

THEORY

**BRANDING BOOTCAMP
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THREE GOALS FOR EFFECTIVE BRANDING

ESSENTIALS TO UNDERSTAND

First things first. You can have great packaging and an amazing social media ads, but when the below three conditions are not met, your branding will not be effective. Make sure you are addressing these three conditions in order to get the results you are working so hard for - and that a client wants to see.

1. CREATE VISIBILITY; your brand needs to be visible to your (potential) audience. When your audience is not able to see the product/service you are trying to sell, they won't be triggered to buy your product/service. Even when your audience has purchased a product and you would like them to do a repeat purchase (often the case with fast moving consumer goods), visibility is important to 'remind' your audience about your offering(s). Visibility can be accomplished through different channels, which shall be explained in the Branding Theory chapters.

2. CREATE AVAILABILITY; your brand/product needs to be available to (potential) consumers. When you have invested resourced to create visibility for your brand, product, service or program, it is important for your product to be available to your consumer. Therefore, you have to find out where you will find your audiences, how you connect to them and - very important- have to determine which distribution channels are most effective to target your audiences.

3. STIMULATE TRIAL; to really incentivize your audience to try out your product - especially when it's a new product they don't know or a durable/innovative device - so that they can 'experience' the product/service you offer. This create a higher probability for your audience to actually purchase your product if they enjoy using it. If they don't enjoy using it, trial can be an effective tool to understand how you need to improve your product/brand. Eventually incentivizing via trial

is also aimed to leverage positive Word of Mouth (the power of people telling each other about their experience with the product/service - a concept that will be explained under effective branding strategies.



BRANDING THEORY

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To lay the foundations for your branding strategy and create effective visibility, availability and trial for your product/service, you need an effective structural branding process. An effective branding process consists of the following steps:

1. Consumer understanding: understanding what the needs/wants are of your consumer so that you know the audience you are selling to.

2. Product understanding: understanding what your product/service is about. When you understand what you are selling, it's easier and more effective to promote according to the strengths of your product/service.

3. Where to find your audience; understanding how your audiences behave and where to find them. If you know where you can find your audience, you know where you need to focus your efforts to create availability.

4. Which channels to use; understanding which channels can be used to reach these audiences. If you understand how you can create visibility and availability, you understand how you need to promote your product/service better.

5. How to use these channels; allocating channels in the most relevant and effective manner to reach and connect to your audience effectively. If you know what works and what does not to create visibility, availability and trial, you can save resources, efforts and time.

The following elements will explain all these steps more thoroughly and refer to theory and terminology that you need to know to facilitate a program to teach participants about this process.

1. WHO IS YOUR AUDIENCE?

CONSUMER NEEDS AND WANTS

At the foundation of every effective business model, lie two questions:

1) Who is your customer?

2) What does the customer value?

Every user of your product/service experiences certain needs and wants in their lives. A need is often connected to a problem (pain) the user needs to solve. I am hungry, so I need food. I need to know where my child is, so I need a phone. A want is often connected to a desire (pleasure) that the user wants to fulfill. I like to speak to my boyfriend for hours, because I'm in love so I need a cheaper calling plan. It's been a long week, so I would like to have an ice-cream.

CUSTOMER SEGMENTATION

Often there is not just one audience that needs your product/service. Customer segmentation is the division and selection of the variety of audiences you are offering your product to. Each audience can have slightly different perceptions, needs and wants and as a marketer you need to be able to cater for these different needs and wants.

THE BRAND PERSONA

Many people outside of advertising and marketing still hold the notion that a brand is little more than a logo and how a website looks. A brand is in fact so much more. To make a comparison, if a brand is a person, the visual elements of a brand (logo, font style, website design, photography style, etc.) would be the equivalent of how the person looked and dressed. However, we all know good looking people sometimes can have an ugly personality, that's where the personality of the brand comes into play. The persona of the brand is usually

the part of the brand that is overlooked, ignored and for most companies, never defined and developed. But, as we have all learned over time, personality and attitude are the most important aspects of a person.

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THE BRAND TOUCHPOINTS

A touchpoint is any time a potential customer or customer comes in contact with your brand—before, during, or after they purchase something from you.

THE CUSTOMER JOURNEY (touchpoint analysis)

A consumer journey illustrates the complete cycle of touchpoints between consumer and your brand over the course of the experience of the brand (before purchase, during use and after purchase of your product/service.)

