Marketing Mix Strategies towards the Bottom of the Pyramid: a study of the Brazilian market
Abstract

Prahalad has started a debate in the last decade regarding the opportunities of doing business towards the low-income consumers of emerging markets, which he called Bottom of the Pyramid (BOP) markets. The purpose of this study is to investigate how companies adapt their marketing mix strategies in order to target this type of market. The research is developed as case studies within the Brazilian telecom market in order to offer a new BOP setting as previous research has been focusing on Asia and Africa. Semi-structured face-to-face interviews are conducted with managers of the prepaid segment of three telecom companies. The study shows that price strategies are most important to adapt towards affordability in order to target BOP markets because of consumers’ limited budget. While adaptation in product and place are also seen, they are not as substantial as in price. The strategy that was not adapted was promotion as traditional channels are most common within the Brazilian BOP market. Moreover, companies with a strategy that traditionally have been upper-segment-centric do have to make larger and more innovative adaptations in order to market this segment.

Keywords: Marketing Mix Strategy, Bottom of the Pyramid (BOP), Brazilian Market, Telecom Industry
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1. Introduction

Emerging markets have become an important context on the global economic map in the last decade. Not only researchers are focusing on their dynamics and growth (London & Hart, 2004; Prahalad, 2005; Sheth; 2006), but also companies have been attracted to explore the business opportunities offered by these markets, such as Unilever in India, Casas Bahia in Brazil (Prahalad, 2005) and Hexacom India Limited (Anderson, 2006) to name a few. The economic development in Asia and South America are redesigning the map of economic activity (Dicken, 2011). The argument is that those markets have such high potential to be developed as a profitable business but they are still underserved by the private sector (Prahalad & Hart, 2002).

In the beginning of 2000s Prahalad started a debate regarding the opportunities of doing business towards the low-income consumers in the emerging markets (Prahalad & Hart, 2002; Prahalad & Hammond, 2002; Prahalad, 2005). Prahalad named this segment as the Bottom of the Pyramid (BOP) arguing that there are approximately 4 billion people in the world living with less than $2 a day. Despite the apparently low purchase power, Prahalad points out that there is a fortune at the BOP where the private sector can make profits and at the same time help to improve those consumers’ standard of living (Prahalad & Hammond, 2002).

Prahalad (2010) points out that some industries, such as retailing, fast-moving consumer goods, micro finance, telecom and agribusiness, have been developing initiatives to target the BOP, but “firms are learning that this market cannot be approached with the mindset of their traditional markets” (Prahalad, 2010, p. 11). Chikweche & Fletcher (2012) also argue that firms should develop tailored approaches to market to the BOP because of their constraints in terms of income, education and infrastructure.

Therefore, there has been a debate of how firms can operate in the BOP areas of the world. Even though these BOP consumers have for a long time been partly neglected and overlooked by both researchers and practitioners, there is an increase in intentions from companies as well as studies in this field tapping into how to contribute to the debate and understanding of the subject
(Anderson, 2006; Pitta et al., 2008; Garrette & Karnani, 2010; Chikweche & Fletcher, 2012). As Sheth (2011) points out, this century will be all about marketing to the emerging markets, just as the last century was dominated by marketing to the rich world.

Researchers agree that a company using the traditional marketing strategies applied in a BOP context would not be able to reach this market due to the constraints it presents in terms of income, education and infrastructure. However, companies may not know what type of marketing strategies works well (Pitta et al., 2008). Prahalad (2010) states that companies need to adapt their current marketing mix strategies (price, promotion, product and place) in order to target the BOP markets. Although researchers remain certain that a rethinking of the marketing mix strategies is needed, it is still an underdeveloped research field about how companies ought to adapt their marketing mix strategies.

1.1. Research Question

The mobile phone sector is an example of a successful attempt to target the BOP segment, according to Prahalad (2005) and Karnani (2007). A product that started as a source of exclusiveness among upper-income consumers has turned into becoming a source of inclusiveness among BOP consumers as well. Its penetration growth among the BOP poses an interest in what they have done to market to these consumers since the research currently are stating that in order to access this market they have to reform and rethink their current marketing strategies (Sheth, 2011). Which leads to our research question:

*How and what do companies adapt in their marketing mix strategies in order to target the Bottom of the Pyramid?*

The purpose is to investigate how and what companies are adapting in their marketing mix strategies to the BOP segment. By doing so, the aim of this study is to contribute to the BOP literature development providing insights of how the marketing mix strategy can be adapted towards the BOP market, which would equip companies with knowledge of how to work in this segment.
As Karnani (2007) argues, the BOP literature development has mainly focused on a few core examples developed by Prahalad, which we think is a clear indicator of the need to add more knowledge to this field. While Asia and Africa have been of interest to researchers, the BOP markets of South America have been under-researched. However, the size of South America markets makes them an important field that can shed light upon the marketing strategies in BOP markets. Therefore, studying a different setting such as the Brazilian market, where, according to Barki and Parente (2010), the BOP population is approximately 65.5% of the whole country (ABEP, 2010), might lead to a better understanding of the marketing practices to market to the BOP consumers.

2. Analytical Framework

2.1. The BOP proposition

The term BOP was coined by Prahalad (2005) to refer to the population unserved by the private sector which might be the next segment of increased attractiveness for firms. Due to the BOP market size and its consumer’s aggregated purchase power, Prahalad (2005) argues that there is a great opportunity to serve this market and becoming profitable.

Some researchers (Garrette & Karnani, 2010) argue that BOP consumers are naturally price-sensitive. Their arguments is based on the fact that these consumers spend about 80% of their meager income on food, clothing and fuel alone leaving very little room for “luxuries”. Because of this companies targeting this segment should think about lowering the quality of their product to make them affordable to this segment.

Since different segments require different approaches, an innovative way of addressing the BOP needs is also required. Prahalad (2010) argues that the BOP consumers are rapidly becoming sophisticated and demanding. Therefore, the traditional way of thinking that low-cost products are their single expectations fails to develop profitable businesses. BOP consumers’ perception of value is, in line with Prahalad (2010), not solemnly determined by lower prices because they do not just want and buy cheaper and low-quality products (Barki & Parente, 2010).
Prahalad (2010) argue that companies doing business within the BOP segment should think about developing products that can be affordable to those consumers. What he means is that firms should develop products and services that the BOP consumer could pay for. Prahalad (2010) not only means working with price reduction but also about making payment feasible to these consumes, who usually receive their salary in a daily basis. Prahalad (2010) also points out that besides affordability, firms should work simultaneously with other important factors. They are awareness, access, and availability, which Prahalad (2010) together with affordability calls the 4 A’s. Prahalad (2010) argues that companies should work on building awareness of the product and services available in the market to BOP market. In addition, products and services should be tailored to the BOP consumers and be sold at convenient places for them.

Hence, new ways of applying the traditional 4P’s marketing mix (price, promotion, product and place) would enhance the chances to conduct business in this market. Since the BOP consumers have many constraints, such as illiterate, limited budget, and lack of infrastructure in the areas that they usually live, companies are challenged to find new marketing strategies to get their expected revenue that make the risk and effort worthwhile. Prahalad (2010) argue for a shift from 4 P’s to 4A’s, which will be further develop under the section 2.3, Rethinking marketing strategies.

### 2.2. Market development as an approach to the BOP segment

The primary task of the private sector is often one of converting the BOP consumers from unorganized and inefficient to an organized and efficient private sector (Prahalad, 2010). As Sheth (2011) states, the informal and unorganized markets are results of inadequate infrastructure and that is why market development is what matters most within this type of market.

Since the view from traditional marketing that there is a presence of a functioning and developed exchange infrastructure is not true, the use of non-traditional channels and innovative access to consumers might be both more necessary and profitable than the traditional approach (Sheth, 2011). Furthermore, the chronic shortage of resources, not only financial but also basic needs such as water, electricity and food, also challenges firms to develop capabilities of resource
Improvisation to produce low-cost, efficient and affordable products which traditional marketing approaches are unable to meet (Sheth, 2011). Market development concerns collaborations with distribution network, local governments and possible non-government organizations (NGOs) in order to overcome the constraints present in the BOP markets.

Sheth (2010), in line with Prahalad (2010), proposes that companies should move away from the market orientation thinking of the traditional marketing and focus solemnly on market development. When they refer to market orientation, they mean the traditional way of how marketing should be focused on the wants and needs of the consumer. In the BOP context, Seth (2010) argues that market development is more applicable since it is focused on creating markets and converting non-users into users with the main goal of giving the possibility for BOP consumers to participate in a market. In BOP markets this market development approach is effective because companies shape consumer expectations instead of assessing them. Sheth describes it as a “field of dreams”: If you build it, they do come.” (2011, p. 173), and points out the automobiles and fast food industries in China, India and Russia as examples of markets that developed very quickly following this approach to the BOP segment.

To sum up, the author argues that with a rethinking and innovative approach companies can tap into this market and develop them creating bigger opportunities. Which is in line with Prahalad (2010) who argues that market development is an important factor:

“The challenge is market development: The biggest challenge to managers who are trained to “serve existing market efficiently” is to change their mindsets when they approach BOP markets.” Prahalad (2010, p. 17)

2.3. Rethinking marketing mix strategies

The term marketing mix was coined by Neil Borden in the article “The Concept of the Marketing Mix”, referring to the mixture of elements useful in pursuing a certain market response. The concept is one of the basic ideas of marketing since then. In 1960, McCarthy proposed the Four P’s classification (product, price, place and promotion), which has since been used by marketers
throughout the world (see table 1). The 4P system may well be called the traditional classification of marketing mix (Waterschoot & Van Den Bulte, 1992).

