Market barriers in the Bottom of the Pyramid
- Case studies in Tanzania and Kenya

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Abstract

A majority of the world’s population can be classified as Bottom of the Pyramid (BoP), which means that they earn less than USD 3,000 per year. In addition, it is estimated that 12 % of the world’s BoP population live in Africa. Due to the vast economic growth in Africa - which will boost the African consumers income level - we have decided to write a dissertation that regards the African BoP consumers.

The purpose of this dissertation is to investigate if five BoP market barriers exist in the African countries Tanzania and Kenya. In order to answer the research question, we conducted interviews with two different companies established in the Tanzanian respectively Kenyan BoP market. It was possible to answer the research question through the primary data collected during these interviews.

Our main findings from the empirical analysis indicated that four out of five market barriers in the Tanzanian and Kenyan BoP markets are accepted, and that both of the companies had to adapt to the different barriers. In addition, Company A and Company B also find solutions to these accepted market barriers in their respective BoP markets.

This dissertation will be of value since Africa’s economy is steadily growing, which will attract more companies in the near future. Furthermore, research in how to overcome market barriers in order to establish successful business in low-income markets will also be valuable.

Keywords: BoP, Africa, Tanzania, Kenya, market barriers
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1. Introduction

1.1. Background
Africa has rapidly grown to become one of the most attractive markets for companies to enter since the beginning of this millennium (Chironga, Leke, van Wamelen & Lund, 2011). Many African countries have undergone political reforms and gained more stability, and from year 2000 to 2010, six of the world’s fastest growing economies were located on this continent according to The Economist (the Economist a, 2011). A growing middle class, higher education, improved health and fewer conflicts contribute to a better investment climate (Leke, Lund, Roxburgh & van Wamelen, 2010; Grail Research, 2013). The prospects for foreign exports and investments to the region have never been as favorable as now (Grail Research, 2013). For example, Tanzania is highlighted as one of the countries with the highest for economic growth (the Economist a, 2011).

However, Africa is not one homogeneous market. When seeking of conducting business in the continent, companies should be aware of that Africa comprises of fifty-four countries, each with its own unique dynamics. Cultural practices can vary significantly, as can the education and skill level of the population. In addition, the countries are at different stages of economic development (Chironga et al., 2011). In order to be successful, companies must understand and adapt to these differences when doing business overseas. These dissimilarities have implications for the benefits, costs, and risks associated with doing business in different countries, as well as the strategy international firms should pursue (Wood, Pitta & Franzak, 2008).

In 2002 Prahalad and Hammond developed the term Bottom of the Pyramid (BoP). The BoP consists of the poorest socio-economic group worldwide, that live on less than USD 3,000 a year. Four billion people live below this income line - mainly in Africa, Asia, Eastern Europe and Latin America - together they make up of two third of the worlds total population (Prahalad & Hammond, 2002). Furthermore, they collectively represent a relatively unsaturated market of USD 5 trillion in purchasing power, and become consequently an interesting market for companies. For example,
the African BoP market is by far the continent’s dominant consumer market, with 71% of aggregated purchasing power, which makes up to a total USD 429 billion (the World Resources Institute, 2007).

Even though a BoP market consists of large opportunities, due to its vast size and large purchasing power, companies still hesitate to penetrate this market. Prahalad and Hart (2002) have identified two different assumptions companies make regarding the BoP market. The first assumption is “The poor are not our target consumers because with our current cost structure we cannot profitable compete for that market” and the second assumption is “The poor cannot afford and have no use for the products and services sold in develop markets” (Prahalad & Hart, 2002, p. 4).

In contrast to these assumptions, Prahalad and Hart (2002) remarks that the two assumptions are wrong. If companies are adaptable and can develop new cost structures, it is going to be possible for them to reach breakeven in a BoP market. If, however, companies enter a BoP market and continue to use the same business strategy as in their core market, the risk of failure would be greater. In order to be profitable in the BoP market, managers will have to rethink their business strategies, since the BoP market has different barriers to overcome (Prahalad & Hammond, 2002; Karamanchandi, Kubzansky & Lalwani, 2011).

1.2. Problematization
When a company decides to penetrate a new market, it must adapt to new environments. Those situations often contain new competitors, new suppliers, new distribution channels and new sets of consumers with unique preferences (Wood et al., 2008). These are all examples of challenging market barriers.

Several institutions, including The World Bank, the International Monetary Fund (IMF) and the United Nations Conference on Trade and Development (UNCTAD), collect reports and data to indicate which markets are the most challenging for companies to conduct business in (Chikweche & Fletcher, 2012). Countries with a vast BoP market have been recognized as the most complex markets to conduct business in, based on a number of factors. The main factor is macro-environmental limitations, such as poor infrastructure and lack of purchasing power. Hence, most
companies reject the BoP market, since they evaluate the market based on income (Prahalad & Hart, 2002; UNCTAD, 2012).

Therefore, Prahalad and Hart (2002) argues that companies must adapt and rethink their business model when entering a BoP market, since it differs from entering a developed market. Karamchandani et al. (2011) identify five different market barriers in the BoP; uncertain cash flow, gauging demand, sales and distribution challenges, disaggregated providers and undeveloped business ecosystems. In order to overcome these market barriers, different business strategies adapted to the BoP market are used. For instance; in order to solve the distribution barrier, companies can partner up with local organizations in the BoP market. Moreover, by having a strategy that focus on unique products towards BoP consumers, the gauging demand barrier could be solved (World Resource Institute, 2007).

However, Prahalad and Hammond (2002) state that the process of penetrating an undeveloped market is not an easy task, but may in fact be a large gold mine. Low-income markets present a huge opportunity for companies to seek their fortunes and bring prosperity to the aspiring poor (Prahalad & Hammond, 2002). Since Africa has a large number of countries, each with its own distinctive dynamics, this dissertation is going to investigate if Karamanchandis et al. generalized barriers are true in the BoP markets of two of the fastest growing economies in Africa, Tanzania and Kenya.

1.3. Research question and objectives

Research question:
- How do companies adapt to different market barriers in a BoP market?

Objective:
- To identify and explain different market barriers in African BoP markets, and analyze the difference.

1.4. Limitations
The scope and limitations of the study is an important section of a dissertation, since it includes the coverage of the study area and the constraints, which have direct
bearing on the results (Calmorin & Calmorin, 2007). Although our research was cautiously prepared, it has its limitations.

This dissertation is focusing on the different barriers in the African BoP market, and how companies adapt their business strategy to ditto. First of all, to examine the entire BoP market in this dissertation would be too time consuming, and not attainable at this level of research. Consequently, we have chosen to focus on Africa in general, and Tanzania and Kenya in particular. Secondly, since there exists different definitions and measurements to define a BoP consumer, we have chosen and limit this dissertation to the most recent definition. The BoP in this paper is therefore referred to the people that live below USD 3,000 per year. Finally, we have limited this dissertation to only deal with consumer products, since it would be more difficult to measure service products. Furthermore, the literature regarding BoP markets, is to a high degree based on consumer products.

1.5 Outline
In this dissertation, there are six different sections that will be presented. The first chapter, the introduction, will introduce the reader to the research topic, what our research question will be and why we have chosen to this area of study. Through the second chapter, we will explain the methodical choices, such as research design and how the data will be collected. The third chapter is the literature review, in which the reader will be presented current research regarding our topic. Furthermore, at the end of the literature review, our propositions will be presented. The fourth chapter contains the empirical method, where the reader will gain knowledge how the data will be analyzed. The fifth chapter is the context of our empirical study, in where two case studies will be presented. Lastly, the reader will be presented with the conclusion and discussion chapter, where we will analyze our research question, highlight our main findings, and suggest how further research can be conducted.
2. Methodology
This section contains a discussion of the methodologies used to gather and analyse data to answer our research question. Saunders, Lewis and Thornhill (2009) created a model that is referred to as the “onion model”. By referring to an onion, the research process will eventually lead to the core of the data collection methods, after the layers have been peeled off. The different layers are philosophy, approach and strategies and choices; each step will be discussed below.

2.1. Philosophy
The first layer, research philosophy, deals with the philosophy, which supports the research of this paper. Research philosophy is important since it contains assumptions about the way in which one views the world. There are different research philosophies one can adopt; three of the most common are positivism, post-positivism and interpretivism. Furthermore, each philosophy has different beliefs about the world (ontology), how one knows that world (epistemology) and the nature of knowledge. The philosophy used for this research is interpretivism, which is characterized by a qualitative research method, with subjective experiences from a small number of respondents. Interpretivism supports that it is vital for the researcher to realize differences between humans in our role as social actors. Furthermore, interpretivism has the epistemology that there is no option of objective knowledge of the world, since we all have dissimilar experiences. Thus, interpretivism means that knowledge is built upon different interpretations from human beings. One important factor of the interpretivist philosophy is that the researcher has to take on a sympathetic stance. Moreover, in order to conduct an interview with an interpretivistic approach, one has to penetrate the social world of the interview respondents and comprehend the world from their point of view. This is especially important since business situations are complex and unique (Saunders et al., 2009).

2.2. Approach
In the second layer, the research approach, there are two different approaches called deduction and induction. Deduction is an approach that investigates given theories within a subject area. These given theories will later on create different propositions that will be tested through empirical research. Since this dissertation is based on
collecting scientific articles and theories, in order to create propositions that will be investigated, a deductive approach will be used. Furthermore, a deductive research approach works from a general perspective to a specific perspective, therefore, this approach is also called a “top-down approach” (Saunders et al., 2009).

2.3. Strategy and Research Design
The third layer, strategy and research design, outlines how the empirical data has been collected, and explains the methodological choices. To answer the research question, this paper will use primary data through conducting interviews. Moreover, as the study contains a relatively unexplored topic, in a relatively unexplored market, the search for an ideal respondent will be difficult. Furthermore, it is important that the interview respondent has deep knowledge about the market for the study’s reliability. Hence, to investigate the research question, it is going to be more efficient to use a qualitative research method than a quantitative ditto. A qualitative research method is requiring more deep knowledge about the research area, while a quantitative study is a more broad research method concerning numbers and frequencies (Silverman, 2003; Christensen, Engdahl, Grääs, & Haglund, 2010). Additionally, definitions and facts that are required to study our topic will be gathered through secondary data, such as relevant literature, scientific articles and organizations (Saunders et al., 2009).

2.4. Data Collection and Analysis Method
The core of the onion model, data collection and method of analysis, is reached when collecting the data needed to answer the propositions. The purpose of this dissertation is to identify and explain different market barriers in African BoP markets, and analyze the difference. Therefore, our investigation is based on two companies' perception of various market barriers in the African BoP market. However, since Africa is not a homogeneous market, the dissertation does not intend to make any generalizations, but only to discern patterns and variations. Furthermore, we will compare the information we have received from the companies, in order to draw conclusions from the data. Our aim is to get an accurate assessment to better understand the overall situation of the business climate, and which business strategies companies use, in the African BoP market. The results will provide insight into how the companies experience the market barriers, what strategies they use in order to
overcome them, as well as how companies should adjust traditional market penetration strategies.

