role of multinational enterprises as leaders in the urban areas, that way being part of the regional economic development of the area. This will be illustrated with the help of the framework of Stimson et al. (2003) and the theory of Saggi et al. (2010). Another part of the contribution of multinational enterprises to improve the life conditions of the individuals and communities as a whole in urban areas living at the bottom of the pyramid is the strategies and business models they have created to conquer this market with. These steps will eventually lead to multinational enterprises conquering the market of people in urban areas living at the bottom of the pyramid and gain profits and market share, because the purchasing power of this group of society is very high and when the multinational enterprise invests in market development and long-term relationship and at the same time is part of the areas improvement this group of society will maintain its loyalty. And it will lead to the improvement of the life conditions of the individuals and communities as a whole in urban areas living at the bottom of the pyramid.

### **1.5 Scientific and Management's board relevancy**

The research question of this thesis is *'How can multinational enterprises conquer the market of the people in urban areas living at the bottom of the pyramid and at the same time create motivation for development of these people's life conditions?'*

To be able to answer this research question, this thesis will be a scientific research on the people in urban areas living at the bottom of the pyramid, and how multinational enterprises can gain from this group of society and at the same time cause for improvement of their life conditions. In the past, research has been done mainly on people in rural areas living at the bottom of the pyramid, clarifying the situation and the aspects of this group in these areas. Because the scientific research of this thesis is partly focused on multinational enterprises, research of this thesis will be done on the people in urban areas living at the bottom of the pyramid. This because multinational enterprises establish themselves in the urban cities of countries and until now mainly focus their activities on people living in urban areas this will at the same time give a new dimension to the research on this topic. This will make it possible to look into the activities of the Corporate Social Responsibility department of multinational enterprises with which they want to improve the life conditions of the people in urban areas living at the bottom of the pyramid, and look into the strategies and business models of multinational enterprises with which they want to conquer the market of the people in urban areas living at the bottom of the pyramid and also look into the role of multinational enterprises as Leaders in the communities working together with institutions and entrepreneurs to improve the life conditions of that area. The scientific research of this thesis involves the contribution of multinational enterprises, because when multinational enterprises start creating and implementing business strategies and business models to target the people in urban areas living at the bottom of the pyramid it can lead to a win-win situation for both the profits and market share of the multinational enterprise as to providing access to better products, employment and the improvement of the area as a whole. Until now, the needs of the people in urban areas living at the bottom of the pyramid have not been met, leading to poverty and an unstable economic prosperity in these urban areas. Which is a very negative factor for both the people in urban areas living at the bottom of the pyramid as the emerging country as a whole in which they live, because an unstable economic prosperity will lead to a negative economic growth of the emerging country.

This thesis will show the importance for a multinational enterprise to aim at the people in urban areas living at the bottom of the pyramid, because it is a very profitable market which still needs to be conquered and it will lead to the improvement of the life conditions of this group of society. When this leads to a permanent improvement of the life conditions of this group of society it will lead to a permanent gain for multinational enterprises. This research will provide a line of reasoning on what the needs are of the individuals and the community as a whole in urban areas living at bottom of the to improve their life conditions, what the strategies and business models are of the multinational enterprises to meet these needs and at the same time conquer this market, and the role of multinational enterprises as leaders in these areas being part of the regional economic development. This line of reasoning will be provided in a Matrix, and will make it possible for multinational enterprises to choose the best strategies and business models which suits them best and has a positive outcome for both parties involved.

This research will start with an illustration of the people in urban areas living at the bottom of the pyramid. It will continue with the individuals needs, and needs of the community at large to improve the life conditions this by implementing the theory of Maslow and Saddi et al. (2010) as well as the framework of Stimson et al. (2003). After that a view will be given on the strategies and business models of multinational enterprises with which they can conquer the previously mentioned market and at the same time cause for an improvement of their life's conditions. The needs of the individuals and communities in urban areas living at the bottom of the pyramid will be summed up in a matrix, just like the options multinational enterprises have in business models and strategies to conquer this societies market. These two matrixes will eventually fuse into one matrix which shows how the multinational enterprise Unilever in Egypt approaches the society in urban areas living at the bottom of the pyramid to conquer their market and at the same time causes for the improvement of their live conditions.

## **Chapter 2: The bottom of the pyramid in urban areas**

### **2.1 Introduction**

This chapter embodies the aspects that cause for societies in urban areas living at the bottom of the pyramid to exist, who they are and where they live. It is important to have that in picture because it gives a good view on the main subject of the research question;

*'How can multinational enterprises conquer the market of the people in urban areas living at the bottom of the pyramid and at the same time create motivation for development of these people's life conditions?'*

### **2.2 The bottom of the pyramid in general**

Let us start with introducing the people living at the bottom of the pyramid, both in urban as in rural areas. This will give a thorough view on the main subject of this research, and from this point this research will carry on towards the people in urban areas living at the bottom of the pyramid, who they are, what they need and how they can best be targeted by multinational enterprises to result in improvement of their conditions and for the multinational enterprises to conquer this fruitful market.

The bottom of the pyramid (BOP) are the people living at the bottom of the world's economic pyramid, impoverished consumers who do not have the ability to gain opportunity from the world's globalization (Martin and Hill, 2012) (Olsen and Boxenbaum, 2009). These consumers live in emerging countries, mainly in the following four continents; Africa, Asia, Eastern Europe and Latin America and the Caribbean. This group of society counts in total between four and five billion consumers. Human development categories advanced by the United Nations, show that about three fourth of the world populations live in countries with less than ideal material conditions, the poorest 40% of the world's population account for 5% of the total income and on the other side the wealthiest 20% accounting for almost three fourth of total income (Martin and Hill, 2012). Half of the child population in the world, these are approximately one billion children, live in poverty. One in three of these children do not have access to a basic form of shelter, and one in seven do not have access to health services. With these statistics in mind it can be concluded that humanity's main part experiences consumption environments far below the set line for a human live ( Hill, 2001).

Many researchers count them as a viable market segment but until now these statements have not improved their life conditions or fulfilled their needs Two of the researchers whom have stated the people living at the BOP as a viable market segment are Prahalad and Hart. They have stated that the people living at the BOP concept as a strong market segment, needing to be associated with the pursuit of the unsatisfactorily tapped purchasing power of the bottom of the world's economic pyramid. They therefore recommend to view the BOP as resourceful entrepreneurs and value conscious consumers rather than as victims (Olsen and Boxenbaum, 2009).

### **2.3 Introduction to the bottom of the pyramid in urban areas**

Research in the past has extensively been done on the people living at the bottom of the pyramid in the rural areas of emerging countries. A thorough view has been given on their conditions, aspects, misfortune and so on. Even though the urban areas in emerging countries are big and a high level of the bottom pyramid live in the urban areas of these countries, research has neglected to put emphasis on this important part of the bottom of the pyramid. Existing literature does not consider the bottom of the pyramid in rural and urban areas to be different from each other, and therefore suggesting that the strategies and business models needed to target and succeed in targeting these two different communities living at the bottom

of the pyramid markets are identical to each other (Anderson et al., 2010). Anderson et al. have concluded that these two different bottom of the pyramid markets actually do have different structural characteristics, and therefore require different strategies for success. The urban areas in which the people living at the bottom of the pyramid live are also called the urban slums. They are characterized by inadequate access to safe water, inadequate access to sanitation and other infrastructure, poor structural quality of housing, overcrowding and insecure residential status. These urban slums are able to exist and maintained because of several different reasons, the most important reason is the rapid rural to urban migration. The world's globalization makes sure the opportunities for people rapidly increase in urban cities in emerging countries. This leads to, not only residents of the urban cities wanting to make use of these opportunities but, also residents of rural areas have the same needs and wants, they therefore migrate from these rural to the urban areas of the country.

Another important reason for these urban slums to exist and maintain are the lack of secure tenure. Without legal title to their own property, urban slum residents have almost no opportunities and little incentive to improve their living conditions. In general, secure tenure is a very important condition for access to economic and social opportunities like credit, public services and livelihood opportunities (Anderson et al., 2010). According to UN Habitat statistics, starting from the year 2010 about one out of every seven human beings is living in an urban slum. But overall unprecedented urban population growth, stagnating urban economic growth to correspond to the needs of the growing population, mismanagement of urban resources and a general lack of common and personal responsibility of urban citizenry are some of the factors that are pushing urban poverty to unmanageable levels (Auclair and Jackohango, 2008).

## 2.4 The passport of the bottom of the pyramid in urban areas

As previously mentioned, the total number of people living at the bottom of the pyramid counts for four to five billion people and can be mainly found in emerging countries. In Africa and Asia the majority of the bottom of the pyramid live in the rural areas of the country, where in Latin America and Eastern Europe majority lives in the urban areas of the countries. In total they count for 72 % of the world's population (Dansk Industri, 2007).

Below a table (table 1) can be found of the people in urban areas living at the bottom of the pyramid of Latin America and Eastern Europe, this table indicates the total amount of people living at the bottom of the pyramid in these areas, their income and the market size.

<b>Region</b>	<b>BOP Population (millions)</b>	<b>BOP Population (share of total population)</b>	<b>BOP income (billion \$)</b>	<b>BOP share of total market</b>
Eastern Europe	254	64%	458	36.0%
Latin America	360	70%	509	28.2%
<b>Global BOP</b>	<b>4,000</b>	<b>72%</b>	<b>5,000</b>	

Source: World Resources Institute

Table 1; source World Resource Institute

As can be seen in table one, Latin America has a larger group in urban areas living at the bottom of the pyramid than is the case in Eastern Europe, with a higher income but in total the Eastern European bottom of the pyramid counts for a higher percentage in share of the total market. Later on in this thesis more information will be given on the relatively high purchasing power of this group even though they are cash poor and live in relative poverty.

