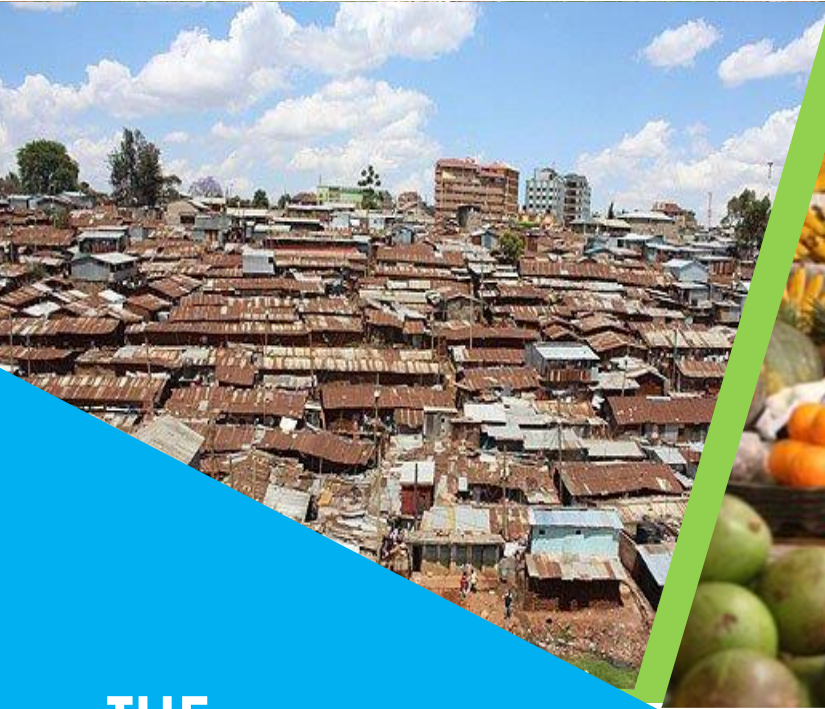


# UNDERSTANDING



**THE  
BOTTOM OF  
PYRAMID**



Innovation



Capital



Knowledge

# What to expect

- Who they are
  - The BOP youth
  - Connection to product and services
- Fears and Aspirations
- Purchase behavior
- Financial inclusion
- Concerns
- Opportunities and Way forward

# Who are they?

Key descriptors: Income, living conditions, purchasing power & exposure



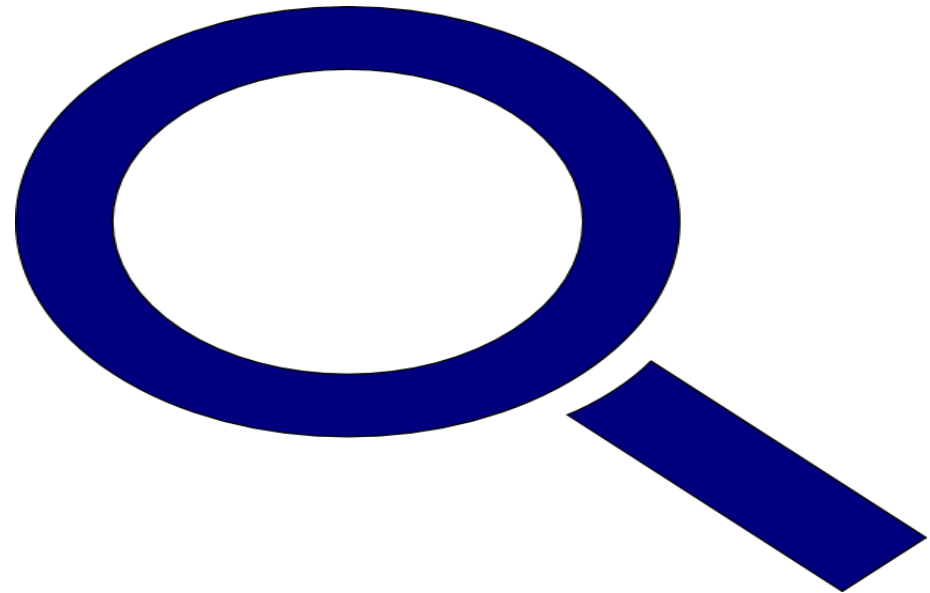
## What Characterizes BOP in Kenya ?

1. Low and fluctuating incomes, and limited access to credit
2. Domestic constraints, difficult living conditions, and most product & services to them, are highly priced – not within reach
3. Lack information on many commercial products, and therefore rely on trusted sources or demonstrations to make purchase decisions
4. Purchase goods mainly in smaller **stock-keeping unit (SKUs)** because of the low cash outlay:
  1. This form the origin of the term “Kadogo” is a swahili word to mean Small

# Understanding BOP in depth

- Residence: Slums and rural peasant dwellers, high density areas
  - Living in deplorable conditions
  - Insecurity is prevalent
  - Crime prone areas
- Described as poor – earn less than Kshs 100
- Are illiterate or with very minimal level education / primary
  - 60% of the poor are illiterate according to the 2010 human development report
- Unskilled laborers or unemployed, they do menial jobs

- There is improved financial inclusion despite their status
  - Mobile money
    - In Kenya 81% use Mpesa