Collecting relevant and reliable data is a challenge, especially since a CEO of a company can be very interested in showing the good side of a company, and not the problems. This paper aims to investigate if barriers in BoP could be generalized or not. By interviewing the respondents, with an interpretivistic approach, their subjective interpretation will become this paper’s answers. Furthermore, from an ethical point of view, this paper has taken into consideration to not name-drop organizations and partners to the interview object, since leaking important information or data could be harmful to the companies in question (Saunders et al., 2009).

2.5. Credibility, Confirmability and Transferability
When conducting a quantitative or qualitative research study, one uses different data collection techniques in order to obtain results. Furthermore, for all data collection techniques, one are trying to get an idea of how well the techniques actually are measuring what needs to be measured. To describe how well the data collection has functioned, the concepts of credibility, confirmability and transferability is used.

Moreover, in order for the methodology to be useful and appropriate, it is required that it is credible, confirmable and transferable. If these requirements are not met, the research results lack scientific value, according to Ejvegård (2003).

First of all, credibility involves demonstrating that the study was designed to maximize the truthfulness of describing and identifying what is being studied (Denzin & Lincoln, 1994; Neergaard & Ulhøi, 2007). Hence, by explaining our methodology and our research approach, we hope to increase the papers credibility. Furthermore, relevant scientific articles support this dissertation. Moreover, we have been objective towards our subject matter; since our interviews have been conducted through open questions as well as being neutral. However, the weakness of the credibility in our dissertation is that despite our examination on how to evaluate different situations, misunderstandings might have arisen through our subjectivity.
Secondly, Ejvegård (2003) state that confirmability means that the researcher is assessing what intends to be assessed. In this dissertation, we believe that the confirmability is high, as the collected responding answers from the respondents are reasonable for what we intended to assess. Furthermore, according to Denzin and Lincoln (1994), confirmability implies full exposure of the data the analysis is based upon, or at least accessible for inspection. If the reader can examine the data in the dissertation, the interpretations and outcome will be maximally confirmable (Neergaard & Ulhøi, 2007). Therefore, we have decided to append our interview transcripts.

Lastly, Neergaard & Ulhøi (2007) states that transferability refers to the matter that the researcher should provide adequate information about the case to the reader, so that he/she could make generalizations. Additionally, Streubert & Carpenter (2011) argues that transferability is a term used to demonstrate the likelihood that the research outcomes have meaning to others in comparable situations. Since this paper regards an relatively unexplored topic, it could be of interest to other researchers. With that being said, there is room for future researchers to base their study on our paper, which makes this dissertation transferable.

2.6 Ethics
When writing a dissertation it is important to consider different ethical ground rules. Hartman (2008) state that when gathering empirical information, it is important to follow three different requirements, from an ethical point of view.

The first requirement is openness, which means that the researcher will have to be clear with the objectives regarding the data they want to collect. For instance, this means that we have to be transparent with the interview questions to our interviewees. The second requirement is to allow the respondent to be self-determined, which refers to the respondents’ rights to participate in the collection of data. The third, and last, requirement is the confidentiality and the autonomy requirement. Research material presented in this dissertation must be dealt with in a careful manner, since leaking sensitive information can be harmful for companies. Therefore it is important to respect the confidentiality of our respondents. In addition, it is also essential to respect
the autonomy requirement, which refers to the importance to only use the empirical data in the research paper (Hartman, 2008).

Moreover, the ethical considerations for BoP markets is worth to mention, since readers to this dissertation might believe that the BoP theory presented is only an attempt for companies to gain profit, at the expense of poor people. Within the Western World, assistance is usually the most fundamental way to show compassion to people with a lower standard of living. Therefore, to gain profit from these poorer markets might be unethical according to readers (Prahalad, 2010). However, this paper want to highlight the positive impact companies can have on the BoP markets and in its consumers everyday life.
3. Literature Review

The literature review will address four different connected areas - in four sections - concerning the research topic. The first section, will discuss the growing African economic markets, and the current investment climate. The second section will describe the BoP in more detail, in order to give the reader a more comprehensive understanding of the term. In the third section, the text will discuss the different advantages and disadvantages companies can be facing in the BoP. These three parts will lead to a final section where the propositions are going to be presented.

3.1. Africa

This section discuss the current economic growth in Africa. First there is a section that will summarize the African economic outlook, and the current African investment climate. Afterwards, there will be a short description section about Tanzania and Kenya, since the companies we are going to conduct interviews with are present in those specific BoP markets.

3.1.1. The African economy today

During this decennium, it is estimated that Africa will overthrow Asia’s role as the continent with the strongest economic growth (Chironga et al, 2012). However, from the 1970’s until the 1990’s, Africa lost market shares in the global economy to other developing areas in the world, market shares that the continent has now started to recollect. Due to the recent economic growth in China, India and Brazil, the demand for oil, natural gas, and other similar resources has increased, which in turn have been of favor for countries in Africa (Stein, 2008; Fayissa & Nsiah, 2013). In addition to this, the investment climate in Africa has developed because of the increased democratization and market friendlier policies. In the long run, this is going to make the continent more attractive to foreign direct investments (Lewis, 2008). For example, in sub-Saharan Africa, economic growth is estimated to be 5.3 % in 2013. Furthermore, countries that are at the forefront of the progressive growth of sub-Saharan Africa are countries such as South Africa, Mozambique, Tanzania, Nigeria and Kenya (Juth & Långström, 2012).
However, Africa’s economic growth is being represented by several different nations. Since Africa consists of fifty-four countries, the disparities between the economies are significant (Lewis, 2008). Chironga et al. (2012) divided African economies in four different categories - diversified, oil exporter and transition economies - each with their own unique character. First of all, South Africa is a diversified economy, since it has better infrastructure and a more stable government compared to other countries on the continent. Secondly, Nigeria is an Oil Exporter since they are very dependent on their oil, which also makes their GDP per capita to be larger compared to other countries in Africa. Lastly, Tanzania and Kenya are classified as transition economies, which means that they are on their way to become a diversified economy. These countries have invested in their infrastructure and introduced more market friendly policies (Chironga et al, 2012).

3.1.2. Investment climate in Africa
Many scholars, investors and politicians see Africa as the next big area for economic growth (Nsehe, 2011; Blanchard, 2012; Polgreen, 2012; the Economist b, 2011; Chironga et al., 2011). Additionally, the growth rate could reach 7 % by 2015, according to the UNDP, which is similar to the Asia’s overall growth at the peak of the “tiger economy” era in the 1990’s (Nsehe, 2011). In fact, an analysis done by the Economist finds that between 2000 and 2010, six of the world's ten most rapidly growing economies were located in Africa. Further, according to a prediction done by the IMF, the continent will take hold of seven of the top ten positions within the worlds’ fastest growing economies until the year 2015 (the Economist b, 2011). These facts make Africa an increasingly attractive focal point for foreign investors.

Africa’s economic growth is achieved mainly due to proactive economical, political and social reforms (McKinsey Global Institute, 2010; Leke et al., 2010). These reforms have resulted in an improved macroeconomic situation, as well as an improved environment to conduct business in. Moreover, there has occurred an extensive advancement of the social and physical infrastructure in Africa, which has led to a rising pool of well-educated workers (Polgreen, 2012).

However, one of the main reasons of the fast economic growth in Africa is due to the reform in the financial sector, which many economies adopted during the 1990’s.
Since then, the banking sector and capital markets have equally grown significantly in most African countries. Misati and Nyamongo (2011) state that the financial markets are viewed as a fundamental part of the engine that create economic growth and development. This is due to the enhancement of, for example, the risk diversification, corporate governance and provision of information (Misati & Nyamongo, 2011).

China is one of the countries that have recognized the potential of Africa. For example, in 2012, the Chinese president Hu Jintao tightened the country’s relation towards Africa by offering USD 20 billion in loans during a three-years-period (Blanchard, 2012). However, China is not the only country that invests in Africa. More examples to follow.

3.1.3. Tanzania
Tanzania’s economy has boomed in recent years, and the estimated growth in 2013 is 7.1 % (African Economic Outlook Tanzania, 2012). Furthermore, in the past ten years, Tanzania has attained a yearly GDP growth rate higher than 6 % (African Economic Outlook Tanzania, 2012). With a population of 42.5 million people, they are also the sixth population richest country in Africa (Hillbom & Green, 2010). In addition, in 2007 Swedish companies invested more than SEK 600 million in the Tanzanian market (Stein, 2008). Due to the fast economic growth, and due to the vast population, Tanzania is estimated to be among the countries that will obtain the strongest economic growth until 2015. Therefore, the Tanzanian market is one of the most interesting areas in Africa to conduct business in (the Economist b, 2011).

3.1.4. Kenya
According to Swedfund - which is a Swedish investment company that focuses on emerging markets - the Swedish FDI to Kenya was SEK 401 millions in 2007. Furthermore, Kenya is number eight regarding the countries with the highest population level in Africa, and the tenth largest economy in Africa when comparing at the GDP per capita (Stein, 2008). In addition to this, the Kenyan estimated GDP growth for 2013 is 4.5 %, which makes the country a lucrative area to conduct business in. Furthermore, due to a more stable political climate, the FDI to Kenya is likely to increase in the future (African Economic Outlook Kenya, 2012; Ernst & Young, 2012).
3.2. Bottom of the Pyramid
In this section, the reader is going to become more familiar with the term BoP. It will address what poverty is, give a clear definition about how the BoP model was developed, and identify five different assumptions that companies have made about the BoP market. Moreover, the purchasing power, the market size of the BoP, as well as the characteristics of BoP consumers will be discussed. Lastly, this section will end with different business strategies for companies to use when targeting a BoP market.

3.2.1. Poverty
Poverty means lack of choice and lack of decent standard of living, which limits people's ability to have influence over their own lives. In the past fifty years, the global economy has grown sevenfold according to UNDP. During this period, people have been dragged out of poverty at a rapid pace. In fact, during the course of fifty years, poverty has fallen in a faster pace than in the prior five hundred years. Even though this realization presents grounds for brightness, poverty still continues and causes its victims (Seipel, 2003).

Measuring and defining poverty is a challenging task due to the limited agreement about how to conceptualize it. Hence, there has been a lot of criticism of the method organizations measures poverty. According to Saunders and Naidoo (2009), the strict focus on income as a dimension to determine the poverty line is not always accurate. Additionally, studies have presented that people living below the poverty line do not at all times have low standards of living, when evaluated using other dimensions than income level. Furthermore, criticism has also been developed in line with the reliability of the income statistics used to estimate poverty rates, casting skepticism on their trustworthiness (Saunders & Naidoo, 2009).

