

Revisiting the debate on Multinationals' domination of Bottom of Pyramid opportunity conversion and growth in Africa

Tendai Chikweche

Western Sydney University

James Lappeman

University of Cape Town

Hossain mohammed

WESTERN SYDNEY UNIVERSITY

LALITHA Kirsnan

WESTERN SYDNEY UNIVERSITY

Cite as:

Chikweche Tendai, Lappeman James, mohammed Hossain, Kirsnan LALITHA (2025), Revisiting the debate on Multinationals' domination of Bottom of Pyramid opportunity conversion and growth in Africa. *Proceedings of the European Marketing Academy*, 54th, (126048)

Paper from the 54th Annual EMAC Conference, Madrid, Spain, May 25-30, 2025



Revisiting the debate on Multinationals' domination of Bottom of Pyramid opportunity conversion and growth in Africa

Abstract

Research on the bottom of the pyramid (BOP) has traditionally focused on situating the segment's importance as a frontier of opportunities for Western-based multinationals to develop products for the BOP in conjunction with non-governmental organisations to enhance mutual value creations, thereby alleviating poverty. This article questions the pre-occupation and situating of BOP opportunity conversion and growth to engagement by multinationals because it needs to recognise the vital role that local firms are playing in this space. Conversion and growth of opportunities at the BOP are influenced by the evolving context of the environment at the BOP, which is characterised by the increased use of information and communications technology innovations and the different market separations at play at the BOP. Local firms are increasingly better positioned to maximise opportunities at the BOP than MNCS, but this needs to be reflected in current marketing literature. The article articulates how local African firms enjoy cultural and social proximity, agility and structural connectedness advantages, which they leverage over multinationals when exploring opportunities at the BOP, thereby challenging current marketing literature assumptions.

Keywords

bottom of the pyramid; cultural and social proximity, structural connectedness.

Track: International Marketing & Marketing in Emerging Countries

1. Introduction

Bottom of Pyramid (BOP) studies have traditionally focused on outlining pioneer advocates' recommendations for multi-nationals (MNCs) from Western developed markets in conjunction with non-governmental organisations (NGOs) to take advantage of the business opportunities to be found in BOP markets (London and Hart; Prahalad, 2005; Prahalad and Hart, 2002). The other stream by scholars such as Simanis and Hart (2008) advocates for these MNCs to co-develop products and services with consumers. This later stream has also been extended by London et al. (2010), who reinforce the need for creating mutual value by considering the BOP as both producers and consumers. Although there have been various contestations on the definition of the BOP using different income bands, there is consensus on the importance of the segment in the big picture of the conversation on poverty alleviation and ensuring that these marginalised consumers' livelihood deserves attention from multiple disciplines. Hence, the research focuses on disciplines such as economics, marketing, international business, and sociology.

The majority of studies on the BOP continue to place the western-based multi-national corporation (MNC) at the centre of any initiatives to serve the BOP in terms of pursuing opportunities for providing products for consumption by BOP consumers with some residual effort to alleviate poverty (Prahalad and Hammond, 2002; Karnani, 2007). Some scholars like Agnihotri (2012) have evaluated Prahalad's propositions. Still, they have largely continued to assert the dominant role of the MNC, ignoring local firms, some of which have grown into indigenous multinationals operating across different markets, in the case of Africa. Other later studies by Faulconbridge (2013) focus on the role of MNCs at the BOP, highlighting three core areas of opportunities that MNCs should focus on to understand the BOP. This article challenges this position of continuing to situate the MNC as the central player or actor in the engagement of the BOP because this does not recognise the emerging role and influence of local firms that are now at the forefront of engaging the BOP. Locally owned African firms are taking advantage of the increased penetration of integrated communications technology to develop product and process innovations. This also broadens the scope of products and services accessed by BOP consumers and used by BOP producers. This is an area that current marketing theory has been slow to acknowledge. Some of these firms have expanded their operations in different African markets.