All kinds of business are developed to target a segment. It can be the whole market or a specific group within the population. The important aspect is that once a company has decided which segment of the market it will enter, it must decide what position it want to occupy in that segment (Kotler & Armstrong, 2001). It means that the firm should define how it want to be remembered by its consumers, the place they want their product to occupy in the consumer’s minds relative to competing products. As Kotler & Armstrong (2001) define, “positioning involves implanting the brand’s unique benefits and differentiation in customer’s minds”.

In order to position the brand a firm has different ways to marketing their offers, called marketing mix. Kotler & Armstrong (2001) point out that all the company’s marketing mix efforts must support the positioning strategy, which means that if the firm decides to build a position on better quality and service, it must deliver and communicate that position to target consumers.

Prahalad has for a long time deemed the traditional marketing strategies unfit to serve the BOP markets. It has been suggested that these traditional marketing strategies are too much focused on ‘western’ ideas and are not accounting for the uniqueness of the BOP market and its high diversity. In order to move away from the traditional thinking, Prahalad (2010) argues that reforms with innovative change in marketing strategies are needed.

### 2.3.1. Price - Affordability

Traditional pricing strategies often follow a continuum with two opposite points: one being low margin and high volume, and the other being high margin and low volume. Between those points there are different pricing strategies that can be adopted by firms in order to differentiate themselves on the market (Thompson, 2012).

According to Prahalad (2010), firms have to change this traditional pricing strategy in order to succeed at the BOP market. They need to ensure that their products and services on offer are affordable to their target segment. The reason is that companies usually define the sales price
based on the production costs, without mentioning the high margins expected. This method does not consider how much the BOP consumer can or is willing to pay for a certain product. Therefore, applying this traditional practice fail to offer affordable products to the BOP consumers. Products in this case are usually well above what the BOP consumer can pay for (Prahalad, 2010).

An alternative pricing strategy is usually applied by reducing the quality of the product, making its features as simple as possible that could make the product marketable (Karnani, 2007). Garrette and Karnani (2010, p. 45) argue that “it seems the BOP consumers like inexpensive, low-quality products”. The reasoning behind that is that they cannot afford the same quality products as the affluent. However, some studies show that the BOP consumer does care about quality besides price (Barki & Parente, 2010). A study from the Brazilian BOP consumer behavior shows that BOP consumers, when facing the possibility to choose, strive to express a shopping behavior that distinguishes themselves from their social status. They do pay higher prices if they perceive a promise of inclusiveness with the product (Barki & Parente, 2010).

Anderson (2006), in his study of Asian markets, also affirms that since BOP consumers have low disposable incomes, products may also need to match the cash flows of customers who frequently receive their income on a daily rather than weekly or monthly basis. The strategy of low-priced micro-packs for daily necessities (that is lowering prices by reducing the size of the product package), even though this does not lower the price per use, it provides a way to meet the needs of the BOP segment in terms of low purchase price. Inspired by this marketing strategy, Smart Communications in the Philippines successfully developed prepaid pricing plans that offered airtime in sachet-like packages, with prices that were broken down into much smaller denominations than had previously been available (Anderson, 2006). This is also the case of Unilever and Procter & Gamble selling for example small packets of shampoo and skin cream (Prahalad, 2010).

Prahalad (2010) argues that a traditional mindset regarding pricing strategies should be changed and instead companies should focus on affordability. The core message of affordability is not finding any particular fixed price, but to be able to offer a product to the BOP segment that they
can afford. It is about financial solutions, about adapting to their uneven income streams. Low price is important but it is not enough to meet the limited budget needs of the BOP because affordability goes beyond the number on the price tag (Prahalad, 2010).

2.3.2. Promotion - Awareness

Traditional promotion involves all the marketing tools currently available, most evident marketing channels that are used in developed countries, such as TV and Internet. They have been characterized by being cost efficient as having the ability to have a wide reach at reasonable prices. In the recent years, technology advances has enabled an increase in two-way communication channels, such as social media marketing, and could been seen as an evolution of the former one-way communication (Parment, 2008).

Within the BOP market, the challenge of promotion is related to the difficulty in reaching the consumers due to high degree of illiteracy and their limited access to radio, TV and Internet (Chikweche & Fletcher, 2012). Since conventional advertising media is not largely accessible among BOP consumers, firms are challenged to find new ways to promote and build awareness of their products. Anderson (2006, p. 6) argues that “engaging existing formal and informal community networks is an approach that has been successfully adopted by many innovative mobile providers”. This mean that working with micro-entrepreneurs of the local area and involving representatives of the community to promote the company’s offers have shown a positive impact on sales.

Researchers of BOP markets stress that innovative and cost efficient promotion methods are necessary to communicate with potential consumers. The usage of social networks such as groups of women (Chikweche & Fletcher, 2012) for direct marketing such as demonstrating the product of a firm not only built awareness among potential consumers but also enable a channel of getting feedback from them.

“The strength of using social networks to communicate with these consumers lies in the fact that these consumers rely on these networks for information about products and are likely to believe
what they hear from their fellow members given the long lasting relationships based on trust which exist among these BOP consumers.” (Chikweche & Fletcher, 2012, p. 515)

Barki & Parente (2010) point out that the BOP consumers in Brazil tend to create a stronger sense of community and social network, based on mutual help. This because BOP consumers have to survive in a hostile environment which led them to learn to help themselves (Barki & Parente, 2010). Therefore, the authors argue that communications efforts that enhance word of mouth and prioritize face-to-face contact have a higher potential to succeed in terms of increase in sales. Thus, BOP consumers prefer personalized relationships where they can trust on the information about the product that they buy.

Prahalad (2010) argue for the need for shift from promotion towards awareness. He states that the consumers need to be aware of new products and services that are being offered to them. What Prahalad (2010) means is that companies should find new ways to communicate with the BOP because the traditional channels, such as TV and Radio, are not applicable in the BOP markets due to problems with coverage, infrastructure as well as the one-way communication it stands for. Prahalad (2010) Chikweche & Fletcher (2012) and Barki & Parente (2010) talk about the importance of cost efficient and non-traditional channels, such as WOM and social networks in order to create awareness in this market.

2.3.3. Product - Access

In the sense of marketing mix the product aspect represents how a company can decide to use their product lines, which then often are connected to price as well. For example, different product lines can be introduced in order to serve different segments of the market or the company can focus on one high-end product line in order to focus more on its differentiation strategies expressing its high quality products (Parment, 2008).

Chikweche & Fletcher (2012) argue that the development of offerings to the BOP segment should consider the degree of essentiality and potential added value to the consumers. By essentiality they mean that if a product carries any features that are not the core of the product it will most likely increase the cost of the product and make it less affordable for the BOP
consumer. They also argue that understanding the BOP segment’s constraints, firms can enhance accessibility to products, which is in line with Prahalad (2010) who argues for a shift from a focus on product to access. The development of a fridge-free margarine is an example of addressing the BOP lack of electricity. Chikweche & Fletcher (2012), therefore, highlight the importance of understanding the BOP needs and the engagement of innovative new product development.

Prahalad (2010) argues for the importance of access in the development of offers to the BOP market. By access Prahalad (2010) means that companies should develop products that acknowledge the BOP market constraints making it possible for those consumers to consume products that otherwise would be unavailable. Instead of product-focus, such as quality features, companies should work with access to the products that could be by improving features that deal with lack of resources that BOP markets present, such as water and electricity to name a few.

2.3.4. Place - Availability

The decision of where a firm should sell its products is the question raised under the P of place of the marketing mix. Place strategies can be classified as exclusive, selective, and intensive, which are connected to what kind of image a company wants to have. Exclusive means few places and selling only one brand. Selective is the middle way, where the products are sold at selected places, that could be outside the company but with high collaboration between the two parties. Intensive strategy is just a matter of being visible and available everywhere and is most used by low-price/high-volume strategies (Parment, 2008).

Today in Latin America the small and independent traditional stores are more likely to reach the consumers in the BOP segment because of the reason that MNCs are not understanding the consumers. The MNCs are assumed to be ‘too large, too rigid and too far from the consumer’ (Pitta et al., 2008). Marketers have to revisit distribution channels in order to increase the availability to the BOP segment. A poorly applicable distribution channel would decrease the availability, as the cost for the distribution system will have to be carried by the products. The BOP consumers have often been underserved or wrongly treated by commercial interest, so the distribution channels have to be both physically close as it has to be in the emotional proximity as
well (Pitta et al., 2008). By emotional proximity Pitta et al. (2008) means that the seller should be considered trustworthy by the BOP consumers, which contribute to a positive effect on their self-esteem and well-being.

From their study within the African market, Chikweche & Fletcher (2012) found cases of success where distribution channels were related to the development of unconventional channels. In those cases the usage of informal channels was applied besides the formal (traditional) ones. By formal channels Chikweche & Fletcher (2012) mean for example family owned local grocery shops, supermarkets and wholesalers while the informal channels include women’s group, buying clubs, and open markets stalls. This is also what Prahalad (2010) means about availability. Instead of just thinking about places to sell, companies should think about new ways to reach the BOP consumers.

