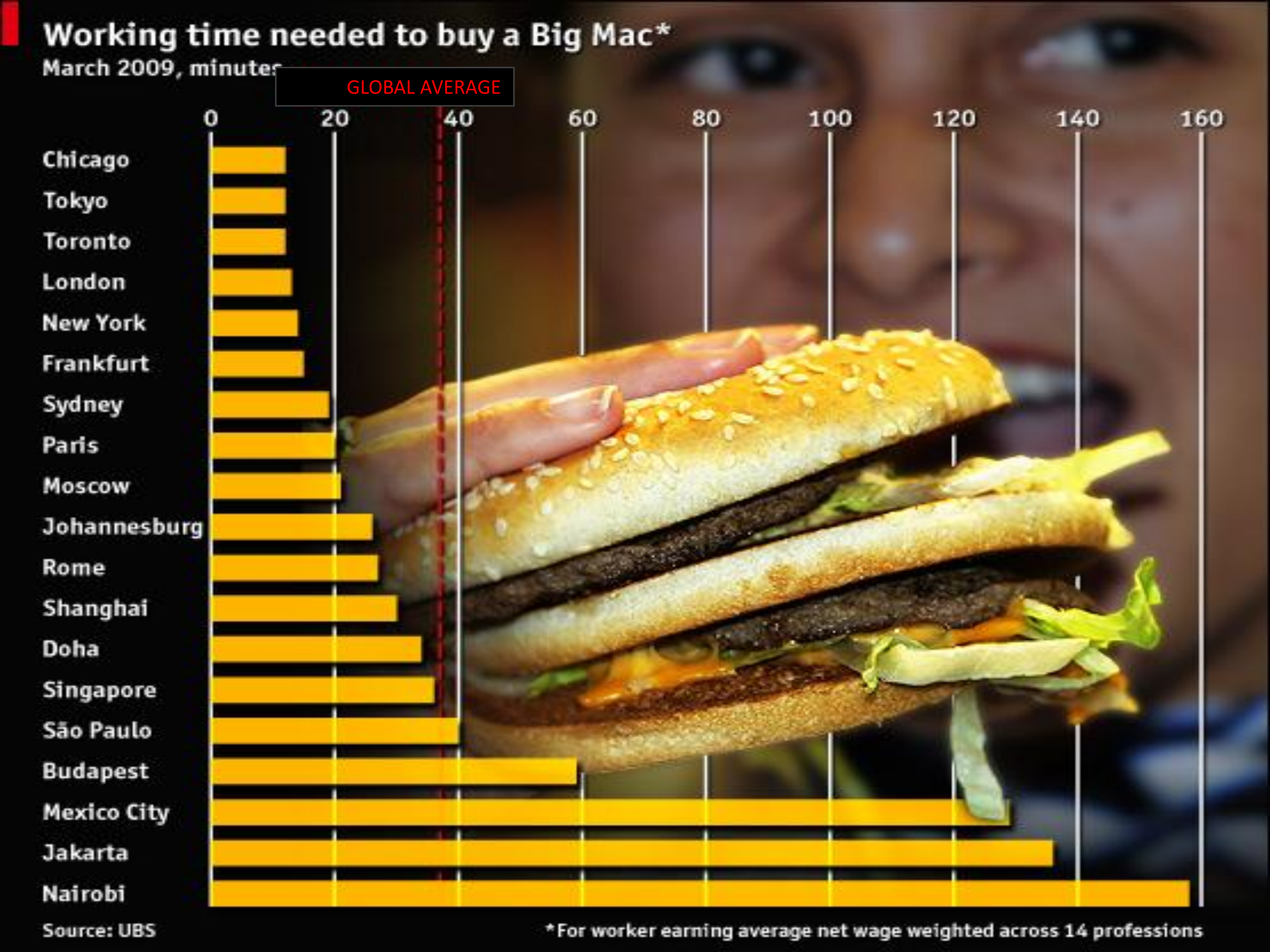
How to formulate Value Propositions to *Overlooked* Low-Income Consumers? Some Latin American experiences

César Antúnez de Mayolo.
cantunezdemayolo@pad.edu
July 22nd, 2011

Poverty & Inequality


Working time needed to buy a Big Mac*
March 2009, minutes
GLOBAL AVERAGE
0
20
40
60
80
100
120
140
160
Chicago
Tokyo
Toronto
London
New York
Frankfurt
Sydney
Paris
Moscow
Johannesburg
Rome
Shanghai
Doha
Singapore
São Paulo
Budapest
Mexico City
Jakarta
Nairobi
Source: UBS
*For worker earning average net wage weighted across 14 professions


Base of the Pyramid in Latin America

Growth & Inequality in Latin America

2010 GDP Growth:

Global = 3.9%

vs.