Although there is no agreed definition of poverty, the following two concepts are most often used to define poverty in the world; income poverty and Human Poverty Index (HPI). These two concepts will be further discussed below (Seipel, 2003).

3.2.1.1. Income Poverty
The income poverty concept can be defined and measured in various ways. The two most common are absolute poverty and relative poverty.
Absolute poverty is the categorization of people living on less than USD 1 a day, which is insufficient for basic needs such as food, clothing, housing and access to education and healthcare. For developing countries, taking into consideration that most of the people survive on the subsistence level or less, it is often more appropriate to rely on an absolute rather than a relative poverty line.

Relative poverty is set in relation to the larger population in a given country. In developed countries, poverty is often relative. Moreover, relative poverty is often defined as the percentage of the society's average income. This means that poor people in developed countries are unable to fall below the subsistence level in their community (the World Bank, 2011).

3.2.1.2. Human Poverty Index (HPI)
The United Nations (UN) developed the HPI based on three vital dimensions of human life; life expectancy, knowledge and a decent standard of living. HPI is available in two versions, one for developing countries (HPI-1) and one for the high-income OECD countries (HPI-2). The later one adds a fourth dimension, which is social exclusion. The HPI was created to better reflect socio-economic differences, and capture the many dimensions of poverty that exist in both poor and rich countries, instead of only measure them by income (UNDP, 2011).

3.2.2. Definition of the term Bottom of the Pyramid
C.K Prahalad was the first scholar to mention the possibilities that exist in the BoP with the article The fortune at the Bottom of the Pyramid that he co-wrote with Stuart Hart in 2002. Prahalad and Hart emphasize the opportunities that exist in the BoP; they are convinced that this market can create new sources of growth for companies. By referring to a pyramid, Prahalad and Hart points to the fact that the BoP market is of vast size in population, but have the lowest income. In contrast to this, the Top of the Pyramid (ToP) is smaller in population, but have the highest income (Prahalad & Hart, 2002).
3.2.3. Assumptions of Bottom of the Pyramid
Not many companies have penetrated a BoP market, since by tradition various charities and non-governmental organizations (NGOs) has had the role to serve the world’s poor for no profit (Pitta et al. 2008). In order to realize the potential that exists in the market, companies will have to reconsider both their own qualities and the market as whole. Prahalad and Hart (2002) state that companies and organizations must come to terms with different assumptions regarding the BoP market, in order to get a better understanding of ditto. The following assumptions are the most common towards the BoP market (Prahalad & Hart, 2002).

Assumption 1: The poor are not our target consumers because with our current cost structures, we cannot profitably compete on that market (Prahalad & Hart, 2002. p. 4).

Many leading researchers of the BoP market have agreed on that a penetration is in fact related to a higher cost, in comparison to a penetration of a developed market (Simanis, 2012; Prahalad & Hart, 2002; Karamanchandani et al., 2011). However, even though it is true that a majority of companies do not target the BoP consumers, since they believe they cannot profitably compete, it is not a reason to ignore the vast BoP market. Further on, Prahalad (2010) argues that consumers in poor and rural areas will pay premium prices on goods and services. As an example, he compared a high-income area in Mumbai in contrast to a shantytown just outside of Mumbai. At
the shantytown, the price for a phone call per minute is almost double the price that consumers in the high-income area will pay, furthermore, the price for diarrhea medication is ten times higher in the shantytown. This cost disparities is a result of an inefficient distribution system in the BoP market. This is an example of an opportunity for companies to penetrate the market and develop new cost structures to better meet the needs (Prahalad, 2010).

Assumption 2: The distribution access to a BoP market is difficult and, therefore, represents a major impediment for participation (Prahalad, 2010, p. 37).

People in the BoP usually live close together in different areas. Moreover, the urbanization of cities in Africa, South America and India is going to continue. Consequently, companies can more easily get attention from potential consumers for a smaller cost (Prahalad & Hammond, 2002). In fact, by the year 2015, 225 cities in Africa, 903 in Asia and 225 in Latin America will contain cities with more than 1 million people. In total these cities will collectively have 1.5 billion to 2 billion people - which makes a total of 35 to 40 % of the worlds BoP population. Furthermore, the population density of these cities will continue to grow, which will generate new distribution networks for the companies (Prahalad, 2010).

However, the BoP consumers in the rural areas, is a bigger impediment. Erik Simanis (2012) state in his article that a penetration of a BoP market is related to higher costs since the infrastructure in a rural BoP market is inefficient. Nevertheless, if companies are adaptable and can develop new cost structures and networks, they will be able to reach the rural consumers in a BoP market (Prahalad & Hammond. 2002).

Assumption 3: The poor cannot afford and have no use for the products and services sold in developed markets (Prahalad & Hart, 2002. p.4).

Scholars have pointed out the fact that people in the BoP have a large collected purchasing power. For instance, shantytowns in Rio de Janeiro, Johannesburg and Mumbai have all purchasing power of around USD 1.2 billion each. Furthermore, BoP consumers have the same desire as consumers in a ToP market; they purchase products that can improve their quality of life. Since it is not a credible option for
people in a BoP market to own a house or a car, they use their savings to buy products that will increase their life situation. As an example, 85% of the household in Mumbai’s shantytowns possesses a television (Prahalad & Hammond, 2002). In addition to this, the BoP consumers will expect value from the products they are purchasing. Therefore, the challenge for companies is to create a product that can be of great quality, and to a price that consumer in the BoP market can afford (Prahalad, 2010).

Assumption 4: Only a developed market appreciate and will pay for new technology. The poor can use the previous generation of technology (Prahalad & Hart, 2002. p. 4).

People in the BoP will appreciate new technologies. For example, wives of fishermens in India learned how to use a PC in order to interpret and understand satellite images that indicated where the schools of fish where. By using this technology, they could direct their husbands towards the correct location (Prahalad & Hammond, 2002). Therefore, if companies start to spread their technology and knowledge, they will develop a stronger position in the market, since consumers will get the know-how, to use the product. Furthermore, the BoP market is more connected than researchers and managers have believed it to be. At the end of 2011, a total of four billion cell phones were in use worldwide. A majority of this growth of cell phones comes from BoP markets in China, India, Latin America and Africa. For instance, only in India, 11 million new subscribers were added in one month during 2011 (Prahalad, 2010).

Assumption 5: The BoP is not important to the long-term viability of our business. We can leave BoP to governments and nonprofits (Prahalad & Hart, 2002. p. 4).

If a company can create sustainable sales of their products in a BoP market, they are going to gain leverage. Since markets in Asia, Latin America and Africa are on the rise, more BoP consumers will advance in the BoP pyramid model (Prahalad, 2010). In addition to this, consumers’ income level is going to increase, which will boost their intention to purchase products. By creating awareness, and to make the product available in the unsaturated BoP market, companies can gain a competitive advantage.
that they can leverage from in the future (Prahalad & Hammond, 2002; Simanis, 2012).

In conclusion to the assumptions, one must remember that these assumptions might have changed during these eleven years. For example, countries with a vast BoP market, such as China, India and Brazil, have been a major focus point for companies to search their profit in. This means that from 2002 to today, the impact of emerging markets has changed the global mindset, even though some question marks still exist (Cheng, Gutierres, Mahajan, Shachmurove & Shahrohki, 2007).

3.2.4. Market size & Purchasing power
There are conflicting views of what standard and measurements to use when determining the BoP market. Although, they have all one common perception; individually the consumers are poor but collectively they represent vast purchasing power (Pitta, Guesalaga & Marshall, 2008).

Prahalad (2010) consider the BoP as composed of people with incomes below USD 2 per day at purchasing power parity (PPP) (USD 750 per year). The World Resources Institute (2007), on the other hand, states that the BoP market consists of the people with incomes below USD 8,2 per day in PPP (USD 3,000 per year). Furthermore, the World Bank estimated in 2001 that the BoP market consisted of 2.7 billion people. However, this number was highly criticized by other researches that considered this projection an overestimation, with some authors approximating the poor at 600 million (the Economist, 2004). The large gap between the incomes, as well as the large gap between the populations of the BoP, is of such a wide range to cause doubt of their reliability (Pitta, et al., 2008).

The different definitions are important to understand, since they present different challenges. For example, people with USD 2 per day presents different challenges, and have different priorities and needs, than people who earn USD 8 per day (Pitta et al., 2008). The World Resources Institute is a highly reliable institute, since it is a part of the World Bank Group. Therefore, and because they developed the most recent definition, the BoP in this paper is referred to the people that live below USD 3,000 per year.
Africa, Asia, Eastern Europe, Latin America and the Caribbean are the regional areas where the BoP is concentrated, according to the World Resource Institute (2007). 72% of the market is in Asia, 12% in Africa, 9% in Latin America and the Caribbean, and the remaining 6% lives in Eastern Europe. In comparison to the overall market, the BoP segment accounts for more than 50% of the purchasing power in developing countries (Guesalaga & Marshall, 2008).

3.2.5. Bottom of the Pyramid Characteristics
Before penetrating the BoP, companies must know what differentiates the market. The BoP consumers differ from region to region, and are not only low by income. Their everyday situation is filled with different complexities and challenging climates. However, most of these four billion people do share three comparable characteristics, which collectively place them in the BoP segment (the World Resources Institute, 2007). These three characteristics will be further discussed below.

The first characteristic is significant unmet needs. Hence, most people in the BoP have no more than what is absolutely necessary for survival. For instance, the people in the market have as a rule no bank account, and for that reason no access to modern financial services. Moreover, many lives in informal settlements in form of shantytowns, with no proper personal data. Additionally, many people lack access to water, electricity, and basic health care. To conclude, this means that there is an untapped potential in the BoP market; there are many needs that can be served (the World Resources Institute, 2007).

The second characteristic is the dependence on informal or subsistence livelihoods. People in the BoP that lives in the rural areas, often lack good access to markets in order to sell their labor and products. For that reason, people at times have no other choice but to sell to local employers or to middlemen who occasionally exploit them. Furthermore, a large number of people in rural BoP markets are farmers and fishermen, and are dependent on natural resources. Unfortunately, they are very exposed to the human beings uncarefully treatment of ditto (the World Resources Institute, 2007).
The third and last characteristic is the price premium effect. For many consumers in the BoP, it is normal to pay higher price for basic goods compared to ToP consumers. This occurs either in financial or transaction costs, because of the effort they must expend in order to come by the basic goods. Furthermore, the BoP consumers often obtain lower quality goods than those received by their wealthier counterparts (the World Resources Institute, 2007).

3.2.6 Business strategies to penetrate a BoP market

When a company is established, it ought to employ a business strategy and model that expresses the design of the value creation, delivery, and value capture mechanisms it employs. Moreover, the fundamental nature of the business strategy and model is in identifying the manner by which the company brings value to customers, attracts customers to pay for value, and alters those expenditures to profit. Therefore, it reflects the company’s assumptions about what the consumers want, how they want it, and how the company can coordinate to best meet their consumers needs, as well as making a profit (Teece, 2009).