Anderson (2006) points out that one of the biggest challenges of serving BOP markets is to ensure availability of products and services throughout the country, not just in cities, which is in line with Prahalad (2010). Since distribution channels in these markets can be fragmented or non-existent, delivering products and services to them is a hurdle to overcome. In India, for example, “Hexacom is one of the few profitable mobile telecommunication operators due in large to its innovative ability to reach out to rural users” (Anderson, 2006, p. 3). The partnership with non-traditional distribution channels, such as postal department, was key to increase availability of the reload telecom service among the BOP segment.

Another challenge that requires innovation is related to the physical product distribution cost that should be minimized. Some authors (Barki & Parente, 2010; Prahalad, 2010) argue that the BOP consumer pays more for the same thing that richer people do. One reason for that is the longer distribution chain involving more actors to reach the areas that they usually live, which lead to aggregated margins, making the final price higher.
2.4. **Summary of the Analytical Framework**

The summary of the analytical framework is presented in the Table 1 below. It shows the relationship between the traditional marketing mix (4 P’s) and Prahalad’s proposed approach (4 A’s) for doing business in the BOP market. This is the mindset shift that Prahalad argues that companies should adapt to target BOP markets. Prahalad (2010) also argues that companies should work with marketing development instead of marketing orientation. This is one of the core issues since the markets are often unevolved and lack lots of the necessary infrastructure.

The BOP marketing mix strategy involve adaptations in order to make products affordable and create access, in terms of quality and/or features of products so that it does not break BOP consumers’ budgets nor have problems with any other disadvantages commonly associated with BOP markets. This has also to be supported by overcoming infrastructure problems with new innovation in distribution (place) and promotion channels. Creating awareness in the market and making the products available to the consumers require use of both traditional channels but it is a necessity to complement those channels with new innovative and unconventional channels, such as distribution systems derived from social networks.
<table>
<thead>
<tr>
<th>Marketing Mix</th>
<th>Definition</th>
<th>BOP Marketing Mix</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>The amount a customer pays for the product (list price, discounts, allowances, payment period, credit terms)</td>
<td>Affordability</td>
<td>The degree to which a firm’s goods and services are affordable to BOP consumers.</td>
</tr>
<tr>
<td>Promotion</td>
<td>The methods of communication used to provide information about the product (sales promotion, advertising, sales force, public relations, direct marketing)</td>
<td>Awareness</td>
<td>The degree to which BOP consumers are aware of a product or service and how companies can use alternative promotion channels in order to increase awareness.</td>
</tr>
<tr>
<td>Product</td>
<td>An item that satisfies what a consumer needs or wants (product variety, quality, design, features, brand name, packaging, sizes, services, warranties, returns)</td>
<td>Access</td>
<td>The extent to which BOP consumers have the opportunity (being easy) to acquire and use a product or service that will bring them benefits.</td>
</tr>
<tr>
<td>Place</td>
<td>Providing the product at a place which is convenient for consumers to access (channels, coverage, assortments, locations, inventory, transport)</td>
<td>Availability</td>
<td>The extent to which a product is available to be bought by BOP consumers and how companies can use alternative distribution channels in order to increase availability.</td>
</tr>
</tbody>
</table>

Source: The author’s adaptation from Kotler (1994) and Anderson and Billou (2007)
3. Method

From the debate in the current literature, researchers agree that changes regarding the traditional marketing practices should be made. However, they do not always agree upon how the marketing strategy should be but that it ought to be changed because of the existing marketing practices is inferior when targeting the BOP. Furthermore, there is a gap in empirical evidence of how this is actually done and that is the main issue concerned in this study. Therefore, our research question leads to an exploratory study, which Saunders et al. (2009) say is applicable when it aims to find out what is happening.

Our research strategy then is to develop a case study to gain a rich understanding of the context of the research (Saunders et al., 2009). As Eisenhardt (1989) points out, a case study is a research strategy which focuses on understanding the dynamics present within single settings. The context of our research is described as follows.

3.1. Brazil as the context chosen

In previous research there has been skewed focus on the world’s different BOP areas. The Asian BOP markets have naturally been most favored by researchers (Andersson, 2006), and with all right since it is unquestionable the largest area of BOP consumers in the world. The other two large areas are Africa and Latin America. Even though there has been a study in Africa (Chikweche & Fletcher, 2012), the Latin American market has been partly overlooked with an exception of a study conducted by Barki & Parente (2010) who studied the Brazilian BOP consumer behavior. Therefore this study was conducted in Latin America in order to expand the current field of BOP marketing and increase the knowledge about the dispersed characteristics of the BOP consumers and how firms are able to address their needs.

Brazil was chosen as the context of this study as it is both the largest country in Latin America and the B in the acronym BRIC (Brazil, Russia, India and Russia), as one of the four large and fast growing developing economies (Oxford dictionary, 2013). The country has the
characteristics of having urban and rural BOP markets. However, different from countries such as India and China where the consumers tend to be more rural, Brazilian BOP consumers are more city dwellers (Pitta et al., 2008). Latin America has around 75 percent of the population living in urban areas while the same number is only 36 percent in Asia (UN-Habitat, 2007). This will help answer the research question as it can shed light on both rural and urban BOP consumers where previous studies that focus on Asia have not done to the same extent.

3.2. The BOP market in Brazil

The BOP debate has for a long time discussed how to separate and classify the real BOP market (Karnani, 2007) and the definition differs from US$ 2 to US$ 8 a day (Barki & Parente, 2010). Even though this is outside of the scope of this thesis there is still a need for a good definition in order to put this thesis in the right context. Barki & Parente (2010), in their study about the BOP consumer behavior in Brazil, characterize the Brazilian BOP market by using the US$ 8 per day definition. In this thesis we use the same definition as Barki & Parente (2010) because Edgard Barki is referred to as an expert of the Brazilian BOP market (Brazilian representative of a global network of BOP studies - BOP Impact, 2013). The table below is the same as Barki & Parente (2010) presents but with updated numbers from the original source (ABEP, 2012).

Brazil is using a classification based on A-E with some classes divided into two subclasses such as A1 and A2 (see Chart 1). The most common classification in Brazil is that the BOP population is C-E while the middle class is B1 and B2, and A1 and A2 is the richest part of the population. The BOP consumer, which this thesis is focused on, is the grey area below in the chart that is C-E. That is the Brazilian BOP market and it represents 65.5 % of the population, which means approximately 128 million people (ABEP, 2012).

It is important to be mentioned that the table below presents data based on a monthly family income, which differs from Prahalad & Hart (2002) definition of the BOP segment as people (i.e a person) living on less than US$ 2 a day. As Barki and Parente (2010) state, researchers about BOP markets also consider a broader definition that include people living on less than US$ 8 a day. The classes C-E in the table below is in accordance to this latter definition. Considering that the average family size in Brazil is about 3.28 (Givisiez & Oliveira, 2009), we translate the
monthly family income to individual income per day. This means that the C1 category, which is the highest income group within the BOP classification, with US$ 776/month/family translates to US$ 8/day/person\(^1\)

### Chart 1 – Distribution of Economic and Social Classes in Brazil

<table>
<thead>
<tr>
<th>Social Classes</th>
<th>Monthly family income (R$)</th>
<th>Monthly family income (US$)*</th>
<th>Distribution of Brazilian population (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>12,926</td>
<td>6,509</td>
<td>0.5</td>
</tr>
<tr>
<td>A2</td>
<td>8,418</td>
<td>4,239</td>
<td>3.6</td>
</tr>
<tr>
<td>B1</td>
<td>4,418</td>
<td>2,225</td>
<td>9.6</td>
</tr>
<tr>
<td>B2</td>
<td>2,565</td>
<td>1,292</td>
<td>20.8</td>
</tr>
<tr>
<td>C1</td>
<td>1,541</td>
<td>776</td>
<td>26.3</td>
</tr>
<tr>
<td>C2</td>
<td>1,024</td>
<td>516</td>
<td>23.2</td>
</tr>
<tr>
<td>D</td>
<td>714</td>
<td>360</td>
<td>15.2</td>
</tr>
<tr>
<td>E</td>
<td>477</td>
<td>240</td>
<td>0.8</td>
</tr>
</tbody>
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*US$1 = R$1.986 (exchange rate 04/jan/2013)

Source: ABEP (Brazilian Association of Research Companies), 2012

### 3.3. **Telecom as the industry chosen**

The telecom industry was chosen for two major reasons. The first one is that they have been trying and to some extent have been successfully serving the BOP markets over the world (Garrette & Karnani, 2010). The second reason is that Brazil’s telecom market is dominated by four major players (domestic and foreign companies) that have between 19-28 per cent of the market each (Teleco, 2013). This means that a few companies are serving a large part of the population, which enabled us to get a good representative picture of the market.

\(^1\) US$ 776/month divided by 30 days and 3,28 persons/family equals US$ 7.89/day/person.
In a market with few major actors they ought to have some difference in positioning in the market, or different product lines with different positioning since the market has a wide difference in income (see Chart 1 above of Brazil’s income). The literature field suggests, as mentioned earlier, that the marketing strategies have to be adapted to fit the BOP market. Therefore, we isolated different factors that differentiate their overall strategy from their strategy when targeting the BOP.