Latin America & The Caribbean = 5.7%

2000´s Gini Inequality Index:

Latin America = 0.53

18 % more unequal tan Sub-Saharan Africa

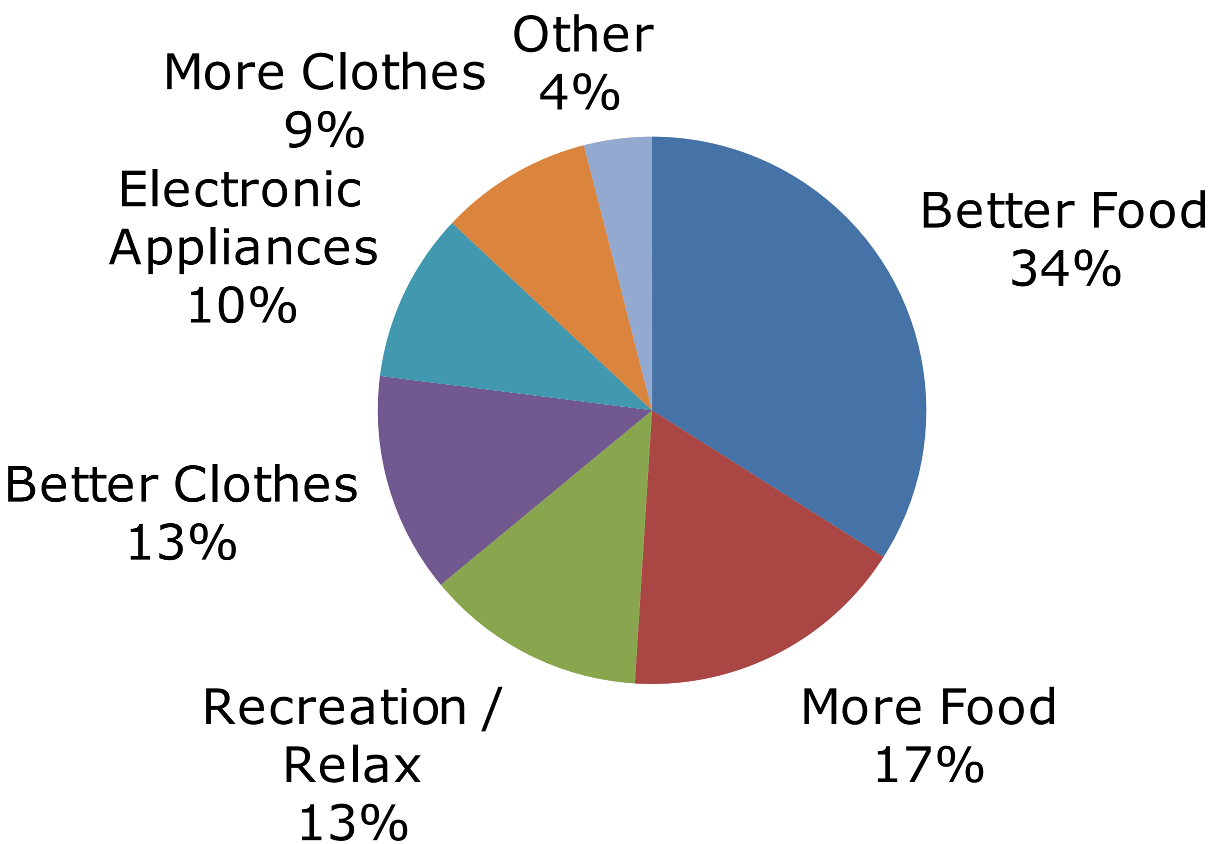
36 % more unequal tan East Asia and the Pacific

65 % more unequal tan the high-income countries

Latin American BOP Consumers: More and Better

On what would you expend a 10% increase on your family income?

