

# Reaching Customers at the Base of the Pyramid—A Two-Stage Business Strategy

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*Two-thirds of the world's population make less than \$2,000 a year. There is increasing attention paid to how private firms can play a role in improving the quality of life of people at the bottom of the economic pyramid in ways that are mutually beneficial. But despite the promise of mutual benefit, many firms have not been able to serve very poor customers profitably. In this article, we present a two-stage business strategy that will help firms to serve customers at the base of the pyramid. We suggest that in the first stage, firms need a deep cost management strategy, involving a focus on core customer value, and holistic operations reengineering. In the second stage, we suggest that firms need to consider a deep benefit management strategy, involving value reengineering, partnering for excellence, and creating inclusive channels. We support our ideas with examples of successful and unsuccessful cases of firms that have tried to serve the poor. © 2010 Wiley Periodicals, Inc.*

**M**any factors have fueled business interest in people at the base of the pyramid (BOP). First, there have been increasing calls for business to take an active role in social issues like alleviating poverty (Donaldson & Preston, 1995; Falck & Heblich,

2007; Freeman, 1984). Second, there is necessity and opportunity—as markets in the Western world and Japan have become saturated, firms have begun looking for ways to expand their traditional customer bases. C. K. Prahalad was among the first to draw attention to the

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