3.4. **Strategy as the level of analysis**

The focal point of the study was the telecom sector in Brazil and the companies’ marketing strategies, and how those were adapted in order to target the BOP market. The study is not primarily focusing on tactical actions conducted by the firms, as that would be of interest in future research but outside the scope of this research.

3.5. **The selection of the interviewees**

The prepaid segment is the largest segment in Brazil (representing around 80 percent of the total market (Teleco, 2013)). Due to the BOP low creditworthiness, which mean that they cannot access get subscriptions, these consumers are most likely to be in the prepaid segment (Garrette & Karnani, 2010) while higher-income consumers are instead more creditworthy and can join the postpaid segment.

Our primary data was based on a qualitative data collection technique, such as semi-structured interviews followed by qualitative analysis, given the nature of the study (Saunders et. al., 2009). The selected interviewees were managers of the prepaid segment, responsible for the whole market in Brazil. Three out of four major telecommunications companies were able to devote time and effort to be part of the study. The fourth company did not respond to any of the channels we sought for their participation. However, since the data collection was done as case studies the remaining three companies were able to provide enough data to this study.

As already mentioned, the goal of this study was to find out how the marketing strategies are adapted to target the BOP. Therefore, the field of study should be conducted in an area where it is
most likely to find these consumers, which should be in the prepaid segment. The prepaid segment is the business area that solemnly handles all BOP consumers, but it should be kept in mind that even though all BOP consumers are in the prepaid segment all prepaid consumers are not BOP consumers. Therefore the other areas of the business would not contribute to the same extent as the prepaid segment.

Four interviews were conducted with three of the major companies. All managers had the position of head of the prepaid segment, but in one company both the manager and the assisting manager of the prepaid segment were interviewed. The managers are in charge for the overall market so they would easily be able to identify differences in different settings. They have knowledge about the strategies applied all over the country towards the BOP segment. They are specifically chosen to be able to present a good picture of both the overall market and also for specific knowledge about the studied area.

3.6. **Planning the interviews**

The interviews were designed with semi-structured questions based on the major theoretical areas identified as most important from previous research. Earlier in the paper the literature review was discussing how different aspects of marketing strategies have to be adapted in order to fit the setting of the BOP. The aspects studied were marketing development and the 4P’s of the marketing mix (price, promotion, product and place). The reason the interviews were based on semi-structured questions was because the aim of this study is to understand the setting they are working in and how they are applying the marketing mix strategies and the reasons behind them. Therefore it was preferable to let the interviewees tell their story while the authors only steered the interview on a flexible basis focused on our main topics mentioned above.

The interviews were approximately 1 hour long in order to keep the discussion both sharp and on topic. Following our research design and the intention of extracting knowledge about the BOP environment, the interviews were conducted at site, at their workplace in Brazil, on a one-to-one basis. The interviews were conducted at the managers’ premises and in their first language. One of the authors is fluent in Portuguese as well as the targeted managers. This decreased the
possibility of discrepancy that might have occurred if the interviews would have been conducted in English, as it would be their second language.

One of the authors visited Brazil for the phase of data collection in order to meet the respondents face-to-face (Saunders et. al., 2009) for being better able to read into and understand potential submeanings and potential discrepancy between what they might say and mean. This is valued higher than the time and resource extensive action and better than the alternative as using video-chat, which would be more time-efficient but might have rendered losses in information quality. Since the interviews were conducted by one of the author, all of them were recorded, transcribed and translated to English enabling the analysis by both researchers of this study.

3.7. *Enhancing reliability of our study*

Reliability refers to the extent to which the data collection techniques or analysis procedures will yield consistent findings (Saunders et. al., 2009). It is important then to avoid, or at least mitigate, some threats to reliability. Therefore, we explain how we dealt with some of them.

The *interviewee bias* is described as the “good news” syndrome. It can happen if the interviewee just says the good side of their strategy, instead of saying the reality and its difficulties. It can happen if the interviewee perceives that he/she should avoid saying everything because it is a strategic information that cannot be said to people outside the company. We avoided this threat by ensuring the selected interviewee about the opportunity of being anonymous for the respondents and that the company’s name would not be mentioned throughout the written final document if they so choose (Saunders et. al., 2009). All the respondents asked us to stay anonymous.

The *observer error* that usually happens when more than one person participate conducting interviews. In this case the same question, for example, can be explored in different ways by the two or more researchers conducting their own interviews. In our study, as mentioned earlier, it was just one person conducting the interviews. The positive side is that all the interviews were conducted in the same way, all questions were posed in the same way, achieving a high degree of structure, which lessened this threat to reliability. The drawback is that all the interviews were
translated from Portuguese to English which had a potential of losing the original meaning of some words used by the interviewees. However, the authors translated all the recorded interviews as close as possible to their original meaning. Furthermore, within the translation process, the interviews were translated into transcript form before they were summarized and presented in the paper in order to keep the influence of the authors to a minimum (Saunders et. al., 2009).

4. Results

In this section an overview of the market as well as the empirical findings will be presented. The information is based on the interviews conducted with the managers from each company. As already mentioned, the research involved three of the four players within the Brazilian market. Since the managers asked for the possibility to be anonymous, the companies will hereafter be called as Alpha, Beta and Gamma.

4.1. Overview of the Market

The Brazilian mobile telecom market is composed of four major companies. Among them there are national and foreign firms competing in a market of approximately 264 million mobile phones where 80% of the mobile phone lines are prepaid (Teleco, 2013). All the managers interviewed highlighted that it is a highly stagnated market since it presents a density of 1.3 lines per inhabitant.

Gamma is the leader within the Brazilian telecom market in terms of market shares. It is also the leader with the postpaid segment, followed by Beta in the second place and Alpha in the fourth one (Teleco, 2013). However, within the prepaid segment, Gamma was surpassed by Beta in 2012, a movement that started in 2009. According to the managers, this happened because of Beta’s marketing strategy based on price reduction for traffic on their network (called “intra net” traffic). In other words, Beta lowered its price of calls among users of its network. As Beta’s manager said, “with just US$ 0.125 one can call to somebody else from Beta’s network, no matter how long the call will be”. Beta’s manager also pointed out that this offer attracted many prepaid users, especially BOP consumers, which explains its leadership achievement (from the third position in 2009 to leadership since 2012).
The market shares of Alpha, Beta and Gamma within the prepaid segment are approximately 19.5%, 28.5% and 26.7%, respectively (Teleco, 2013). However, all managers highlighted that the competition is not about market share anymore since the share of the firms are relatively the same making it costly to increase revenue. The current competition is about share of wallet where the firms are improving and increasing their offers of value-added services besides voice, such as SMS and Internet.

Furthermore, Beta’s marketing strategy in 2009 has also changed the market dynamics among the BOP consumers within the prepaid segment. With its aggressive offer of low price for an unlimited call “intra net”, Beta increased the competition of “intra net” traffic. As Beta’s manager said, all the players followed Beta’s strategy and developed offers that are more economically advantageous for the consumer to call people that use the same telecom company.

This change of the market dynamics was also shaped by the BOP consumers that rapidly acquired Beta’s mobile service. According to Beta’s manager, they not only left their previous companies, but also stimulated others to follow their decision to change to Beta’s SIM card in order to benefit from that offer. Perceiving the social network effect that occurred, Alpha’s managers said that all the companies took actions to develop offers “intra net” in order to maintain their competitiveness.

Alpha and Beta’s managers also highlighted a new phenomenon that has been observed among BOP consumers. They named it as multi-SIM card phenomenon, which means that some BOP consumers use more than one SIM card simultaneously. They can have them in only one handset or they can also have one handset for each SIM card. The managers pointed out that BOP consumers have not so much money to spend on telecom services. Furthermore, the competition has even been fierce because the money that once was used by the consumer with just one company has been shared among competitors.

The multi-SIM card consumers spend their money with the service that they feel serve their needs best no matter from what company that product is. For example, they make calls from one
company, use Internet from another and SMS from a third one. Therefore, the competition based on share of wallet has been highly important within the Brazilian market.

4.2. **Company Alpha**

The first two interviews were conducted with the managers of Alpha. Both work within the prepaid segment. They are the manager and the assisting manager for the prepaid segment. They are responsible for managing the prepaid segment and their duties are to increase the amount of consumers as well as enhancing profitability of those. They point out that it is challenging to make the consumer base increase in Brazil since the penetration is higher than 100 percent as the country has a very specific purchase behavior involving multiple SIM cards per consumer. Therefore it is just as important to increase both the reload and the utilization parts of consumption.

Alpha is trying to position itself as a company that offers the full package of services in telecommunication. That the consumer shall be able to have all their communication services from Alpha. This includes fixed lines, mobile lines and Internet. This is also how they want to be perceived, as a company that can take care of all the consumer’s communication needs. They have coverage over almost the whole country, which the manager says is an important piece in how they are perceived. Alpha’s managers point out that the company has been very successful in some areas, the Northeast as well as among the BOP consumers due to its aggressive promotions in terms of price.