3.2.6.1 Traditional Business Strategy

The differences from conventional products adapted to the more developed markets, and products adapted to the undeveloped markets, are so significant that for most of the companies, it is almost like starting a new business. The cultural, administrative, geographical and economical distance between the developed markets and BoP markets in developing countries is the factors that make it difficult. Therefore, in order to be successful, companies ought to transfer from a traditional business strategy to a more BoP adapted strategy (Schrader, Freimann & Seuring, 2012). This is because to be a source of competitive advantage, a business strategy must be something more than just a good logical way of doing business. A strategy must be honed to meet specific customer needs (Teece, 2010).

The traditional business strategy from a developed market, which focuses on trying to increase margins, will not work in a BoP market. Instead, in order to get a profitable penetration, companies should aim for a low price, a low margin and a high volume strategy. For example, the Indian subsidiary to Unilever, Hindustan Lever, introduced candy towards BoP consumers at price of just one penny per serving. Six months
later, the candy became the product with the strongest growth in the subsidiary’s’ product portfolio, thanks to the high volume of sales (Prahalad & Hammond, 2002).

In order to boost the margins in the BoP market, Simanis (2012) provides three different alternatives. First, companies should try to localize and sell base products in a bundle. For instance, by selling a “body care kit” that includes shampoo, toothpaste and a toothbrush, companies can create an higher margin. This is due to the fact that companies are able to sell more for every transaction to a lower cost. Secondly, if companies are able to create better service for their products, consumers is going to get a more broad knowledge about ditto and be more pleased. This will in turn enhance the value and perception of the companies’ products. Lastly, since the service have been of value for the consumers, it is going to be possible to create peer groups from their consumers. This will make the consumers help each other, and additionally both reduce cost and help the aggregated sales for the company (Simanis, 2012).

Furthermore, the lack of infrastructure and know-how are also the two factors that make traditional business strategies to fall apart. For example, a lot of BoP markets do not have access to electricity; therefore electricity-powered products are not appropriate to such markets. For instance, in the Indian BoP market electricity cuts are common, and using a traditional fridge is not feasible in such circumstances. Therefore, the Indian company Godrej & Boyce invented ChotuKool, a fridge adapted to the BoP, which takes into account the surroundings and needs of rural India by offering a cooling device that can function on batteries (Chotukool, 2010). In contrast to a traditional business strategy, more focus must be on the supply chain and the sustainability of outcomes in a BoP market (Schrader, Freimann & Seuring, 2012).

In other words, companies must develop a distribution network, and make the consumers familiar to the product, in order to make a profit from the low price, low margin and high volume model. According to Simanis (2012), this strategy has blindfolded many companies since they have been focusing at the volume of sales instead of different solutions to increase their margins.

3.2.6.2 BoP Business Strategies
As mentioned earlier, profit-seeking companies, that strive to be successful in BoP, need to adapt their business strategies to the less developed markets. Thus, four broad
business strategies that companies usually utilize in BoP markets, that seems to be critical to their success are; focusing on its’ consumers with unique products, localizing value creation, enabling access and unconventional partnering.

First of all, companies must focus their products to serve the customers needs in a BoP market. Due to a tougher climate in an undeveloped market, the products must be able to endure to tougher conditions. Moreover, these harder demands from BoP consumers will likely require more investments of both money and talent in management.

Secondly, companies should try to cooperate with local companies in order to get more knowledge and expertise about the BoP market. By switching expatriates locations, and collaborate with local organizations, companies can develop new networks that will both reduce costs, and create new business ideas (Washburn & Hunsaker, 2011; Prahalad & Hammond, 2002). Moreover, one way to obtain more value for the BoP consumers is to have local agents in the BoP market.

Thirdly, it is vital to enable access to the companies’ products, by offering smaller packages towards BoP consumers; the BoP consumers can afford the products due to the lower quantity. Furthermore, if companies can understand this issue and adapt to the uncertain cash flow amongst BoP consumer they will be able to sell more products.

Lastly, unconventional partnerships between NGO’s and companies have been working in a BoP market. Therefore, before entering a BoP market companies are suggested to build up a strategically and a sustainable network with an NGO in the BoP market. By partnering with NGO’s, companies will easier understand the BoP market, and they will also be able to bring the necessary capabilities to the BoP market. (World Resource Institute, 2007)

3.3. Opportunities & Challenges in Bottom of the Pyramid
This section is going to investigate what companies need to reconsider before entering the BoP market. First, the text will address the many opportunities the
companies can take advantage of, and later it will cover the challenges the companies can be exposed to.

3.3.1. Opportunities
Size, rapid growth, less competitive environment, cost saving and innovations, are all potential opportunities for companies to take advantage of, after a successful establishment in a BoP market (Bustrup, 2007; Prahalad, 2010). These opportunities will be further discussed below.

To begin with, the size and the high density of people in the BoP market gives companies great opportunities. Shantytowns, in for example Rio de Janeiro, Johannesburg and Mumbai, has a large number of people and an aggregated purchasing power of approximately USD 1.2 billion. As a result of this, by only focusing on one specific BoP market, companies can reach an high density of people with an high purchasing power. (Prahalad, 2010; Bustrup, 2007; Prahalad & Hammond, 2002).

Second, due to the rapid growth in emerging markets, more consumers will purchase goods, mainly since an economic growth will benefit consumers in the middle- and low-income segment (Martinez & Carbonnel, 2010; Prahalad, 2010). For instance, several countries in Africa have had a GDP growth rate with over 5 % in recent years, and further it is estimated that the African continent will have the strongest economic growth this decennium (Bustrup, 2007; Chironga et al, 2011). Moreover, if companies decide to sell products towards the African BoP market, they are able to create awareness for their products. Hence, they will have a long-term opportunity to seek profit in their fast growing BoP market (Bustrup, 2007).

Third, the opportunities in a BoP market is significantly larger than the opportunities in a ToP market, due to the fact that a vast majority of companies often target the later. Hence, competitors at the ToP market are many, and do not represent the same growth potential as a BoP market (Bustrup, 2007). This also results in that many BoP markets around the world are untapped, and the competitive environment is less fierce, which enhances the companies’ opportunities to introduce new products (Grönrup, 2009; Chironga et al, 2012).
Fourth, in contrast to the ToP market, the cost structure in a BoP market is generally lower. If companies try to produce as locally as possible, by using local suppliers and distributions channels, they are able to reduce their production costs substantially (Bustrup, 2007). Furthermore, by outsourcing to the BoP market, companies can create job opportunities by using local employers, which might create a more favorable mindset towards the companies in the BoP market (Prahalad & Hart, 2002).

Lastly, when companies have developed new innovative solutions to problems in their BoP market, they have the opportunity to apply these solutions to their core markets (Bustrup, 2007; Prahalad, 2010). Since the needs and demands in a BoP market differs, in contrast to a ToP market, companies ought to be innovative, in order to the cut their costs (Simanis, 2012; Prahalad, 2010). Additionally, when they have developed these solutions, they also might have the opportunity to cut costs in their home market (Bustrup, 2007; Prahalad, 2010).

3.3.2. Challenges in Bottom of the Pyramid
When a company decides to conduct foreign direct investments, it must adapt to new situations. Those situations often contain new competitors, new suppliers, new distribution channels and new sets of consumers with unique preferences. Similarly, such companies often approach different levels of technology use, new legal and political systems, and diverse cultures, values and traditions. All these course of proceedings could be examples of challenging market barriers (Wood et al., 2008). Market barriers are environmental factors that influence companies in their market entry decisions. How complex and how difficult it will be to coordinate the process depends on which - and how many - markets the company intends to enter. Before a market is selected, the company should examine its risks, as well as the potential market barriers (Chikweche & Fletcher, 2012).

Wood et al. (2008) state that those companies that thrive in the new markets obtain strength, not only in terms of revenue, but also in terms of knowledge that significantly enhances their capabilities to compete. Like a domino effect, achievements in one country often lead to achievements in others (Wood et al., 2008).
As mentioned in the problematization, several institutions, including The World Bank, IMF and the United Nations Conference on Trade and Development (UNCTAD), do researches, in which one is concerning the most challenging markets for companies to conduct business in (Chikweche & Fletcher, 2012). Countries with a large BoP market is often mentioned as the most complex areas to conduct business in, based on a number of factors, main of which are macro-environmental limitation factors such as poor infrastructure, lack of purchasing power and welfare (UNCTAD, 2012).

As Prahalad (2008) state, success in a BoP market requires companies to adjust their business model for environments that are diverse from their core markets. Many entrants to a BoP market usually find that the suppliers, competitors and distribution channels they take for granted in a developed market does not exist in a BoP market. Furthermore, the competitive environment in a BoP market might differ in three different areas. First, in economic infrastructures such as water supply and electricity, second, in support activities such as financing and consumer services, and third, in the information infrastructure such as telecommunications (Rivera-Santos & Rufin, 2010). One way of minimize the challenges of doing business at the BoP, according to Pitta et al. (2008), is to partnering up with NGOs and similar institutes that have deep knowledge of the local customers. Many companies, however, have abandoned such partnerships because of three major reasons; a disparity in priorities, operational differences, and a perception that partners are not at all times transparent about their true objectives. Hence, companies need to know that they can not have as much control of the business, if they do not have employers on site in the BoP area (Karamchandani et al., 2011).

Additionally, there has been a trend by companies to have biased assumptions against the BoP market, due to the lack of communication the companies have with the consumers at the market. Furthermore, the companies’ knowledge of the BoP market is often limited, due to have been found in developed markets (Prahalad & Hart, 2002). As a result of this, companies have not become conscious about the full capability the BoP market has to offer. Chikweche and Fletcher (2012) argues that this prejudice and lack of knowledge is primarily noticeable at the BoP in Africa. In the African BoP market, there is a lack of information on basic consumer behavior
characteristics, as well as how companies can successfully develop and apply their business strategies to the market (Chikweche & Fletcher, 2012).

3.4. Model / Propositions
In this part of the dissertation, the reader has been familiarized with the rapidly growing African economies, the low-income segment called the Bottom of the Pyramid, and which challenges and opportunities companies can encounter in the BoP. Furthermore, the reader has been oriented in the fast economic growing countries of Tanzania and Kenya. These different sections, all led to our research question: how do companies adapt their business strategy to different market barriers in a BoP market?

Companies doing business in the BoP encounter the same market barriers over again according to Karamchandani et al. (2011). The most common barriers are: uncertain cash flow, gauging demand, sales and distribution challenges, disaggregated providers and undeveloped business ecosystems (Karamchandani et al., 2011). The following barriers will be further discussed below together with our propositions.

