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**Doing Business at the Bottom of the Pyramid:
Fast Moving Consumer Goods Companies penetrating
low-income markets in South Africa**

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Abstract

This research explores the challenges and opportunities for Fast Moving Consumer Goods (FMCG) companies in penetrating low-income markets in South Africa, particularly focusing on the base of the pyramid (BoP). Employing qualitative, exploratory methods, the study involved in-depth interviews with industry experts to understand the strategic approaches FMCGs can adopt for successful market entry and growth. The findings reveal significant hurdles in distribution and accessibility, stemming from infrastructural deficits and diverse consumer behaviours. Nonetheless, the BoP market presents substantial opportunities for growth through innovative, culturally sensitive, and sustainable business practices. It highlights the importance of local market understanding and suggests innovative product and service solutions tailored to the unique demands of low-income consumers. The research concludes that FMCGs can achieve success in these challenging markets by employing strategies that are not only commercially viable but also socially responsible, aligning with sustainable and ethical business practices to tap into the potential of South Africa's BoP markets. This study contributes to academic and practical understanding by offering a nuanced view of the FMCG sector in BoP markets, emphasizing the necessity of a balanced approach that combines strategic penetration, sustainable growth, and continuous innovation.

Keywords: FMCGs, South Africa, Base of the Pyramid, Market Penetration, Innovation.

Table of Contents

Plagiarism declaration.....	i
Acknowledgements.....	ii
Abstract.....	iii
List of Figures.....	vi
List of Tables.....	vii
List of Abbreviations.....	viii
1 Introduction.....	1
1.1 Research Problem and Purpose.....	1
1.2 Research Question and Sub-Questions.....	3
1.3 Significance and Contribution of the Research.....	3
1.4 Limitations.....	4
1.5 Research Assumption.....	4
1.6 Ethical Considerations.....	5
2 Literature Review.....	6
2.1 Challenges for FMCGs at the Base of the Pyramid.....	6
2.2 Opportunities for FMCGs at the Base of the Pyramid.....	9
2.3 Strategies and innovative Solutions for FMCGs at the Base of the Pyramid.....	11
2.4 Conclusion.....	15
3 Research Methodology.....	18
3.1 Research Strategy and Approach.....	18
3.2 Research Design.....	18
3.3 Data Collection Methods and Instruments.....	19
3.3.1 Data Collection Method.....	19
3.3.2 Instrument.....	20
3.4 Population and Sample.....	20
3.4.1 Population.....	20
3.4.2 Sample and Sampling Methods.....	21
3.5 Data Analysis Methods.....	25
3.6 Limitations.....	26
3.7 Research Criteria.....	26
3.7.1 External Validity and Transferability.....	26
3.7.2 Internal Validity, Confirmability, and Credibility.....	27
3.7.3 Reliability and Dependability.....	27

3.8	Research Assumption.....	27
3.9	Ethical Considerations	28
4	Results and Discussion.....	29
4.1	Dimension one: Strategic Market Penetration	31
4.1.1	Distribution and Accessibility Challenges.....	32
4.1.2	Market Understanding and Local Insights.....	35
4.1.3	Technology Integration and Digital Solutions.....	36
4.1.4	Adaptation to Local Market Dynamics.....	38
4.1.5	Conclusion of Strategic Market Penetration.....	40
4.2	Dimension two: Sustainable and Inclusive Growth.....	41
4.2.1	Economic and Pricing Strategies	42
4.2.2	Stakeholder Engagement and Inclusive Approaches.....	45
4.2.3	Sustainable and Ethical Practices.....	47
4.2.4	Conclusion of Sustainable and Inclusive Growth.....	48
4.3	Dimension three: Innovation-Driven Solutions	50
4.3.1	Innovative Product and Service Solutions	51
4.3.2	Market Understanding and Local Insights.....	55
4.3.3	Conclusion of Innovation-Driven Solutions	57
4.4	Conclusion of Findings and Discussion.....	58
5	Research Conclusion.....	59
5.1	Summary of Findings.....	59
5.2	A Framework for FMCGs to enter BoP markets	63
5.2.1	Market Analysis	66
5.2.2	Strategy Adaptation	67
5.2.3	Innovative Response	67
5.2.4	Implementation and Growth	68
5.2.5	Evaluation and Adaptation.....	68
5.3	Contributions to Theory and new Insights.....	69
5.4	Research Limitations and Areas for future Research	70
	References.....	73
	Appendices.....	79
	Appendix A: Interview Consent Form.....	79
	Appendix B: Interview Schedule	81
	Appendix C: Linkages between Research Question, Literature Review	83
	Appendix D: Supporting Participant Quotes for Strategic Market Penetration.....	85
	Appendix E: Supporting Participant Quotes for Sustainable and Inclusive Growth	93
	Appendix F: Supporting Participant Quotes for Innovation – Driven Solution	98

List of Figures

Figure 1: <i>Analytical coding process highlighting key theoretical dimensions</i>	30
Figure 2: <i>Three dimensions as conceptual guide for successful market penetration</i>	64
Figure 3: <i>A roadmap for FMCG companies to enter BoP markets</i>	65

List of Tables

Table 1: <i>List of Participants</i>	22
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List of Abbreviations

Bottom of the Pyramid

Fast Moving Consumer Goods

Multinational Enterprise

Procter & Gamble

BoP

FMCG

MNE

P&G

1 Introduction

1.1 Research Problem and Purpose

The Fast-Moving Consumer Goods (FMCG) industry has had an unrivalled history of value generation success, thanks to strong brands, functionally better goods, and expanded operations (Schwarz, 2021). However, the industry has underperformed owing to slowdowns in global consumer demand, numerous changes in the customer environment, and a loss of conventional scale advantages (Kelly et al., 2018). By looking at the customer target base of FMCG companies over the past decades, it is known that most strategies have been targeted exclusively at the middle- and high-income class, the wealthy elite whereas the low-income class, also known as the base of the pyramid (BoP), has been neglected (London & Hart, 2004). As FMCGs seek routes for lucrative expansion and radical innovation in the new century, they may discover a unique, counterintuitive opportunity - the four billion people at the bottom of the economic pyramid (London & Hart, 2004). However, traditional products marketed to the middle- and high-income class are difficult to commercialize in low-income markets because consumers at the base of the pyramid cannot afford traditional products. Lowering the price for conventional products might not be profitable for FMCGs as costs often exceed revenues. Many multinational corporations have failed in their attempts to generate profits by meeting the urgent needs of low-income populations (Simanis & Duke, 2014). Low-income markets are often characterized by low purchasing power, a scarcity of financial services, an insufficient institutional framework, and a lack of market infrastructure (Schuster & Holtbrügge, 2012). These environmental circumstances, among others, make it unfavourable for FMCGs to enter into BOP markets.

Given all the challenges for FMCGs, wishing to gain a foothold at BoP markets, there are unrealized opportunities at the base of the pyramid. According to World Bank predictions, the population at the bottom of the pyramid will expand to more than 6 billion people over the next 40 years, since this sector is predicted to account for the majority of global population growth. Indeed, given their enormous size, BoP markets represent a multitrillion-dollar market (Prahalad & Hart, 2002; Prahalad, 2004). However, because these markets are difficult to access in terms of distribution, credit, or communications, and because conventional notions of market

potential focused on per capita incomes, the bottom of the pyramid is automatically excluded from consideration in most FMCGs (London & Hart, 2004; Nagy et al., 2019; Prahalad & Hart, 2002; Prahalad, 2004). Nonetheless, given that BOP markets are often unorganized, local, and limited in quantity and quality of products available, it opens up a lot of opportunities for FMCGs to provide high-quality products at low price, change distribution structures, organize the market efficiently and profit from quantity as world's population growth is rising. In terms of strategy, it is necessary to be creative and innovative and understand the peculiarities of this market. According to Prahalad and Hart (2002) and Prahalad (2004), the key strategic challenge for managers is to imagine a vibrant market where there is just extreme poverty. It takes a lot of vision and innovation to build a market infrastructure out of an entirely unorganized sector (Prahalad & Hart, 2002; Prahalad, 2004). Profitably selling to the bottom of the pyramid is difficult, but it can be done. It requires that FMCGs focus on business basics and begin their initiatives with a thorough grasp of two key challenges in BOP markets: altering consumer behaviour and changing the way things are manufactured and distributed (Simanis & Duke, 2014). When both factors are considered then there are certainly fortunes to be made at the base of the pyramid.