(100% = 1.900 responses in Latin America)



Source: Target Marketing, CCRRC - customer interviews (2007/08)

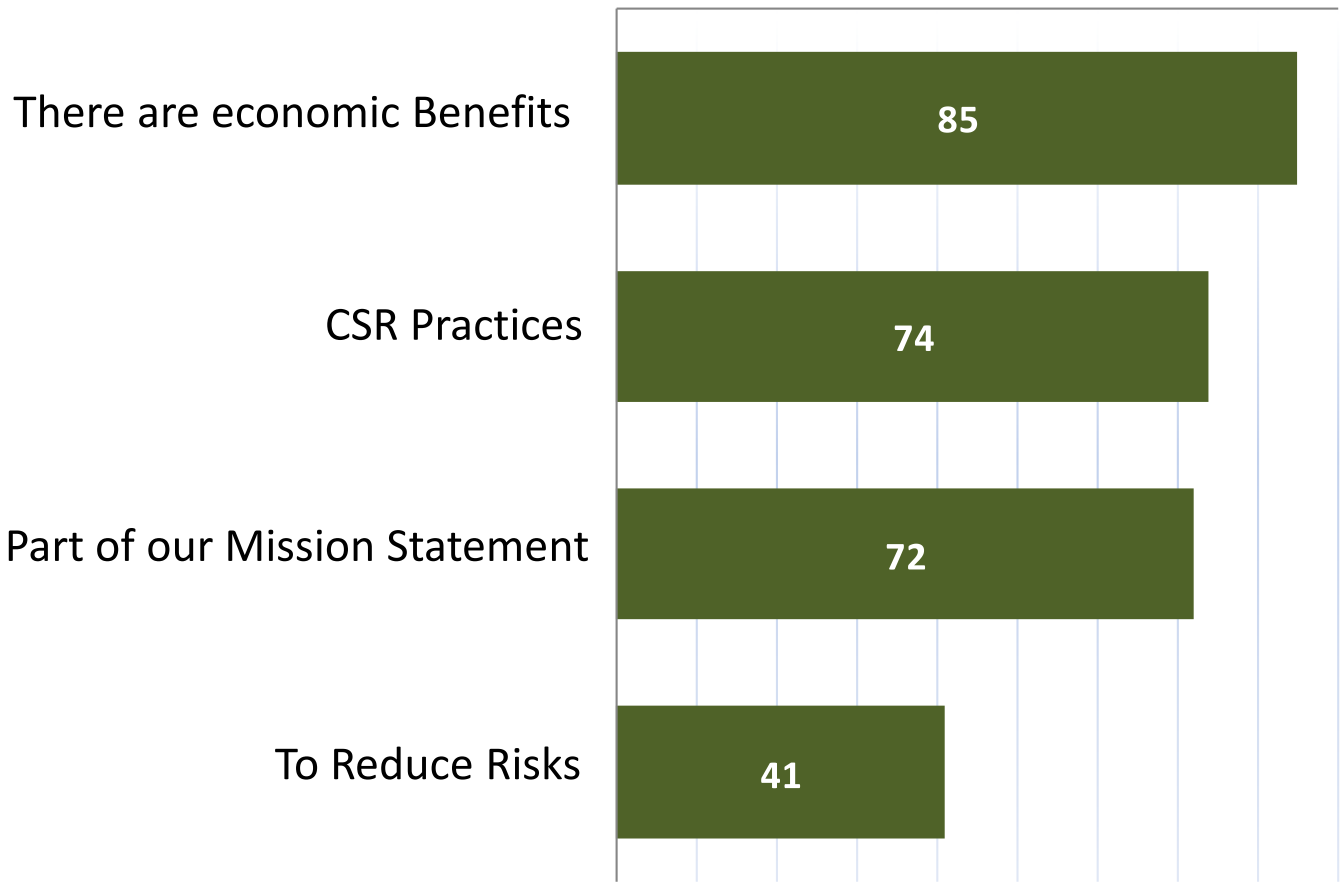
Three Needs From Latin American BOP Consumers

Experience	Dignity	Trust
"I Want to be distracted from my reality"	"I Want to be valued"	"I Want to feel secure"
"More than a simple store visit"	"I don´t want to feel poor"	"We just trust on God"
"All in one single store"	"I don´t want to be excluded"	"More trust, less nerves"

Source: CCRRC - customer interviews (2007/08), McKinsey.