**4.2.1. Price**

The managers say that they have been applying really low prices within the prepaid segment and developing actions to increase their network quality and improve their offerings. Alpha strategy has been the bonus system, where the consumer, once reloading their mobile phone lines, receives a bonus every day to make calls so they do not have to use their credits for those calls. As they argue, this action gives the BOP consumers the possibility to use the company’s services more without spending more money.
4.2.2. Promotion

The main communication tool used by Alpha towards the BOP consumers is still mass media. The managers argue that they communicate mainly via TV but radio is also used because they are two effective channels in Brazil.

It is highlighted that the word of mouth is also very relevant and efficient in the BOP segment. Due to the development of “intra net” offers, one of the Alpha’s managers argues that this promotion channel has the highest impact on social networks because those consumers tend to use the same company as their family, friends and colleagues. As it was pointed out, BOP consumers always say: “I want a SIM card from Alpha because I want to call a friend that has Alpha’s SIM card”. Sales spread through social networks. In addition, when a consumer shares her/his experience with her/his social network this will highly influences the network. As well as the probability that one consumer chooses one company as its number one choice, this will increase the reasons for that social network to use more that company’s services.

The managers also said that Alpha is using SMS as a vehicle to communicate special offers to consumers. By analyzing its consumer base consumption behavior, an appropriate offer is done. For example, if they are usually using Internet on a weekly basis, it is offered a reload that give them a monthly usage.

The importance of exposing the brand was also mentioned. Alpha has succeeded best in the Northeast, where it has the largest physical presence with a lot of public phones always showing the company’s presence.

4.2.3. Product

One of the managers highlights that Gamma (one of its competitors), for example, positions itself as a high network quality company and it is making huge investments to be able to offer that. It has always made larger investments than the rest of the companies and it is always first with new technology. They have a high price profile but if the consumer wants high quality in terms of coverage and reliable service this is the company to choose.
Alpha, on the other hand, wants a balance between quality and profitability. According to the manager, a moderate usage every day makes Alpha’s offerings the most valuable for a consumer. Beta (another competitor), for example, charges fixed prices per call, which would be more valuable for a consumer that only calls a few very long calls. With Alpha, the person instead receives bonuses that can represent 10, 15 or 20 minute a day for making calls. Then consumers can decide how many calls they will make.

The managers point out that there is a hard battle about the BOP consumers’ wallets. In addition, there has been observed that those BOP consumers in Brazil have more than one SIM card, which the managers argue is a unique consumption behavior for Brazil, which is called the multi-SIM card phenomenon. This means that a consumer uses more than one company simultaneously. They can use the service for calls from one company, SMS from a second one and Internet from a third company.

In fact, one of the Alpha’s managers affirms that even though the industry knows that consumers have more than one SIM card, there are no exact numbers on this. It is estimated that at least 30-40 percent of the prepaid base use more than one SIM card. Therefore, Alpha tries to develop its products in a way that the consumers use all its services as their first (or at least, second) choice, trying to increase and leverage how much they use the company’s services.

The company knows that the consumers of the prepaid segment are willing to consume more and more of its products. The managers say that one or two years ago, BOP consumers could not buy smartphones, they did not have money to afford other services than voice and those consumers were mainly receiving calls. That is why companies misjudged the room of developing new products. Therefore the bonus system has been developed to not only give free bonus minutes but also to offer SMS and Internet.

The managers also point out that the income within the BOP segment in Brazil is growing fast. As a consequence, the managers say that they are demanding new services that previously have been unavailable. Even though the BOP consumers still cannot afford the same kind of service deals of a high-income consumer (such as postpaid), they are more than willing to consume the
new telecom products such as Internet and SMS. Because of that, Alpha has been developing its offers based on a strategy that its whole package of voice, SMS and Internet can be perceived as higher value than the ones offered by its competitors.

One of the managers also mentioned that the BOP consumers are not anymore in the stage of purchasing their first handset. Instead, they are buying a second/third one or upgrading it. They are buying smartphones that are affordable to them in order to be able to use Facebook. However, the manager affirms that the prepaid segment is using 2G technology while the postpaid is using 3G, which affects the quality and experience of the service by the BOP consumer. The reason is that Alpha’s 3G network capacity does not support the prepaid consumer base.

4.2.4. Place

The managers explain that the mobile telecommunication infrastructure has always been made in-house and owned by the company. However, in order to increase their coverage, Alpha has partnered up with the other players allowing them to use the competitor’s network infrastructure. The managers say that all the players are doing the same in order to reduce the investments needed to increase their coverage. The technology is moving fast and the investments needed are huge. Therefore everyone has to rethink their strategies in order to increase capacity, quality and keep prices low and this has changed the market.

In terms of availability to reload the lines, the managers say that the reload distribution network has evolved a lot during the last years. It started out with physical cards with minutes on. And recently the electronic process was made available, with electronic reload being distributed through a system used by the point of sales. The benefit is that the company could make the reload available in more places.

The most recent development in this field was that Alpha make it possible to reload directly with an app or online. The problem is that not many BOP consumers can use this service today because they need bank services that they are not currently using. However, this is still not seen as any larger issue, because consumers can reload their phones in every newsstand or corner in Brazil. On the other hand, the managers emphasize that there is still an issue at the most remote
areas of Brazil, where the reload process is still with physical cards but the electronic reload has increased all over the country.

The managers say that the sales of credits (physical or electronic reload cards) were available just at a few exclusive places. However, this strategy always caused problems with distribution both how widespread it was and how many points of sale the company could have in a selected area as well as unavailability of products in some areas. But recently all the points of sales have changed to a non-exclusive partnership, being able to sell the competitors products as well. As a result of all these changes in distribution, the costs have been lowered. This has also led to that larger distributors, such as larger retailers and supermarkets, have started selling the company’s products and today wherever the distributors go the company goes as well (when they open new stores, for example). Added to the fact that Alpha is also reducing its margins within this process, it has been able to lower its products prices much more.

The managers also highlight that the company’s own stores are usually focused on high-income consumers. Therefore, BOP consumers do not go to Alpha’s own store to reload their lines. Instead, they look for third parties to do that.

### 4.2.5. Future Market

The managers highlight that the market today is so highly competitive that new entrants is unlikely to happen due to the barriers to entry. One of them also points out that the challenge today is **profitability**. They argue that the future growth will come from innovations and making it available for the BOP consumers. As the telecom sector and handsets (smartphone) will become more available for BOP consumers the prices will continue to decrease in order to bring higher value for the consumers.

One of the managers says that since the BOP consumers have other expenses than telecom service, they cannot and do not want to spend too much on telecom. Therefore they want cheap products. This is how they differ from postpaid segment that value more the quality of the service. However, the manager argues that “the BOP consumers are willing to consume, they are buying much more than earlier but the price have to be an affordable one”. The manager says
that he would say that the BOP consumers are now consuming different things paying lower prices. At the end the company wins the expected revenue from that. The manager concludes, “I think this is the future of this segment”. In the future, consumers will have all four SIM cards and will spend their money with the cheapest one.

It was also mentioned that nowadays the handsets are a barrier to enhance the usage of newer telecom services, since it is mainly the prices on smartphone and not the prices on smartphone services that is the largest barrier for BOP consumers. However, Alpha does not develop any strategy regarding this issue due to its costs. The company let the consumers and market be organized by itself. Just to the high-income consumers, Alpha subsidizes the handset since it knows that it will have a certain return because of the contract signed. However, the manager argues that the spreading of smartphone is increasing fast among the BOP consumers naturally. They are in a process of acquiring smartphone and they demand to be part of the market. The managers point out that the BOP consumers are making their way into the market and Alpha has to be prepared to have the service capacity and quality to serve them.

4.3. Company Beta

The third interview was conducted with the manager of the prepaid segment of Beta who is responsible for the development of offers to this segment. According to the manager, Beta has been working hard within the telecom sector. The results are its growth and the recent leadership of the prepaid segment achievement. The company’s strategy is to offer more “voice”, and freedom for all segments, not only in the prepaid. The company has focused on a strategy of enhancing customer usage.

The manager points out that the MOU (“Minutes of Use”) in Brazil is well below the results in Europe and USA. Therefore, the company knew that there was a business opportunity to be explored. They knew that by reducing their margins and stimulating usage, there would be a demand. By following these insights, their actions enabled them to be well accepted among BOP consumers. The company began to spread the concept of calls with unlimited length, which no other competitor was offering in the market. According to the managers, the BOP consumers,
with their limited budget to telecom services, were attracted by the company’s offers and responsible for the increase of their market share (from 24.1% in 2009 to 28.3% in 2012).

The strategy is not only to stimulate voice usage, but also SMS and Internet. The manager argues that Beta was the first company to popularize Internet usage among prepaid consumers. Many prepaid consumers perceived value in the offer and because of that they have chosen Beta as their call operator. What guides the company is the notion that what the company has to do is to leverage what consumers can do with their limited telecom budget. The manager argues that, in practice, consumers today can talk more for the same amount spent before.

4.3.1. Price

According to the manager, Beta tries to make its products as cheap as possible, putting the price at the lowest level as possible, until the point that the margins are barely positive. The manager highlights the multi-SIM card phenomenon that pushes the competition to be about share of wallet where the company has to improve and increase its offers of value-added services. Since BOP consumers often have more than one SIM cards in their handsets, the manager points out that the company has to take actions that make those consumers to choose Beta’s SIM card when a mobile telecom services is needed. Therefore, Beta developed the concept of calls with unlimited length offering the service at low and affordable price (US$0.125 per call).