In the past decade, some of the largest FMCGs demonstrated that BOP markets can be successfully penetrated when innovative solutions with social impact are found. For instance, Unilever and Procter & Gamble (P&G) sell Sunsilk and Pantene shampoo in India for \$0.02 per mini-sachet. Moreover, P&G found an innovative water purification technology that turns 10 litres of dirty and potentially deadly water into clean drinkable water within seconds (Procter & Gamble, 2022). In this endeavour, not only will companies benefit from entering the market but also the local population will benefit through job creation, availability of high-quality products, functioning distribution channels, and improved access to the global market. The BoP presents a unique opportunity for companies to create shared value by addressing social and environmental issues, such as poverty, inequality, and climate change. Companies can do this by engaging with local stakeholders and developing strategies to ensure sustainability and inclusivity (Prahalad & Hart, 2002; Prahalad, 2004). Inclusive approaches can include strategies such as localized production and supply chains, employee training and development, and social marketing (Muthuri et al., 2020).

Therefore, the purpose of this research is to conduct an exploratory study into the challenges and opportunities for FMCGs at the base of the pyramid in South Africa. This research will highlight strategies and innovative solutions to penetrate low-income markets successfully.

1.2 Research Question and Sub-Questions

Whilst recent research (London & Hart, 2004; Nagy et al., 2019; Prahalad & Hart, 2002; Prahalad, 2004; Schuster & Holtbrügge, 2012; Simanis & Duke, 2014) has taken a general approach and investigated the challenges and opportunities for multinational enterprises penetrating the base of the pyramid, this study will specifically analyse the FMCG industry penetrating the base of the pyramid in South Africa, which strategies to employ, and what innovative solution to implement to successfully serve low-income markets. This research aims to answer the overall guiding research question: *“What are the challenges and opportunities for FMCGs penetrating low-income markets in South Africa?”*

Two sub-questions have been identified, building on one another to address the overall research question:

Sub-question 1: *“What strategies should FMCGs implement to successfully penetrate the base of the pyramid in South Africa?”*

Sub-question 2: *“What innovative solutions need to be found to serve low-income markets successfully?”*

1.3 Significance and Contribution of the Research

Until now, little research has been conducted with specific emphasis on the challenges and opportunities for FMCGs at the base of the pyramid in South Africa. Recent research has focused on a general understanding of multinational enterprises entering low-income markets (London & Hart, 2004; Nagy et al., 2019; Prahalad & Hart, 2002; Prahalad, 2004; Schuster & Holtbrügge, 2012; Simanis & Duke, 2014). Therefore, it is of scientific relevance to examine the challenges and opportunities specifically for the FMCG industry and provide FMCGs with a strategic framework to facilitate the process of entering low-income markets. Moreover, this

research, from a theoretical perspective, will help to understand the base of the pyramid in a better way.

This study will not just be scientifically relevant but will also add value to society: A specific contribution of this research is that I will examine the challenges and opportunities specifically for FCMGs in South Africa and investigate innovative solutions for FCMGs, wishing to gain a foothold at the base of the pyramid. I will investigate how FMCGs have to adapt to meet the demands at the base of the pyramid successfully. Also, a “roadmap” for FMCG companies will be developed which includes a framework of various stages, strategies, and innovative solutions that FMCGs can implement, drawn from research in South Africa. As such, this research offers valuable insights, especially for managers of FMCGs that want to penetrate the base of the pyramid in South Africa in the future. Furthermore, this research might also have a positive social impact if FCMGs address social issues at the base of the pyramid, by applying innovative solutions examined in this study.

1.4 Limitations

The first limitation that can be identified is that the scope of this research was limited to the FMCG industry only. Secondly, the scope of this research was limited to the South African lower-income markets only and did not explore other countries which might also be interesting options, in terms of challenges and opportunities, for FMCG to enter. Thirdly, this research is narrowed by a limited number of interviews conducted on FMCGs in South Africa.

1.5 Research Assumption

The study assumed that the participants selected for interviews have a deep understanding of the FMCG industry and the specific challenges and opportunities at the BoP. It also assumed that they were willing and able to provide honest, insightful responses that reflect their true experiences and perceptions. Any deviation could have directly impacted the quality and depth of the data collected and the insights generated, leading to less reliable or insightful conclusions.

The study assumed that all ethical considerations, such as informed consent, confidentiality, and the right to withdraw, were upheld. This impacts the ethical integrity of the study and the

trustworthiness of its findings. Any lapses in ethical conduct can compromise the study's validity and harm participant relationships.

Further, it was assumed that the cultural and market dynamics within the BoP market are relatively stable or predictable based on past data. In reality, these markets could be highly dynamic and subject to rapid change, which could impact the relevance and applicability of the findings.

Moreover, there was the assumption that conducting the interviews in English will not significantly hinder the expression or understanding of the participants, especially considering the diverse national contexts of the FMCG industry. Any deviation could have directly impacted the quality and depth of the data collected and the insights generated, leading to less reliable or insightful conclusions.

1.6 Ethical Considerations

Ethical clearance was obtained from the ethics and research committee at the University of Cape Town. The key ethical clearance for this research addressed these issues. The following ethical considerations were followed:

a) To protect participants' rights, fully informed voluntary consent was acquired (Appendix A) (Gregory, 2003). Participants were informed orally and in writing that their participation was entirely optional and that they could withdraw at any moment and refuse to answer any questions. The researcher kept signed informed consent forms on file and got permission to record each interview in advance.

b) Participants were also notified that their right to confidentiality would be maintained (Rogelberg, 2004). To ensure that no individuals were identifiable because of this research, all participants and organizations were anonymized while transcribing and reporting data using codes. Furthermore, the transcripts and recordings were accessible solely to the researcher and supervisor.

2 Literature Review

2.1 Challenges for FMCGs at the Base of the Pyramid

As highlighted by several authors, most FMCGs have already entered the South African market but are still trying to gain a foothold at the bottom of the pyramid since it includes a big part of the total population (Nagy et al., 2019; Prahalad & Hart, 2002; Prahalad, 2004). However, FMCGs entering BoP markets are faced with a complex array of challenges. These challenges are multifaceted, including navigating diverse market characteristics and environments (Mathibe, 2018). The aim of this part of the literature review will therefore be to uncover the biggest challenges faced by FMCGs in BoP markets as discussed by recent research.

One of the main challenges that FMCGs face in BoP markets is the lack of infrastructure, which can make it difficult to effectively reach and serve customers (Schuster & Holtbrügge, 2012). Many BoP communities are located in remote or rural areas with limited access to roads, electricity, and other services. This makes it difficult for FMCGs to reach customers, as well as to deliver their products. This challenge has also been emphasized in the chapter, "Innovating at marketing and distributing nutritious foods at the base of the pyramid: Insights from 2SCALE, the largest incubator for inclusive agribusiness in Africa," written by van Dijk et al. (2020) from the book "The innovation revolution in agriculture" by Compos (2021). The authors highlighted the logistical hurdles, particularly in last mile distribution, pose significant challenges, as BoP markets are often in remote or less accessible areas. Muthuri et al. (2020) came to the same conclusion and identified access to reliable infrastructure as one of the primary challenges faced by FMCGs in BOP markets. Likewise, Mathibe (2018) argues that infrastructural limitations, such as inadequate transportation and distribution networks, impede efficient market access, especially in rural areas. High transaction costs arise from dealing with these infrastructural challenges and bureaucratic hurdles, which can include navigating local regulations and dealing with corruption.