Latin American Managers are Motivated to Focus on BOP Inhabitants

What motivates managers to implement strategies oriented to BOP consumers or suppliers? (%)

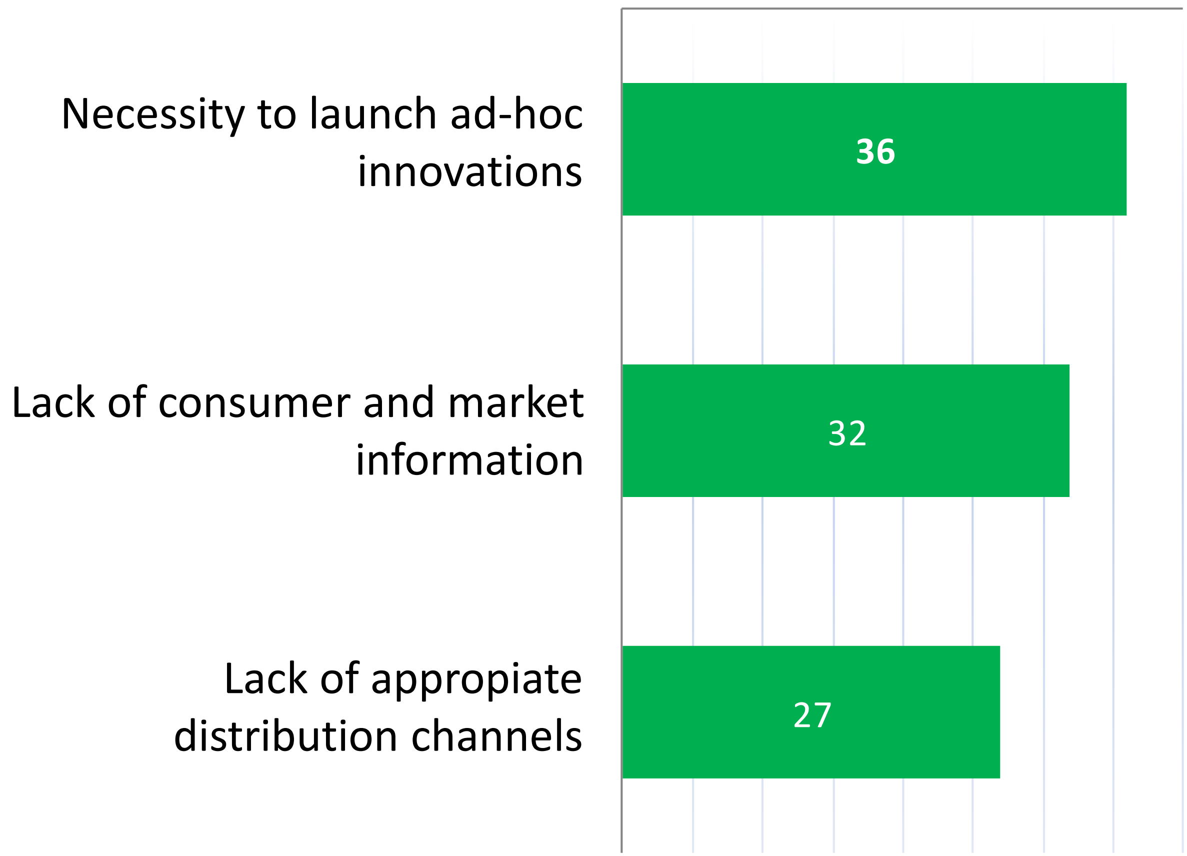


(521 firms)

Source: SNV: Proyecto Mapeo del Sector Privado – América Latina (2008)

…But Latin American Managers Face Some Problems to Focus on BOP consumers

Obstacles to incorporate BOP inhabitants as final consumers (%)



(521 Firms)

Fuente: SNV: Proyecto Mapeo del Sector Privado – América Latina (2008)

Some Latin American Business Cases

global GG alimentos

(Alimentos - Perú)

The Bottled Soda Market in Peru (1990s)

High Distribution Costs

Intensive and Professional Distribution

Brand

POP Material

Margin (20%)

Brand Extrínsic

Intrinsec

High Advertising Investment

Investors Pressure

Concentrate Brand

Support Advertising

Debts

Wants Better Turnover

More worried for Value and intrinsec issues

Franchising

Associated Manufacturer (Bottling)

Retailer

Fees (20% income)

Exclusiveness

Recommends the brand Variety/stocks

High US$ per litre

Wants, but couldn´t afford because of the price

Discontinued Private Brands

How Kola Real Changed The Bottled Soda Market in Peru (1990s)

More Flexibility

Intensive and Professional Distribution

~~Brand~~

POP Material

Margin (20%)

Brand Extrínsic

Intrinsec

"Fair Price"

Concentrate

~~Brand~~

~~Support Advertising~~

Turnover

Franchising

Associated Manufacturer

(Bottling)

Retailer

~~Fees ([illegible]% income)~~

~~Exclusiveness~~

Recommends the brand

Variety/stocks

High US$ per litre

Too Many People

Kola Real (Ajeper)