The first barrier Karamchandani identifies is cash flow uncertainty. According to Karamchandani et al. (2011) this is an issue that many companies fail to see as they are highly focused on reducing prices. The BoP customers are not just lacking sufficient money; they also live in a state of uncertainty, which makes up-front payments for certain products impossible (Karamchandani et al., 2011). This leads to proposition 1:

P1: Is there an uncertain cash flow in the BoP market in Tanzania?

The second barrier is gauging demand. Karamchandani et al. (2011) states that the confusion of need with demand is a widespread difficulty among organizations serving the BoP market, and that many companies have wasted time and resources trying to promote products that are designed for the poor, but that the BoP consumers do not want. Furthermore, it is often complicated to make a profit if demand must be created. Instead, the companies should focus on areas where they can converge existing demand (Karamchandani et al., 2011). This leads to proposition 2:
P2: Is there a gauging demand for the BoP market in Tanzania?

The third barrier is *sales and distribution difficulties* (Karamchandani et al. 2011). Sales and distribution channels built for middle and high-income customers do not reach the poor, and expanding them can be expensive. This makes it difficult for companies to administer face-to-face interaction, which as a rule is required when building a lucrative distribution system for the business (Karamchandani et al., 2011). This leads to proposition 3:

P3: Are there sales and distribution difficulties in the BoP market in Tanzania?

The fourth barrier is *disaggregated providers* (Karamchandani et al., 2011). They state that small local suppliers often lack training, hardly ever have access to high-quality inputs, and their output can be untrustworthy. In addition, companies that contribute with training and similar benefits to the suppliers may find that the outputs have been sidetracked somewhere else through “side selling” (Karamchandani et al., 2011). This leads to proposition 4:

P4: Are there disaggregated providers in the BoP market in Tanzania?

The fifth and final barrier Karamchandi et al. (2011) identify is the *undeveloped business ecosystem*. The business ecosystem is the set of connections of organizations’ involvement in the delivery of a specific product or service. The business ecosystems needed to support the products or services, are often absent in the BoP market (Karamchandani et al., 2011). This leads to proposition 5:

P5: Is there an undeveloped business ecosystem in the BoP market in Tanzania?
4. Empirical Method
In this section, the reader is first of all going to be presented with which research strategy we are going to choose, in order to conduct our analysis. Secondly, which methodology we are going to use to get our empirical data, and lastly why we have chosen the specific questions in our interviews.

4.1. Research strategy
This paper will use a case study approach as a method in order to analyze the collected data. A case study is used when one want to study specific and complex cases of a qualitative nature, according to Christensen et al. (2010). Furthermore, a case study approach cannot present statistical generalizations, since one are not investigating for statistical representativeness when making the selection of cases, but instead are looking for informative cases that will generate understanding. However, one can implement analytical generalizations, where the basis of several situation-specific, detailed and extensive descriptions can highlight general patterns, which can create understanding by explaining complex patterns (Christensen et al., 2010).

Since the purpose of the case study is to penetrate informative and unique cases, in order to capture complex patterns, it is necessary to adapt the investigative approach to each examined cases (Christensen et al., 2010). Moreover, there are no absolute rules on how to execute a case study; it is about to constantly adapt to the study in order to increase the understanding of the specific case. At the same time as the case studys’ unstructured form is a prerequisite for a thorough penetration of a problem, the lack of structure is also its greatest weakness. Therefore, since there are no set rules to follow when conducting a case study, it is easy to make mistakes, as for instance to jumping to conclusions without high-quality coverage (Christensen et al., 2010). As a result, to minimize the risks of mistakes, this paper has been making use of secondary data to obtain additional information on the specific cases, something also Christensen et al. (2010) advocates is advantageous.

To summarize, the case study approach is particularly suitable to use when one want to study complex social processes, which must penetrate the problem in order to understand what is happening, why it happens and what it depends on (Christensen et
Therefore, the case study approach is the best method to use for this dissertation.

4.2. Data analysis
The case studies in this dissertation are based on two companies' perception of various market barriers in the African BoP market. This paper use first and foremost primary data in order to attain the empirical data. Moreover, the collection of primary data has been gathered through semi-structured interviews of companies conducting business in the African BoP market. The empirical data is the basis for this dissertations’ analysis and is for that reason a fundamental part of the work.

According to Patel and Davidson (2003), it is common that researchers use their own interpretation in the process of analyzing the qualitative data. Moreover, to be perceived as an interested listener, and to get the full interviews verbatim, we decided to record ditto. One advantage of this - except that one can go back and listen to the interview - is that the questions will be given full focus, which will lead to better answers from the interviewee, since we do not have to take notes (Christensen et al., 2010). After we recorded our interviews, we decided to convert the recorded material to a transcript. Next, we have processed the text and tried to identify similarities and differences between our respondents, and connected the gathered material with the theory. Moreover, our analysis is based on the interpretation we have made of the replies from our respondents; hence the subjectivity has a role.

4.3. Sampling
The purpose of the sampling is to get rich and comprehensive information, in order to give a qualitative description of a particular phenomenon in a particular population. In addition, the purpose of sampling is to improve the quality of the findings by ensuring that the companies we are studying are representative of the broader population that interests us. Hence, the aim is not to measure the frequency or establish quantitative differences. In this paper, the sampling of our respondents is completed by using the convenience principle, which means that we have been choosing our respondents that we came across and also were interested to participate (Trost, 2005). The convinience principle is a non-probability sampling technique, which focuses on sampling techniques that are based on the judgment of the researcher (Trost, 2005). The
convenience strategy is easy to carry out with few rules determining how the sample should be collected, however do this type of sample often suffer from biases from a number of biases. Therefore, since the sampling strategy can have a significant impact on the quality of our findings, we have been using a filter in our search for the best fitting respondents for our dissertation. We sought after empirical data from interviewees who had, first of all, co-founded the company, secondly, had consumer products, and lastly, have been in their respective BoP markets in order to conduct field studies. These criteria were important to us since we believe this was necessary in order for the interviewees to answer our propositions. Furthermore, since the information on BoP markets is scarce, deep knowledge of the unexploited areas is vital.

4.4. Interview form
When deciding to conduct an interview it is important to consider which method to use, since there are different models. However, this paper will have a semi-structured interview approach, which means that we have an interview guide. An interview guide contains different questions that are relevant to the dissertation topic (Christensen et al., 2010). Furthermore, the semi-structured interview model will have a higher focus on how the interviewees experience the situation. Moreover, it will make the interviewer to decide certain context that fits during the interview (Lantz, 2007).

During an interview it can be problematic to get truthful and open answers, which the interviewer wants from the respondent. Furthermore, Patel and Davidsson (2003) highlighted an issue called “the interview effect”, which refers to the negative effect the interviewee can have when replying to leading questions. Hence, leading questions will affect the reliability of answers. Therefore, it is important to prepare for the interview and also to ask open questions, since open questions will generate a higher reliability in the answers. Furthermore, open questions will also make it easier to ask follow up questions (Christensen et al., 2010).
5. Context of the empirical study

_In this section we are going to present our empirical research. First a presentation of a company that are present in the BoP market in Tanzania. Secondly, a company that are engaged within the BoP market in Kenya._

### 5.1. Case No. 1

Company A was founded 2008 and is active in the photovoltaic industry in Africa, Asia, Europe and South America. The company’s product is a solar powered lamp with cell phone charging functionality, which is tailored to suit users with a light and charging need. The company's mission from the beginning was to sell its product to the Western world, and mainly in connection with outdoor activities, such as boating and to summerhouses without electricity. However, today their focus is almost exclusively on emerging markets, since the company sees a huge potential in those markets, and as the founder states: “we can see the difference it makes”. Tanzania, which is currently the company’s biggest market, has off-grid and rural areas where many people lack electricity or often experience electricity blackouts, which are one of the BoP characteristics (the World Resources Institute, 2007). To demonstrate the need for the company’s product, we here present an example from a Masai tribe twenty-seven km outside the Tanzanian city Dorobo, which is the closest village with electricity:

Today, almost every adult has a cell phone that he/she cannot charge in their home, due to the lack of electricity. To charge the cell phones, one person collects all mobile phones that needs to be charged in the Masai tribe, and then walks the twenty-seven km through the savannah towards Dorobo, which takes a day. Day two, the person recharges all the cellphones with the help of another person who owns a Diesel Generator. Day three, the person returns back home with all the fully recharged mobile phones. The people in the Masai tribe usually pay this person SEK 2,50 for the effort to walk to Dorobo; in addition to this they also pay SEK 5 to the people with the Diesel Generator. This means that they pay SEK 7,50 for a cell phone that maintain its battery for three days. The effect of this is that the people try to turn off their phones as much as possible, causing it to lose its purpose.
This example shows the big need and potential for Company A’s product in the off-grid areas. Additionally, this is an example of the price premium effect, which as stated earlier is that the BoP consumer often pay a higher price for basic goods and services than ToP consumers (the World Resources Institute, 2007; Prahalad, 2010). For instance, a teacher in rural Tanzania has a monthly salary of around SEK 750, so every charge is about 1% of the salary, and 5% of the salary each month.

P1: Is there an uncertain cash flow in the BoP market in Tanzania?

The uncertain cash flow have made it more difficult for Company A to sell directly towards the consumers; since the BoP consumers in Tanzania normally does not have sufficient funds needed for an up-front payment. Moreover, according to the interviewee, there are two different income-tiers in the Tanzanian BoP market, which is coherent with Pitta et al.’s (2008) statement that the BoP markets have income diversity. The first of these tiers has low income, and the second tier has an income level that has started to increase. Furthermore, it is the second tier that is the core segment for Company A, since they have a relatively high income within the Tanzanian BoP market. Sadly, the general assumption that consumers in the BoP cannot afford the product, still exist. Here below is an example of that assumption.

During business meetings, Company A usually meets middle- or high-income consumers, which cannot be characterized as BoP consumers in Tanzania. People from these meetings claim that “a teacher could never afford the lamp”, a statement that is not true. Even though a teacher's monthly salary is SEK 750 a month, and a single product costs SEK 1000, a purchase can be done by using a financial intermediary. This is important for the Tanzanian BoP consumers as they do not have enough money to buy a house or a car, instead they use the opportunity to increase their quality of life with Company A’s product (Prahalad & Hammond, 2002).

A user of this product can become a mini entrepreneur within the BoP market in Tanzania, since he/she is able to sell charging hours to people in need. Moreover, the financial intermediary will gain profit from the interest rate, Company A will gain profit from the sale, and the person who bought the product will reach the breakeven point through selling charging hours. This is a “win-win-win situation” according to
our interviewee, since all partners will gain from the purchase. In addition to this, a financial intermediary is not always a solution for a purchase. BoP consumers have also collectively purchased a product from Company A to use jointly. This is a good example of the collective purchasing power that exist in a BoP market (Prahalad & Hammond, 2002).