Another challenge that FMCGs face in BoP markets is the lack of market information. Many BoP communities lack access to market research, which makes it difficult for FMCGs to understand their target population's needs and preferences (Agyenim-Boateng et al., 2015; Prahalad, 2004). Muthuri et al. (2020) also argue that companies face difficulties in reaching

underserved populations, understanding local needs and preferences, and meeting the unique needs of the BoP customer such as smaller and more affordable packaging sizes. The same conclusion has been reached by van Dijk et al. (2020) who found that among the major challenges is the need to understand and adapt to the unique preferences and constraints of BoP consumers, who have limited disposable income and distinct purchasing behaviours. Additionally, the lack of market information can make it difficult for FMCGs to develop effective marketing strategies and tailor their products to meet the needs of the BoP population (Agyenim-Boateng et al., 2015; Prahalad, 2004). Finally, Bendul et al. (2017) and Hart et al. (2016) discuss the need for companies to develop localized strategies and approaches in order to be successful in BoP markets. Similarly, London (2007) found that companies should be co-created with local communities. This involves integrating the knowledge, needs, and skills of those at the BoP in the design and implementation of business solutions. By doing so, companies are more likely to be relevant, accepted, and supported by the community.

A third challenge that FMCGs face in BOP markets is the lack of trust in brands, as identified by van Biljon and van Rensburg (2011). On the one hand, they found that mistrust can lead to customers not buying products from FMCGs, which can reduce sales and profits. On the other hand, if brands are seen as trustworthy then consumers would even be willing to pay a price premium. Also, Muthuri et al. (2020) found that FMCG companies must be aware of the trust barriers that often exist between unfamiliar brands and customers at the base of the pyramid. Customers may be wary of trying new products, particularly if they are unfamiliar with the brand and its values. Additionally, FMCGs face intense competition not only from established local and international businesses but also from the prevalence of counterfeit products, which can erode market share and brand credibility (Mathibe, 2018). Therefore, Muthuri et al (2020) suggest that companies must find ways to build trust and credibility, such as through education and engagement with local communities.

The base of the pyramid has attracted a lot of controversies. Early research claimed that BoP is a profitable as well as sustainable market and can be utilized in a responsible way that benefits both businesses and the poor (London, 2007; Prahalad & Hammond, 2002; Prahalad & Hart, 2002; Prahalad, 2004). London (2016) emphasized the concept of “shared value”, which involves creating value for both the business and society. He argued that businesses can profit by aligning their goals with the well-being of BoP communities. However, some researchers have argued that the base of the pyramid is quite abusive, and that companies’ approach has

ended up being exploitative (Muthuri et al., 2020). Also, researchers emphasize the issue of exploiting cognitive and social vulnerabilities of consumers in BoP markets. Consequently, strong marketing and publicity initiatives can capitalize on these weaknesses and as such be exploitative (Arnold & Valentin, 2013; Rosca, 2017). Arguably, another serious challenge for FMCGs, found by Muthuri et al. (2020), is to find ways to ensure sustainability at the base of the pyramid, which often requires a rethinking of traditional business models and a shift towards more inclusive approaches. This can include strategies such as localized production and supply chains, employee training and development, and social marketing. Likewise, other researchers found the need to ensure sustainability and avoid exploitation to be essential for business success and the social welfare of the local population. They argue that companies must be aware of the potential for exploitation when engaging with BoP customers and must find ways to ensure that their activities are sustainable and beneficial to the local communities (Bendul et al., 2017; Hart et al., 2016; Pizzagalli et al., 2018; Rosca, 2017).

Muthuri et al. (2020) argue that in order to be successful, companies must also find ways to overcome the challenges of operating in a fragmented and heterogeneous market, with different languages, cultures, and economic contexts. The same conclusion has been reached by other researchers (Agyenim-Boateng et al., 2015; Kamp et al., 2015; London, 2016). According to their findings, companies must find ways to overcome the structural and cultural barriers that often exist between unfamiliar brands and BoP customers. This includes building trust and credibility with these customers, as well as overcoming language and cultural barriers. Also, van Dijk et al. (2020) found that businesses must navigate the complexities of creating affordable yet high-quality products that resonate with local cultural and nutritional preferences. Mathibe (2018) emphasized the importance of tackling language barriers as they pose significant communication and operational difficulties, particularly in countries where the primary language differs from the multinational enterprise's (MNE) home country. He argues that this necessitates additional investments in translation services or hiring bilingual staff, adding to operational costs.

The literature above does a commendable job of highlighting the myriad of challenges FMCGs face in BoP markets. It provides a holistic view of the operational difficulties companies encounter, ensuring that the complexities of these markets are well understood. Moreover, many of the references involve detailed case studies and empirical research, such as the insights from 2SCALE by van Dijk et al. (2020) and findings by Muthuri et al. (2020). These offer

grounded, real-world evidence of the challenges and strategies in BoP markets, adding credibility and depth to the discourse. However, the literature above is limited in a way that ethical considerations and the potential for exploitation in BoP markets are touched upon but not deeply explored in many studies. For example, while Arnold and Valentin (2013), Muthuri et al. (2020) and others mention the need for ethical practices and building of trust with consumers, there is a lack of an in-depth discussion on how FMCGs can navigate the fine line between market exploitation and empowerment, as well as the long-term impacts of their activities on local communities.

2.2 Opportunities for FMCGs at the Base of the Pyramid

Despite the challenges that FMCGs face in BoP markets, the opportunities for FMCG companies at the base of the pyramid are significant (Prahalad & Hart, 2002; Prahalad, 2004; van Dijk et al., 2020). Income distribution in South Africa is highly inegalitarian (Francis & Webster, 2019). As a result, if a consumer-oriented business wishes to operate in South Africa, it must find a way to penetrate the base of the pyramid, which resembles a large portion of the population, due to the country's highly inegalitarian income distribution. If this is not done, the business will only be dealing with a small population.

According to Prahalad and Hart (2002) and Prahalad (2004), the BoP represents a prodigious opportunity for the world's wealthiest companies to seek their fortunes, while simultaneously bringing prosperity to the aspiring poor. Arguably, companies can leverage the unique advantages of BoP markets, such as the potential for high growth, access to large untapped markets, and the ability to develop innovative and sustainable business models. Companies can also use their expertise, technology, and resources to create and disseminate knowledge, which can help to develop the local economy and create employment opportunities. Moreover, companies can take advantage of the potential to create new value through differentiation and localization, as well as through the development of low-cost solutions and services. Additionally, the BoP presents a unique opportunity for companies to create shared value by addressing social and environmental issues, such as poverty, inequality, and climate change. Companies can do this by engaging with local stakeholders and developing strategies to ensure sustainability and inclusivity (Prahalad & Hart, 2002; Prahalad, 2004). Inclusive approaches

can include strategies such as localized production and supply chains, employee training and development, and social marketing (Muthuri et al., 2020).

Similarly, van Dijk et al. (2020) also shed light on substantial opportunities for FMCGs at BoP markets. They argue that the vast, largely untapped consumer base offers a significant growth avenue for FMCGs willing to innovate and adapt their products and marketing strategies. The BoP segment, characterized by its sheer size and aspirational consumer behaviour, presents potential for FMCGs to create scalable, impactful business models. These opportunities are particularly pertinent in South Africa, where a significant portion of the population forms part of the BoP, presenting FMCGs with the chance to expand their market reach while contributing positively to community nutrition and well-being (van Dijk et al., 2020).

Likewise, Mathibe (2018) highlights the favourable business conditions in several low-income markets as one of the key attractions for FMCGS including growing economies, improving infrastructure, and supportive governmental policies. As mentioned by several authors, Mathibe (2018) believes the potential for market growth to be substantial due to the untapped consumer base, which remains largely underserved. This presents an opportunity for FMCGs to introduce products and services that meet the specific needs and preferences of the BoP population. The study highlights that these markets are not homogeneous; the diversity in demographic profiles, consumer preferences, and economic conditions offers a fertile ground for FMCGs to innovate and diversify their product offerings. Additionally, existing favourable administrative environments in some countries can facilitate smoother market entry and operations. For FMCGs, these factors combined present a compelling case for exploring and investing in BoP markets (Mathibe, 2018).

One of the literature's most noteworthy strengths is that several studies acknowledge the opportunity for FMCGs to address broader societal and environmental issues while conducting business, thereby creating shared value and contributing positively to community development. However, the existing body of work is not without its limitations. A common weakness across many studies is the tendency to generalize BoP markets, often overlooking the vast diversity and rapid changes within these communities (Agyenim-Boateng et al., 2015). This generalization is apparent in studies like those of Prahalad & Hart (2002), where the broad opportunities in BoP markets are emphasized without sufficient differentiation among the diverse BoP segments. There is also a noticeable bias towards success stories and innovative

case studies, which can overshadow the numerous instances of failure or partial success. This bias is seen in works like those by Prahalad & Hart (2002) and van Dijk et al. (2020), which highlight successful market penetration strategies and innovative solutions but may not adequately represent the challenges or failures experienced by many FMCGs in similar markets.