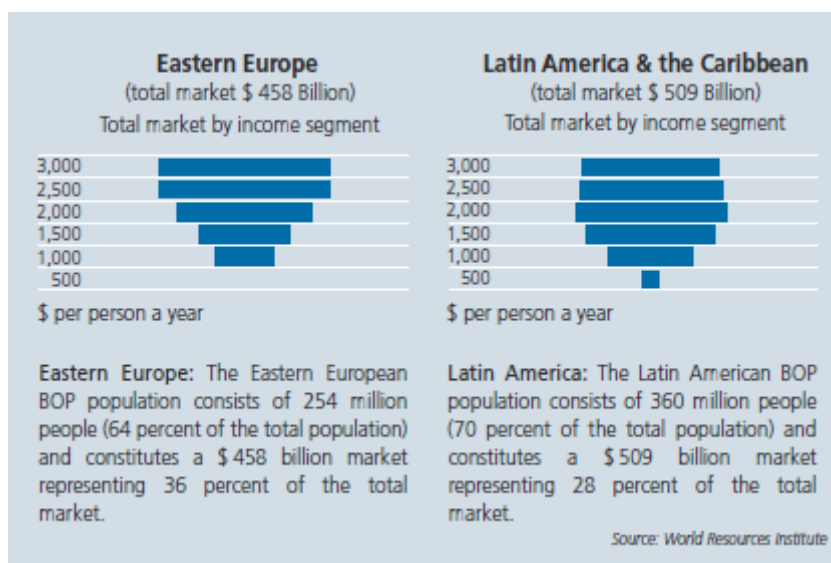


Table 2; source World Resources Institute

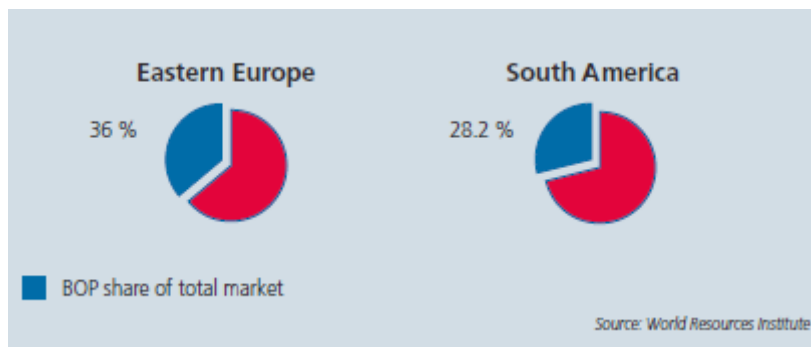


Table 3; source World Resources Institute

Table two gives a better visualization of the total market by income segment. This table shows that 64% percent of the total population lives below the poverty line and is, with that, is living at the bottom of the pyramid in Eastern Europe. The people living at the bottom of the pyramid in Latin American and Caribbean count for 70% of the total population. Table two and table three show that this group of society in these regions are of high importance to the market, because they respectively count for 36% and 28% of the total market in these two regions.

THE BOP SECTOR MARKETS	
Sector	Market size (\$ billion)
Food	2,894
Energy	433
Housing	332
Transportation	179
Health	158
ICT	51
Water	20

Source: World Resources Institute

Table 4; Source World Resources Institute

Table four is an important table, but a limitation to it is that it represents the total amount of people living at the bottom of the pyramid this means both the rural as the urban area. But because it is an important table, visualizing the spending pattern of this part of society, it is included in this thesis. This table shows that the biggest part of this group of society's income is spend on food, it dominates the household budget. And not surprisingly, other important items are energy, housing and health care. The more the income of thsi group of society increases, the more is spent on communication and transportation. The expenditure pattern does not change significantly on food and energy once income increases, these are rather stable items. The spending pattern on health care is very sensitive to income, it heavily depends on income level and access to services it therefore heavily varies across regions. The same goes for the ICT market, this market can be primarily found in the urban bottom of the pyramid market. The water market maintains to be a problem, the market tends to be predominantly urban. Many household still need to collect their water from wells and surface water. Due to industrialization and poor sanitation in urban areas the problems of polluted water continue to increase and lead to an increase of demand for purified water and purifying mechanism.

It is also important to have a view on the people living at the bottom of the pyramid in the Middle East, because the case study of this thesis will be devoted to the people in Egypt's urban areas living at the bottom of the pyramid and Unilever Egypt. Figure two below gives a view on the wealth per adult in, amongst others, the Middle East. What can be seen is that the wealth per adult (USD) in the Middle East lies between USD 5,000 and USD 100,000. The only country in the Middle East which has a wealth per adult of USD 100,000 is Saudi Arabia, all the other countries in the MiddleEast have a wealth per adult of USD 5,000(Shorrocks et al., 2010).

Figure 2

#### World wealth levels

Source: Credit Suisse Global Wealth Databook, Shorrocks/Davies/Lubinski



## 2.5 Why to conquer the market of the people living at the bottom of the pyramid in urban areas

For multinational enterprises to start targeting the people in urban areas living at the bottom of the pyramid, it is important for them to very clearly know why they should target this part of society. While they are recognized by these multinational enterprises as an unstructured

market with not enough potential, and are therefore not targeted. But, as previously mentioned, this is untrue. This paragraph will therefore shortly name the potential and opportunities present at the community in urban areas living at the bottom of the pyramid.

They can be divided into five central advantages (DanskiIndustri, 2007);

1. Size
2. Rapid growth
3. Less competitive environment
4. Opportunities for cost saving
5. Opportunities for innovation

### **Size**

As stated before, the people living at the bottom of the pyramid in urban areas count for 36% of the total population in Eastern Europe and 28% of the total population in Latin America and the Caribbean. At this moment a low amount of multinational enterprises target this part of society, because of expected low profit margins. But the unit sales can be extremely high because of this high number of consumers. This leads to profit made by volume instead of high margins

### **Rapid growth**

The total amount of people living at the bottom of the pyramid in urban areas is already very large but growth rates of five percent and more are expected. Also this part of society is expected to move from lower to higher income tiers, this all leads to building markets for many years to come.

### **Less competitive environment**

Multinational enterprises have so far not fully recognized the people living at the bottom of the pyramid in urban areas as a potential market. They therefore still target the people living at the top of the pyramid, but this market has started to saturate forcing multinational enterprises to start noticing the opportunities at the communities living at the bottom of the pyramid in urban areas.

### **Opportunities for cost saving**

The cost structures are lower amongst people living at the bottom of the pyramid in urban areas. They produce locally, making use of local suppliers and distributors can substantially lower the production costs.

### **Opportunities for innovation**

As said before, to be able to successfully approach the people living at the bottom of the pyramid in urban areas it is important to do so with new strategies and business models. Therefore a high level of innovation is needed to be able to produce products which are suitable for this part of society.

## **2.6 Conclusion**

This chapter has given a thorough view on the bottom of the pyramid. This is an essential chapter, because it gives the reader the information missing on this group of society. How and where they started to exist, how large this group's share is in the total market, and the opportunities existing in this group of society. It is important to have this information upfront

to the rest of this research, because the reader needs to know who this society in urban areas living at the bottom of the pyramid is when they read about them in the rest of this research.

## **Chapter 3; Maslow: Individuals and their needs**

### **3.1 Introduction**

This chapter embodies the needs of the individuals living at the bottom of the pyramid in urban areas. This thorough illustration will be given based on Maslow's hierarchy of needs (1943), as can be seen it is a rather outdated theory but still very useful in this research because with this hierarchy the needs of the individuals in urban areas living at the bottom of the pyramid can be illustrated. This illustration has not been done before in previous research, is therefore new and will give a new view on this part of society. The hierarchy of needs created by Maslow describes the pattern that human motivations generally move through. In this chapter the three interrelated aspects, which explain how the bottom of the pyramid in urban areas can create happiness and satisfaction according to Martin and Hill (2011) is added to Maslow's hierarchy of needs to give a more thorough illustration of individuals needs, to be able to improve their own life conditions.

### **3.2 The needs of the individuals living at the bottom of the pyramid in urban areas**

According to Hammond et al. (2007) the urban areas which count the highest percentage of people living at the bottom of the pyramid residents dominate in Eastern Europe and Latin America and live on less than \$2 per day. But also in Asia and Africa young adults migrate from the rural to the urban areas seeking job opportunities, resulting in an increase of people living at the of bottom of the pyramid in these continents.

To develop a comprehensive set of categories describing the needs of the individuals living at the bottom of the pyramid in urban areas, Maslow's hierarchy of needs (1943) will be implemented. The five segments of the Maslow's hierarchy are; survival, safety and security, social, self-esteem and self-actualization. Maslow's hierarchy is a somewhat outdated framework, it dates from the year 1943. But, the information provided by Maslow's hierarchy on the needs of the individuals living at the bottom of the pyramid in urban areas gives a complete picture of what these individuals need to be able to prosper and improve their life conditions.

#### **3.2.1 Survival**

The first segment survival includes basic needs, such as the need for energy. The individuals living at the bottom of the pyramid in urban areas are unable to afford energy and therefore power sources are often illegally tapped. The problem of lack of power sources in the urban areas is also the fact that almost no corporations offering power, offer energy in the urban slums where the individuals living at the bottom of the pyramid reside. Another basic need is clean drinking water, access to clean drinking water is and maintains to be a struggle. In many urban slums water borne diseases are dominating (Subrahmanyam and Gomez-Arias, 2008).

#### **3.2.2 Safety and security**

Essential services like transportation are part of the safety and security segment of Maslow's hierarchy. In urban areas, the individuals living at the bottom of the pyramid make extensive use of public transportation and spend a large part of their income on transportations especially when they often live far away from their working place. Education is another aspect of the safety and security segment. In urban areas access to education is low amongst

the individuals living at the bottom of the pyramid, but the ones that are able to afford education send their children to budget private schools which are observed to be of higher quality than government run schools for this group of society (Tooley, 2007). These budget schools are usually run by entrepreneurs from within the urban areas in which individuals live at the bottom of the pyramid and the teachers which are employed are from within that area as well, because they tend to be more committed. Those who send their children to these budget private schools do this because it is seen as an investment that will offer their children better job opportunities and so lead to an improvement of their life conditions (Subrahmanyam and Gomez-Arias, 2008).