Furthermore, the product is able to charge up to ten cell phones each day. By using half of the power to charge other people's phones, the owner can earn between USD 16 to USD 18 per week. As a result to this, the expected payoff period to the financial intermediary, which is between eight to ten months, has been decreased to only three months in some occasions.

P2: Is there a gauging demand for the BoP market in Tanzania?

The need for light and charging is huge in the rural areas of Tanzania. Approximately 15 % of the population has electricity right now in the country, and 80 % of the adults have a cell phone. This causes a disparity that is impossible to solve with kerosene lamps, which is usually used as a substitute. The people in the Tanzanian BoP market have learned to solve the issue with illumination in various ways, some better and some worse. However, the charge of the mobile phone cannot be made without electricity. Furthermore, the kerosene lamp is very dangerous for people. Not only because the kerosene might set fire to things in their environment, but also for the "silent death" through the dangerous smoke and gasses. One example is from Angola where the "silent death" kills 33,000 women and children annually.

Moreover, our interviewee had not experienced that their company had, developed and promoted a product designed for the poor, and that the BoP consumers do not want, which Karamanchandani et al. (2011) state is common. Instead, the she states that almost every person that gets the chance to try the product thinks it is a great product. However, it is difficult to measure the actual demand for the company’s product in the Tanzanian market, according to the interviewee. This is not due to that the BoP consumer does not want the product; it is because of the uncertain cash flow amongst the BoP consumers. Here is an example from a business case:
Company A travelled down to Tanzania to promote and showcase their product to teachers at a school. While they were in the country, they distributed 20 copies. Afterwards the company went away for a few weeks and let the teachers test the product. When Company A returned back, the teachers had spoken with their union and asking if they could borrow money to buy the product. Of the 20 copies Company A handed out, they took 10 pieces back home. “Usually it is about to kick the ball, and then we know that it will bounce a few times before anything happens” our interviewee states, meaning that the sales process usually takes a long time. To facilitate this, the company collaborates with various organizations and people who is familiar with the market, which is in line with what Pitta et al. (2008) indicate is important to minimize these problems.

To show the product for the consumers is a really important step for the company, otherwise the people only have the chance to compare the price tag. According to the interviewee, this is the best way to increase the demand for the product. However, this is not coherent with Prahalad (2010) theory, which state that in order to be successful in a BoP market, a company should not create a product at their “zone of comfort” which is their home market (Prahalad, 2010). Furthermore, according to Karamanchandi et al (2011) companies that sells to a BoP market should focus on meeting existing demands instead of creating demand. However, this is not what Company A has done, since their initial idea was to create a product for ToP consumers.

P3: Are there sales and distribution difficulties in the BoP market in Tanzania?

Company A has experienced the sales and distribution barrier in Tanzania. “The problem is not how to distribute the product to and in Africa; the problem how to get our products through the customs … the declaration papers say that the product is duty free, but the customs officials could say the opposite” according to the interviewee. In one case, Company A sent the product to Tanzania and the customs wanted the full value of the product as a Custom Fee. However, after contacting a local partner for help, Company A’s partner could collect the product for SEK 200 instead of SEK 1000. In most cases, the distributions network is dependent on external factors, such as if the “right person” stands in the customs. Simanis (2012)
states in his article that a penetration of a BoP market is related to higher cost, since the infrastructure in a rural BoP market is inefficient. As a solution to decrease these hidden costs, Company A’s principal is to never be responsible for the shipping costs, since their experience from shipping earlier has resulted in hidden ditto. Furthermore, when representatives from Company A travels to Tanzania, they make sure that they stuff their personal baggage with the product.

Company A uses different agents that have knowledge and experience about the local market, in order to make sales in the rural parts of Tanzania. The agent’s work in Tanzania is vital since it is these people that generate sales, by talking to organizations or other potentials customers during face-to-face interactions. When the agent has succeeded with a sale, he/she contacts Company A, which then deliver the product to Tanzania. To reduce costs for the buyers, the agent usually put one big order so that the shipping costs will be reduced. Prahalad and Hammond (2002) states that it is important to have networks in the BoP market. Furthermore, this is in line with what both Karamanchandi et al (2011) and Rivera-Santos and Rufin, (2010) state, which is that entrants to a BoP market find that it is difficult to create a sustainable network with both distribution and sales people.

P4: Are there disaggregated providers in the BoP market in Tanzania?

Currently, Company A has not a legal entity in Tanzania. Hence, trust and good communication is very important for the company since their establishment in the country is through contacts. Good guidance and description of the product to the local agents is, therefore, something the company values.

One challenge facing the company is that people "change their hats" very quickly, which means that people are less trustworthy. Sometimes it happens that the company meets a person and it feels great, and when they return home, they discover that the person has been “moved up, down or out" in the company position. Furthermore, many of the people sitting in an authority position also pursue their own business. This means that it is occasionally difficult to know whom Company A is really talking to. In conclusion, it is difficult to have sustainable relationship in Tanzania. An example:
Company A met a government official who was very interested in conducting business with them. Later on, when they had their first meeting with this person, the person had a co-worker from his own firm with him. As a result, it became difficult for Company A as they wanted to talk to the person in his government role and not interfere in his business. When Company A mentioned this, the person’s interest waned a lot. It was clear that the person wanted to do side-business through his company, while also being a decision-maker in his authority role.

As stated earlier, one way of minimizing this barrier according to Pitta et al. (2008), is to cooperate with local NGOs and resembling institutes that have a deep knowledge of the local customers. However, the experience Company A has with side-selling displays how this type of cooperation is not always efficient; since partners at the Tanzanian BoP market is not always transparent about their true objectives. Hence, the company need to acknowledge that they can not have full control of their business, if they do not have agents on site in the BoP market (Karamchandani et al., 2011).

What Company A has learned is to always be on guard and try to find local people on the market “who knows the local talk”, since there is no business and credit information to get hold of in Tanzania. According to our interviewee, it is important to always be careful and never take briberies. If a company gets into a bribery situation, the rumors will spread quickly and more people will try to gain some quick money.

P5: Is there an undeveloped business ecosystem in the BoP market in Tanzania?

The business ecosystem in Tanzanian BoP market is undeveloped. “It is vital to have products that are able to endure in the hard climate. If the product cannot deliver up to the BoP customers’ expectations, it will be costly to support the customers with help”, according to the interviewee. Therefore, Company A’s product is built to work in tough conditions. Moreover, since it is difficult for the BoP consumers in Tanzania to reach Company A’s product – “the closest airport can be 100 mile away “- the agents will be a key for providing the customers with service and support. According to a
schor, the cost to provide service and support will increase in a BoP market, due to lack of efficient infrastructure (Simanis, 2012). Furthermore, this means that the product must be of good quality (Prahalad, 2010).

Since Company A is in an early penetration stage, they “cannot afford to have dissatisfied consumers”. As a result, Company A decided to replace deficient devices, without any costs for the consumers in the BoP market. However, Company A is aware that problems might appear in the future, since the battery power in the product will decline. To solve this, Company A’s product is manufactured so that it is uncomplicated to replace the battery. Furthermore, the agents also know how to switch the battery. According to the CEO of Company A, the battery is constructed to last for over 1000 recharges before it becomes too weak to stop working. In conclusion, it is important that the product is easy to maintain in a BoP market with an undeveloped business ecosystem.

5.2 Case No. 2
Company B was founded 2006 and is active in BoP markets in Africa, Asia, Oceania and South America. The company was formed to develop, produce and distribute a single-use and self-sanitizing toilet, which prevents excrements from contaminating surrounding areas. Furthermore, after the product has been used, it turns into a fertilizer that can advance the standard of living and enhance food security. This is an example of an innovative product targeting the BoP market (Simanis, 2012; Prahalad, 2010; Bustrup, 2007). Company B’s mission is to make available worldwide access to hygienic sanitation, and has a long-term goal to reach out with the product to 150 million BoP consumers on a daily basis. The interviewee, who also is the executive director of Company B’s Kenyan market, did performed field-test of the product in Kenya 2008. A field test was necessary since the company’s product is brand new on the market, which includes a "behavior change", as the interviewee states. This means that Company B’s product will change the way their consumers go to the bathroom, which will lead to a change in their behavior and their habits on a daily basis.

Today, more than 2.6 billion people lack access to basic sanitation. In addition, 40% of the world’s populations do not have a toilet in their home. Furthermore, both feces and urine can be full of infectious and dangerous microorganisms such as parasites,
viruses and bacteria. "The people in these areas understand that it is dangerous with outhouses because of hygienic reasons ... and the kids are sometimes running into the bushes to do their business, this however causes a higher risk of rape" the interviewee states.

These facts and statements show the big need and potential for Company B’s product in Kenyan BoP areas. Most of the people that need sanitation products are the most poor who do not have the funds to buy it. But by presenting an alternative solution, this innovative and low-cost product can create demand among the BoP consumers. Furthermore, the company's business model is coherent with what Prahalad and Hammond (2002) argue is necessary in order to get a profitable penetration of a BoP market. The authors state that companies should aim for a low price, a low margin and a high volume strategy (Prahalad & Hammond, 2002).

P1: Is there an uncertain cash flow in the BoP market in Kenya?

Uncertain cash flow is a barrier that Company B has encountered in Kenya. At first, Company B tried to use a pay-per-use strategy, where the local sales women in Kenya gave the products to customers and explained that they had to pay for every product that they used on credit. This is in line with what Karamanchandi et al. (2011) advocates is a efficient solution to overcome this barrier. However, this pay-per-use strategy did not work for Company B, since it could take several days to get the payment for the products, due to the low cash flow. Therefore, Company B had to find a new solution for this barrier.

Since there is a demand for Company B’s product after usage, they have decided to give refunds for every returned ditto. The product costs 3 Kenyan shilling, and the recompense is 1 Kenyan shilling. Moreover, in order to receive a refund, the BoP consumers are required to hand in the product at certain drop-points. However, some consumers do not consider that it is worth the effort to return the product. This has in turn created a second market; local women in the Kenyan BoP have started to collect Company B’s used products from other consumers, in order to collect refunds from the drop-points. “A spinoff that we did not expected” according to our interviewee. By using Company B’s product, consumers in the Kenyan BoP market can enhance
their quality of life (Prahalad & Hammond, 2002). This is due to the products ability to remove the smell that comes from feces, and the ability to generate a healthier environment, due to the reduced amount of bacteria, viruses and parasites.

In the early penetration stage, Company B were focusing on BoP areas in Kenya which had the lowest income level. However, Company B later realized that the BoP market in Kenya has income diversity; which is coherent with Pitta et al. (2008) statement regarding BoP markets. Therefore, Company B later changed their target market towards Kenyan BoP areas with higher income levels. This was a successful strategy and resulted in that “we have got a higher penetration of our product”, according to our interviewee.

P2: Is there a gauging demand for the BoP market in Kenya?