< TBL_TOOL_THE CUSTOMER JOURNEY MAP.PDF >

2. WHAT IS YOUR PRODUCT ABOUT?

THE PRODUCT CATEGORY

A product category is a way to organize products in your store by the type of products you sell. For example, if you sell electronic products then your categories might be computers, televisions, projectors, speakers and cell phones.

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PRODUCT BENEFITS AND FEATURES

Actual factor (cost effectiveness, design, performance, etc.) or perceived factor (image, popularity, reputation, etc.) that satisfies what a customer needs or wants.

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Features are characteristics that your product or service does or has. For example, some ovens include features such as self-cleaning, smooth stovetops, warming bins, or convection capabilities.

Benefits are the reasons customers buy the product or service. For example, the benefits of some ovens to buyers include safety, ease of use, affordability, or—in the case of many ovens that feature stainless steel casings—prestige.

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COMPETITION

Competition is the rivalry between companies selling similar products and services with the goal of achieving revenue, profit, and market-share growth.

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PAINS AND GAINS

A pain point is a problem, real or perceived. Entrepreneurs create opportunities for themselves by creating solutions (gains) to those pain points. Solutions (gains) create value for everyone.

THE VALUE PROPOSITION

A value proposition is an easy-to-understand reason why a customer should purchase a product or service from a specific business. It should be a clear statement that explains how a product solves a pain point, communicates the specifics of its

added benefit, and states the reason why it's better than similar products on the market. The ideal value proposition is concise, and it appeals to a customer's strongest decision-making drivers.

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PRICING FOR THE BOP

There are two main pricing strategies. Penetration and skimming.

Penetration pricing refers to a marketing strategy used by businesses to attract customers to a new product or service. Penetration pricing is the practice of offering a low price for a new product or service during its initial offering in order to lure customers away from competitors.

Price skimming involves setting rates high during the introductory phase. The company then lowers prices gradually as competitor goods appear on the market.

Nevertheless, pricing for the BoP often is a high gross margin business as it has to take into account the heftier costs to engage consumers through BTL, Word-of-Mouth and a significant sales force.

3. WHERE ARE MY AUDIENCES?

EFFECTIVE MARKETING STRATEGIES - WHAT WORKS AND WHAT DOES NOT WORK

The most effective marketing strategies in BoP markets are Word-of-Mouth and Below the Line marketing. The next paragraphs will explain why, what these terms actually mean and what it can do for you. We collected this information with

the help of research reports from a variety of international consultancies (see references).

4. WHICH CHANNELS TO USE?

WORD-OF-MOUTH MARKETING

Word-of-mouth (WoM) marketing differs from naturally occurring word of mouth, in that it is actively influenced or encouraged by organizations (e.g. 'seeding' a message in networks, rewarding regular consumers to engage in WoM, employing WOM 'agents'). While it is difficult to truly control WoM, research has shown that there are three generic avenues to 'manage' WoM

- 1.) Build a strong WoM foundation (e.g. sufficient levels of satisfaction, trust and commitment)
- 2.) Indirect WOMM management which implies that managers only have a moderate amount of control (e.g. controversial advertising, teaser campaigns, customer membership clubs),
- 3.) Direct WoM management, which has higher levels of control (e.g. paid WoM 'agents', "friend get friend" schemes).

BRAND AMBASSADORS (INFLUENCERS)

A Brand Ambassador is a person who is hired by an organization or company to represent a brand in a positive light and by doing so help to increase brand awareness and sales. Originally the job of a brand ambassador was undertaken typically by a celebrity or someone of a well-known presence, who was often paid considerably for their time and effort. Nowadays however, a brand ambassador can be anyone who has knowledge or can identify certain needs a brand is seeking. In the digital world, a new word has been adopted; the social influencer, a person that has a significant and relevant online outreach to the brand's audience.

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ABOVE THE LINE MARKETING

Above The Line (ATL) advertising is where mass media is used to promote brands and reach out to the target audiences. Forms of ATL marketing include radio, television, outdoor media (billboards, LED screens etc), newspapers and other print. ATL marketing is mostly effective when aiming to accomplish brand awareness via repeated messages. ATL marketing tools are hard to measure and thus makes it difficult to calculate the effectiveness of your investment.

Radio

Radio proves to be the most effective ATL media tools in BoP and emerging markets. The following contextual reasons aids radio to be an effective tool; traffic jams (in the morning and evenings masses of people commute with public transport. This contact point is prolonged due to lengthy traffic jams), relative lower cost for radio devices than for example TV.