Moreover, previous studies have reinforced the need for future studies on the BOP to continually reflect on the changing context shaped by time and other macro-environmental variables that can provide changing insights on previously held notions of the BOP (Yurdakul et al., 2017). Insights can be drawn from the growth of locally owned telecommunications companies in BOP markets in Africa that have become critical actors in providing diverse innovations that serve BOP consumers and producers. Any review of this trend has to reflect on the implications of Bartels' theory of market separations (1968) because these are evident in the characterisation of the changing context of the 'distinctive social and economic' macro-environment variables that shape livelihoods at the BOP (Hammond et al., 2007)

1.1 Changing Context of the BOP -The Telecommunication Revolution

Globally, there has been rapid growth in the last decade in the penetration levels of mobile phones, especially in emerging markets and Africa, where the world's majority of the BOP reside (GSMA,2019). For example, smartphone connections in Africa are estimated to double by 2025, accounting for more than 77% of mobile phone connections. Penetration rates are now estimated to be over 72%, with more growth opportunities forecasted in rural areas where most BOPs reside. Nakata and Antalis (2015) also confirm this accelerated adoption of technology as a driver of market exchanges at the BOP, transforming the lives of BOP consumers and operations of BOP producers. This fast growth has changed the BOP's critical aspects of social and business life. It is important to note that locally owned firms have been at the forefront of this telecommunications growth. Some of these companies have partnered with international brands in mergers and acquisitions, but they retain the majority of local ownership structures. They now have operations in various African markets but differ from the traditional multinationals in Western markets. Examples of such firms include Safaricom in East Africa, South Africa's MTN and Zimbabwe's Econet. Across the continent, various other local mobile firms are spearheading this revolution. These firms are spearheading the development and introduction of integrated communication innovations targeting BOP with diverse product and process innovations based on mobile phones and the internet. Examples of these innovations include digitised products such as money transfers for the hugely unbanked BOP, health care innovations and smallholder agriculture products and services. Further participation of these firms in engaging BOP consumers and facilitating BOP producers' conduct of business has been through the provision of electronic channels, internet distribution kiosks, and market information channels.

Diversification strategies by these local firms have seen these firms participating in product categories traditionally the reserve of MNCs from Western markets. These are sectors that have excluded or diluted the influence of MNCs. Their business models are embedded in the local context of the BOP and provide them with unique advantages when doing business with the BOP compared to Western-based MNCs. Moreover, the sector is highly regulated, and governments have provisions for maximum quotas for foreign ownership in sectors such as telecommunications, thereby giving these local firms leverage. This phenomenon is not limited to the BOP in Africa but is also evident in the BOP in India. Tarafdar et al. (2013) conducted a comprehensive study evaluating the impact of integrated communication technology-enabled product and process innovations at the BOP in India. This is a development that literature on the BOP needs to track due to the presumption that Western-based MNCs and NGOs are the custodians of the engagement of the BOP.

2. Reflection on the Theory of Separation as an influencing variable on the role of the MNC versus Local firms.

Using Bartels' theory of market separations, especially in the context of the BOP, for example, in Africa, it is evident that the four forms of separation, namely spatial, temporal, informational and financial, are high at the BOP and represent/denote some of the barriers both MNCs and local firms have to deal with in engaging both BOP consumers and producers (Bartels, 1968). Tarafdar et al. (2013:282) use Bartels' theory to describe the different forms of separation where *Spatial separation represents* geographical distances between producers and consumers. *Temporal separation denotes* the time difference between production and consumption. *Informational separation denotes* informational imbalance between producers and consumers relating to products, demand, and other market conditions, whereby one side has more information than the other. At the same time, *Financial separation* is a lack of consumers' financial ability to purchase when they are willing to buy and fulfill their consumption needs (282). These separations create a more evident market development challenge for adjustment for MNCs who tend to operate on highly centralised systems, which can limit their ability to be flexible, proactive and quickly adaptive to the changing context caused by these separations. On the other hand, local firms tend to have a better chance of managing these separations in their engagement with the BOP, as evidenced by the ICT innovations.