4.3.2. Promotion

The manager points out that what is really effective within the BOP segment is mass media, such as television. TV is still the primary means of communication in Brazil while newspaper is less effective. Therefore, they have advertisements during some important TV shows, news and soap operas at the major and powerful TV channel in Brazil. Beta also uses radio as a channel to promote daily its offers. The manager points out that it is a vehicle widely used and very effective.

People who live in the interior of Brazil, they do follow TV shows. The manager argue that if one hire an “influential” guy or famous artists that attract many people to promote and advertise your
products and services, one will see the difference in the business’ results. Because of the confidence they convey to the population, especially for the BOP population, they are an important and effective means of promotion.

Besides that, the manager highlights that all telecom companies are using stickers, on newsstand for example, as a way to convey the image of the brand. In his opinion sometimes it turns to be ugly, stickers above stickers, banners beside banners and so on. But he explains the strategy: “there is a guy walking on the street that sees your logo; immediately he will think about you, he will remember you, and if he needs to reload his mobile phone line, he will do that conveniently”.

The manager states that the company does have to do that because if the competitor is more visible than their brand, the BOP consumers will choose the other company instead of theirs. It is important to keep in mind that BOP consumers usually have more than 1 SIM card, and therefore the company has to get his share of wallet first.

In addition, the manager affirms that what really brings consumers to one company or to another is the consumer’s social network (friends and family). The usage of a certain SIM card is related to how many of their friends and family also use the same company because the traffic within the same network is much cheaper. Therefore, if a company manages to get the confidence of more people and leverage word of mouth, it adds value to the client because it increases the “company’s community” giving them more opportunity to call more people at an affordable price. As TV is Beta’s main communication channel, it invests for a higher exposure of commercials to the BOP consumers highlighting their low price and the advantage of making a call with unlimited length.

4.3.3. Product

The manager explains that the voice service has been developed to increase “intra net” traffic. It is cheap to call someone that use the SIM card from the same company, but it is really expensive to call to a SIM card from a competitor due to interconnection fee.
According to the manager, Beta was a pioneer to develop an offer that it charges just for the call and not for how long it is. However, it is valid only to “intra net” calls, the consumer pays few cents and gets unlimited minutes for a call. Therefore, BOP consumers not only reload their mobile phone lines for low prices but also are charged at a low price for a call, enabling them to use more the company’s service. This service had some early problems with calls being interrupted without the actions of the consumer. But Beta is working hard to improve its network quality in order to provide a better service. The manager argues that this problem did not harm their position in the market among BOP consumers.

Besides that, Beta offer a reload with bonus, but the manager affirms that this action has been taken by all players within the market. However, their offer is for those consumers in their base that for a long time have not reloaded their mobile phone lines. Then Beta makes an offer to them such as if they reload, they get a bonus.

Recently Beta launched a new offer to the BOP segment that is free access to Facebook. However, other web pages are paid. It has also been seen that the prepaid segment is using more and more SMS and Internet services. The manager points out that half of Beta’s prepaid consumer base uses SMS and Internet, but he argues that they will always use more voice because it is the core service.

4.3.4. Place

The manager says that the company’s own stores are usually focused on postpaid consumers. Therefore, the prepaid segment has to be served by other channels that could be more convenient for them. Therefore, Beta has a very diversified and widespread distribution. As the manager emphasizes, “they sell everywhere. One can go to every community (poor ones, for example) and he will find someone (small shops) selling the company’s products (SIM cards and reload cards). They can even sell just three SIM cards per month, for example, but they are still there, it is a point of sale”. In every point of sale, the company takes the opportunity to use stickers showing the name of the brand as a way to promote itself. Therefore, as more diversified and widespread the better for the business. The selection of these points of sale is usually done by Beta
considering convenience to the BOP consumer (places that they usually visit) and to increase the availability across the whole country.

Regarding reload of mobile phone lines, the manager argues that all companies have left the reload by physical cards because of costs. The electronic method has been proved to be much cheaper and easier. The manager explains that no one has to have a stock of cards. For a newsstand that stores these physical cards, it takes the risks of being robbed. Therefore, avoiding physical cards provide security to the point of sale.

The opportunity of cost reduction is also due to the fact that companies do not have to produce those cards. Another benefit is that companies can reach more points of sale in many different places. That is why companies have changed to the electronic distribution system, which creates less dependence on physical transportation.

Recently Beta implemented the reload by mobile phones. That is a dealer has a mobile phone, and by its phone it reloads the consumer’s phone line. The strategy was to automate the process as much as possible and provide security. The manager affirms that if they reduce the risk of selling reload service, more people and shops will be willing to be a reseller of their product. And thus contribute to the widespread of their distribution channels. Whoever wants to be a reseller, from large retailer to small shops, they make a deal.

### 4.3.5. Future Market

The manager argues that the market has stabilized. The prepaid market is stagnating and last year it grew much less than the previous year. According to him, the market is facing a moment in which upper limit line has been achieved. Therefore, what Beta has been doing is to reduce its margins, to maintain sales, and taking actions to avoid cancellations.

The manager argues that the postpaid segment and broadband service will be those pushing the company’s revenue. Revenues from voice will begin to move to broadband, and that will happen worldwide. This because nowadays voice on WEB with VoIP (Voice over Internet Protocol) is becoming available and widespread within the Brazilian market.
The manager predicts that when the Beta begins to offer more affordable data products, having quality broadband on mobile phones, the revenue that today is from “voice” and “SMS” will move to broadband (Internet). He continues saying this is something that every company will have to adapt to. In the future, whoever has the best broadband, being affordable, will be the one that will be better positioned in the market.

In terms of quantity of lines (sales of lines), he says it will start to decelerate. Actually it is already slowing down. The market is growing 20% less than it was growing in the previous year. According to the manager, the reason is that today mobile phone are everywhere, there is not a place where at least there is coverage of one of the four companies. “Mobile phone service is available everywhere for everyone. However, we cannot say the same for broadband”. He predicts that this is the next step.

4.4. Company Gamma

The fourth interview was conducted with the manager of the prepaid segment of Gamma who is responsible for the development of services and products such as SMS and Internet for those consumers in order to increase the revenues of the company.

Since the beginning of its operations in Brazil, Gamma has positioned itself as a premium company. It was the first one to offer a mobile telecom service in the country and its business has always been based on quality of service. Due to the network technology chosen, added to its positioning strategy, it has always offered more expensive services. However, pressure from the market to offer cheaper products forced Gamma to change its network technology. With a cheaper network technology, Gamma maintains its capability to compete in the market. However, it does not want to be one that offers the lowest price among competitors in the market due to its standard of higher quality services. As a consequence of its positioning it has been considered a “top of mind” company because of its quality even though it is perceived as the most expensive company among the other competitors.
4.4.1. Price

As the manager said, Gamma took the concept from the reduction of packages of goods to give more opportunities to the BOP consumers to buy their products. They have been creating cheaper reload cards that is affordable to this segment (US$ 2.50, for example) that receive stream of income on a daily or weekly basis. It is applicable not only to voice, but also to data, where they launched a service to increase the usage of Internet on mobile phones. The low price strategy, that enables a daily or weekly purchase, aims to increase the base of consumers using Internet. The company also subside some handsets that allow the usage of Internet in order to make the strategy feasible. Even though prepaid consumers are already using SMS and Internet services besides regular calls, the manager argues that these services are not already widespread among the BOP segment.

4.4.2. Promotion

Gamma has two major channels to promote its brand and offers. The first one is based on mass media. The mass communication is done by television and radio. The manager affirms that radio is an extremely powerful communication tool within the Brazilian market. Regarding television, it has chosen a major TV channel to communicate with their consumers, showing its brand during major football championships matches and advertising during soap opera’s breaks (two of the most famous entertainment things of the country).

Sales promotion and branding are also done by specific actions in points-of-sales such as using stickers. Wherever there is a product available from the company, they use stickers to not only show the brand but also to communicate some offers that are available at that moment.

4.4.3. Product

Gamma developed two specific actions to the BOP consumers in order to leverage their usage of the company’s services. One of them was what they called “SMS paid by the receiver”. This is a service where the consumer text someone, and the person who receives the message has to agree paying US$0.125 to receive it. The manager points out that this action was a tremendous success
among BOP consumers. He argues that it was a huge success because in only a few months they achieved four times the estimated amount of consumers.

The second action specifically to the BOP consumer was what they called as “Sponsored calls”. What happens is that: when a consumer makes a call, she/he listens to a commercial during 15 seconds before she/he can reach the person that she/he is calling. It is important to be mentioned that this call is for free for those who register themselves accepting to listen to those commercials. In fact, the company (sponsor) who is advertising is the one that pays for services. This action is classified as Mobile Marketing. The manager points out that this second action was also a success among BOP consumers. Gamma informed 40.000 consumers and in 2 months each of them, on average, spread to other 12 consumers, achieving 480.000 consumers in a short period of time. They spread the information from the telecom provider among their social network, stimulating all those consumers to register themselves to get free calls. As the manager points out, “everything that is for free is a huge success among BOP consumers”.

