

## Original Article

# Business strategies for the bottom of the pyramid: multiple case studies of large companies in the pacified communities of Rio de Janeiro

## *Estratégias de empresas para a base da pirâmide: estudo de casos múltiplos de grandes empresas nas comunidades pacificadas do Rio de Janeiro*

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### Abstract

The state absence in low-income communities in Rio de Janeiro drove away companies for decades, as they encountered a hostile environment for developing business. However, in recent years, the communities have been undergoing a social and economic reorganization supported by the pacification public policy that aims to reduce social disorder and attract private investment focused on classes C, D and E, described in the literature by Prahalad (2004) as the bottom of the pyramid. In this article, the authors contribute to this literature by broadening and deepening the knowledge about the companies' strategies for the BOP, intending to analyze the strategies that large companies have been using to operate in these markets. The method was the multiple case studies covering five large companies: Light, L'Oréal, Banco do Brasil, Banco Santander and Sebrae, and the content analysis prescribed by Bardin (2008) guided the analysis using the *software* Atlas Ti 7.0. The results show that companies are offering new products and services, financial advice, banking services, access to microcredit, development and formalization of consumption and local entrepreneurs, and have been adapting their business models, contributing to the integration of these areas to the rest of the city formally established. However, it is observed that companies that have operated more generously have achieved better results and that initiatives are at an early stage of maturity, lacking more creativity, courage and independence of the state actions.

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**Keywords:** Business strategy; Bottom of the pyramid; Emerging markets

### Resumo

A ausência do Estado nas comunidades de baixa renda do Rio de Janeiro afastou as empresas por décadas, visto que encontravam um ambiente hostil para desenvolver negócios. No entanto, recentemente, estas vêm passando por uma reorganização social e econômica apoiada na política pública de pacificação que visa reduzir a desordem social e atrair o interesse das empresas para as classes C, D e E, descritas na literatura por Prahalad (2004) como de base da pirâmide (BOP). Neste artigo os autores contribuem para esta literatura ampliando e aprofundando o conhecimento sobre as estratégias de empresas para a BOP, tendo como objetivo analisar as estratégias que as grandes empresas vêm utilizando para atuar nestes mercados. O método de estudo de casos múltiplos foi utilizado com cinco grandes empresas: Light, L'Oréal, Banco do Brasil, Banco Santander e Sebrae, e a análise de conteúdo prescrita por Bardin (2008), com auxílio do *software* Atlas Ti 7.0, serviu para aprofundar a análise. Os resultados mostram que as empresas vêm disponibilizando novos produtos e serviços, orientação financeira, inclusão bancária, formalização do consumo e dos empreendedores locais, vem adaptando seus modelos de negócios e contribuindo para a integração destes territórios à sociedade formalmente

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estabelecida. No entanto, observa-se que as empresas que têm atuado de forma mais generosa tem alcançado melhores resultados e que as iniciativas se encontram em estágio inicial, carecendo de maior criatividade, coragem e independência das ações do Estado.

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*Palavras-chave:* Estratégia de empresas; Base da pirâmide; Mercados emergentes

## Introduction

Over the last 30 years, India, China and Latin America have been promoting social inclusion and income increase policies, generating a social and economic revolution and creating new business opportunities for companies wishing to expand their activities in the lower classes of these regions. In the case of Brazil, and especially in the case of low-income communities in Rio de Janeiro, the main obstacle is the parallel power represented by organized crime, violence and drug trafficking, contributing to the reduction of corporate investment for decades, once they used to find a hostile environment.

However, with the carrying out of the pacification policy adopted in the communities of Rio de Janeiro since 2008, the state has been seeking to revitalize these areas, and this pacification movement begins to attract the interest of large companies, which see in these interventions opportunities to trade their products and services to people of the less favored classes C, D and E, represented by [Prahalad \(2004\)](#) as *bottom of pyramid* (BOP).

When analyzing the international literature on corporate strategies in the BOP markets, it is noticed that [Prahalad and Hart \(2002\)](#) and [Prahalad and Hammond \(2002\)](#) advocate that low-income markets represent great opportunities for companies' business expansion, while [Prahalad and Ramaswamy \(2002\)](#) and [London and Hart \(2004\)](#) cite several strategies adopted by companies around the world. The list of authors is extensive and is consolidated in the Meta analysis performed by [Kolk, Rivera-Santos, and Rufin \(2014\)](#) who analyzed 104 published articles on the companies' performance at the bottom of the pyramid.

In Brazil, a much smaller number of researches has been published about the BOP markets, such as [Mattoso and Rocha \(2005\)](#), [Spers and Wright \(2006\)](#), [Parente, Barki, and Kato \(2007\)](#), [Sobral, Oliva, Yu, Almeida, and Ferreira \(2007\)](#), [Miotto and Parente \(2009\)](#), [Parente, Brandão, Miotto, and Plutarco \(2012\)](#), [Hemais, Casotti, and Rocha \(2013\)](#) and [Filardi, Trinta, and Carvalho \(2015\)](#), and a deeper analysis reveals that most of these studies deals with aspects related to marketing, consumer behavior and social issues.

Despite the relevance of this subject, few studies addressing company strategies for the BOP were found, and the work of [Silva and Zilber \(2009\)](#) reinforces this gap, since their findings point to strategies limited to costs reduction and to the use of brand power, leaving the field open on the subject and encouraging this research development. Seeking to deepen the knowledge on business strategies for the BOP markets in Brazil, the following research question arises: how are strategies being used by companies to operate in pacified communities of the Bottom of the Pyramid in Rio de Janeiro?

In this article, the contribution to the literature is given through the expansion of the market aspects mentioned in previous studies, also analyzing how the researched companies use the strategies to operate in the BOP markets. In this context, this research purpose is to identify and analyze the strategies that large companies have been using to operate in the bottom of the pyramid markets of the pacified communities in Rio de Janeiro, seeking to contribute to the expansion and deepening of knowledge about the subject.

## Literature review

According to the [World Business Council for Sustainable Development \(2006\)](#), the world's leading companies in 2020 will be those able to deliver products and services to new customers in order to address the world's major challenges, including poverty, climate changes and the resources depletion, globalization, and demographic changes. In this context, studies are presented on the companies' strategies in the bottom of the pyramid markets in the world and in Brazil, seeking to organize the identified experiences in blocks that will serve as a theoretical contribution to this research.

### *Studies on the bottom of the pyramid in the world*

By the late 1990s, [Arnold and Quelch \(1998\)](#) and [Prahalad and Lieberthal \(1998\)](#) had already shown that multinational companies faced saturated domestic markets, suggesting that they needed to break paradigms and take into account less developed countries as potential markets. However, the first work that presented the BOP concept was of [Prahalad and Hart \(2002\)](#) where the authors present the world economic pyramid extracts and point out the enormous market potential that the 4 billion people who earn less than US\$ 2.00/day represent.

In this paper we highlight the main beliefs that prevent companies from investing in BOP markets, including the belief that their consumers cannot either afford paying nor use products sold in developed countries, or that only developed markets appreciate and pay for new technology; or yet, that these consumers can use the previous generation of technology and that the bottom of the pyramid is not important to the business viability in the long run.

To refute these beliefs, [Prahalad and Hart \(2002\)](#) come up with examples of companies such as the Hindustan Lever Ltd. (HLL), which launched a detergent called Wheel in India adapting its formula to suit local needs, adopting decentralized production, marketing and distribution, through small stores,

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