2.3 Strategies and innovative Solutions for FMCGs at the Base of the Pyramid

In addressing the challenges and leveraging the opportunities at the BoP, FMCGs must implement targeted strategies and innovative solutions. In the past, researchers have found that FMCG companies must focus on creating products that meet the needs of BoP customers. Many BoP customers have limited access to services and goods, which means that FMCGs that can create products that meet their needs can be successful at the base of the pyramid (Anderson & Markides, 2007; Muthuri et al., 2020). Also, Prahalad and Hart (2002) and Prahalad (2004) argue that the first step for FMCG companies is to understand the needs of BoP consumers. Companies must identify the target customer, determine their needs and preferences, and develop products that meet those needs. Likewise, Agyenim-Boateng et al. (2015) claim that in order to access BOP markets, FMCG companies need to adopt an innovative approach that focuses on understanding the needs and preferences of BOP consumers, as well as the socio-cultural, economic, and technological constraints they face.

Van Dijk et al. (2020) and others emphasize the need for a consumer-centric approach that pivots on the 4As - acceptability, affordability, awareness, and availability. These findings are in accordance with Mathibe (2018) who accentuates the need for FMCGs to adopt specific positioning strategies such as acceptability, affordability, and accessibility. Ensuring product acceptability is crucial, which involves adapting products to resonate with local cultural preferences and consumer needs. This might include localizing flavours, packaging, and branding. Affordability is a critical factor since products must be priced within the purchasing power of BoP consumers, which often requires cost-effective production and distribution methods. Accessibility of products is equally important, necessitating innovative distribution strategies to reach consumers in both urban and remote rural areas (Mathibe, 2018). This innovative approach takes the unique consumption patterns, preferences, and financial constraints of the BoP segment into account, which differ significantly from other market segments (van Dijk et al., 2020). Van Dijk et al.'s (2020) consumer-centric approach is also in

line with “design thinking” which emphasizes the importance of empathy in understanding the user’s needs and experiences. Design thinking, a solution-based approach to problem-solving, aligns with their emphasis on understanding the unique preferences and constraints of BoP consumers. This method involves five key stages: empathize, define, ideate, prototype, and test. By focusing on these stages, FMCG companies can gain deeper insights into the actual needs and behaviours of their target market (Lee & Evans, 2010).

By adopting these strategies, FMCG companies can identify and explore new opportunities to develop products and services that are accessible to BOP consumers. For example, FMCG companies can create smaller and more affordable product packages such as the Sunsilk and Pantene shampoo manufactured and distributed by Unilever and P&G in India for \$0.02 per mini-sachet. Also, P&G found an innovative water purification technology that turns 10 litres of dirty and potentially deadly water into clean drinkable water within seconds (Procter & Gamble, 2022). This resonates with the findings of van Dijk et al. (2020) who stress the importance of innovations in product design and packaging for successful market penetration. Simanis and Duke (2014) found that companies should also look for opportunities to partner with local suppliers, as this will help them understand the local market better and provide a more localized product. For example, Unilever developed the innovative OMO washing powder which works very well with cold water and is therefore a very widely used washing powder in Africa. This works especially well due to electricity shortages and lack of electricity in many areas.

In the past, researchers have found that many BoP customers have limited access to services and goods (Muthuri et al., 2020) which is often the result of poor distributions channels and lack of market infrastructure (Schuster & Holtbrügge, 2012). FMCG companies should leverage existing local distribution channels and networks such as street vendors, rural retailers, and mom-and-pop stores to reach BOP customers (Bendul et al. 2017; Lehtikoinen et al., 2018). One example of a company that has successfully leveraged existing distribution channels and found innovative solutions to cater low-income consumers efficiently is “DíaDía”. The founder of DíaDía, Jose Vicente Aguerrevere, explains that most people in BoP markets “end up buying the majority of food in a street vendor or in a mom-and -pop store” (Khanna, 2023). This reality underscores the inefficiency of existing distribution channels in these markets, where traditional supermarkets are often inaccessible or too expensive for daily needs. Aguerrevere’s approach with DíaDía was to “combine the proximity of the mom and pop with the efficiencies of the

supermarket”, thus addressing both accessibility and affordability which is in line with the consumer-centric approach (Mathibe, 2018; van Dijk, 2020). DíaDía’s innovative model was based on the principle of serving the day-to-day needs of low-income consumers by offering supermarket-like efficiencies in more accessible locations, such as neighbourhoods and near public transportation hubs (Khanna, 2023).

Additionally, FMCG companies can explore alternative distribution channels, such as utilizing mobile vending or exploring partnerships with local retailers (Bendul et al., 2017; Hahn & Gold, 2014). Similarly, building networks with local representatives and organisations is the most important strategy for making the products accessible to consumers in BoP markets (Lehikoinen et al., 2018). Van Dijk et al. (2020) argue that finding innovative last mile distribution channels, such as micro-franchising or partnering with local entities, are crucial for FMCGs to succeed in BoP markets. Likewise, in terms of entry modes, Mathibe (2018) emphasizes the importance of joint ventures, franchising, and direct exporting with distribution networks as effective strategies. These modes of entry allow FMCGs to leverage local expertise, reduce operational risks, and gain market insights, thereby facilitating smoother market penetration. Also, London and Hart (2004) argue that companies can develop innovative business models such as cooperative networks to reduce distribution costs and increase market access. Collaborative approaches, especially with local businesses or NGOs, can also provide valuable support structures and enhance the FMCGs’ understanding of and integration with local markets (Mathibe, 2018). Prahalad and Hart (2002) and Prahalad (2004) found that FMCG companies should look for ways to reduce costs and increase efficiency. This can be done through the use of innovative technologies and improved supply chain management. Companies should look for ways to reduce costs in production and distribution, such as by working with local suppliers who can provide materials and services at a lower cost (Prahalad & Hart, 2002; Prahalad, 2004).

FMCG companies should adapt their advertising and marketing strategies to promote their products to BoP consumers successfully. This can be done through digital marketing, mobile marketing, and other forms of advertising (Prahalad & Hart, 2002). Schwarz (2021) argues that in order to create awareness among BOP consumers, FMCG companies should use effective communication channels such as radio, TV, and print media, as many BOP consumers may not have access to the internet. Moreover, Lehikoinen et al. (2018) found that the use of traditional media channels is important but also social engagement is essential when promoting products to low-income communities. Other marketing strategies as suggested by literature are to partner

with BoP influencers, education campaigns on the benefits of products and creating awareness in low-income communities (Nagy et al., 2019; Rosca, 2017).

Moreover, FMCGs in BoP markets can focus on building relationships with customers. Many BoP customers are more likely to trust and purchase products from FMCGs that have developed relationships with them leading to increased loyalty (Pizzagalli et al., 2018). Additionally, researchers argue that FMCG companies should strive to create long-term partnerships with local communities (Agyenim-Boateng et al., 2015; Rosca, 2017). This can be achieved by engaging in local initiatives and activities that are designed to address the needs of BOP consumers. Examples of such activities include providing access to clean water and sanitation or offering healthcare and educational services. With the Lifebuoy brand, a hygiene programme for rural areas, Unilever aims to reach consumers by educating them on how they can avoid illness by washing their hands, thus creating a stronger bond with consumers. In this way, a relationship of trust is built through the promotion of health and hygiene (Pizzagalli et al., 2018). Similarly, other researchers claim that FMCG companies should strive to provide value-added services that are tailored to the needs of BOP consumers. Examples of such services include providing educational materials about nutrition and health, educational campaigns on the benefits of products or offering advice on how to get the most out of their products (Pizzagalli et al., 2018; Rosca, 2017). By doing so, FMCG companies can create a more meaningful connection with BOP consumers, as well as create more sustainable and profitable business models. Similarly, van Dijk et al. (2020) found that integrating consumer education and community engagement into marketing strategies can enhance product acceptance and brand loyalty. These approaches are particularly relevant for FMCGs operating in South Africa, where market dynamics necessitate a blend of cultural sensitivity, affordability, and effective distribution to penetrate the BoP segment successfully (van Dijk et al., 2020).