The manager argues that since BOP consumers do not have too much to spend on telecommunication services, they had to find innovative ways to increase revenues of the company. He continues saying that these two examples show the demand for mobile services does exist, what they are missing is money in their pockets. By these actions, the company believes that it is a win-win situation, where both the company and the consumer benefit from it.

### 4.4.4. Place

The manager points out that the company’s own stores are almost never used as a place to sell to BOP consumers. This channel has been focused on high value consumers that sign contracts with the company. BOP consumers are usually served by indirect channels such as dealers and retailers because these channels are used to deal with those kind of consumers as part of their businesses. Regarding retailers, for example, BOP consumers often have some credit solution that allow them to split their bills over longer periods of time, which makes it easier to them to add a purchase of a handset to their bill. The company also perceives that those BOP consumers feel better in this kind of environment to purchase.
Regarding reload cards/credits, the company tries to make them available as much as possible. In order to widespread the availability, the company is searching for businesses that target BOP consumers to share their logistic infrastructure. As an example, they have developed a partnership with companies from the tobacco industry in order to use their distribution channels and make the reload cards/credits available wherever the tobacco industry reaches.

Besides that, the company has made reload cards/credits available in lotteries and supermarkets, places where BOP consumers often go in their daily routine.

4.4.5. Future Market

The manager affirms that, in terms of voice, mobile penetration in Brazil is already saturated, leaving no place to expand their business. Where it has a small chance of penetration is basically where there is no network available.

The traditional goal of increasing market share has not been as important anymore because of the high competition. The current idea is to avoid losing revenue to their direct competitors and to other technologies that will substitute voice in mobile phones. Even though the current competition is fierce among telecom companies, the manager argue that the strongest competition in the future is not a competition among them anymore, but with other companies that are entering the market with substitute products, such as Google, that can offer value-added services directly to the company’s current consumers, impacting their revenues.

Another important point to be mentioned is that what has been observed is not an increase of BOP consumers, but the migration of some of them to a higher value segment. With the credit facility and employment rate in Brazil, it has enabled consumers to consume more. With a higher purchase power, people are moving from lower classes to higher ones of telecom service consumption. BOP consumers are having the chance to experience SMS, Internet and other value-added services.
5. Analysis

5.1. The BOP proposition

Prahalad (2005) proposes that firms would be able to do business in BOP markets and, more specific, in order to do that companies will need to adapt their current marketing strategies. According to the managers interviewed from companies Alpha, Beta and Gamma it has showed that those telecom companies do actually market and sell their products to the BOP consumers in Brazil. The average usage of phone lines is 1.3 per capita, which indicates that almost every consumer ought to have access to the telecom industry. This is also a result of some consumers having more than one line, which the managers all argue that it is most common in the BOP segment.

Barki & Parente (2010) also discusses the need for an innovative approach in order to target this BOP segment. They argue that the traditional low-cost strategies are not sufficient because the BOP consumers demand more than just low-quality and cheap products. Garrette & Karnani (2010) on the other hand argue for the importance of price, since BOP consumers seem to be very price sensitive because of their limited financial capacity.

According to the actions of Beta, who had problems with their offer of providing calls with unlimited length, it showed that consumers are price sensitive. The price was fixed while the quality could not deliver the promised value. Still the marketing was proven to work as the company was gaining market shares. It seems like the consumers still accepted the lower quality since the price was low enough which indicates that this finding supports Garrette & Karnani (2010).

The managers from Alpha argue how the company is working on including more services into the product as well as to be the full-service provider instead of just working with low price. This on the other hand support Barki & Parente (2010) and contradicts Garrette & Karnani (2010),
who argue that products should not include any “luxuries” because the consumers do not have the possibility to pay for those.

5.2. Market development

Prahalad (2010) and Sheth (2011) argue that the most important aspect of BOP markets is to transform non-existing market to an existing one. The ability to develop the market as a whole is much more important than the traditional market orientation strategies that are focused on differentiation. This is partly supported by the fact that the managers from all three companies argue that the strategies have changed nowadays and are not focused on market shares anymore. Instead, their main focus is on creating more value from existing users, hence increasing the usage per customer i.e. the market.

The telecom industry in Brazil is not facing the non-existing market problem today, because the phone lines (both mobile and landlines) are spread throughout the country and population, which is the reason why they do not focus as much on transforming non-users to users. Instead, when looking at other parts of their products, the newer ones such as Internet and SMS the behavior is more in line with Prahalad (2010) and Sheth (2011). All three companies have put much effort in stimulating usage of SMS and Internet by the BOP consumers. They are mainly stimulating usage within their current consumer base instead of going for larger market shares. This indicates that, since all three companies are acting in unison, there is indeed a larger opportunity for working on shaping customer expectations instead of assessing customer needs and it is more evident when the market is less mature.

The manager of Alpha said that the BOP consumers are adapting themselves to the market and that they want to be part of it. He emphasized how important it is for the company to be prepared for them and have the capacity for when it happens. This is exactly what Sheth (2011) means when he talks about the field of dreams (when you build the market, the consumers will come). The underlying demand exists, but the ability to serve the market is the problem to overcome. Sheth (2011) also highlights that affordability and accessibility are more important than superior products or differential advantage, which is supported by the manager’s argument.
5.3. Marketing mix

5.3.1. Price - Affordability

According to both Seth (2011) and Prahalad (2010) companies need to change their strategy in order to reach the BOP markets, finding new ways of applying the marketing mix. As Prahalad (2010) points out, affordability is one of the key ingredients to target this segment. From the research done, it was found that all three companies have price as an important factor to their actions toward the BOP consumers.

Garrette and Karnani (2010) say that the BOP cannot afford the same products as the affluent, that is why they seem to like low price products, and also they ought to accept a lower standard of quality because they will more easily have access to the product. This is shown by the fact that the prepaid segment has lower quality in terms of the speed on data traffic (2G compared 3G). But as Barki & Parente (2010) argue, the fact that make BOP consumers feel included in the market makes the Internet service attractive even when it has lower quality, because it is more affordable to the BOP consumers, which is in line with Prahalad (2010). The managers mention how Internet (and also the usage of Facebook) is becoming more and more important in the prepaid segment, which shows that the BOP consumers do appreciate the quality trade off for the increased availability.

All the managers also highlighted the limited budget of the BOP consumers as an important issue. Since the money spent on telecom services compete with basic needs such as food, price does play an important role within the BOP market. Anderson (2006) and Prahalad (2010) argue for the importance of matching cash flow with the price in BOP markets, since they receive money at a different basis than other segments.

Alpha, the low price strategy company, has focused on creating higher value for their already low prices. They have introduced a bonus system in order to give consumers daily bonuses to use on calls, SMS or Internet in order to provide them more access to the company’s service without spending more money. They have also decreased the amount of money that has been the minimum requirement to reload credits.
Company Beta focus on the lowest price on a single call. This means that they have an extreme focus on their unlimited call length, and no other company can meet their price if you use this single call advantageous. That means talking for a longer period of time, since it is only a startup fee. This strategy has given the BOP consumer the possibility to talk exactly as long as they want, which they could not afford otherwise. They have as well decreased the minimum requirement to reload credits.

Gamma, the premium price company, has made a few important affordability innovations in order to reach the BOP segment of the market. Its partnership with other actor within the Brazilian market gave them the possibility to reduce its price to the BOP consumers. For the development of a free call a day, Gamma partnered up with advertisers. By doing that, the consumers can make a free call, but will be listening to a commercial during the first 15 seconds before the call actually starts. As already mentioned, in this case the company providing the commercial is the one paying the fee instead of the consumer. As a result, it is a “triple-win” situation, where all the three involved benefit from the offer developed. This is in line with the BOP proposition, which says that collaboration with different actor can provide innovative solution to serve the BOP consumers (Prahalad, 2010).

Thinking about price reduction to increase usage of SMS by the BOP consumers, the second innovation done by Gamma was the “SMS paid by the receiver”, where the sender ask the receiver to pay for the SMS. As already mentioned, this product was a great success among BOP consumers, since Gamma achieved a number four times higher than the estimated amount of SMS sent as soon as the product was launched, becoming the most important source of revenue to the company.

Gamma also has started the highest flexibility in terms of the amount to reload a phone line, which is very close connected to the Prahalad (2010) examples of single use packaging. This way of enhancing the BOP consumers possibility to use the telecom services with different financing solutions is exactly what Sheth (2011) is arguing for. This is also supported by Anderson (2006) as the author emphasizes the value of low priced micro packs.
These factors contribute to the overall picture that all three companies has been focusing on lowering the prices in order to target the BOP market. Still, they did not stop there. They have been doing further adaptations and making products be affordable to these consumers, which is in line with what Prahalad (2010) argues for. The companies have been working on offers that the BOP consumers can pay for on a daily basis due to their limited budget. Furthermore, companies are offering products seemingly for free that involve other parties, which in the end makes the telecom service affordable to the BOP segment, which is in line with Prahalad (2010) who argues that companies should find innovative solutions by collaborating with other actors within the market. To sum up, companies are not only focusing on price but have been making adaptations in order to increase affordability.