### **3.2.3 Social**

The individuals living at the bottom of the pyramid in urban areas highly respect and pursue social relationships and community interactions. This part of society is more likely to cope with life by doing all they can to satisfy family level needs rather than individual levels needs and wants (Ruth and Hsuing, 2007). This means not only meeting basic level needs but also meeting intergenerational mobility aspiration, this explains why a lot is invested in private education even if this investment involves forgoing current needs. Families rely on both material and nonmaterial support from an extended kinship (Subrahmanyam and Gomez-Arias, 2008).

Building social capital is key in the lives of the individuals in urban areas living at the bottom of the pyramid, it is even that important that they support local stores which charge more than non-local stores just because these stores act as insurance. They act as insurance in that they offer the individuals in urban areas living at the bottom of the pyramid credit during times of hardship. So even though this part of society knows they can buy their products cheaper elsewhere, they will continue buying their products at these local stores, because the relationship is important. Long-term relationships leading to trust are very important for this part of society, the individuals in urban areas living at the bottom of the pyramid have a high level of interdependence and strong networks (Subrahmanyam and Gomez-Arias, 2008).

### **3.2.4 Self-esteem and self-actualization**

Social visible products are very important for the individuals in urban areas living at the bottom of the pyramid, these products are important because they make up for the lack of status in this part of society (Van Kempen, 2007; Ying and Yao, 2006). Of course this and the status products chosen differ among urban areas in which the individuals living at the bottom of the pyramid live, because of cultural differences. But studies have indicated that when traditional signs of status such as wealth and certain positions of employment are inaccessible, individuals living at the bottom of the pyramid in urban areas tend to consume status products that are easily seen as symbols of status (Fontes and Fan, 2006). For example, individuals living at the bottom of the pyramid in urban areas often buy luxury food items for their children instead of nutritional food items and they spend more than they can afford (over ten percent of their budget) on festivities such as weddings to save face and confirm to social norms (Visawanathan, 2007).

### **3.2.5 Conclusion**

As can be seen above, the most important individual needs are survival, safety and security, social, self-esteem and self-actualization these are based on Maslow's hierarchy of needs. This hierarchy provides a lot of information on all these needs individually, and they therefore have to be taken into account by multinational enterprises when they decide they want to conquer the market of this group of society. The multinational enterprise as well as the

individuals in urban areas living at the bottom of the pyramid will gain a lot from improving these needs.

### **3.3 How can the individuals living at the bottom of the pyramid in urban areas develop themselves**

Martin and Hill (2011) have developed three interrelated aspects, which explain how individuals living at the bottom of the pyramid in urban areas can create happiness and satisfaction. Happiness and satisfaction are measured because; at the end of the day that is what drives all people around the world to develop themselves and their situation and it is the first step towards self-development and the development of one's life conditions. This means this paragraph measures development through non-materialistic matters, but rather through social-contextual conditions.

#### **3.3.1 Life satisfaction**

Literature in the past has researched the importance of consumer well-being as a consequence of exchange relationships using both micro (Sirgy, 1982) and macro perspectives (Sirgy and Lee, 2006). These researches have concluded that placing excessive value on possessions will have negative consequences on individual evaluations of well-being (Burroughs and Rindfleisch, 2002). In the case of the individuals living at the bottom of the pyramid in urban areas, Hill and Gaines (2007) show that this group of society is unable to change its circumstances and therefore experience negativity like frustration, humiliation and loss of control over very important aspects of their lives, this is also called 'ill-being'. Individuals living at the bottom of the pyramid in urban areas experience negativity because they are living in poverty, but poverty should not only be measured as a lack of income but should be seen as a multifaceted, distinct and differential factor (Alkire and Santos, 2010). When poverty is observed as such it will be possible to highlight the effects of poverty at the societal level and with this conclude what needs to be done to get this part of society out of the negativity and that way able them to develop themselves and their situation. Satisfaction of life has to be reached by the individuals living at the bottom of the pyramid in urban areas. But how does this part of society reach life satisfaction? Having a high level of the factors of the self-determination theory; the idea that fewer options in important life situations lead to a sense of self-regulation of behaviors, can improve life satisfaction. Also relatedness and autonomy positively affect life satisfaction, but these findings do not relate to the extremely impoverished individuals living at the bottom of the pyramid in urban areas. The damage caused to the lives of these consumers is usually beyond repair. So in short, life satisfaction should first of all be measured in a non-materialistic way. People should first of all be satisfied with the lives they are living, which can be reached by amongst others, relatedness and autonomy. When life satisfaction is reached, one will be able to work on the poor life conditions he or she is living in and tries to improve it. This means, life satisfaction is the first step towards improvement of life conditions.

#### **3.3.2 Self-determination**

Chakravarti (2006) states that the possibility exists to balance the relationship between poverty and the well-being component life satisfaction with the aspect self-determination. This aspect focusses on the social-contextual conditions that make healthy engagement with one's living environment instead of hostility from the world, possible (Ryan and Deci, 2000). For people in general to feel satisfied with their existence three components are important; 1. Relatedness or intimate and long-lasting connections to others, 2. Autonomy or perceptions of power/control over one's actions, and 3. Competence or belief in one's capability to perform essential tasks (Patrick et al., 2007) (Ryan and Deci, 2000). For the individuals living at the

bottom of the pyramid in urban areas, components one and two are important. Relatedness, connections and autonomy of control are important and feasible for these individuals. They are feasible by sharing resources with each other in order to create a mass of needed goods and services (Hill, 2001), this way the connections, relatedness and autonomy of control have resulted in satisfaction of existence.

### **3.3.3 Consumption adequacy**

Consumption adequacy are the most essential goods and services needed before the individuals living at the bottom of the pyramid in urban areas can rise above a short term focus on continued existence and be able to concentrate on consumption behaviors associated with long-term and higher-order needs (Hill, 2005; Hill et al., 2007). According to Nussbaum (2000), reaching consumption adequacy among the individuals living at the bottom of the pyramid in urban areas the components relatedness, connections and autonomy of control are again essential. When interpersonal connections through relatedness are of good quality it will lead to the use of social capital under conditions of larger community resource levels. Also, greater control, choice, and absence of restrictions reached by autonomy lead to more satisfied lives for individuals, but only if basic needs are met.

### **3.3.4 Conclusion**

This paragraph gives a view on what is needed in the lives of the individuals living at the bottom of the pyramid in urban areas to be able to develop themselves and their life conditions. To reach life satisfaction, individuals living at the bottom of the pyramid in urban areas have to possess two components; relatedness and autonomy of control. When these two are reached, one will be able to improve his or her life conditions. For now it is clear that it is possible to repair the feeling that one's life is doomed, once living at the bottom of the pyramid in the urban areas. This also needs to be taken into account by multinational enterprises when they decide to conquer the market of this part of society, the multinational enterprise as well as the individuals in urban areas living at the bottom of the pyramid will gain a lot from improving these needs.

## Chapter 4; Stimson et al. and Saddi et al.: The needs of the community living at the bottom of the pyramid in urban areas

### 4.1 Introduction

This chapter embodies the needs of the community as a whole living at the bottom of the pyramid in urban areas. This thorough illustration will be given based on Stimson et al.'s framework (2003) on regional economic development, and the theory of Saddi et al. (2010) will be used to complete the framework of Stimson et al. (2003). The framework by Stimson et al. (2003) and the theory by Saddi et al. (2010) describe the factor Leadership which is needed for a community living at the bottom of the pyramid in urban areas to be able to develop itself and improve the life's of the people in that area. The factor Leadership is in this case embodied by the multinational enterprises.

### 4.2 Stimson et al. and the improvement of the community's life conditions

Regional economic development factors embody Leadership, Entrepreneurship and Institutions. Economic development of a community can be reached through a process in which proactive and strong leadership and effective institutions increase the capacity and capability of a place to better use its resource endowment and gain an improved market fit in becoming competitive and being entrepreneurial. In this research multinational enterprises can act as the Leader in the economic development process of the communities in urban areas living at the bottom of the pyramid.

But how do multinational enterprises and their willingness to regional economic development, because they know they will be able to gain from that, fit in the factors of regional economic development?

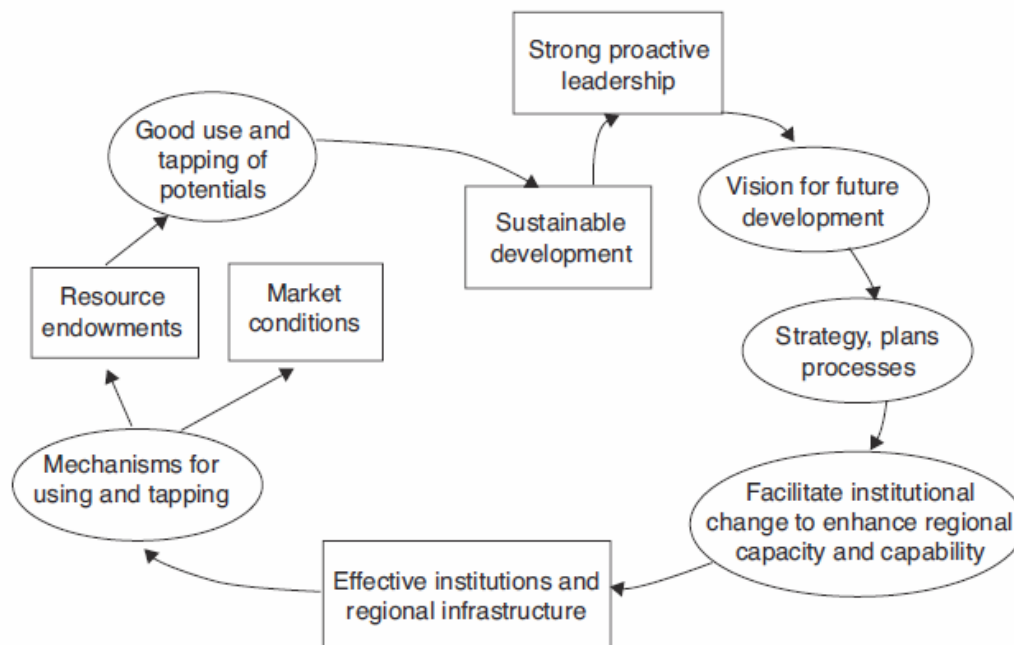


Figure 2; source; Leadership and institutional factors in endogenous regional economic development, Stimson et al. (2003)

Stimson et al. (2003) state that regional economic development is made possible by effective leadership. Because effective leadership is used to change and adjust institutions to be able to adapt the structure, processes, and infrastructure of a community's economy to meet and get ahead of changing circumstances and to enable the optimal use of its resource endowments, and to assist industries to show their full market potential (figure 2). Multinational enterprises

whom choose to commit to regional economic development, because of their own gain, are the strong proactive leaders who will be able to start the endogenous factor leadership and so the whole processes showed in figure 2. Multinational enterprises will be able, with strong proactive leadership, to achieve competitive performance, display entrepreneurship among the community in urban areas living at the bottom of the pyramid and achieve regional economic development.