As stated earlier, the need for sanitation products is vast in the BoP markets worldwide. People are aware of the danger, but are unfortunately too poor to address the problem by themselves. The user acceptability of Company B’s product has been carefully tested in the Kenyan BoP market. The evaluations and market surveys the company has made indicate high user acceptability. For instance, in the Kibera slum in Kenya, where the product has been on the market for 9 months, the evaluation showed that 93% of the consumers continued to use the product after their initial try. In order to reach out and spread the word of the product, Company B has marketed themselves on radio stations, events and posters in the Kenyan BoP areas.

“The first thing we do is to get people to become users of product, then the product should sell itself … however, the most difficult part is that people expect the product to be for free”, the interviewee states. This is something our interviewee refer to as "the NGO syndrome". This means that people in the BoP market has long taken for granted and learned that the NGOs’ are a source of income, a habit Company B is trying to distance themselves from. This goes in line with the view that NGOs’ together with charity projects, were those who traditionally served the poor for no profit (Pitta et al. 2008).
Estimating the demand for the product on the Kenyan BoP market has not been difficult for the company since the needs for the product is vast, however, it has been time consuming because the product they have launched is innovative and, hence, completely new to the market. In addition to this, Karamanchandi et al. (2011) state that it is difficult to create demand in a BoP market. Moreover, a company that wants to penetrate a BoP market, should target existing demand. However, Company B has not used this strategy since their product is unique and includes a behavioral change, which means that they had to create a demand.

P3: Are there sales and distribution difficulties in the BoP market in Kenya?

In order to overcome this barrier in a BoP market, it is vital to build a network and a presence through local people according to Prahalad (2010) and Kharamanchandi et al. (2011). Company B has realized the importance of having a lucrative network in Kenyan BoP markets. In fact, the most important sales and distribution partner to Company B is local entrepreneurial women. “Women in Kenya are more likely to sell towards other women since they are responsible for the family, children and health issues.”, the interviewee from Company B states.

However, Company B has experienced challenges within the distribution and sales barrier in Kenya. Company B’s saleswomen in Kenya must be social and also “popular in their neighborhoods”, if not, “the face-to-face interaction will not generate sales” according to our interviewee, since people live close together in the shantytowns (Prahaland & Hammond, 2002). In some cases, Company B had to relocate saleswomen’s to other sale areas, since they discovered that the saleswomen were not “popular in the neighborhood”. Furthermore, in order to generate more sales, the sales women are provided with basic training from Company B in hygiene, basic bookkeeping and know-how in the usage of the fertilizer. Additionally, by outsourcing workforce to the BoP market, the chance of creating a more favorable mindset amongst the BoP consumer towards the company will increase (Prahalad & Hart, 2002).

P4: Are there disaggregated providers in the BoP market in Kenya?
As stated earlier, Company B is using local labor. However, something that Company B has noted is that "as soon as the women see an opportunity to sneak money, they take it". The fact that people see Company B as a source of income is not peculiar, since “people think in short-term and do not believe in saving their money” as the interviewee states. This means that the BoP consumer take every opportunity they can to earn money.

To prevent this from happening, and in order to co-operate successfully, the company and the saleswomen have to build trust with each other. Furthermore, to address these problems, Company B works hard to get good contact with these women through training as mentioned earlier. This is an important routine for the company, since the sales persons are ambassadors for the product. However, the training to the women has proven to be quite challenging for the company, and has taken longer than they initially thought. For instance, it took 18 months to educate their sales teams in Kenya since “they have lived without any routines earlier” according to the interviewee. However, according to research it is critical to use local workforce in order to overcome this specific barrier in a BoP market, although companies must be aware of that scams might occur internally in a BoP market (Pitta et al, 2008; Prahalad, 2010).

P5: Is there an undeveloped business ecosystem in the BoP market in Kenya?

Companies from ToP markets that have penetrate a BoP market have found that the different organizations, for instance suppliers and competitors, have been absent in BoP markets (Rivera-Santos & Rufin, 2010). This is also true for company B. In order to create support to consumers in the Kenyan BoP market, Company B’s strategy is to provide their consumers with help during block parties that are being arranged by the company. During the block party, Company B is able to get “face-to-face interaction with the consumers that need support” stated our interviewee. In addition to this - since Company B cannot be present all the time - the saleswoman are also a key in order to provide consumers with support and service.
6. Conclusions and Discussion
6.1. Summary of results
The uncertain cash flow Karamanchandani et al. (2011) state is present in the BoP market is a reality that both the companies in this study has witnessed. The initial core markets for Company A and Company B was the lower-income tier within the BoP, but did however change their core markets, since this income tier had difficulties with the cash flow. Moreover, the companies did realize that the BoP consumers were lacking sufficient money to buy their products, and that the consumers were living in a state of uncertainty, which made up-front payments unachievable. In order to deal with this barrier, both the companies decided to change their focus towards a higher income tier within the BoP market. Moreover, in order to generate sales, Company A’s consumers started to use financial intermediaries to afford their products, and Company B developed a refund strategy for their consumers. Hence, although the companies have found a market within the BoP that works for their specific business, the problem with the cash flow is still present in the Tanzanian and Kenyan BoP markets. Therefore the uncertain cash flow barrier is accepted.

The empirical evidence from Company A and Company B is coherent regarding the gauging demand in their different BoP markets. Both the companies did realize the needs that could be satisfied among their consumers and therefore developed innovative products, which could enhance the quality of life among the BoP consumers. Company A’s product will reduce the usage of kerosene in Tanzania, and Company B’s product will create a healthier environment in Kenya, due to the decrease of infectious microorganisms from feces. Moreover, Karamanchandi et al. (2011) stated that companies that wishes to engage in a BoP market should focus on meeting existing demands, instead of creating new ones, in order to be profitable. However, the BoP consumers demand was created by Company A and Company B themselves, since the user acceptability was high after they tested the product on the Tanzanian and Kenyan markets. Therefore, the gauging demand barrier is rejected.

To overcome the sales and distribution barrier, Company A and Company B are using local workforce in their BoP markets, in order to create face-to-face interaction with their consumers. Company A has local agents in Tanzania to generate more sales, and Company B has local women in shantytowns in Kenya for ditto. Both of the
interviewees were convinced that if a company want to succeed in a BoP market, it is a necessity to use local workforce. In addition, researchers within the BoP area of study also highlights the importance of using local workforce. For instance, in Karamancharidi et al. (2011) article, they write that a solution to this barrier is to have a local well trained workforce in the BoP market, which both of the interviewed companies uses. However, even if Company A and Company B has an educated and local workforce in their different BoP markets, they still encounter unusual external problems in their sales and distribution channels. For Company A, the customs staff at the airport is an example of a distribution problem, and for Company B the “enemies” of the saleswomen is an example of a sales problem. As a conclusion, the sales and distribution barrier is accepted.

Company A and Company B have both been facing difficulties regarding disaggregated providers in the BoP market. The companies have jointly experienced that the level of trustworthiness is not as high as in the ToP, due to the fact that people in BoP markets are living under more poor conditions. Both the companies have observed that the poor conditions amongst the BoP population has resulted in a mentality to take every opportunity they can, in order to collect some extra money. This often occurs through side selling of the products, which Karamancharidi et al. (2011) also argue is common in the market. To overcome this challenging barrier, Company A and Company B are providing guidance of the products, and education in other work-related issues. Hence, both of the companies have understood the importance of developing a trustful relationship with their co-workers and partners, since they are the ambassadors of the products, as well as the company. Even though both the companies have developed their own strategy to overcome this barrier, they have learned to always be on guard and to educate people in order to get high quality outputs. Therefore, the disaggregated providers barrier is accepted.

The empirical findings from Company A and Company B is consistent regarding the undeveloped business ecosystem in their own specific BoP markets. Both the companies realize that they need to have a well-fitting strategy, which includes a face-to-face interaction with the consumers, if a problem might occur. This is due to the fact that the business ecosystems needed to support the products, is often absent at the BoP, as Karamancharidi et al. (2011) argues. But since Company A and Company B
produce two very dissimilar products, their strategy to encounter the undeveloped business ecosystem differs from one another. Company A have tried to minimize this problem by producing a product that work in tougher conditions, as well as educated their agents who are present in the Tanzanian BoP markets. Company B, however, have for instance arranged block parties in order to get face-to-face interactions with their consumers that need support of how to use the product. Therefore, the undeveloped business ecosystem barrier is accepted.

Both Company A and Company B has struggled with the last barrier, which is the undeveloped business ecosystem. Company A had to invest greatly in their product so that it was easy to maintain and to use, furthermore, Company A’s product also had to work in tougher conditions in the rural Tanzanian BoP markets. These actions from Company A were all necessary since the lack of infrastructure in Tanzania will make it harder for companies to give support.

Moreover, Company B’s product differs from Company A’s since the BoP consumer use it one time, and then store the product in order to become a fertilizer for gardening. However, Company B also engages in more support activities through their block parties in order to generate more pleased consumers, which also have the know-how of how to use the product in the best way. However, in this barrier Company A’s agent in Tanzania and Company B’s saleswomen play a important role, since they are closest to the consumers on a daily basis. Furthermore, Karamanchandi et al. (2011) states that since the set of connections to deliver service and support are absent in a BoP, it is a barrier for companies to overcome if they want to penetrate a BoP market. Therefore, the undeveloped business ecosystem barrier is accepted.

6.2. Conclusion
The aim pursued in this dissertation was to gain better knowledge and understanding of the market barriers in the BoP. To do so, we investigated if five propositions could be either accepted or rejected in BoP markets in two African countries. Furthermore, thanks to the literature review, a lot of intriguing information have been highlighted and strengthened this dissertation. The literature review also allowed us to fine-tune the execution of the empirical research and the design of the empirical methodology. Moreover, the primary data composed in this dissertation have been gathered from
companies conducting their business in Tanzania and Kenya. Lastly, the analyzed data brought us to the formulation of the results, as well as the collation with what have been previously found in preceding researches. Once done, we are now capable to answer our research question.

RQ: How do companies adapt to different market barriers in a BoP market?

Our study has showed that it is challenging for companies to establish a business in a BoP market, due to the different barriers, which does not exist in a ToP market. Hence, in order to overcome the market barriers in a BoP market, companies will have to be well organized. Furthermore, the empirical findings resulted in four out of five accepted barriers regarding BoP markets. The only barrier that we rejected was the barrier concerning gauging demand, in which Karamanchandi et al. (2011) state that companies should try to meet existing demand instead of creating new. Since both Company A and Company B created new demand from BoP consumers, this barrier was rejected. Moreover, the accepted barriers are evidence that the interviewed companies have struggled with their establishment in their respectively BoP market. However it is important to stress that both Company A and Company B has found and developed different solutions for these barriers. Therefore, this dissertation emphasis that the opportunities in the Tanzanian and Kenyan BoP markets are a reality for companies, opportunities to make profit and bring prosperity to the aspiring poor.