The literature on FMCG companies in BoP markets presents a comprehensive and insightful understanding of the intricate dynamics and strategies required for successful market engagement. Studies, notably those by Prahalad & Hart (2002) and Muthuri et al. (2020), have delved deep into market dynamics, providing a rich understanding of the unique consumer behaviours and market characteristics prevalent in BoP segments. They emphasize the significant consumer-centric strategies necessary for FMCGs to thrive, focusing on key aspects such as acceptability, affordability, awareness, and availability, as highlighted in the works of van Dijk et al. (2020) and Mathibe (2018). Also, one of the literature's notable strengths is its

emphasis on innovation and localization. This approach is seen as critical for adapting products, packaging, and distribution methods to suit the specific needs and constraints of BoP markets. The literature is replete with success stories of innovative solutions that have effectively penetrated these markets, showcasing the potential for scalable and impactful business models. However, a lack of longitudinal data presents a significant weakness in the literature, making it challenging to assess the long-term impact and sustainability of strategies. While many studies, including Lehtikoinen et al. (2018) and Nagy et al. (2019), provide snapshots of market conditions and strategies, they often do not offer longitudinal analysis to track changes and long-term outcomes.

2.4 Conclusion

The literature review underscores the multifaceted challenges and substantial opportunities for FMCG companies operating at the base of the pyramid. FMCGs operating in BoP markets often confront significant infrastructural challenges, such as inadequate transportation and distribution networks, particularly in remote or rural areas (Schuster & Holtbrügge, 2012; van Dijk et al., 2020). These barriers not only hinder market access but also escalate operational costs (Mathibe, 2018). Another challenge is the scarcity of reliable market data in BoP markets which impedes FMCGs' ability to understand consumer needs and preferences effectively (Agyenim-Boateng et al., 2015; Muthuri et al., 2020; Prahalad, 2004). Furthermore, building trust in brands is a significant challenge in BoP markets, where consumers often have limited access to information about products and brands (Pizzagalli et al., 2018). Moreover, there is a concern about the potential exploitative nature of FMCG operations in BoP markets and a call towards more sustainable and inclusive business practices (London, 2007; Muthuri et al., 2020). Additionally, FMCGs face challenges due to the cultural and linguistic diversity in BoP markets (Agyenim-Boateng et al., 2015; London, 2016; Mathibe, 2018).

Despite the challenges that FMCGs face in BoP markets, the opportunities for FMCG companies at the base of the pyramid are significant (Prahalad & Hart, 2002; Prahalad, 2004; van Dijk et al., 2020). FMCGs have a unique opportunity to leverage the advantages of BoP markets and create shared value by addressing social and environmental issues through developing sustainable and inclusive business models (Prahalad & Hart, 2002; Prahalad, 2004). Mathibe (2018) adds that growing economies, improving infrastructure, and supportive

governmental policies in low-income markets present favourable business conditions. Such environments offer a fertile ground for innovation and diversification in product offerings, meeting the specific needs and preferences of the BoP population.

Companies that wish to navigate these challenges and capitalize on these opportunities must adopt tailored strategies and innovative solutions, focusing on localized production, cost-effective distribution methods, and culturally sensitive marketing strategies. FMCG companies should focus on understanding the needs and preferences of BoP customers (Agyenim-Boateng et al., 2015; London & Hart, 2004; Muthuri et al., 2020; Nagy et al., 2019; Prahalad & Hart, 2002; Prahalad, 2004). As van Dijk et al. (2020) and Mathibe (2018) suggest, a consumer-centric approach focusing on acceptability, affordability, awareness, and availability is key. Companies should also strive to reduce costs in production and distribution, while also leveraging existing local distribution channels and networks (Bendul et al. 2017; Lehikoine et al., 2018; London & Hart, 2004). Additionally, companies can reduce costs and increase efficiency through the use of innovative technologies and improved supply chain management (Prahalad & Hart, 2002; Prahalad, 2004). Innovations in product design and packaging, as well as leveraging local distribution channels and partnerships, as indicated by Bendul et al. (2017), Lehikoine et al. (2018) and other researchers, are essential for effective market penetration. Additionally, companies should adapt their marketing strategies to promote their products to BoP customers (Lehikoinen et al., 2018; London & Hart 2004; Prahalad & Hart, 2002; Schwarz, 2021) and focus on building relationships with customers and local communities (Agyenim-Boateng et al., 2015; Bendul et al., 2017; Pizzagalli et al., 2018; Rosca, 2017). Furthermore, FMCG companies must invest in building trust and credibility through community engagement and education, as emphasized by van Dijk et al. (2020). Finally, the aforementioned challenges can be overcome by FMCGs through strategies such as localized production and supply chains, employee training and development, and social marketing (Muthuri et al., 2020; Pizzagalli et al., 2018; Schuster & Holtbrügge, 2012).

In conclusion, while FMCG companies face significant challenges in BoP markets, such as infrastructural limitations, lack of market information, brand trust issues, potential for exploitation, and cultural and language barriers, there are substantial opportunities for growth and value creation. By employing strategies focused on understanding customer needs, reducing costs, leveraging local distribution channels, and building strong relationships with customers and communities, FMCGs can successfully navigate these markets. This approach

not only enables FMCGs to tap into new customer segments and improve product offerings but also fosters the development of sustainable and profitable business models that contribute positively to the socio-economic fabric of BoP markets (Prahalad & Hart, 2002).

There is a noteworthy gap in the literature, namely that researchers in the past mainly focused on emerging markets in general and did not highlight the specific differences in strategy and product innovations for FMCG companies at the base of the pyramid. As a result, the literature provides an opportunity to explore the challenges and opportunities at the base of the pyramid with special emphasis on FMCG companies in South Africa. This literature will be utilized to develop the research design aspects, including the content of the interview questions. Appendix C shows the link between the research title and problem with the research questions and the literature review.

3 Research Methodology

3.1 Research Strategy and Approach

This study was an inductive, qualitative, exploratory investigation that explored the challenges and opportunities for FMCGs doing business at the base of the pyramid in South Africa. Qualitative research was deemed acceptable for this study since the goal was to comprehend seemingly complicated occurrences and social phenomena that needed an in-depth and context-specific analysis (Miles et al., 2014). Furthermore, strategies and innovations adopted by FMCGs are qualitative and difficult to measure and were, therefore, best explored through in-depth qualitative investigations. Also, qualitative methods enabled a more comprehensive understanding of the nuances of the interaction between FMCGs and the consumer market at the base of the pyramid (Creswell & Poth, 2018).

An inductive strategy was deemed appropriate due to the exploratory nature of the research topic, with the goal of gaining insights from participants about their experiences (Saunders et al., 2016; Schumacher & Mcmillan, 2006). Furthermore, because there was less research on this specific issue, an inductive technique was best suited to this study, and hence I attempted to proceed from observation to providing an explanation for how and why FMCGs do business in low-income markets (Creswell & Poth, 2018).

3.2 Research Design

This research made use of a cross-sectional design as the data was collected over a very short period of time (Saunders et al., 2009). However, the study also went back in time to compare changes in strategies and innovations employed by FMCGs over time. As a result, the research did not attempt to give a snapshot of a certain occurrence at a specific point in time, as is customary with a cross-sectional design, but rather examined strategies employed by FMCGs to enter BOP markets across time, giving it a longitudinal component (Saunders et al., 2009). Questions were asked at a point in time, but questions were asked to recollect and discuss the research problem over time.

A longitudinal study design, in which respondents are questioned on several occasions over time would be another methodological option. However, for practical reasons, a cross-sectional design was deemed necessary due to concerns regarding time limits on the length of the study, which would be out of the scope of this investigation, and participant retention.

Another alternative as suggested by research was the single case study technique. This strategy was aimed to elucidate various, distinct views on a single event or process at a particular time in order to comprehend the aspect under examination and develop conclusions (Cooper & Schindler, 2011). Given several indications in the literature of the complexity and extent of challenges, opportunities, and strategies for FMCGs at the bottom of the pyramid, the narrow focus of this study design strategy would have jeopardized the researcher's objective to create population-generalizable data from a sample.

