

The goal of advancing in the emerging markets

[Business](#), [Management](#)



Segmenting the Base of the Pyramid” by Rangan & Petkoski A Summary The article states that during times of economic recessions such as now, there is a need to incorporate value into businesses’ goods and services, particularly for those targeted at the mass base of the economic pyramid. This refers to the consumers situated at the lowest income level who still comprise part of the demand for the product. How a business addresses this group of consumers on a global basis can be contentious; if a firm aims solely for profit, government and civil society will tend to oppose it forcefully. However, if the firm links its own success with the success of its customers, then that company will realize greater profits in the emerging markets. In most literatures, the base is treated as a single undifferentiated group. To be able to deliver value to its customers on a global basis, however, the base should be further segmented to three groups: the low income segment who earn \$3 to \$5 a day (1.4 billion people), the subsistence segment earning \$1 to \$3 a day (1.6 billion people), and below them are those in extreme poverty (about 1 billion people earning less than \$1 a day). For low income people, the appropriate strategy is to provide affordable products and services directly to consumers; for subsistence customers, it is best for the company to enlist individuals, small businesses, or communities to co-produce the value and to form part of the distribution and supply chain. Finally, for those in extreme poverty, the companies would do best to form commercial partnerships with non-governmental agencies and governments. By this type of segmentation, therefore, the company is perceived to be achieving its corporate responsibility commitments. At the same time, it continues to advance its market reach, thereby achieving its goal of

advancing in the emerging markets where the potential for growth is high.

Reference:

Rangan, V. K.; Chu, M; & Petkoski, D. (2011, June) " Segmenting the Base of the Pyramid," Harvard Business Review, 89(6): 113-117