TV

Television can be an effective tool when trying to engage with a larger group. Please note that the masses of people don't have direct access to TV in BoP markets and are often dependant on TV access via their community, friends and family - often buying a TV with a group of people. Similar to radio, this mass media channel should only be used in combination with the necessary BTL activation and the type of content should relate to focus on behaviour change with the help of key influencers in the community.

Newspapers & magazines

Newspapers and magazines are often used as a medium in environments with a high illiteracy rate. Therefore, it is not suggested to focus highly on this medium in Sierra Leone.

Outdoor media

Outdoor media includes every type of media that can be found outside of home e.g. billboards, posters, flyers, led screens.

BELOW THE LINE MARKETING

Below-the-Line (BTL) Marketing - is highly targeted direct marketing focused on conversions. Forms of BTL marketing include events, social media, engaging content, paid reach, SEM and SEO, PR and road shows. BTL marketing is driven to result in preference and purchase of your product/service and focuses on building direct contact with consumers. This leads to building stronger relationships and brand trust, which also makes it easier to test conversions and effectiveness of campaigns.

BTL marketing campaigns are highly measurable, due to direct contact with the customer (either online or offline). This enables the marketer to make informed decisions on succeeding marketing campaigns leading towards higher return on investment

Events

An event is an internal or external experience for consumers to for example witness a presentation of a product/service (launch), interact with the product/service or simply celebrate the brand.

Village road shows

To reach the BoP village, often trucks are used with a sound system and people that 'activate' the product/service. Product presentations and showcases are done in the village, at busy traffic points (where there is a lot of footfall).

Community meetings

These meetings are often run through the village's/ community's influencers, for example the church, chiefs, woman's groups etcetera. A product/service presentation is done in the form of a meeting with the community it targets.

In retail activations

A powerful BTL strategy is to promote in or around the kiosk/ corner shop/open market. Materials like flyers, tent cards, posters etc. can be used to promote a certain product/ promotion.

SOCIAL MEDIA + MOBILE MESSAGING

Digital media is a growing medium in the BoP, yet one must be aware of the high rates of illiteracy in Sierra Leone. Therefore, a strategy to target both literate and illiterate consumers should be followed - often through the use of visual messages, more than verbal messages.

IDENTITY + PACKAGING

The identity, package variety and the packaging design of your brand can be an important differentiator to draw attention to your brand. The content slides of this bootcamp will provide more information on how to do this (see: TBL_ Program and Content slides.PDF)

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5. HOW TO USE THESE CHANNELS

The following BoP specific theory is important to take into account and can be found in greater detail in the content slides of the bootcamp (see: TBL_PROGRAM AND CONTENT SLIDES.PDF):

- The economic perception of the BoP consumer
- Trust and Aspiration
- ATL vs BTL (what works and what not)
- 5 distribution models that work in the BoP market

ATL VS BTL

What is important to know for a BoP context is that ATL marketing may or may not drive customer responses, making it a very unreliable source of marketing if used for sales conversion. This marketing strategy is mainly used to drive awareness and maybe consideration (when heavily repeated), yet does not guarantee (repeated) sales.

BTL marketing, resulting in increase of positive WoM, is by far the most effective marketing tool in BoP markets. Above the Line (ATL) is predominantly used to generate brand awareness and entice consideration in the developed world.

Though ineffective to directly drive sales in BoP markets, we do see a number of positive effects ATL can have in markets.

- 1.) ATL can be a cost-efficient way to broadly promote behavior change. When successful BTL campaigns influence customers to change their habits, they remain ineffective when the product/service is not endorsed by influential people surrounding them (e.g. depending on the product/service's category; grandmothers, key opinion leaders, husbands etc)
- 2) To create visibility

IT'S AN ECONOMICS GAME

Advertisers in the US spend a staggering \$140 billion (each year with the aim of convincing American consumers to switch brands (\$440 per individual). Marketing to BoP families is a totally different challenge. Indeed BoP families face a radically different predicament from their US counterparts.

Their decision is not one between two brands of solar lanterns, but rather between a brighter solar lantern and a smoky kerosene lamp. Within the inelastic constraints of a typical monthly budget of \$100 (70% of which goes to food), the question is whether a \$10-25 investment will indeed positively replace a \$2-3 monthly cost in kerosene, candles and batteries, and what other goods might need to be sacrificed for this purchase. Best selling devices do provide economic benefits to the families, the more tangible (i.e. direct short-term cost savings) the better.