But what needs to happen internally within multinational enterprises, according to Stimson et al. (2003), to be able to enhance these leadership qualities. First of all it is very important to mention that leadership is seen as a collaborative action (Fairholm, 1994; Heenan and Bennis, 1999). According to Heenan and Bennis (1999) in the increasing interdependence and technological change in the new economy of today, collaboration within a multinational enterprise is crucial. In the past, influence, power, and decision making usually depended on single individuals, and leadership was based on a traditional hierarchical authority relationship between leader and follower. Nowadays, power, influence, and decision making are more and more spread among power stakeholders working together towards a common goal (De Santis and Stough, 1999; Heenan and Bennis, 1999; Jud and Parkinson, 1990). Through collaboration and collective processes, the community living at the bottom of the pyramid in urban areas will have sufficient flexibility to adjust to continuous changes in today's economy (Saxenian, 1994; Stough et al., 2001). Leadership for regional economic development, in this case the development of the conditions of the community living at the bottom of the pyramid in urban areas, will not be based on traditional hierarchical relationships. It will be a collaborative relationship between institutional actors including the public, private and community sectors and it will be based on mutual trust and cooperation (Stimson et al., 2003).

Also, because leadership is a very important factor in the development of the community living at the bottom of the pyramid in urban areas' conditions it is essential to what needs to happen specifically within a multinational enterprise to develop these leadership qualities and with this, economic development for the community living at the bottom of the pyramid in urban areas. The multinational enterprise has to recognize and anticipate problems, especially the large scale problems which can have a grave impact on the economic development. A persuasion has to happen for collaboration and building consensus among several stakeholders. The guidance of strategy and business model development, strategies and business models which are specially developed with the intention to conquer the market of and improve the conditions of the community living at the bottom of the pyramid in urban areas. Also, making sure that the specially developed strategies and business models are correctly implemented. Developing a commitment of qualitatively bad institutional resources to strategy and business model goals, this requires at the same time a monitoring of the implementation to assess progress.

#### **4.3 Saddi et al. and the improvement of the community's life conditions**

This paragraph will give a view on leadership qualities from the perspective of Saddi et al. (2010) and their theories on leadership qualities. The theory by Saddi et al. (2010) will not only give a different view on leadership qualities and add to the framework of Stimson et al. (2003), but it will also amplify the theories on leadership qualities because they have based their leadership qualities theory on the Gulf area. Chapter seven of this research will be dedicated to the case study on Unilever Egypt and the community living at Egypt's bottom of the pyramid in urban areas. In that chapter, the existence of the leadership qualities by Saddi et al. (2010) will, amongst all other previously mentioned theories, be measured at Unilever Egypt and the community living at the Egypt's bottom of the pyramid in urban areas. Because

Egypt is a Middle Eastern country and because of the low psychic distance between the Gulf area and Egypt, their theory could therefore be implemented on Egypt as well. The theory of Saddi et al. (2010) might help in describing the leadership factors in urban areas.

#### **4.3.1 Three leadership qualities exercised by multinational enterprises**

Research that has been done by Saddi et al. (2010) states that in order to conquer the present local challenges of political and economic transition, three qualities are important for leaders to have. These three qualities are farsighted vision, pragmatic openness and conscious presence. It is important to illustrate this because, when multinational enterprises develop these leadership qualities they will be better able to be successful in the economic development process.

##### **4.3.1.1 Farsighted vision**

Farsighted vision is a very important quality to have as a leader. Farsighted vision means that leaders should focus their plans for change not only on changing the present situation, but it has to be a solution for situations in the future. *“Leaders here are thus deliberately creating institutions — including regulatory structures, corporate entities, and education systems — that are intended for long-term success, extending through future generations.”*

Leaders of multinational enterprises and private corporations in the Gulf area feel a strong responsibility in contributing to the regional and national development. *Osman Sultan, the CEO of the UAE telecom operator Du, says, “I strongly feel I am part of the community that is the Arab world. It’s not in its best shape today, but we have a responsibility to contribute to its development. You have a lot of people with leadership potential. I’m privileged to work in a domain that can have a significant impact on this process by developing the digital instruments that will allow this part of the world to express its potential.”*

##### **4.3.1.2 Pragmatic openness**

Pragmatic openness is another very important quality to have as a leader. *This refers to the ability to identify good ideas from around the world and modify them in ways that will work in the home nation and incorporate them into local organizations.*

Pragmatic openness is often influenced by the international background many Gulf leaders have. Majority of the leaders in the Gulf area have spent time outside of the Gulf area, and this time has given them the opportunity to gather different and new solutions and ideas for problems in their home country.

##### **4.3.1.3 Conscious presence**

Conscious presence is the last leadership quality which is very important to have according to Saddi et al. (2010). Conscious presence means leaders should be aware of their position and the impact of it. *“Today’s leaders are aware that their individual decisions will, even when the immediate impact is confined to one company, gradually come together to determine the path of development for the GCC. They are conscious of the need to make sweeping changes — to infrastructure, regulations, and the traditional divisions between the public and private sectors — without undermining the fundamentals of their culture.”*

However, more qualities are mentioned here which are important for successful leadership. These are persuasiveness, communication, motivating, listening and persistency. Combining the three main qualities together with these latter ones, will contribute to lasting changes. *“It may take months or even years for new initiatives to get under way, but when they do, they are launched with the buy-in of all stakeholders and run more smoothly for it.”*

Thus, in regional economic development, leadership is usually seen not as a ‘starring role’ but as a ‘collaborative’ action (Fairholm, 1994; Heenan & Bennis, 1999). Leadership may therefore be defined as the tendency of the community to collaborate across sectors to enhance the economic performance or economic environment of the urban area they are living in (De Santis & Stough, 1999; Stimson, Stought and Salazar, 2009).

Stimson et al. (2003) say leadership for regional economic development will not be based on traditional hierarchy relationships. Rather, it will be a collaborative relationship between institutional actors encompassing the public, private and community sectors and it will be based on mutual trust and cooperation (Stimpson, Stough, & Roberts, Regional Economic Development: Analysis and Planning Strategy, 2002).

#### **4.4 Matrix; The needs of the individuals and community as a whole in urban areas living at the bottom of the pyramid**

Below a matrix can be seen in which the needs of the individuals and community as a whole living at the bottom of the pyramid in urban areas will be summarized. These needs will, according to the individuals and community at the bottom of the pyramid in urban areas, lead to the improvement of this part of society’s life conditions. In this matrix the feasibility for multinational enterprises of realizing these individual and community needs is not yet taken into account.

Option	Need
A	Purified water.
B	Purifying mechanisms.
C	Higher quality infrastructure.
D	Lower prices of products.
E	Availability of products.
F	Power sources.
G	Education.
H	Building social capital.
I	Status symbols.
J	Leadership
K	A common view

#### **4.5 Conclusion**

This chapter gives a view on what is needed in the lives of the community as a whole living at the bottom of the pyramid in urban areas to be able to develop itself and the life conditions of the people living in that community. To reach development of life conditions, the theories by Stimson et al. (2003) and Saddi et al. (2010) have to be implemented by multinational enterprises when they decide to conquer this market. Because it will lead to the gain of the multinational enterprises as well as the community at large, the multinational enterprise will conquer that and profit from this still non recognized market and community as a whole living at the bottom of the pyramid in urban areas will be able to improve its life conditions because of the economic development of the community.

## **Chapter 5; Multinational enterprises: the strategies and business models to conquer the bottom of the pyramid market**

### **5.1 Introduction**

Until now, majority of the multinational enterprises have not yet acknowledged the people in urban areas living at the bottom of the pyramid as a large and profitable market. Which is, for the multinational enterprises as well as this part of society, very negative because the multinational enterprises lose out on market share and a very profitable market and the people in urban areas living at the bottom of the pyramid miss out on a very important factor which can lead to an improvement of their life conditions.

This chapter will give indepth insights on the activities the corporate social responsibility department of multinational enterprises need to develop to be part of the prospering of the people in urban areas living at the bottom of the pyramid, as well as the strategies and business models multinational enterprises need to be able to conquer the very attractive bottom of the pyramid market and with that also cause for improvement of life conditions of the people in urban areas living at the bottom of the pyramid.

### **5.2 Corporate Social Responsibility: How to succeed in doing business with the people living at the bottom of the pyramid in urban areas**

Literature states that to be able to succeed in doing business with the people in urban areas living at the bottom of the pyramid, multinational enterprises need to be willing to reach out beyond their own organizational boundaries to be able to create partnerships with local companies which for their part, can provide these multinational enterprises with missing resources and expertise about the people living at the bottom of the pyramid in the urban areas (Anderson et al., 2006). They need to win community trust and community buy-in, which is done by finding innovative ways to become 'part of the fabrics' of these local communities. This means they should not be perceived as a foreigner but as one of them.

How do you do that? For some it means working with village chiefs and religious leaders to improve the local community, for others it means investing in sports activities and for others it means working with social groups and NGOs in the slums. But for all multinational enterprises winning buy-in means promoting entrepreneurship and developing local individuals as entrepreneurs that can help build their communities in the long run.

Doing so allows them to engage with and learn about the communities that these multinational enterprises serve. It is important to make clear that activities with the bottom of the pyramid in urban areas, have to avoid paying bribes or dealing with criminal gangs. This should be avoided because it is the quickest way to lose community support or destroy all the goodwill which was already built (Anderson et al., 2006). Doing business with the people living at the bottom of the pyramid in urban areas is also part of a multinational enterprises' corporate social responsibility.