Furthermore, the BoP corresponds to a large market with specific needs and challenges, and companies have to develop new strategies in order to overcome the existing barriers. The heterogeneity of the BoP across different countries, as well as income levels, make it complicated to develop a one size fits all strategy. Consequently, in order to be successful, BoP strategies seem to demand a high degree of local embeddedness, which means that the companies ought to be enmeshed in the different social networks.

Moreover, the BoP markets is not only challenging opportunities for companies, they also present ultrathin margins. Hence, it is crucial for companies to connect in markets where there is a possibility of attaining large-scale operations, in order to make up for low margins with high volumes. Scalability is therefore a strategical
question for companies entering BoP markets. The new environment for the companies has also enlarged the need to consider not only how to deal with consumer needs more wisely, but also how to detain value from providing new innovative products. So, without a well-adapted business strategy, companies will fail to either deliver – or to detain – value from their products in a BoP market due to the accepted market barriers.

Lastly, it was difficult to find companies that had products towards BoP consumers in Africa. However, the products provided by both Company A and Company B had innovative and unique towards low-income consumers. Furthermore, Company A and Company B’s products also had the ability to increase the quality of life among the population in the Tanzanian and Kenyan BoP markets. Therefore, this dissertation paper will contribute to knowledge regarding what kind of traps and difficulties companies might encounter in low-income markets. However, it is important not to merge all BoP markets worldwide with each other, since culture, infrastructure and other external factors play a key role.

6.3 Limitations and suggestions for further research
Due to the economic growth in African emerging markets, research regarding ditto is likely to increase in the future. Furthermore, the shift in the world’s economy, with increased income levels among low-income consumers, is interesting from a business economics point of view. Therefore, we have in this paper discussed both of these areas, which we believe is relevant. In addition, this research is likely to be even more applicable in the future. However, the study has it’s constraints which could be further improved by other researchers in the future.

Due to time and cost constraints, we used a convenient sampling of our respondents, which additionally calls into question the representativeness of the sample. Moreover, since we have investigated different market barriers in the Tanzanian and Kenyan BoP markets, it would be interesting to see how companies handled these market barriers in other African BoP markets. Furthermore, since both Tanzania and Kenya are located in eastern Africa, and are in fact neighbor countries, the research could have been more broad if our BoP markets would differ geographically to a greater extent. Our suggestion is therefore to conduct research regarding barriers in a larger
perspective, with BoP markets in more countries, and perhaps continents. The results obtained with such a research may lead to more generalized findings.

As stated earlier, the empirical data in this paper consists of only two interviews. A flaw that is due to the unsaturated BoP market, in which companies has developed products to the consumers that live on less than USD 3000 a year. The difficulties to get in contact with companies, in order to get the empirical data, proved to be more challenging and time consuming than we believed. Therefore, for further research in this area, we recommend that the researcher is ready to conduct comprehensive research in which companies to use. However, as stated before, the ongoing African economic progression is likely to capture many companies attention, which will increase the foreign direct investments in the area.
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Appendices

Appendix 1: Interview guide

An interview guide consists of relevant questions arranged in the specific order in which they should be asked during the interview (see appendix X). The interview guide is divided into different subject areas in order to make it more flexible and easier to understand.

Question 1-2: Through these open questions, we will hopefully get answers that can back up much of what is written in the literature review, as well as general information about the company.

Question 3: An open question about the challenges in the BoP market is asked in order to get closer to the issues regarding market barriers. This question will probably result in that our interviewees explain different market barriers their company has come across, but that we have not thought of. If this is true, then the answers might be interesting to include in our analysis. Furthermore, we will be prepared to ask follow-up questions depending on the answers.

Question 4-8: These five more specific questions will be asked in order to gather information about the 5 propositions/market barriers.

Question 9-10: These questions will be asked in hope to get additional information about the different market barriers in the Tanzanian and Kenyan BoP markets.
Appendix 2: Interview questions

1. Tell us about the company?

2. How did you come up with the idea of selling products towards BoP consumers in Tanzania/Kenya?

3. What are the biggest challenges your company has encountered in the Tanzanian/Kenyan BoP market?

4. What is your view on the purchasing power from BoP consumers in Tanzania/Kenya? (Proposition 1)

5. How has the BoP market developed since you started selling your product in Tanzania/Kenya? (Proposition 2)

6. How have you solved the sales and distribution difficulties that you have encountered in the Tanzanian/Kenyan BoP markets. (Proposition 3)

7. Tell us about your collaborations with local organizations in Tanzania/Kenya. (Proposition 4)

8. Tell us how you have provided service to your consumers in the Tanzanian/Kenyan BoP markets? (Proposition 5)

9. How far have you got in your establishment in other BoP markets?

10. Do you have something to add?
Appendix 3: Interview transcript Company A

Berätta lite om företaget HiNation


Från början var vi nere på massa distrubitionsämssor i Tyskland och har nu valt att nästan enbart fokusera på Afrika/Asien – eller tillväxtmarknader. Inte för att det går snabbt där, för det gör det inte, men det finns en otrolig potential, och vi ser verkligen vilken skillnad det gör. Det är givande för både hjärta och hjärna. Vi kan ta ett exempel från Masaierna;

En Masaihövdning i norra Tanzania, han är ju då en såkallad traditional leader – han är vald av sin stam. Dom bor ungefär 30 km utanför Dorombo, som är deras närmsta by med el. Inprincip alla har mobiltelefoner, och när vi var nere så sa dem att 500

• Hur kommer det sig att ni började sälja produkten i Tanzania?


• Vilka är de största utmaningarna ert företag möter i Tanzania?


• Vad är din uppfattning av konsumenternas köpkraft i Tanzania (Proposition 1)

Det finns två grupper, om ni bara pratar om BoP så är det ju definierat väldigt lite, men det finns ju ett mellanskikt som växer enormt som man räknar som medelklass. Men alla tänker bara på svälten och fattigdomen. När vi har möten träffar vi ofta en medelinkomsttagare eller uppåt, dom vi sitter i själva businessmöte med. Dem tjänar bra med lokala mått mätt, och höjdarna tjänar säkert väldigt bra – speciellt i affärsverlden. Och då är det oftast så att personerna säger att ”lärarna kommer aldrig ha råd med det här” för HiLight kostar ju en månadsloån på ett ungefär, ”men jag skulle vilja köpa 5!” Så dem fattigaste av dem fattigast har väldigt dålig köpkraft, men det är väldigt många som är intresserade i mellanskiktet.


• Berätta lite om sälj och distributionssvårigheter ni har stött på (Proposition 3)


• Hur har marknaden utvecklats sen ni började sälja er produkt i Tanzania? (Proposition 2)


• Berätta hur servicen till era konsumenter går till (Proposition 5)


• **Hur försäljningen går till (Proposition 3)**


• **Berättar om samarbetet med ideella organisationer 50:50 – 54:40**

• **Hur ser framtiden ut nu?**


• **Hur har marknaden utvecklats sen ni började sälja er produkt i Tanzania? (Proposition 2)**


Appendix 4: Interview transcript Company B

- Vi ringer er för att få mer vetskap om de olika barriärerna inom BoP.


- Hur kom det sig att ni började sälja produkten i Kenya?


- Har ni något samarbete med lokala organisationer i Kenya? (proposition 4)


- Vilka är de största utmaningarna ert företag stötter på i den Kenyanska marknaden?

Vi är inget företag utan en NGO. Vi försöker dock etablera en business. de första problemet man stötter på i en slum är “the NGO syndrom” vilket betyder att människorna i slummen ser NGO:s som en inkomskälla, människor tänker väldigt kortsiktigt, man kan inte spara, mentaliteten säger att man tänker kortsiktigt. Människor i slummen anser att de ska få saker gratis från NGO, det är så de har lärt sig en NGO gör. De vill ha betalt för att gå på en workshop.

- Vad har denna mentaliteten haft för inverkan på ert företag?

Vi var inte beredda på detta problem, om vi hade vetat om det hade vi inte etablerat oss så att det var tydligt att vi inte var en NGO. NU har vi en så kallad push product som innebär behavioural change, vi säljer nånting som de inte har en erfarenhet av, svårt att få folk att köpa produkten då kunderna inte förstod nyttan med den. kvinnor som distributionspartner, dessa kvinnor knackade då dörr och de ville ha kredit. Man fick då betala då för de man hade använt, en pay-per-use strategi. Dock så fungerade detta inte, eftersom beloppet de skulle betala tillbaka samt tiden för att samla in pengarna tog för lång tid. (Proposition 1)

Har även börjat använda oss av kiosker, kollat på liknande företag som säljer kondomer. Inte så enkelt att få konsumenter att handla produkten i kioskerna då det kan vara väldigt privat hur man går på toaletten. Numerar har vi börjat gå in i de lite
rikare slum områdena istället för de fattigare slumområdena, vilket har gjort att det har gått snabbar att få ut produkten.

Att etablera ett utländskt företag är svår då många ser möjligheter att kunna tjäna pengar. Inte så att de är korrupta, utan de har det så tufft så de försöker se möjligheter att tjäna pengar så tar det den.

- Förstår era kunder fördelar med vad produkten kan göra? (proposition 2)

De förstår att det är farligt med utedass pga hygienen hur farligt det kan vara med maskor och bakterier. barnen brukar då springa bakom en buske, dock så medför detta en högre risk för våldtäkt. Ett annat problem är att det är mannen som har pengarna, kvinnen har oftast inte rätt köpa toaletter. Det sociala i Kenya säger att mannen i Kenya är väldigt matcho om de har familj.


- Vilka problem kan dyka upp då?


- Hur mycket investering krävs för att bygga upptillit hos de kvinnor som gör de här? Har ni märkt av att vissa försöker lura till sig pengar?(Proposition 4)

Det är snarare så att de ser en möjlighet, istället för att lura till sig pengar. Det är inte elakt menat, men ser de en möjlighet så kommer de att ta den. Man måste tänka i andra steg.

- Hur fungerar servicen för era konsumenter?(proposition 5)

Via kvinnorna framförallt som är ute och supportar, via workshop och blockparties där vi lär människor hur de ska använda produkten. Via blockparties har vi då upptäckt var produkten har använts fel, då har vi möjligheten att gå tillbaka. Viktigt att tänka på vad sorts produkt det är, Company B kräver förändring av beteende. Det är e annan sak att få en vara än att köpa den själv. om alla använder den kommer det bli lättare för fler att använda den.
• **Hur har marknaden utvecklas sen ni började sälja er produkt i Kenya?**

Det tog tid i början men det har utvecklats bra. Vi gjorde väldigt mycket fel i början men vi ser detta som en learning investment nu. Vi ska inte ha en pay after use för att blandas ihop som en NGO. När man ska etablera en helt ny produkt måste man ge sig själv mer tid.

• **Har det varit svårt att mäta efterfrågan? (Proposition 2)**