Purchasing such devices are extremely lucrative investments for BoP families: generating annual IRR of 5000% for cook stoves (for families who previously purchased charcoal), 2200% for irrigation pumps, 400% for water purifiers (for families who previously boiled water or purchased bottled water), 150% for solar lanterns and 60% for SHSs, and so on.

TRUST

When convincing BoP consumers to buy into a new product/service, trust and reliability is incredibly important. The following tactics could be used when aiming to build trust amongst your target audience:

- 1.) Target your end consumer with showing testimonials from

peers and influencers

- 2) Make sure that the products you give out to your (test) audience don't have errors. Especially at the launch it is important to start right, to avoid negative word-of-mouth, which will affect consumer's trust and reliability perception in a negative way.

- 3) Trust is something you build from the start and maintain along the way. It's basically like nurturing any personal relationship. Trust is like chocolate; once it is melted, it is hard to get it back into the original state.

ASPIRATIONAL MESSAGES WORK BEST

In 2009 their first mass media campaign of multi-nutrient powders (Monimix) in Bangladesh showcased a celebrity explaining what anemia is, its symptoms and effects, and ended with telling people that they needed to add iron to food to fight the issue of anemia. The brand was only associated with the last message. This campaign had no effect on Monimix sales. More recently, with the agreement of the Food and Drug Administration, SMC started a branded mass media campaign for Monimix showing two kids in a train playing with their mothers. One of the two kids is visibly smarter, stronger, and has more energy than the other. The "good child's" mother gives him Monimix. The ad showed four year old children, making the benefits of Monimix more tangible for the audience than infants could have. At the time of the campaign, sales experienced a 20-30% sales increase over the same period from the previous year.

Aspirational messages are also very effective in below-the-line marketing: Nutrifaso is rewarding "model mothers", selected by interviewing health agents to know which mothers are attending vaccination campaigns and other health events at the health centers, breastfeeding their 6-24 month old

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children, and regularly feeding their children adequate complementary food. These model mothers are publicly rewarded with various gifts in the village square during a ceremony, generating aspirations from their counterparts as well as from other villagers.

However, marketers should be cautious when leveraging aspirations and make sure that they do not create false hopes nor overpromise on what their products will do, both for obvious ethical reasons and to avoid triggering negative

WORD-OF-MOUTH – RESPONSIBLE AND EFFECTIVE MARKETING OCCURS AFTER THE SALE

A large percentage of BoP customers make a purchasing decision based on what their neighbors and relatives recommend to them, for example: 92% for SHSs, 60% for home improvement packages, 60% for improved cook stoves and 49% for irrigation pumps.

Many families and individuals that invest months of savings into often a disappointing device will actively discourage their friends and neighbors from making the same mistake - often without getting to the attention of the marketer and therefore fail to investigate the cause of these users' dissatisfaction or to try to address their problems.

It has also been proven that an initially dissatisfied customer whose problem has been solved through an effective after-sales service becomes an even more vocal supporter.

A common situation in BoP markets is that companies' dependency on (impatient) donors' money lead them to focusing on short term goals rather than on ensuring actual

use and ensuring social benefits of these devices/products. Thus, lots of customers not using any of these heavily subsidized products after having invested months of savings. This often ends up in a high degree of negative word-of-mouth.

Positive word-of-mouth can also be encouraged.

For example, Toyola (cookstoves from Ghana) sales agents enroll “evangelists” among their first clients, who inform agents of cook stove demand in their local village, allowing agents to visit in priority villages with guaranteed sales and avoid missing existing demand. Evangelists receive a commission for their work (e.g. around 5% cash commission or a free stove if they convince 10 friends to purchase).

EFFECTIVE BELOW THE LINE MARKETING STRATEGIES

The BoP market is won one village at a time. Each village takes several steps: first making villagers aware of and tempted by the offer, second overcoming the last barriers to purchase, and finally ensuring that buyers use and are satisfied with the products ... and tell their friends about it.

Many organizations place greater emphasis on raising awareness of their products by investing in “above the line” marketing campaigns, i.e. billboards, radio ads and even TV advertising. While these investments do raise awareness they generally fail to translate into actual sales. For example, a year-long marketing push combining demonstrations by field staff and radio ads raised awareness and understanding about irrigation pumps among small farmers to respectively 84% and 63%, up from 65% and 44%. Yet sales penetration only increased to 13% (from 8% initially). Similarly, a marketing campaign stressing the health benefits of improved cook stoves resulted in an impressive 69% awareness of health

impact among potential customers and a staggering 83% stated intention to buy, but a disappointing 2% made actual purchases.

