



MARKET OPPORTUNITIES THE BASE OF THE PYRAMID: HOW CAN ISRAELI COMPANIES BECOME INVOLVED?


Did you know that...?

- 3.7 billion people worldwide live on less than \$3 a day. This market currently represents an estimated \$5 trillion in purchasing power.
- People living in poor areas often end up spending more money than those in more affluent areas for basic goods and services like water and electricity. There are significant market opportunities in finding ways to reduce these costs.
- More than 2 billion people worldwide lack clean, affordable energy for lighting and cooking, 2 billion people have no access to safe water, 2.5 billion don't have access to adequate sanitation and most of the world has limited or no access to doctors. Cutting-edge technologies like off-grid water and electricity solutions and point of care diagnostics are now making significant inroads in addressing these challenges.
- Over the past decade, six out of the ten fastest growing countries in the world were in Africa. Overall, growth rates in Asia, Africa and Latin America are expected to far outstrip that of OECD countries in the foreseeable future.
- Increasingly, new business and distribution models are emerging which make it feasible for innovators to develop products that provide real value to the poor, at an affordable price. Companies around the world are taking up the challenge of the triple bottom line – providing social value through environmentally sustainable products that earn a fair profit through high volume sales at a price affordable to poor people.
- Today, 75% of the world's poor live in middle income countries (MICs), not low income ones. Half of those living on under \$2 a day are in India and China. This shift in the demographics of poverty to highly populated MICs, with their better communications and transportation infrastructures, makes it easier for companies to reach disadvantaged populations, and provide needed goods and services at affordable cost to large numbers of people.
- The global community has pledged over \$100 million dollars annually to support purchase and transfer of technologies for climate change adaptation and mitigation to developing countries.
- Africa has the fastest growing mobile phone market in the world. There are more mobile phone subscribers in Africa than in the US or the EU. Africans commonly use mobile apps for banking, farming, communicating with their governments, and a wide range of other activities.

Israeli technology is on the leading edge in several fields in particular demand in developing countries, such as dryland agriculture, solar energy, water treatment and distance learning. In many of these fields, demand for new technologies in developing countries for technologies is growing at a much faster pace in developing country markets than in developed country markets.

How Can Companies Provide Value for Consumers at the Base of the Pyramid?

- ***Get a local partner.*** There is no way to innovate for consumers at the base of the pyramid without intimately understanding their needs, culture and society. A local partner can provide this sort of information, as well as facilitating production and distribution of your product.
- ***Be creative in finding investors.*** Venture capital funds, Israeli banks, and other of the traditional funders of Israeli companies at the seed and growth phases often do not have the expertise or interest in base of the pyramid markets. Fortunately, many new sources of financing are emerging for RD&D of products that address development challenges. Impact investors, challenge funds and innovation competitions for development, international development organizations and foundations such as the Gates Foundation, are all playing an increasingly important role in supporting private sector engagement in base of the pyramid markets.
- ***Opportunity lies in better product design.*** Very often, what BOP markets need is not new, breakthrough technologies, but rather, products that are better designed for their needs and more affordable. At the base of the pyramid, product innovation is about affordability, durability and adaptability to sub-optimal conditions like lack of electricity supply.
- ***Focus on creating wealth, not extracting it.*** Products that help consumers increase their income, savings or productivity have a higher chance of success in BOP markets. For example, one of the success factors for solar home systems, now popular in some BOP markets, is the ability of their owners to generate additional income by offering cell-phone-charging services to local residents.
- ***Use non-traditional financial and revenue models.*** These include pay-as-you-go or single use models.
- ***Partner with local governments and NGOs to deliver products and services to potential consumers.*** This strategy is particularly relevant in fields with high public investment like education and health.
- ***Facilitate capacity of your local partners.*** Investing in business training, professional development and personnel training for your local partners can help strengthen your networks on the ground.
- ***Sell to international development agencies or multinational corporations.*** Not all products and services providing for the needs of the poor necessarily need to be marketed directly to consumers. For example, MNCs like Google and Proctor & Gamble have large distribution networks in developing countries and a large product line targeting the base of the pyramid.



The Innovation and International Development Program is dedicated to the vision of transforming Israel into an important source of innovative solutions to developing world problems. To achieve this vision, the program works closely with Israeli government, business and civil society in order to develop government policies and programs, and build capacity and community in Israel. The program is part of a strategic partnership between the Pears Foundation and Tel Aviv University's Hartog School of Government and Policy. For further information please see our website at www.israeldev.org.