3.3 Data Collection Methods and Instruments

3.3.1 *Data Collection Method*

For this study, in-depth semi-structured interviews were conducted to collect qualitative data. Semi-structured interviews were chosen over unstructured interviews because they allowed for more systematic data analysis and increased comparability between respondents (Aurini et al., 2021). However, compared to structured interviews, semi-structured interviews also allowed for more freedom and spontaneity in interviewing, allowing for more richness by encouraging respondents to be prodded for additional explanation (Aurini et al., 2021).

When using this data collection method, there were several assumptions and requirements that had to be taken into consideration. Firstly, it was assumed that the interviewee had a certain level of knowledge and understanding about the topic being discussed. It was also assumed that the interviewee was willing to participate and provide honest and accurate answers. Secondly, for semi-structured interviews to be effective, the interviewer had to be trained in conducting qualitative research. This included understanding the research objectives, the research questions, and how to interpret and analyse the responses (Miles et al., 2014). Finally, it was important to create an environment that was conducive to the interviewee. This included ensuring that they felt comfortable and respected, that they were not rushed or pressured, and that they understood the questions being asked (Cooper & Schindler, 2011). Overall, semi-

structured interviews were an effective research method, but they required careful consideration of assumptions and requirements in order to be successful.

3.3.2 Instrument

An interview schedule (Appendix B) was created for this study and served as the main research instrument. This interview schedule, developed from the research questions, was organized thematically to demonstrate the relation between the literature and the interview questions. Additionally, introductory questions were conversational in nature to encourage interviewees to open up and offer a basic background, while closing questions attempted to summarize, “cool off”, and to request additional information (Creswell & Poth, 2018). The interview schedule was designed to provide respondents with a large amount of freedom in their answers while making sure all essential themes were covered (Bryman & Bell, 2022). Therefore, all the questions were structured as open questions to encourage free-flowing answers. A permission form and agenda were sent to participants beforehand so they might prepare or think about the research subjects.

Face-to-face interviews were initially preferred because of the observable data that might enhance content (Adams et al., 2007). However, in case circumstances did not allow for in-person interviews, conversations were done remotely using video conferencing software such as Microsoft Teams. The duration of each interview was set at 60 minutes, with room for flexibility to ensure that enough information was gathered. Interviews were conducted in English since it is the predominant business language in South Africa. Also, to guarantee participant comprehension, business terminology was preferred to academic vocabulary.

3.4 Population and Sample

3.4.1 Population

The research question sought to understand the challenges and opportunities for FMCGs entering the bottom of the pyramid in South Africa. Therefore, the population of interest for this study included FMCGs, multinational enterprise, that have a presence in South Africa.

Moreover, since not only FMCGs could help to answer the underlying research question but also other entities, such as consultancy firms and experts, could deliver valuable insights, these were also included in the population.

3.4.2 Sample and Sampling Methods

The sample was selected using a purposive sampling method, a type of non-probability sampling. Purposive sampling enabled the researcher to select a sample that could provide the most relevant and abundant data (Yin, 2009). Premised on the fact that this research sought to investigate the strategies and innovations of FMCGs seeking to penetrate the base of the pyramid only, purposive sampling was deemed the most appropriate sampling method for this study. Moreover, it allowed the researcher to select a sample of people who had the required knowledge, experience, and skills to provide meaningful insights into the research topic. The sample was chosen based on each participant's position within the firm, their direct engagement in strategic decisions, and their direct involvement in the expansion of the business into BOP markets. Three categories were chosen to form part of the research: FMCG companies operating in South Africa were chosen as the first category. To compare their experiences, the sample was extended to interview experts and researchers who were working on projects in close collaboration with FMCG companies in South Africa and in other emerging countries as well. To ensure data triangulation, consultancy firms formed the third category as they could give valuable insights into strategies for FMCGs at the base of the pyramid.

This research conducted a total of 13 interviews, a number determined by the point of data saturation, where additional interviews ceased to yield new insights. This approach aligns with the methodology suggested by Bell et al. (2022), emphasizing the importance of data saturation in qualitative research. The selection of interviewees was strategically designed to encompass a wide range of perspectives within the FMCG sector across Africa. Whereas the geographic location of interviewees was secondary to their professional experiences and the breadth of their organizational influence in Africa. The study's focus was on organizations with substantial operations and influence in the African FMCG market, aiming to capture a holistic view of the sector's dynamics across the continent. This included four expert interviews at market research firms in South Africa, known for their extensive work and insights into the FMCG landscape within the country. Additionally, one expert interview was conducted with a professional based in Ghana, representing an organization with a broad African footprint. This inclusion was

purposeful, chosen for the participant's experience in diverse African markets, contributing to a more comprehensive understanding of FMCG strategies and dynamics across the continent. The six corporate interviews, conducted with professionals from leading FMCG companies, were similarly chosen for their relevance and impact across Africa. Each participant, whether based in South Africa or elsewhere, brought valuable insights grounded in their experience in various African markets. This approach ensured that the study captured a wide array of strategies, challenges, and opportunities prevalent in the FMCG sector across different African contexts.

To secure the required number of interviews, a dual approach to sampling was applied: Based on the researcher's relationships with the participants and their proximity to the research problem, a small number of initial participants were approached through purposeful sampling. Then a snowball approach was used whereupon participants were filtered according to the suitability criteria (Creswell & Poth, 2018). With the candidates' consent, these first participants suggested other potential volunteers. This method guaranteed a high rate of responses and interview requests being answered (Adams et al., 2007).

Table 1 below highlights the sampled stakeholders including the participant code, their position within the firm, the firms home country, the approximate number of employees and the firms approximate total revenue in US dollars.

Table 1

List of Participants

Participant category	Participant code	Position	Home country	Number of employees ~	Total revenue (~US\$)
Expert	Interview 1	BoP Market Specialist at a major incubator for inclusive agribusiness in Africa	Ghana	Not available	Not available

Expert	Interview 2	Senior Research Executive at a leading market research firm	United States	30000	6.1 billion
Corporate	Interview 3	Manager - Global Shoe Care, Marketing Commercialization at a major consumer goods corporation	United States	11000	10.8 billion
Expert	Interview 4	Senior Research Executive at a prominent data analytics and brand consulting company	United Kingdom	28000	3.7 billion
Expert	Interview 5	Analyst at a well-known market research and consulting firm	United Kingdom	28000	3.7 billion
Consultant	Interview 6	Brand Growth Strategy & Innovation Consultant at a global data, insights, and consulting company	United Kingdom	28000	3.7 billion
Corporate	Interview 7	Business Analyst at a major African supermarket retailer	South Africa	153000	10.8 billion
Consultant	Interview 8	Growth Strategy and Sustainability Consultant at a global data, insights, and consulting company	United Kingdom	28000	3.7 billion
Corporate	Interview 9	Product & Process Development Manager Africa at a	United Kingdom	150000	60.1 billion

		major FMCG multinational			
Corporate	Interview 10	Managing Director at a significant South African packaged goods and food company	South Africa	21000	1.9 billion
Corporate	Interview 11	Supply Chain Director ASEAN at a leading multinational company for personal care products	Germany	21000	9.5 billion
Expert	Interview 12	Project Coordinator at a global consumer and sensory research agency	United Kingdom	400	42 million
Corporate	Interview 13	Senior Manager (Analytics and Insights) at a major FMCG multinational	United States	107000	82 billion

3.5 Data Analysis Methods

Thematic analysis was used to interpret the interview data, following a four-step approach: First, interviews were conducted to gather verbal data. Second, the data was prepared for analysis through transcription to provide a written account of the verbal data collected. Third, this study followed the coding template proposed by Gioia, allowing the researcher to develop explanations based on occurring themes. Lastly, for interpretation of the data, the data were displayed in a condensed manner, and coding tables and a data structure were provided.

Thematic analysis is a useful method for studying the challenges and opportunities for FMCGs entering the base of the pyramid (Creswell, 2013). This method allows researchers to identify and analyse patterns in data that are relevant to the research question. It also enables researchers to code the data into categories relevant to the research question, and then connect and integrate the coded data to identify themes. Furthermore, it provides researchers with the flexibility to use a variety of coding methods, such as open coding, axial coding, and selective coding (Saldaña, 2016). This made thematic analysis particularly useful for studying the challenges and opportunities for FMCGs entering the base of the pyramid, as it enabled researchers to gain a better understanding of the context and identify themes that were important for FMCGs to consider when entering this market.