Best BoP marketers shy away from expensive above the line marketing campaigns, the only exception being if they are paid for by a willing foundation or aid agency: clearly these campaigns cannot have a negative impact on sales, but their positive impact is notoriously hard to measure. And most importantly they do not replace the need for villagelevel demonstrations, allowing the targeted populations to verify for themselves the product benefits. In one word, above the line marketing can in some cases help increase sales, while below the line marketing is an absolute requirement to sell at the Base of the Pyramid. It is thus not surprising that all the organizations studied here focus most – if not all – of their efforts on excelling at villagelevel tactics:

Demonstrations in public places or small groups

are essential for communicating product benefits. For example, Soluciones Comunitarias sales agents conduct free eye exams during their village-level campaigns. Visual and tangible proof works best, the more sensational the better. Sales agents of Greenlight Planet, an Indian company whose direct sales channel is distributing close to 25,000 solar lanterns per month, pour water on solar panels to prove their durability. Similarly d.light's sales agents throw their lanterns on the floor. It is also common for solar light vendors to conduct demonstrations at night, when the lighting superiority of a solar versus kerosene lamp is obvious. Similarly, improved cook stoves marketers such as the Sakhi ladies selling Oorja stoves in India, host live cooking

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demonstrations to illustrate their stove's shorter cooking time and good-tasting results, while at the same time attracting prospects with free delicacies!

Understanding and leveraging village politics is also key. Marketers seek endorsements from village chiefs, recruit vendors from trusted locals, and offer free trials to opinion leaders. The sanitation program of BRAC, the world's largest NGO based in Bangladesh, even organizes Water Sanitation and Hygiene (WASH) committees. Six women and five men, including the imam and the local teacher, map out the village, singling out the homes that do not have proper latrines and pollute the water table. This peer pressure is combined with financial support to the poorest to ensure the village eradicates open defecation. Through this system BRAC has provided over 2.4 million latrines to rural Bengalis.

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BOP DISTRIBUTION THEORY

DISTRIBUTION MODELS THAT WORK IN DEVELOPING NATIONS

Even if you can offer a product/service that connects to clear customer needs and have developed a strong brand; when you don't get the product/service to your customer, you're lost in translation. Therefore, as it is important to define the right marketing tactics, it is equally important to define the right distribution tactics that are relevant in the local context. We have outlined the most effective ones for BoP markets similar to Sierra Leone.

1. RETAIL

Traditional distribution channels are generally the most cost-efficient to reach the BoP, costing 20 to 30% of consumer prices at scale, including advertising, channel management, and margins of wholesalers, resellers and retailers. Yet for distributors of new products, a key challenge is to get their brand accepted and promoted by retailers. Therefore, it is important to perceive the retailer as one of your audiences as well.

2. LOCAL DOOR-TO-DOOR

Setting up a local door-to-door sales force can help create brand recognition in new markets and bring additional value through home delivery that retail could not provide. However, the sustainability of such channels requires that each sales person generates enough revenue locally to cover their costs – sales need to be recurring and client density high enough. There is evidence that this model only works sustainably for consumer goods in dense urban areas. For example, Nutri'zaza sales ladies in Madagascar sell ready-to-eat infant fortified porridge at the doorstep of their clients daily, offering convenience that mothers are willing to pay for: they reach penetration of over 50% in areas where they deliver the products.

3. EXISTING DISTRIBUTION PARTNERSHIPS

Leveraging existing networks can be attractive for the distribution of both consumer and durable goods. For consumer goods that are not yet in demand, in rural areas, the only financially sustainable way to use door-to-door is to leverage a pre-existing, credible network. For example, BRAC has leveraged their trusted, already paid for, network of 90,000 health workers to effectively sell Pushtikona multi-nutrient powders in rural Bangladesh, distributing over a million sachets per month. For durable goods, distribution partnerships can be particularly attractive with organisations that combine a large existing consumer base with financing capacities. In East Africa, One Acre Fund, an NGO distributing agro-inputs on credit to over 200,000 farmers per year, has added improved cookstoves and Greenlight Planet solar lights to its product mix with simple top-up loans for farmers, selling over 100,000 lights within a few years.