# Their connection to products and services is from a basic perspective

- Food consumed is the most **common** e.g. maize flour which is considered staple and thus affordable
  - Would opt for other versions e.g. ground
- **Aesthetics** in products and services e.g, attractive packaging does not have any impact.
- Most of the products purchased are **measured**
- To them, they consider the most immediate need e..g Food for **filling** don't bother about taste



# The youth BOP, unlike the old would like to be seen as moving with the trends despite their status

- Copy western lifestyle like their counterparts in different social status
- Have entertainment:
  - Outing
  - Smoke
  - Alcohol
- Ladies would strive to have access to latest clothing / make ups



- **Increased crime rate**
  - **Most prostitutes come from BOP areas**
- ↓
- **Ways of raising money to sustain their aspirational lifestyle**

# Word of mouth and social media are more powerful influencers compared to other SEC

## Word of mouth

- Experiences shared with neighbors and friends, highly influences the products they buy.
- If a product enjoys positive word of mouth and definitely it is within reach as they share a lot characteristics it will be dominant in that area

## Social Media

- Especially amongst the young, who would like to fit in hence check what is trending in terms of fashion, products...

*Hessy wa Dandora & Kayole*



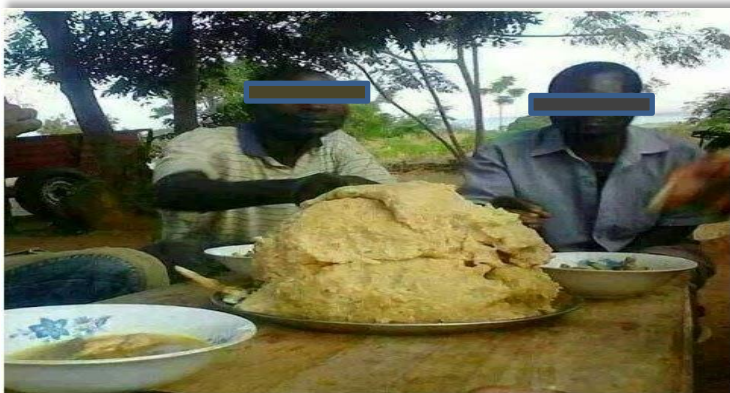


# What are their Fears and Aspirations...

**Food is at the central of their fears while financial security and education are seen as crucial in transforming their current state**

## Fears

- Food wastage
- Food getting spoilt (Only buy what can be consumed on that day)
- Going for day(s) without food
- Insecurity



## Aspirations

- Education
- Employment
- Starting a business





# Purchase behaviour

**It is about cutting your coat according to size...**

- Strictly spend money on what they can afford:
  - Not impulsive buyers
  - Never extravagant
- Habitual and routine to buy in smaller SKUs
  - Due to cash available
  - And also a form of controlling wastage
- Large quantities but affordable are often considered
- There is tendency to buy measured products according to the cash available
- Package appeal is of less importance / insignificant
- Mental Budgeting



# Financial inclusion amongst BOP is on the rise...

**75.3%**

**Now formally  
banked**



- Mobile platform has played a significant role in financial inclusion
- However, there are other institutions that have helped improve on the **financial inclusion**:
  - Informal groups
  - Banks, MFBs & Saccos,
- Security and convenience are key drivers in choice of a financial institutions.
  - Given these factors, especially on security, some BOP would rather choose an established financial institution such Equity bank which considered for the mass market & not alienating
- A significant % are aware about financial institutions

Success stories....A number of organizations have come up with products that target the BOP better



**Agent Banking**



**Affordable liquor**

**Smaller SKUs**

# Issues of Concern to Kenyans

1538 Respondents interviewed by Infotrak June, 2018

- 58%- Are worried about Corruption
- 57%- High cost of living
- 19%- Unemployment
- 10%-Poverty



Have great impact  
on the BOP  
livelihood



# Issues affecting BOP market



- Drug and substance abuse



- Areas where counterfeits are mostly sold



- Insecurity

JOINING  
CORRUPTION  
TOGETHER  
Civil Society  
and the Private Sector



- Corruption has eaten into the societal social fabric, money meant for development of these areas end up in people's pockets



# Controversial Project

- Kibira 3000 housing project was a good idea.
- The slum still lives on. Did we expand the slum?



# The opportunity...

**World population**

**7 Billion**

**Rich & Middle class**

**3 Billion**

**BOP**

**4 Billion**

US\$ 1 trillion buying power  
(2006)

- **Most manufactured products and services are targeted at this population**

(Prahalad & Hart, 2000)

- **Somewhat ignored and excluded from the formal economy**

# Assumptions on why BOP “ignored”

## *Did you know ?*

- They cannot afford
  - Not a viable target market
  - Not sustainable
  - Cannot peacefully co-exist (violent)
- Africa Breweries, Senator (Keg beer) is a popular brand among the BOP in Kenya
  - M-Pesa business is thriving
  - Second hand market (mitumba)



# Way forward

- Smaller SKUs is standard as an entry point for the BOP to upgrade to premium products
- To reduce the cost of product special packages that reduce the cost of production can be considered for this segment
- Bulk packed products can be considered then measured at the retail level to customers within this segment at an affordable pricing
- Sales Promotions using incentive-based methods...
  - bundled e.g. Combo products (detergent and fabric softener)
  - Price slash
- Invest in researchers

ASANTE SANA