In addition to the thematic analysis method, other qualitative data analysis methods were suggested by literature to study the challenges and opportunities for FMCGs entering the base of the pyramid (Creswell, 2013). These methods include ethnographic methods, content analysis, and discourse analysis (Creswell, 2013). Ethnographic methods involve the collection and analysis of data from the perspective of the people being studied (Creswell, 2013). Content analysis involves the systematic analysis of text data to identify patterns and themes (Creswell, 2013). Discourse analysis involves understanding how language is used to construct meaning and create power dynamics (Creswell, 2013). These methods could provide valuable insights into the challenges and opportunities for FMCGs entering the base of the pyramid and could be used in conjunction with the thematic analysis method. For this study, only the thematic analysis method was chosen.

3.6 Limitations

One limitation that was identified is that participants at FMCG companies had to recall past strategic decisions and innovations used to enter the base of the pyramid. However, their memory of these past events might have changed over time. Participants could have had selective memories, recalling certain details while forgetting others, and the research's reliance on self-reporting may also have influenced the results in a biased way. Nonetheless, multiple perspectives from different interviews within the company helped to alleviate this constraint.

In spite of the fact that interviews were conducted in English which might not have been the participants' mother tongue, this might have impacted how details, meanings, and understandings were conveyed to participants and how their meanings were then interpreted. By conducting in-depth briefing sessions with the interviewees before the interview and talking about the most important takeaways in the debrief afterwards, this constraint was minimized.

One limitation of the research was that it relied primarily on self-reporting, which may have led to biased results. Self-reporting is particularly vulnerable to the influence of social desirability bias, in which individuals may be inclined to provide socially desirable responses rather than honest ones. Therefore, it was crucial to make sure the right participants were chosen and to comprehend their function, years of employment with the organization, as well as any potential biases resulting from their social context in the research setting. Also, to mitigate this particular limitation multiple interviews within the organization were conducted to generalize the findings and draw upon reliable results.

3.7 Research Criteria

3.7.1 External Validity and Transferability

Transferability refers to the extent to which findings can be transferred or applied to other markets and industries (Lincoln & Guba, 2000). Transferability was ensured through means of purposeful sampling and by the participants' proximity to the research problem under investigation.

3.7.2 Internal Validity, Confirmability, and Credibility

Data triangulation ensures validity and credibility of the findings and mitigates any research biases. This research used a diversity of stakeholder perspectives and several interviews with each stakeholder type. Furthermore, opposing explanations by participants were seen as a source of internal validity (Yin, 2009). Also, confirmability increases when including many stakeholders and opposing explanations which removed potential distortions (Lincoln & Guba, 2000).

3.7.3 Reliability and Dependability

Reliability refers to stable findings over time and guarantees that a subsequent investigator reach the same results and conclusions (Yin, 2009). As a result, it is a problem of dependability (Lincoln & Guba, 2000). In order to maximize dependability, this study designed explicit protocols for all data collection and recorded all procedures (Lincoln & Guba, 2000; Yin, 2009). Furthermore, interviews were recorded and transcribed to ensure accuracy and prevent biases (Maxwell, 2008).

3.8 Research Assumption

The study assumed that the participants selected for interviews have a deep understanding of the FMCG industry and the specific challenges and opportunities at the BoP. It also assumed that they were willing and able to provide honest, insightful responses that reflect their true experiences and perceptions. Any deviation could have directly impacted the quality and depth of the data collected and the insights generated, leading to less reliable or insightful conclusions.

The study assumed that all ethical considerations, such as informed consent, confidentiality, and the right to withdraw, were upheld. This impacts the ethical integrity of the study and the trustworthiness of its findings. Any lapses in ethical conduct can compromise the study's validity and harm participant relationships.

Further, it was assumed that the cultural and market dynamics within the BoP market are relatively stable or predictable based on past data. In reality, these markets could be highly

dynamic and subject to rapid change, which could impact the relevance and applicability of the findings.

Moreover, there was the assumption that conducting the interviews in English will not significantly hinder the expression or understanding of the participants, especially considering the diverse national contexts of the FMCG industry. Any deviation could have directly impacted the quality and depth of the data collected and the insights generated, leading to less reliable or insightful conclusions.

3.9 Ethical Considerations

Ethical clearance was obtained from the ethics and research committee at the University of Cape Town. The key ethical clearance for this research addressed these issues. The following ethical considerations were followed:

a) To protect participants' rights, fully informed voluntary consent was acquired (Appendix A) (Gregory, 2003). Participants were informed orally and in writing that their participation was entirely optional and that they could withdraw at any moment and refuse to answer any questions. The researcher kept signed informed consent forms on file and got permission to record each interview in advance.

b) Participants were also notified that their right to confidentiality would be maintained (Rogelberg, 2004). To ensure that no individuals were identifiable because of this research, all participants and organizations were anonymized while transcribing and reporting data using codes. Furthermore, the transcripts and recordings were accessible solely to the researcher and supervisor.

4 Results and Discussion

This study delves into the complexities faced by FMCG companies as they navigate the challenges and opportunities in penetrating the BoP markets in South Africa. The overarching research question focuses on identifying the challenges and opportunities for FMCGs in these low-income markets, with two sub-questions guiding the investigation: First, the strategies FMCGs should implement for successful penetration, and second, the innovative solutions needed to serve these markets effectively.

To comprehensively address these questions, the study employed a structured analytical framework, comprising second-order themes and aggregate dimensions, derived from a series of interviews with industry experts. The second-order themes represent recurring patterns and insights, focusing on critical aspects of market penetration, sustainable growth, and innovation in the context of FMCGs in South Africa's BoP markets. These themes include Distribution and Accessibility Challenges, Market Understanding and Local Insights, Economic and Pricing Strategies, Technology Integration and Digital Solutions, Stakeholder Engagement and Inclusive Approaches, Innovative Product and Service Solutions, Sustainable and Ethical Practices, and Adaptation to Local Market Dynamics. Each theme was carefully selected based on its frequency and significance in the interview data, offering valuable insights into the specific challenges and opportunities FMCGs encounter.

From these second-order themes, three aggregate dimensions were synthesized: Strategic Market Penetration, Sustainable and Inclusive Growth, and Innovation-Driven Solutions. The dimension of Strategic Market Penetration combines themes related to market entry and expansion, illustrating the multifaceted approach needed for successful market engagement. Sustainable and Inclusive Growth focuses on the ethical, social, and environmental responsibilities of FMCGs, emphasizing strategies that ensure benefits for both the company and the communities it serves. Innovation-Driven Solutions highlight the role of creative product and service solutions in meeting the unique challenges of low-income markets.