There are several ways in which a multinational enterprise can develop its corporate social responsibility activities and with that succeed in doing business with the people living at the bottom of the pyramid in urban areas. This means behaving ethically and contribute to economic development while improving the quality of life of the workforce as well as of the local community and society at large (Mallenbaker, 2012).

### **5.2.1 Implementing two business models**

Business models that multinational enterprises already implement in their businesses will not suit the people living at the bottom of the pyramid in urban areas. Developing new business models is key to be able to reach that part of society. But the creativity of developing such a new business model is not the problem, implementing it is. Because enthusiasm for the business model has to be created internally, to agree to move to the dangerous urban areas in which the people living at the bottom of the pyramid exists and at the same time how to use local partners to implement this new business model (Anderson et al., 2006).

Because with a new business model, multinational enterprises will be working with two different business models one for the people in urban areas living at the top of the pyramid and the other for the people living at the bottom of the pyramid in urban areas, they have to keep these two business models physically separate.

### **5.2.2 Building internal enthusiasms**

One of the major obstacles internally at multinational enterprises to convince them of the corporate social responsibility activities with the people living at the bottom of the pyramid in urban areas, is to convince them internally of the opportunities in that part of society and to convince them internally that they will be needing to work together with that part of society. A few tactics to solve this problem are identifying quick wins, this means for example running pilot projects to test the feasibility of the business opportunities. Another tactic is to frame the venture as both an opportunity as a threat, an opportunity to reach new customers but a threat when competitors were to gain a first mover advantage. That way it is made clear that a step towards corporate social responsibility activities with the bottom of the pyramid in urban areas is a key step and needs to be taken as soon as possible. The third tactic is to provide visibility and development opportunities for managers, proving to the staff that the people living at the bottom of the pyramid in urban areas are not a hopeless case instead doors will open when one manages well. The fourth tactic is to emphasize both hard as soft objectives, by not only emphasizing the business opportunities but also the economic empowerment and social development. Building a passion for the business that is worth more than market share and profit. The last tactic is to get the right people, by taking in the people who have the right mindset and functional skills because they are experienced in working in these dangerous and isolated urban areas (Anderson et al., 2006).

### **5.2.3 Implementing with local help**

To be able to succeed in the corporate social responsibility activities with the people living at the bottom of the pyramid in urban areas, a multinational enterprise has to be open to learn from local partners and co-develop business models with local partners. When managers value the knowledge of these local partners, they will develop a deep understanding of the local socio-cultural and business environment. When this is done, managers will be able to develop and implement operating models that fit with the reality of the people living at the bottom of the pyramid in urban areas.

## **5.3 What needs to be taken in mind by multinational enterprises when conquering the bottom of the pyramid market**

The most important benefit for the people living at the bottom of the pyramid to be living in urbanized areas, is the fact that a high level of poverty in these areas negatively affects the prosperity of the world's economy. To avoid a lack of prosperity in the world's economy, a more stable economy in the communities living at the bottom of the pyramid in urban areas is highly recommended. This can be reached by economic and social empowerment, and access to goods and services for this part of society (Auclair and Jackohango, 2008).

### **5.3.1 Economic and social empowerment of the bottom of the pyramid in urban areas**

As said before, a more stable urban economy is important for the world's economy as a whole. This can be reached by multinational enterprises being innovative enough to develop goods and services that meet the economic realities and needs of the people living at the bottom of the pyramid in urban areas. This can result in, as explained earlier on, a win-win situation for both the multinational enterprises and the people living at the bottom of the pyramid in urban areas, which will all lead to a stabilization of the urban economy. But even though the people living at the bottom of the pyramid in urban areas count for a substantial number of the total urban population they are poorly served, dominated by the informal economy and are therefore inefficient and uncompetitive. The main reason for this is the assumption of a high amount of multinational enterprises that the people living at the bottom of the pyramid in urban areas is unstructured. But to the contrary of the people living at the bottom of the pyramid in rural areas, urban area people living at the bottom of the pyramid present different circumstances that make such assumptions untrue (Auclair and Jackohango, 2008).

Urbanization presents the possibility of concentrated consumers living at the bottom of the pyramid, the concentration of such a big group of potential consumers makes sure this group can be structured for marketing purposes. Marketing and other ways of intervention by multinational enterprises in this part of society could mean the urgently needed turn on the wheels of efficiency and market competitiveness in terms of consumption and production of goods and services. As mentioned before, this can be achieved by implementing business models that aim at combining the informal market of the people living at the bottom of the pyramid in urban areas with the mainstream, people living at the top of the pyramid market. The people living at the bottom of the pyramid in urban areas make it possible to create sustainable urban economies through the creation of business models, which is very important while the world is globalizing. Stable urban economies encourage urbanization in these areas, which will bring forth prosperity for these areas and the entire country. These business models should be broad, responsible to society and the environment, efficient and effective by using innovations and ideas that are created by the majority of the bottom of the pyramid in the urban areas. It is also very important to know that this business model's purpose is to improve the life conditions of the people living at the bottom of the pyramid in urban areas (Auclair and Jackohango, 2008). Economic and social empowerment for the people living at the bottom of the pyramid in urban areas can be reached when this part of society reaches its needs and when it is clear what the reality of this group is. The needs and reality of this part of society can be divided into four segments (Auclair and Jackohango, 2008);

1. Value conscious consumers who are very willing to participate in and gain from the mainstream economy.
2. Consumers who are accustomed to living in expensive economies because of limitations and negative externalities of market economics.
3. Resilient and creative entrepreneurs who over time have perfected the ability to produce using recycled or limited resources.
4. Entrepreneurs who possess part of the solution to the bottom of the pyramid in urban areas and only need recognition and support from the mainstream economy.

### **5.3.2 Access to goods and services for the bottom of the pyramid in urban areas**

A very important contributor to the lack of development is the failure of multinational enterprises to provide suitable goods and services even though there is a strong demand from the people living at the bottom of the pyramid in urban areas for better services and quality goods.

The availability, accessibility and affordability of private sector goods and services is certain

to change the situation of the people living at the bottom of the pyramid in urban areas. By expanding the global market system by targeting the people living at the bottom of the pyramid in urban areas, new markets for the private sector will be created and at the same time opportunities for the people living at the bottom of the pyramid in the urban areas. The people living at the bottom of the pyramid in urban areas' three pillar principles, availability, accessibility and affordability, have the following questions to the multinational enterprises (Auclair and Jackohango, 2008);

1. Are the goods and services available, accessible to the people living at the bottom of the pyramid in urban areas?
2. Are the goods and services in the market available to the people living at the bottom of the pyramid in urban areas?
3. Can the people living at the bottom of the pyramid in urban areas afford what is being offered to them by the market?

These are questions multinational enterprises need to ask themselves when they approach the people living at the bottom of the pyramid in urban areas, they need to create business models which are accustomed to these questions to be able to be successful in approaching this part of society.

#### **5.4 Strategies which need to be rethought by multinational enterprises to be able to conquer the bottom of the pyramid market in urban areas**

Earlier on in this research it has been mentioned several times that, until now, multinational enterprises do not approach the bottom of the pyramid in urban areas with the right strategies and business models. This paragraph will explain which strategies are at this moment implemented by multinational enterprises to approach the people living at the bottom of the pyramid in urban areas.

Multinational enterprises do not rethink the price/performance equation, instead they tailor products to the people living at the bottom of the pyramid in urban areas. Multinational enterprises are under the assumption that minor cultural adaptations or marginal costs reductions will be sufficient, which is not the case.

Another strategy which is implemented, and should be rethought is brand management. Multinational enterprises have the assumption that their worldwide known brands will do well in the urban areas in which the people living at the bottom of the pyramid live. They think these powerful, established brands are enough to trigger this part of society.

For many multinational enterprise, approaching the people living at the bottom of the pyramid in urban areas means introducing a new product or service category. But this often leads to creating new eating habits for instance, which is a slow process. In the meantime, usually, this means local competitors are able to produce products including the local flavors. Market building with these business models in the urban areas in which the people living at the bottom of the pyramid live, is difficult and expensive.

The packaging multinational enterprises use to target the people living at the bottom of the pyramid in urban areas, is the same they use for targeting the people living at the top of the pyramid. Which is usually not convenient, because of the low quality distribution infrastructure in these areas.

At this moment, multinational enterprises have the mind-set that the infrastructure problems in these areas will require them to use more capital than is the case when targeting the top of the pyramid (Prahalad and Lieberthal, 1998).

These strategies have to be replaced by the right ones, to be able as multinational enterprise to approach the people living at the bottom of the pyramid in urban areas in the right way. Therewith improve their live conditions and increase the multinational enterprises' own

profits and market share. This chapter will continue by giving an in depth view on the internal changes that have to happen at a multinational enterprise, to be able to adequately approach the people living at the bottom of the pyramid in urban areas.

## **5.5 Multinational enterprises and their quest to conquer the bottom of the pyramid market in urban areas**

Models of economic development have stated that it is very important for the development of the life conditions of the people living at the bottom of the pyramid in urban areas, to create institutions which facilitate entrepreneurial efforts by enabling structural changes through governance reform or privatization programs (World Bank, 1996).

Research in the past has recognized that multinational enterprises are a very important factor in the development of the life conditions of the people living at the bottom of the pyramid in urban areas. The United Nations Development Program is now fully engaged with the idea that multinational enterprises contribute to the improvement of the life conditions of the people living at the bottom of the pyramid in urban areas (De Soto, 2000). Nowadays more and more multinational enterprises and civil society organizations are learning to work together to improve the life conditions of the previously mentioned part of the world's society.

The recognition of combining the local knowledge of the nongovernmental organizations with the global reach of the multinational enterprises can create innovative, creative and sustainable solutions. Multinational enterprises cannot solve all the problems but can bring technical and financial resources, the disciplines of organizations, accountability and an entrepreneurial drive to bear on the problems (Prahalad, 2010). As stated before, the people living at the bottom of the pyramid in urban areas have to learn to be able to cope with their situation while living in the bare conditions they are living in. But the main purpose is to improve the conditions of this part of society and eventually improve their bare life conditions. Multinational enterprises have an important role developing the life conditions of the people living at the bottom of the pyramid in the urban areas. But what needs to be highlighted as well is that when multinational enterprises decide to conquer this market they will gain massively from this step because the bottom of the pyramid market is still an unacknowledged market with high potential for profitability. When multinational enterprises start to conquer this fruitful market they will gain massively from that, this will be explained in depth below.