Magazine Luiza

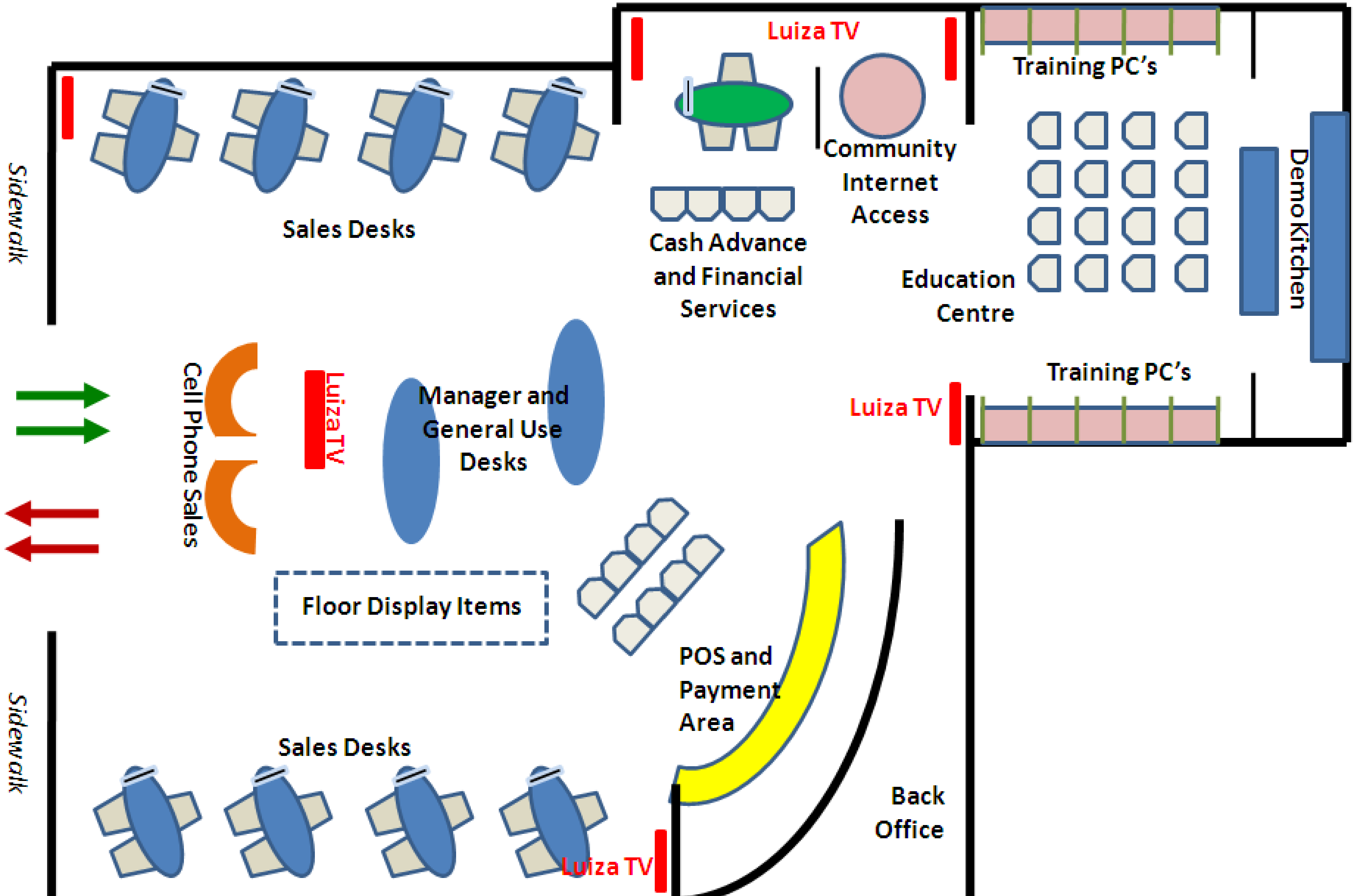
(Brasil)

Magazine Luiza

(Brasil)

Magazine Luiza (Brasil)

Magazine Luiza (Brasil)



Edenor (Energy Distribution - Argentina)

What could we learn from BOP experiences in Latin America and Other Regions?

Some Key Issues Regarding BOP

1. Needs ≠ Market
2. We need high margins (´pxq´ don´t work!)
3. Intermittent cash-flow in consumers
4. Distribution challenges
5. Supply chain

…Some Key Issues Regarding BOP

6. Strong Analysis of Consumer Needs
7. Innovative Value Propositions
8. Convert Products on Services?
9. Corporate Culture and Structure could block BOP incursions.

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