5.3.2. Promotion - Awareness

Promotion has traditionally focused on mass-marketing channels, with the possibility to reach a huge crowd for a low cost per reached consumer. Channels such as TV and Radio have played an important role, while they have had some drawbacks to only offer one-way communication. Chikweche & Fletcher (2012) argue that these traditional channels will not be able to reach the BOP consumer since they have not enough access to these channels due to the fact they usually live in areas where electricity is scarce.

However, from all three companies it is seen that their main communication channels are still TV and Radio. The managers not only argue for the possibility to reach many people at the same time, but also for the characteristic of the Brazilian market. As they say, “almost everyone has access to either TV or Radio. According to Teleco (2013), approximately 97% of homes in Brazil have TV and 83% have Radio. This contradicts what Chikweche & Fletcher (2012) who said that traditional channels are not useful in order to target the BOP consumer. It also differs from Prahalad’s (2010) arguments that firms should innovate in all four P’s of the marketing mix.

Barki & Parente (2010) also emphasize the stronger sense of community network that exist in Brazil and how this should make informal channels important. Alpha, as the dominant player in the Northeast of Brazil, thanks to the word of mouth and the social network spreading effects.
The combination of stronger community sense as well as the advantages of “intra-net” usage creates positive spin-off which is most evident in the area with most BOP consumers.

As earlier pointed out, Beta was the company that first stimulated the intra-net usage with their unlimited calls, making use of both word of mouth and social networks. Gamma went even further and introduced the free calls and texts (as already explained in the price analysis section above) which were instant widespread without any larger campaigns, except the informal channels. Gamma spread the word to a few consumers as a trial of the free call, and in only 2 months the amount of people using these service had multiplied by twelve. This shows how strong the social network and word of mouth are, which is exactly what Chikweche & Fletcher (2012) and Barki & Parente (2010) argue for.

In this section the analysis has been concerning promotion channels, both traditional and non-traditional channels. The three companies are still using the traditional mass media promotion channels. There is low innovation in this area of the marketing mix as company still seems to rely on traditional channels, but there is some evidence of companies utilizing social networks and word of mouth in order to increase awareness but not as much as Prahalad (2010) argues for. Therefore regarding promotion companies have not made adaptations towards awareness according to the analytical framework presented.

5.3.3. Product - Access

For product as strategies companies traditionally use either single or multiple product lines in order to target different segments in the market. In the BOP segment, Garrette and Karnani (2010) argue for the fact that the product cannot afford to carry any non-essential features since it will bring the cost to increase.

Alpha has had some focus on the network quality and is trying to offer an overall package, in order to become the full-service provider. This is not in line with Garrette and Karnani (2010) thoughts about downscaling product offerings to a bare minimum with essentials. Beta has instead gone with the bare minimum. They have offered their calls to be the cheapest (as long as
you talk long enough), when they have had problems with both least coverage and stability as their calls in the past have lost connection.

All three companies are introducing new products and value-added services to the telecom market, such as SMS and Internet, in order to give the prepaid segment better quality. And all managers agree on that the market demand for these products. The offer to access Facebook for free partly contradicts Garrette and Karnani (2010) as this value-added service should have created higher costs, lowering the accessibility to the BOP consumers. However, the free usage of Facebook showed the opposite. The companies provided affordable access, enabling the consumers to make use of it.

In this study, it can be seen that product and price are intrinsically connected. Affordability and access are even more closely tied together due to the income constraints in BOP markets. The companies are focusing on providing access to value-added services affordable to the BOP consumer. They are adding services such as Facebook, SMS and Internet while working with accessibility, which according to Prahalad (2010) is extremely important to avoid the product carrying any extra costs. This is assured by new financial solutions already mentioned with third parties financing the services and therefore the companies are able to make the shifting adaptation from product towards providing access to the company’s products.

5.3.4. Place - Availability

The issue with where products should be sold has traditionally been dominated by three different strategies: exclusive, selective and intensive (Parment, 2008). Unconventional channels used besides the traditional channels were found by Chikweche & Fletcher (2012) to be a good combination in the BOP markets. Anderson (2006) agrees upon this and also points out that it is important to reach out outside of cities as well, and that is the biggest challenge (Prahalad, 2010). All three telecom operators have shifted from physical to electronic distribution system. Today credits can be transferred electronically to their distribution points, which have made it much cheaper as well as lowered the up front investments to have a stock of physical cards. This has greatly enhanced the possibility for the consumers, as one manager said, to reload their phone at every corner, every newsstand or their small local store. This strategy and solutions have made
the problem of products carrying the costs of the distribution system to a minimum as Anderson (2006) highlights as one of the most important obstacles to overcome.

It was also observed that all three companies have had an exclusive distribution strategy, and still have in the postpaid segment. Postpaid subscriptions are only sold in respective company owned store while the prepaid previously was sold at selective places. That is, the collaborating party that sold one company’s SIM cards and reload were not allowed to sell any of the competitors’ products. However, all companies went from using a system of selective distribution networks that had problems with reaching the whole segment to a distribution system of available everywhere in order to increase their coverage. This has today resulted that all telecommunication companies reach basically the whole country and have increased the electronic method for all companies and decreased problems that the old system had.

Sheth (2011) argue that the lack of adequate infrastructure creates the need of non-traditional channels and innovative access to consumers can create a more profitable approach than the traditional one. Today the telecom operators have an everywhere strategy and for example teamed up with tobacco distributors in order to easily spread across the country. Prahalad (2010) is putting a great emphasis on how difficult it is to overcome the distribution trap and be able to effectively serve the BOP market. As he says, innovation in distribution channels away from in-house distribution towards more unorthodox and innovative methods are necessary. Therefore, when the telecom sector can follow the expansion of the food and tobacco industry they have been increasing their coverage and distribution system to minimal effort. As Karnani (2007) says, since these are already products that the BOP consumers are mainly consuming it has proven to be a good strategy in order to increase the size of the distribution network.

The companies have been working with increasing availability for the BOP market. They have not only adapted in the way of how the distribution works, physical towards electronically, in order to overcome infrastructure constraints but as well adapted availability strategies in order to be available everywhere. They have collaborations with the tobacco industry and other actors in order to be able to expand together with them. Place is more about the company choosing the point of sale location but what is seen from the study are adaptations towards availability where
companies are developing ways to widespread their reload service making it available and convenient to the BOP consumers to buy.

6. Conclusion

The purpose of the paper was to investigate how and what companies adapt in their marketing strategies in order to target the Bottom of the Pyramid. Our research in Brazil confirms that firms adapt their marketing strategies in order to target the BOP segment by adapting their price, product and place strategies and act according to Prahalad's proposed affordability, accessibility and availability while the promotion is not adapted. We can see that the largest innovation and adaptation is done within affordability and the adaptations in the other marketing mix areas are closely tied to affordability.

Based on this study conducted within the Brazilian telecom market, it has shown that adapting price towards affordability is an important factor in the BOP market because of the consumers’ limited budget to spend on non-essential things, besides basic needs, such as food and clothes. The BOP segment in Brazil seems to value offers based on low prices taking advantages of additional free usage, which is the strategy that companies are using to increase usage of the telecom services (calls, SMS and Internet) among BOP consumers. This is the core how they are adapting both price and products in order to increase affordability and access.

The study also shows that targeting the BOP segment in Brazil, traditional promotion channels, such as television and radio, seem to work well. Different from other BOP markets where the population have restricted access to electricity infrastructure, the BOP market in Brazil present a unique characteristic of having these communication channels widespread in the country as well as having a more urban population than Asian and African markets that were previously studied. These studies pointed out that new promotion channels are needed, but this is true only to the extent that the BOP consumers do not have access to the traditional channels, as those still are effective if they can reach the BOP consumers.

Another characteristic is that the traditional word of mouth plays an important role within the Brazilian BOP market. Companies have observed that the social network effects have
contributing to the usage of their offers toward the BOP consumers. It could be seen from their offers based on “intra net” traffic, where firms took advantage of this characteristic of the market to promote their products but so far there have not been any adaptations in order to utilize word of mouth to build awareness in the BOP market.

Adaptive innovations regarding distribution channels (Place) were also observed. Companies are not only working together to increase coverage of their network infrastructure but also teaming up with other actors of the market to increase their availability of reload (physical or electronic) cards.

As a conclusion of this study, companies do adapt their marketing strategies from the traditional marketing strategies in order to target to BOP market. We see a clear picture that they have to adapt price to affordability, as this factor was deemed to be most important. They had also made adaptations in place and product towards accessibility and availability. The accessibility and availability adaptations are less evident and they are also very closely tied to the affordability adaptations. Promotion has instead not seen any adaptations but rather some small adjustments towards fitting the rest of the marketing mix strategies. Furthermore, companies with a strategy that traditionally have been upper-segment-centric have to make larger and more innovative adaptations in order to market to the BOP. In our study this was highlighted by company Gamma who has not only been making the largest adaptations but also been the most innovative company in terms of new solutions for the BOP market.

Since our findings are exclusively from the telecom industry in the country, further studies could be done in order to test the outcomes here presented. Contributions to the BOP marketing mix debate could also be made through studies in order industries, such as food, clothing, and electronic industries in Brazil. It could be also interesting to develop studies from the BOP consumer’s perspective in order to better understand their requirements, expectations and needs. By doing so, suitable and innovative strategies can be further developed leading firms to improve their standard of living.
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