### **5.5.1 Multinational enterprises' strategies and business models**

Multinational enterprises have to build successful business models especially created for the people living at the bottom of the pyramid in urban areas (London and Hart, 2004), multinational enterprises need to rethink and rebuild their whole supply chain to strive for new levels of efficiency (Prahalad, 2004). But there are difficulties in developing new business models with which the people living at the bottom of the pyramid in urban areas can be approached. Developing new resources and capabilities is challenged by time compression and diseconomies (Dierickx & Cool, 1989), this pushes the point of expected value creation from these created business models further into the future. Looking at it from an investment perspective, these insights make resource allocation decisions difficult. This information makes it possible to conclude that business models developed for the people living at the bottom of the pyramid in urban areas will lead to low net present values. Environments like the people living at the bottom of the pyramid in urban areas, which are nontraditional to multinational enterprises and uncertain, increase the difficulties in understanding cause-and-effect relationships and in recognizing possible capabilities as well as predicting their

potential to creating value when used in a different way (Reed & DeFillippi, 1990; Sirmon et al., 2007). Again this shows the risk of making wrong decisions and wrong calculations when developing business models for the people living at the bottom of the pyramid in urban areas, which are based on new capability formations. But this makes it legitimate to experiment as a multinational enterprise, in such environments, which are resource-constrained.

But there are strategies which can be implemented by multinational enterprises to overcome the difficulties arising from the urban area environments in which the people living at the bottom of the pyramid live. Multinational enterprises could aim at the creation of new markets by supplying a key input to an existing business model for the people living at the bottom of the pyramid in urban areas or existing local multinational enterprises' subsidiaries to create new markets with the help of existing business models aiming at the people living at the bottom of the pyramid in urban areas (Seelos and Mair, 2007). Another very important fact is the creation of partnerships through strategic alliances (London and Hart, 2004). Partnerships are very important when developing a new business model, because these networks are the ones which are well-known with the urban areas environments in which the people living at the bottom of the pyramid live and can be a very useful guide in developing new business models for this part of society. These suggestions for new business models have the ability to serve the people living at the bottom of the pyramid in urban areas, increase their income and create profit for the multinational enterprises (Karnani, 2007).

These business models, created to approach the people living at the bottom of the pyramid in urban areas, are developed to create a platform for multinational enterprises to create massive returns. But to be able to do so, these multinational enterprises have to leverage their existing corporate capabilities (Seelos and Mair, 2007).

## **5.6 Strategies successfully implemented by multinational enterprises to be able to conquer the bottom of the pyramid market in urban areas**

Until now, little research has been done on which strategies are needed and how they should be implemented by multinational enterprises to be able to conquer the bottom of the pyramid market in urban areas and at the same time improve the life conditions of the people living at the bottom of the pyramid in urban areas.

For multinational enterprises when aiming their strategies at the people living at the bottom of the pyramid in urban areas, the strategies of research and development, production and distribution are the most important. Research and development, production and distribution are the departments which develop, produce and distribute the products. Products are the core, when it comes to multinational enterprises aiming at the improvement of the life conditions of the people living at the bottom of the pyramid in urban areas. Also, according to Prahalad and Lieberthal (1998) multinational enterprises have to adapt their operating, and distribution decisions to the people living at the bottom of the pyramid in urban areas, to be able to successfully reach them.

Part of these new business models are the strategies developed for research and development, production and distribution. To be able to overcome the problem of low purchasing power, multinational enterprises should look at the price-performance ratio and focus on functionality. Functionality as in offering a product that is simple without any extra bells and whistles. In terms of production, local labor in production is very important to increase the income of the people living at the bottom of the pyramid in urban areas and with this increase the purchasing power while at the same time reduce the costs per unit. For consumer goods products, smaller packages are now offered because of the low disposable income. To

facilitate Research and Development for the isolated urban slums in which the people living at the bottom of the pyramid live, multinational enterprises should cooperate with local entrepreneurs that act as local researchers with a better knowledge of the local conditions. Another solution to scale up operations is setting up production units or cooperating with local producers. The same solution should be implemented with distribution channels, because often distribution channels are unavailable in these isolated areas multinational enterprises should identify and use local options and in some cases setting up dedicated distribution networks. To be able to make the products offered acceptable and usable for the large number of less skilled people living at the bottom of the pyramid in urban areas, research has to be done on identification of solutions that this part of society has already developed according to their culture, believes and endogenous knowledge. This helps multinational enterprises to develop products with which these consumers are familiar. Lack of education is another problem within this part of society when advertising and marketing the products. A solution for this is to set up teams that approach this part of society and offer education and awareness on the benefits and use of the products. The effectiveness and appropriate ways for such a strategy have to be taken into consideration and studied further. The solution to be able to target and approach this part of society is a matter of creating creative strategies to respond to the limitations of the people living at the bottom of the pyramid in urban areas.

## 5.7 The Matrix; The strategies and business models of multinational enterprises

Below a matrix can be found in which the strategies and business models for multinational enterprises to successfully conquer the bottom of the pyramid market in urban areas, will be summarized. The different options to enter this market will, according to different researches, lead to an increase of the profits and market share of the multinational enterprises. In this matrix is not taken into account if this will lead to the development of the life conditions of this part of society.

Option	Strategies and business models to conquer the urban bottom of the pyramid market
I	Cooperating with local entrepreneurs.
II	Implementing innovation during production.
III	Making goods + services available, accessible, and affordable.
IV	Combining the local knowledge of NGOs with the global reach of MNEs.
V	Rebuild whole supply chain to strive for new levels of efficiency.
VI	Slightly change an existing business model.
VII	Creating partnerships through strategic alliances.
VIII	Minor cultural adaptation to products.
IX	Marginal costs reductions.
X	Market the world brands.
XI	Adapt R&D, productions and distribution.
XII	Offering simple products, without extra bells and whistles.
XIII	Setting up local production units and

XIV	cooperating with local producers. Set up teams to offer education and awareness of the products.
XV	Producing low quality products

## Chapter 6; The interrelationship of Maslow, Stimson et al., Saddi et al., and multinational enterprises

Option	Need
A	Purified water.
B	Purifying mechanisms.
C	Higher quality infrastructure.
D	Lower prices of products.
E	Availability of products.
F	Power sources.
G	Education.
H	Building social capital.
I	Status symbols.

Option	Strategies and business models to conquer the urban bottom of the pyramid market
I	Cooperating with local entrepreneurs.
II	Implementing innovation during production.
III	Making goods + services available, accessible, and affordable.
IV	Combining the local knowledge of NGOs with the global reach of MNEs.
V	Rebuild whole supply chain to strive for new levels of efficiency.
VI	Slightly change an existing business model.
VII	Creating partnerships through strategic alliances.
VIII	Minor cultural adaptation to products.
IX	Marginal costs reductions.
X	Market the world brands.
XI	Adapt R&D, productions and distribution.
XII	Offering simple products, without extra bells and whistles.
XIII	Setting up local production units and cooperating with local producers.
XIV	Set up teams to offer education and awareness of the products.
XV	Producing low quality products

Below the matrix can be found which matches the needs of the individuals and community as a whole living at the bottom of the pyramid in urban areas with the different strategies and business models a multinational enterprise can implement to successfully conquer this part of society.

The matches whom will be made can be positive for the development of the life conditions of the people living at the bottom of the pyramid in urban areas but at the same time negative for the increase of profits and market share of multinational enterprises. The other way around can be true as well, matches which are negative for the development of the life conditions of

the people living at the bottom of the pyramid in urban areas but positive for the increase of profits and market share of the multinational enterprises. And there will be matches which are both positive for the development of the life conditions of the people living at the bottom of the pyramid in urban areas as well as for the increase of profits and market share of the multinational enterprises, these are the matches which need to be implemented by multinational enterprises.

	Purified water	Purifying mechanisms	Higher quality infrastructure	Lower priced products	Availability of products	Power sources	Education	Social capital	Status symbols
Coop with local entrepr.					X		X	X	
Innovation during production		X		X	X	X			
Available, accessible, affordable goods				X	X				
Local knowled. NGO + Global reach MNE	X		X			X	X		
Rebuild supply chain				X	X				
Change existing business model				X	X				
Strategic alliances				X	X				
Minor cultural adaptation to products					X				X
Marginal costs reduction				X					
Market the world brands					X				X
Adapt R&D, produc., distrib.		X		X	X	X			
Simple products				X	X				
Local prod. units + coop. local producers					X				
Creating awareness for products							X	X	
Low quality products				X					

As can be seen in the matrix above, there are a lot of different options for multinational enterprises to conquer the bottom of the pyramid market in urban areas, and at the same time contribute to the improvement of life conditions of this part of society.

The matrix above shows us that there are a lot of options for multinational enterprises to provide lower prices for products and make them available (Options Lower priced products, Availability of products). This means that, even though these options are still not provided but are of high need for this part of society, a lot can be done about it by multinational enterprises to start providing it for their own gain.

The matrix also makes clear that implementing an existing business model with minor changes (Option Change existing business model) can be done by multinational enterprises, but will not have any positive results. Because research in the past has concluded that existing business models, even with a slight change, do not have the wanted effect on the people living at the bottom of the pyramid in urban areas.

Also, minor cultural adaptation to products, marginal cost reductions and marketing world

brands might again only have positive effects on multinational enterprises because these options are not accepted by the people living at the bottom of the pyramid in urban areas.