Tarafdar et al. (2013:285) cite product digitisation, electronic product delivery, and computerisation of interface processes between BOP producers and their consumers as examples of technology-enabled innovations. However, like the rest of the previous and current marketing literature, they do not extend their discourse to articulating the potential distinct leverage that local firms have over western-originating MNCs in managing these separations due to what this paper calls refers to as the Axis of Leverage enjoyed by these firms over MNCs. This is evident in BOP markets in Africa, where local telecommunications firms, as highlighted earlier, are at the forefront of introducing these innovations. This is an issue that current marketing literature ignores in its assertions on the assumed dominant role of MNCs and NGOs at the BOP. Thus reinforcing the need for marketing theory and discourse on the assumed dominant role of MNCs

3. Exploring the Axis of Leverage

The progress made by local African telecommunications firms in introducing ICT-enabled innovations in diverse product categories for the BOP can be used to exemplify how these firms have taken advantage of a consortium of variables that they have leveraged to be dominant actors in engaging the BOP. These can be summarised as a triangle of three core variables. ;(i) Cultural and social proximity;(ii) Agility (iii)Structural Connectedness

3.1 Cultural and Social proximity

Literature in international marketing already recognises local firms' inherent knowledge-based advantages in understanding cultural and social norms compared to MNCs. This assumes an even more critical role in the engagement of the BOP, where a bottom-up approach of immersion into local contexts and understanding norms and nuances can be vital to enhancing market exchanges (Nakata and Antalis, 2015). The giant local telecommunications have exploited this proximity to local BOP communities. Their provision of ICT would have reinforced this and enabled innovations to the BOP in areas such as access to some form of banking through money transfers and general facilitation of payments, communication, healthcare innovations or smallholder agriculture innovations. These address some earlier separations, such as financial and informational separation. Their diverse interactions with BOP communities through these innovations create strong bonds or links to the BOP communities. This, in turn, gives them leverage in understanding

the needs and dynamics of their consumption and decision-making, which MNCs might not necessarily have given the limitations of their spectrum of interactions with the BOP. This proximity is extended through developing corporate social responsibility programmes tied to these innovations, entrenching these local firms' leverage over MNCs. Marketing literature has not placed a premium on this proximity leverage.

3.2 Structural Connectedness

Beyond leveraging the cultural and social proximity, local firms, especially the telecommunications giants, have become critical investors in public infrastructure. This is also due to the nature of requirements for their ICT-enabled innovations, thereby making them essential influencers of the lives of the BOP. This is evident in the investment in energy generation, small-holder agriculture innovations and internet and money transfer kiosks covering rural and urban BOP areas. In so doing, this has addressed financial and spatial separation challenges. This investment and participation also leverage local firms in managing their relationships with local governments. This was traditionally a domain of MNCs, given their often over-stated contributions to infrastructure investment. However, this has diminished over the years, given the changing role of MNCs in a new global landscape where foreign direct investment is no longer at the levels it used to be and is not driven by MNCs. Another critical leverage area of structural connectedness enjoyed by local firms in engaging the BOP, which is overlooked, is their connection with the informal sector.

This is manifested through their various innovations, especially mobile payments by the informal sector, which links the informal and formal markets. For example, formally registered businesses utilise networks by informal companies for various purposes such as distribution. Araujo (2013) rightfully challenges misplaced notions that ignore the critical role of the informal sector at the BOP and the need not to focus on attempting to formalise the industry but to strengthen its nexus with the formal sector. This is a gap that local firms are already consolidating due to their leverage compared to MNCs, whose often rigid standardised and centralised policies and systems make it challenging to integrate informal sector operations at the BOP.