4. MOBILE INDIVIDUAL DOOR-TO-DOOR

Organisations selling simple low-cost devices (less than \$20) such as Toyola improved cookstoves in Ghana, employ full-time, mobile sales agents each serving several thousands of households each year. They cover extensive, non-exclusive areas, leveraging retailers or lead generators among local villagers (called “evangelists” at Toyola), to aggregate demand. They will be successful as long as the products they promote are new and cannot be found in traditional distribution channels, and will probably need to switch products or revise their business model when this happens (Toyola sales agents, initially selling mostly via door-to-door and “evangelists” in rural areas, now make most of their sales to retailers).

5. MOBILE GROUP DOOR-TO-DOOR

For more complex and expensive durable goods that require credit but limited service (typically \$20-100 products), the

most adapted business model is that of a specialised marketing and sales team covering a region until they have achieved their target penetration and finish collecting loan payments, before they shift to the next area. They only go back once when replacement needs arise. The Paradigm Project has implemented such a model in Kenya, where its dedicated salesforce has sold over 175,000 beneficial products (90% of which are improved cookstoves) as of early 2016, including 40,000 on credit.

6. LOCAL BRANCHES

For goods above \$100 (e.g., solar home systems), successful organisations set up local branches from where their sales agents operate, with each agent serving only a few hundred clients a year. These organisations offer credit and maintain regular contact throughout the year to ensure after-sales service and customer satisfaction. Nevertheless, the best strategy is still not enough to ensure success. Triggering new purchasing behaviour from risk averse clients, and doing so viably in hard-and-expensive-to-reach areas, also requires perfect execution of the sales strategy. And there, the devil lies in the details, both on distribution (e.g., how many sales people do you need, to cover what territory? With what vehicles? What incentives to motivate them to sell? What IT system to support them?) and marketing (e.g., how to ensure all sales people execute the product pitch as well? How to ensure client satisfaction and encourage word of mouth?). In the end, it is key to get right both the strategy to sell those products, and the execution. A tricky duet that only a few have cracked.

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THE BOP CONTEXT

CONSUMER SEGMENTS IN THE BOP

SEGMENTING BY LIVING STANDARD

The simplest way to analyze the base of the pyramid is to recognize that the income level of \$1 a day separates the extremely poor from everyone else, and that people above that demarcation can be roughly divided into those earning \$1 to \$3 a day and those earning \$3 to \$5 a day. It's not the only way to categorize this tier of the pyramid, but it's a useful one.

LOW INCOME

The adults among the roughly 1.4 billion people who live on \$3 to \$5 a day typically have a couple of years of secondary education and the skills needed to enter the job market. Many earn semiregular incomes as construction workers, petty traders, drivers, or low-level staff in public and commercial establishments. They conduct their transactions in both formal and informal markets, and they tend to live near or among the people who occupy the next layer up in the pyramid—those with incomes of just over \$5 a day. Families in the \$3 to \$5 segment often own such consumer goods as bicycles, televisions, and cell phones. As they strive for higher education and steadier, better-paying work, they need good housing and access to credit and to health care specialists. Many of them have a reasonable hope that they or their children will achieve a modestly higher living standard.

SUBSISTENCE

The bulk of the roughly 1.6 billion people who live on \$1 to \$3 a day are poorly educated and low skilled. Although they typically have some income as day laborers or temporary workers, their earnings are not steady. Many need improved sanitation, health care, and education. They can typically afford one square meal a day, but the nutritional content is often substandard. If they live in slums or shantytowns, they might work as helpers or assistants in petty trade. In rural

areas, they are likely to be temporary, migratory farmhands during sowing or harvesting seasons. As both consumers and producers, they conduct transactions in informal markets, which often bustle with activity but are inefficient because they lack infrastructure and supportive institutions. Without bank accounts or access to formal credit, they turn to moneylenders for loans at exorbitant rates and are vulnerable to exploitation by middlemen. Unlikely to reach a \$5-a-day standard of living, they nonetheless strive to improve their circumstances. They need gainful employment and inexpensive items for day-to-day living.

EXTREME POVERTY

The bottom 1 billion lack basic necessities: sufficient food, clean water, and adequate shelter. War, civil strife, and natural disasters have displaced many from their homes. They are forced into transactions that are irregular even by the standards of informal markets. Some live in barter economies; others are bonded laborers. Women often have to walk long distances along nonsecure pathways to fetch water. Poor health, lack of nutrition, financial vulnerability, limited education, and a dearth of marketable skills shut them out of the organized economy. The precariousness of their daily existence precludes participation in the market as consumers or producers. The lucky ones receive aid from nonprofit and international agencies or government relief programs.

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