## Chapter 7; A case study - The people living at the bottom of the pyramid in Egypt's urban areas and Unilever Egypt

### 7.1 Introduction

To be able to conclude whether or not the developed matrix (Chapter six) can be applied, it is chosen to study the people living at the bottom of the pyramid in Egypt's urban areas in relation to the strategies and business models implemented by Unilever Egypt. To be able to do so, five in-depth interviews have been taken down with the help of six employees of Unilever Egypt, working in the finance, marketing, communications, public relations and corporate social responsibility departments. These are Rabab Galal working at the finance department, Suzan Salem working at the marketing department, Alyaa Kassem working at the communications department, Alaa Hasaballah working at the public relations department and Sherif el Agamy, Health Safety Security Environment (HSSE) and Rania Bahaa corporate environment specialist. These in-depth interview have been taken down during a three weeks trip to Egypt in May 2012.

### 7.2 Unilever Egypt and the prosperity of the life conditions of the people living at the bottom of the pyramid in Egypt's urban areas

It is important to start with introducing the people living at the bottom of the pyramid in Egypt's urban areas of the country, in terms of number, life conditions, age structure, etcetera. The total counted population in Egypt is 82 million people, which are segmented in the following age structure by Unilever Egypt itself;

Age group	Percentage
0-14 years old	32%
15-24 years old	19%
25-44 years old	29%
45+ years old	20%

This table shows that the Egyptian population is relatively young, this can mean two different things. Either this young group of society grows up in the same conditions as their parents and nothing happens to their living situation, or matters change making it able for them to change with the conditions and climb the ladder leading to a better future for them.

Because Egypt has a relatively big population with a high difference in living standards, Unilever has divided the Egyptian society living in the urban areas into a pyramid, going from the richest of society to the people whom possess nothing at all.

This pyramid looks as follows;

Segment	Percentage	Designation
13	1%	Richest of society
10-12	12%	High middle
7-9	43%	Low middle
4-6	7%	Those whom possess nothing

The segments of the above given pyramid are termed based on the outcomes of the Living Standard Measurement (LSM) questionnaire. This questionnaire measures segments based on certain terms of measurement like; facilities in people's houses, in which location the house is

situated, the income of the people etcetera. These criteria are relatively seen, because if one family lives in a two bedroom house and has one child and another family lives in a two bedroom house as well but has eight children their living standard differ.

The future perspective of the Low middle segment is not positive, because the situation in Egypt itself has to change first before this segment can start to have a more positive look into the future. Unemployment in this segment, but in Egypt overall is for example very high.

Counted unemployment is around 30% but experts say it is probably more.

As can be seen in the table the Low middle segment is populated by almost half of society, making them the biggest group and showing that this is a group which needs to be taken into account as a target group by Unilever Egypt even though they do not have a lot to spend especially in comparison to the High middle and Richest group. Besides the fact that the Low middle segment in urban areas counts for 43% of society, 70% of the Egyptian society (an emerging country) is segmented in either the Low middle or the lowest segment which means Unilever Egypt would be doing a very unwise thing by not targeting this great percentage. Therefore Unilever Egypt produces discounted products to target this segment with. These are products specially produced for the less wealthy, produced in small packages and offered for a low prices one can think of shampoo tea and soap.

This shows that Unilever Egypt targets the entire Egyptian population, all segments included. They produce products for all of society, the Low middle segment products the High middle segment products and the Premium products.

One might think that Unilever Egypt, by producing products specially for the Low middle segment is not making profit or increasing its turnover. But the opposite is true, the only costs Unilever Egypt has in producing these products are the production costs and the distribution costs. Unilever Egypt even realizes a high turnover with these products, because the purchasing power of this segment is very high, they are the biggest segment in Egyptian society as previously mentioned and they maintain to grow. The distribution channels of this segment are also more than these of the Higher middle segment or the Richest segment, because the amount of small shops in Egypt are much higher than the amount of super- and hypermarkets. At the same time Unilever Egypt introduces its premium products to the Low middle segment, also in smaller packages with for example a gift so the consumer gets appealed by it, buys it, tries it and comes back for it. This way Unilever Egypt creates brand recognition of these premium brands at the Low middle segment, which is an investment because when this Low middle segment climbs the ladder and becomes part of the Higher middle segment it will maintain its loyalty to the Unilever products. But how will the Low middle segment climb the ladder? At this moment, politics in Egypt are still a mess and undecided but one of the political plans for the near future are the minimum wages and creation of employment, which will create opportunity for the Low middle segment to climb the ladder and become part of the Higher middle segment.

Unilever Egypt calls this brand recognition 'market development mission'. They encourage the latent needs of this segment, create brand recognition, they educate these consumers on how to use these products and how they can be helpful in their day to day lives and with that convince the consumer they need to buy these Unilever products, create loyalty and a long term relationship.

Competitors of Unilever Egypt in this segment are not other FMCG multinationals, what might have been thought. The competitors are the small supermarkets and especially the local entrepreneurs whom produce products especially for this Low middle segment. The government is a competitor as well, because it produces subsidized products. Unilever Egypt

competes against these competitors by being different. The Low middle consumer has the aspiration to become better, prosper and climb the societal ladder, buying Unilever products is one of these aspirations. Unilever Egypt therefore offers them cheap and good quality products, because the consumers in this segment do not only buy the brand for its name but they also care a lot about the quality of the purchased products.

But competing against these local competitors will not make them go out of business, because Unilever Egypt has a certain maximum it can reach in this Low middle segment but especially in the poorest segment. It will never be able to reach the poorest segment it has never targeted the poorest segment, these local entrepreneurs and small supermarkets are able to do which means this segment is the most important one for them.

Auclair and Jackohango (2008) have set up a three pillar principles. These principles need to be analyzed by the multinational enterprise when creating a business model for the bottom of the pyramid in urban areas.

Unilever Egypt, according to this three pillar principle, makes sure the goods offered to the bottom of the pyramid in urban areas are available to these consumers. When this business model is created Unilever Egypt makes clear to itself through which channels they can reach this target group. Unilever Egypt makes sure as well that the goods are affordable, they do this by producing special products for this target group which have a lower price. But this target group has a different usage frequency than the premium products target group, Unilever Egypt has to adjust their business model to that. The final pillar is about the accessibility of Unilever Egypt's goods. Unilever Egypt makes sure that this target group has accessibility to the goods by educating them about them. This target group is not or not informed enough about the usage of different products, for example brushing teeth is not a habit in this target group. By educating children on the habit of brushing teeth and then offering the toothbrush as a gift with the toothpaste in the channels of sale goods become accessible and at the same time Unilever Egypt is creating market development.

Eventually the strategy is set up, Unilever Egypt's strategy for the bottom of the pyramid in urban areas is simple. A small as possible financial budget is invested in this strategy, and it all comes around to trading the brands by producing and selling. The brand is built in ways which are appealing to this consumer, but it all revolves around education market development and creating a long term relationship.

Leadership, according to Stimson et al. (2003) and Saddi et al. (2010) at Unilever Egypt is very well monitored, to be able to maintain strong as possible leadership which is needed to perform as good as possible. Leadership at Unilever Egypt starts at the brand development team, this team is well structured and makes sure brand development is executed. Proactive leadership at Unilever Egypt happens by making sure it is clear what the consumer wants and needs. This is realized by monitoring, monitoring whether or not brand development is executed and if it is realized as it should. Targets are set and on a monthly basis Unilever Egypt keeps track of the realization of these set targets.

As said before, 7% of Egyptian society living in the urban areas possess nothing and can therefore not be targeted by Unilever Egypt. But Unilever Egypt does invest in this group of society, so they are able to climb the ladder towards the Lower middle segment and be able to afford buying Unilever products. Investment is done in the form of micro finance projects, these projects create jobs for this segment. Unilever Egypt has set up different microfinance projects, but not more than 1% of this segment is reached by these several projects. Of course Unilever Egypt could reach more than 1% of this segment, but if they would choose to do so the Return of Investment would turn into a loss but at the same time it is also a constriction of

time and people. Unilever Egypt has set a budget for these project and they are cooperating with NGO's.

The strategies and business models Unilever Egypt implements to '*conquer the market of the people in urban areas living at the bottom of the pyramid and at the same time create motivation for development of these people's life conditions*', can be found in the matrix below. As can be seen in the matrix Unilever Egypt implements all strategies and business models except changing already existing business models, because they have developed a special business model for the bottom of the pyramid living in urban areas. Unilever Egypt also does not implement the strategy of decreasing the product's quality to be able to offer a cheaper price. Instead they produce products without extra bells and whistles and do not apply advertisement strategies which decreases production costs as well.

	Purified water	Purifying mechanisms	Higher quality infrastructure	Lower priced products	Availability of products	Power sources	Education	Social capital	Status symbols
Coop with local entrepr.					X		X	X	
Innovation during production		X		X	X	X			
Available,accessible, affordable goods				X	X				
Local knowled. NGO + Global reach MNE	X		X			X	X		
Rebuild supply chain				X	X				
Change exisiting business model									
Strategic alliances				X	X				
Minor cultural adaptation to products					X				X
Marginal costs reduction				X					
Market the world brands					X				X
Adapt R&D,produc.,distrib.		X		X	X	X			
Simple products				X	X				
Local prod. units + coop. local producers					X				
Creating awareness for products							X	X	
Low quality products									

## Chapter 8: Conclusions

People in urban areas living at the bottom of the pyramid, are impoverished consumers who do not have the ability to gain opportunity from the world's globalization (Martin and Hill, 2012; Olsen and Boxembaum, 2009). They live in emerging countries, mainly in Africa, Asia, Eastern Europe, Latin America and the Caribbean. They are characterized by inadequate access to safe water, inadequate access to sanitation and other infrastructure, poor structural quality of housing, overcrowding and insecure residential status. The main reason for this group of society to be able to exist is the rapid rural to urban migration, and the lack of secure tenure.