3.3 Agility

The combination of cultural and social proximity and structural connectedness also

creates leverage for local firms to be more agile and proactive in their engagement with the BOP. This is very important given the fluidity and ever-changing dynamics of the context of the BOP due to time and other variables cited by Yurdakul et al. (2017) in their conversation on the need to redefine the BOP from a marketing perspective. As indicated earlier, local firms are open to the rigid standardised policy, strategy and systems framework that MNCs often have to work with at the BOP. This creates an added advantage for local firms in entrenching their bond with the BOP. Being flexible and adaptive to changing contexts is very important because it also has implications for addressing key separations, such as the spatial and temporal ones, which are strong at the BOP.

4. Conclusion.

In summary, this brief think piece has challenged marketing theory to revisit currently established assertions that engagement and implementation of BOP approaches is predominately the domain of western-based by MNCS who are likely to realise opportunities in this segment. However, this assertion ignores the evident leverage that local firms have over these MNCS, and they are becoming critical beneficiaries of opportunities at the BOP. The commentary argues that local firms in BOP markets are now better placed and equipped to engage the BOP in a bottom-up approach that takes advantage of three core axes of leverage. Further areas of investigation and extension of this discussion should not only empirically support the assertion made in this commentary. Still, they should also be extended to establish the impact of local firms' engagement with the BOP on poverty reduction, taking the three axes into consideration. This will contribute towards more imaginative theoretical approaches to understanding the changing nature of the role of local firms vis-à-vis MNCs

5. References

- Agnihotri, A. (2012)' Revisiting the Debate over the Bottom of the Pyramid Market', *Journal of Macromarketing*, 32(4), 417–423.
- Araujo, L. (2013)' What have markets ever done for people experiencing poverty?', *Marketing Theory*, 13(3), 385–388.
- Bartels, R. (1968)' The General Theory of Marketing', *Journal of Marketing* 32(1): 29–33.
- Faulconbridge, J. R. (2013)' Situated bottom of the pyramid markets and the multinational corporation', *Marketing Theory*, 13(3), 393–396.
- GSMA (2019). Globile Mobile Report,2019,London,UK.
- Hammond, A.L., Kramer, W.J., Katz, R.S., Tran, J.T. and Walker, C. (2007) *The Next 4 Billion. Market Size and Business Strategy at the Base of the Pyramid*. Washington, DC: World Resources Institute and International Finance Corporation.
- Karnani, A. (2007) 'The Mirage of Marketing to the Bottom of the Pyramid: How the Private Sector Can Help Alleviate Poverty', *California Management Review* 49(4): 90–111.
- London, T. and Hart, S.L. (2004) 'Reinventing Strategies for Emerging Markets: Beyond the Transnational Model', *Journal of International Business Studies* 35(5): 350–70.
- London, T., Anupindi, R. and Sheth, S.(2010)'Creating mutual value: Lessons learned from ventures serving base of the pyramid producers', *Journal of Business Research*,63(6):582-594
- Nakata, C. and Antalis, E. (2015)'Enhancing market exchanges at the base of the pyramid', *International Marketing Review*, 32(6): 762-782.
- Prahalad, C. K. (2005). *The Fortune at the BOP: Eradicating Poverty through Profits*. Philadelphia, PA: Wharton School.
- Prahalad,C.K. and Hart,L. (2002)'The Fortune at the bottom of the pyramid', *Strategy Business*, 26 (1).
- Prahalad, C.K. and Hammond, A. (2002) 'Serving the World's Poor Profitably', *Harvard Business Review* ,80(9): 48–59.
- Simanis, E. and Hart,S. (2008) 'The Base of the Pyramid Protocol: Toward Next Generation BoP Strategy,'<http://www.boppprotocol.org>, (accessed August 28, 2019)

Tarafdar, M., Singh, R., and Anekal, P. (2013)' Impact of ICT-Enabled Product and Process Innovations at the Bottom of the Pyramid: A Market Separations Perspective', *Journal of Information Technology*, 28(4), 279–295.

Yurdakul, D., Atik, D., & Dholakia, N. (2017)'Redefining the bottom of the pyramid from a marketing perspective', *Marketing Theory*, 17(3), 289–303.