The framework developed by Maslow gives a detailed insight on the needs of the individuals in urban areas living at the bottom of the pyramid. It is a somewhat outdated framework, but the five segments of which this framework consists give a very thorough view on the individuals of this group of society it is therefore very important to mention. The five segments are survival, safety and security, social, self-esteem, self-actualization. Survival is the human need for the basic needs of life, safety and security are the essential services like transportation and education, social is the need of social relationships and community interactions amongst the individuals of this group of society, self esteem and self-actualization are products which make up for the lack of status between the individuals of this group of society. not mentioned by the Maslow framework but are part of the needs of individuals in urban areas living at the bottom of the pyramid, are the three interrelated aspects mentioned by Martin and Hill (2011) which explain how happiness and satisfaction can be created. The first aspect is life-satisfaction, which can be reached through relatedness and autonomy, individuals in urban areas living at the bottom of the pyramid, have to work on these aspects because Hill and Gaines (2007) show that this group of society are unable to change their circumstances and therefore do not have any satisfaction of life. The second aspect is self-determination, this aspect focusses on the social-contextual conditions that make healthy engagement with one's living environment (Ryan and Deci, 2000). The components relatedness, connections and autonomy of control of this aspect are important amongst this group of society, because by sharing resources amongst each other a mass can be created of needed goods and services (Hill, 2001), this will result in satisfaction of existence. The third and last aspect is consumption adequacy, these are the most important goods and services needed before this group of society can rise above a short term focus on continued existence and be able to concentrate on consumption behavior associated with long-term and high-order needs (Hills, 2005; Hill et al., 2007). To be able to reach this again the components relatedness, connections and autonomy of control are essential.

The framework developed by Stimson et al. (2003) on endogenous regional economic development gives a detailed insight on the needs of the community as a whole, in the people in urban areas living at the bottom of the pyramid. The three factors mentioned by Stimson et al. (2003) causing for regional economic development are Leadership, Institutions and Entrepreneurship. The factor Leadership is here important, because multinational enterprises committed to regional economic development are the strong proactive leaders who will be able to start this process of development. multinational enterprises have to recognize and anticipate problems which can have a grave impact on the economic development, a persuasion has to happen for collaboration and building consensus among several stakeholders, the guidance of strategy development and making sure that these strategies are correctly implemented. Saddi et al. (2010) have developed a theory which adds to the factor Leadership of Stimson et al's. regional economic development framework. Saddi et al.'s theory is on leadership qualities in the Gulf region. They have developed three leadership

qualities which are farsighted vision, meaning the focus of leaders should be on their plans for change. Pragmatic openness, the ability to identify good ideas from around the world and modify them in ways that will work in the home nation and incorporate them into local organizations. Conscious presence, meaning that leaders should be aware of their position and the impact of it.

On the other side of the coin are the multinational enterprises and their business models and strategies to conquer the market of the people in urban areas living at the bottom of the pyramid and at the same time cause for the development of their life's conditions. It is a common fact that multinational enterprises are mainly contributing to the improvement of the life conditions of the people in urban areas living at the bottom of the pyramid, because they can gain from targeting them. This should not be seen as a problem anymore, because this is the way it is and will remain to be. The world is lead by the seven most powerful enterprises of the world, no man will be able to fight and win against that. That what can be done is making these multinational enterprises aware that there is a huge market that can be conquered at the previously mentioned group of society, and a win-win situation will arise. To the contrary of people in rural areas living at the bottom of the pyramid, people in urban areas living at the bottom of the pyramid are a structured community making it possible for multinational enterprises to target them with business models that aim at combining the informal market of the people in urban areas living at the bottom of the pyramid with the mainstream, people in urban areas living at the top of the pyramid. These business models should be broad, responsible to society and the environment, efficient and effective by using innovations and ideas that are created by the majority of the people in urban areas living at the bottom of the pyramid. New business models can be created by creating them on already existing business models, partnerships through strategic alliances, these business models have the ability to be part of the improvement of the previously mentioned group of society as will it create profit for multinational enterprises. Part of the new business models are the strategies developed for research and development, production and distribution.

Now the two sides of the coin have to be brought together to an interconnected relationship. Like a coin does the side of the individuals and the community as a whole in urban areas living at the bottom of the pyramid be able to exist together with multinational enterprises and their strategies and business models in order to create a success for them both. The matrix which is created from this interrelationship can be found below.

	Purified water	Purifying mechanisms	Higher quality infrastructure	Lower priced products	Availability of products	Power sources	Education	Social capital	Status symbols
Coop with local entrepr.					X		X	X	
Innovation during production		X		X	X	X			
Available, accessible, affordable goods				X	X				
Local knowled. NGO + Global reach MNE	X		X			X	X		
Rebuild supply chain				X	X				
Change existing business model									
Strategic alliances				X	X				
Minor cultural					X				X

adaptation to products									
Marginal costs reduction				X					
Market the world brands					X				X
Adapt R&D, produc., distrib.		X		X	X	X			
Simple products				X	X				
Local prod. units + coop. local producers					X				
Creating awareness for products							X	X	
Low quality products									

Egypt has a total of 82 million inhabitants which is an unofficial number. 30% of the total Egyptian society is unemployed, but experts say this number is most probably higher and 70% of the total Egyptian population lives either in the Low middle or Lowest segment set by Unilever Egypt. Of this total population, 43% in urban areas lives at the bottom of the pyramid in the segments set by Unilever Egypt this 43% is in the Low middle segment. According to Rabab Galal, Unilever Egypt's finance department, it would be very naïve of multinational enterprises established in emerging countries to not target people in urban areas living at the bottom of the pyramid. Because, just as is the case in Egypt, majority of the community lives at the bottom of the pyramid, if a multinational enterprise neglects to target this group of society it will miss out on a very big and profitable group. Unilever Egypt is not that naïve and recognizes that this group of society is very profitable, but also has opportunities to take steps up the ladder. When that happens it is important for Unilever Egypt to have invested in a long term relationship in this group, because once they can afford it and loyalty is sown Unilever Egypt will reap. Therefore Unilever Egypt already produces products specially produced for individuals and communities living at the bottom of the pyramid, produced in small packages and offered for a low price. The only costs made when producing these products are the production and distribution costs, and so a high turnover for Unilever Egypt can be realized. Unilever Egypt also invests a lot in market development, by encouraging the latent need of this segment, create brand recognition, educate these consumers, create loyalty and a long term relationship. Once this group of society starts climbing the ladder of prosperity, they will remain loyal to Unilever Egypt. This investment in producing specially made products for this group of society and market loyalty are two very important factors for people in urban areas living at the bottom of the pyramid to improve their life conditions. This because they are provided in their basic needs, they are being educated on the products available and the segment which possesses nothing at all are helped by microfinance projects created by Unilever Egypt to provide this segment of employment and so an income.

What you reap is what you sow, and that is what multinational enterprises should start to recognize. Spoken in the language of business, individuals and the communities at large in urban areas living at the bottom of the pyramid are big business for multinational enterprises in emerging countries. It can be seen as very bad management if these multinational enterprises have not yet taken steps toward approaching this group of society, because they are missing out on a lot of money so to speak. The language of business has to continuously be spoken, because if there was no profit to be gained in this group of society multinational enterprises would never think about targeting them. And maybe one should just take that as it

is, and not try to change that the only thing that can be changed is creating awareness to multinational enterprises that this group of society is a very profitable consumer and therefore has to be targeted. Because once that is done it will lead to a tremendous improvement of the life conditions of individuals and the community at large in urban areas living at the bottom of the pyramid.

The research question of this research was;

*'How can multinational enterprises conquer the market of the people in urban areas living at the bottom of the pyramid and at the same time create motivation for development of these people's life conditions?'*

Well the answer is very simple, by recognizing this group of society as profitable consumers, creating custom made business models and strategies and start targeting them. The multinational enterprise will tremendously profit from this and the life conditions of this group of society will improve and they will be able to live as human beings are supposed to live; WITH DIGNITY! Because they will not only be provided with the most human basic needs but multinational enterprises will be part of the regional economic development in the urban areas. They will be able to, with the factor Leadership of the Stimson et al. framework (2003) and added by the theory of Saddi et al. (2010), develop together with the Institutions and Entrepreneurs in these areas regional economic development which will be very fruitful for the development of the life conditions of the individuals and the community as a whole in urban areas living at the bottom of the pyramid.

As said before, Unilever Egypt does recognize this group of society as a profitable market. They are implementing the following Matrix;

	Purified water	Purifying mechanisms	Higher quality infrastructure	Lower priced products	Availability of products	Power sources	Education	Social capital	Status symbols
Coop with local entrepr.					X		X	X	
Innovation during production		X		X	X	X			
Available,accessible, affordable goods				X	X				
Local knowled. NGO + Global reach MNE	X		X			X	X		
Rebuild supply chain				X	X				
Change existiting business model									
Strategic alliances				X	X				
Minor cultural adaptation to products					X				X
Marginal costs reduction				X					
Market the world brands					X				X
Adapt R&D,produc.,distrib.		X		X	X	X			
Simple products				X	X				
Local prod. units + coop. local producers					X				

Creating awareness for products							X	X	
Low quality products									

This matrix could and should be the answer for other multinational enterprises whom are asking themselves the following question;  
*'How can multinational enterprises conquer the market of the people in urban areas living at the bottom of the pyramid and at the same time create motivation for development of these people's life conditions?'*

## **Chapter 9: Recommendations and Limitations**

The first suggestion for further research is doing research on the people in urban areas living at the bottom of the pyramid as a profitable market, and how can this be made clear to multinational enterprises. When research on this topic increases and this group of society comes to be known as a profitable and fruitful market, the amount of multinational enterprises recognizing this group of society as a market that can be gained from instead of as a hazard that needs to be able to survive, will increase. This will lead to an increase of multinational enterprises targeting this group of society with their products, offering them basic needs products which will improve their life conditions. Also, when multinational enterprises start investing in market development by creating awareness and education, loyalty amongst this group of society will increase and when they climb up the ladder of prosperity they will maintain loyal to the multinational enterprise. Another important factor which needs to be done further research on are the micro-finance project provided by multinational enterprises, to what extent is it profitable for multinational enterprises to invest in this and how fruitful is it for the development of this group's life conditions. Further research also needs to make clear that the existence of multinational enterprises in the urban areas in which individuals and communities as a whole live at the bottom of the pyramid is of grave importance for this group of society as well, because the multinational enterprises can act as one of the factors needed for regional economic development leading to a great improvement of the life conditions of this group of society and at the same time profits for multinational enterprises.

Limitations of this research can be found in the research done for the case study. Due to the work load of Unilever Egypt's employees, it was not possible to interview more than five of them. This could lead to incomplete and biased information, even though the five employees were all part of different departments.

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