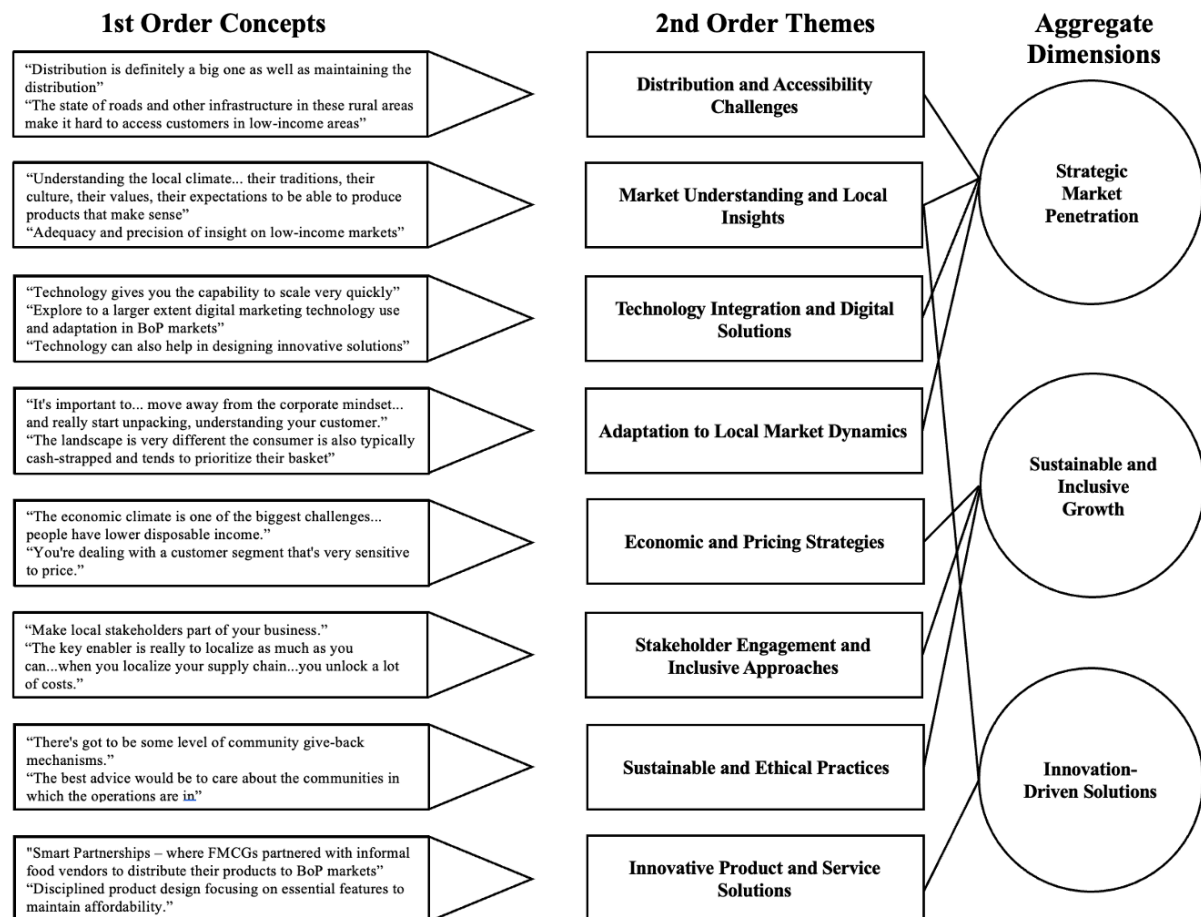
This chapter presents the results and discusses them within the framework of these dimensions. It critically engages with the data, alternating the interview insights with existing literature to reveal both corroborations and new perspectives. The discussion aims to provide a comprehensive understanding of the dynamics in the FMCG sector's approach to South

Africa's low-income markets, offering a nuanced view of the strategies and innovations necessary for successful market penetration. The findings not only contribute to academic discourse but also offer practical guidance for FMCGs operating in or considering entry into these complex and rapidly evolving markets.

Figure 1 below represents the results of the analysis and highlights the first order concepts, second order themes and the aggregate dimensions according to the Gioia method. Each aspect will be highlighted and explained in the following sub-chapters.

Figure 1

Analytical coding process highlighting key theoretical dimensions



4.1 Dimension one: Strategic Market Penetration

This chapter delves into the pivotal aspect of Strategic Market Penetration, a crucial dimension for multinational enterprises, particularly FMCGs, aiming to effectively penetrate the base of the pyramid in South Africa. The essence of this dimension lies in addressing four interlinked themes: Distribution and Accessibility Challenges, Market Understanding and Local Insights, Technology Integration and Digital Solutions, and Adaptation to Local Market Dynamics. Each of these themes plays a critical role in determining how FMCGs navigate the complexities of low-income markets.

The literature review identified numerous challenges that FMCGs face when entering BoP markets, including lack of infrastructure, limited market information, and the necessity of building trust in brands (Agyenim-Boateng et al., 2015; Kamp et al., 2015; London, 2016; Pizzagalli et al., 2018; Prahalad, 2004; Schuster & Holtbrügge, 2012; van Biljon & van Rensburg, 2011). These challenges are magnified by the unique socio-economic dynamics and cultural diversity within the South African context. The literature also highlights the potential opportunities in these markets, emphasizing the importance of understanding and adapting to the local context, and leveraging technology and innovation for effective market penetration (Agyenim-Boateng et al., 2015; Prahalad & Hart, 2002; Prahalad, 2004).

The insights from the interviews conducted for this study add depth and contemporary perspectives to these themes. Interviewees emphasized the need for innovative distribution strategies, deeper understanding of local markets, utilization of digital technology, and adaptation to the unique market dynamics of the BoP in South Africa. These insights provide a nuanced understanding of the strategies required for successful market penetration and align with the literature's emphasis on localized, adaptive, and technologically integrated approaches.

In this chapter, the discussion will critically analyse the interview data in light of the existing literature, exploring how FMCGs can effectively penetrate and establish a presence in the challenging yet opportunity-rich low-income markets of South Africa. The aim is to provide a comprehensive overview of the strategic approaches and innovative solutions that can drive successful market penetration in this unique and diverse economic landscape.

4.1.1 Distribution and Accessibility Challenges

In the context of penetrating the base of the pyramid markets in South Africa, the challenges associated with distribution and accessibility are multifaceted, aligning with literature that emphasizes infrastructure and market reach difficulties (Mathibe 2018; Muthuri et al., 2020; Schuster & Holtbrügge, 2012; van Dijk et al., 2020). Interviews revealed complex scenarios where FMCG companies grapple with inefficient distribution systems, infrastructural limitations, and intricacies of reaching “last mile” consumers, particularly in low-income areas (Interview 1, 2, 3).

The complexities of distribution and infrastructure constraints are highlighted in Interview 3, underscoring the challenges of maintaining distribution presence without direct sales or agency support in BoP markets. The interviewee aptly stated, *“distribution is definitely a big one as well as maintaining the distribution especially if there isn’t a salesperson or agency that is hands-on within the BoP”* (Interview 3). This mirrors Schuster & Holtbrügge (2012), who identified inadequate infrastructure as a significant hurdle in reaching BoP customers. Similarly, Interview 2 highlights that *“the state of roads and other infrastructure in these rural areas make it hard to access customers in low-income areas”*, resonating with Muthuri et al. (2020) who identified similar constraints and barriers to accessing customers in rural areas. Likewise, Mathibe (2018) argues that infrastructural limitations, such as inadequate transportation and distribution networks, impede efficient market access, especially in rural areas. High transaction costs arise from dealing with these infrastructural challenges and bureaucratic hurdles, which can include navigating local regulations and dealing with corruption.

A problem that no organization has been able to solve is...grocery delivery to someone’s doorstep...the issues with the last mile in these kinds of areas of course is safety security, it’s the level of crime (Interview 7).

Regarding the challenges in last mile delivery, the issues of delivery in areas with high crime rates (Interview 7) and the struggle to ensure product delivery to *“people in this country who are in very remote locations”* (Interview 6) reflect the literature’s focus on the logistical challenges in BoP markets. Also, Interview 1 sees *“the difficulty to reach last mile situations and the absence or inadequate systems and infrastructure to support cost effective distribution”*

as a major challenge. This aspect is crucial as it directly affects FMCG firms' ability to physically reach and serve their target market effectively. From the perspective of Unilever, as discussed in Interview 6, there's an emphasis on "*meeting consumers where they are*" and not expecting them to come to conventional retail locations. This understanding led to the use of vending machines for distributing essential products like sanitary pads in schools by Unilever and not have to travel "*40 kilometres to get to the nearest town*" (Interview 6), illustrating a direct response to a specific need in BoP markets.

The literature supports these practical insights. Muthuri et al. (2020) and others have noted that BoP customers often have limited access to goods and services due to poor distribution channels and lack of market infrastructure. Also, Van Dijk et al. (2020) have highlighted the logistical hurdles, particularly in last mile distribution, pose significant challenges, as BoP markets are often in remote or less accessible areas. This situation calls for leveraging local distribution channels like street vendors and rural retailers and exploring alternative channels like mobile vending (Bendul et al., 2017; Hahn & Gold, 2014; Lehikoinen et al., 2018). Van Dijk et al. (2020), Mathibe (2018) and others highlight the importance of a consumer-centric approach focusing on the 4As - acceptability, affordability, awareness, and availability. This resonates with other successful examples such as DíaDía's innovative distribution model that combines "*the proximity of the mom and pop with the efficiencies of the supermarket*" (Khanna, 2023) thus addressing both accessibility and affordability. The company's vision was based on the principle of serving the day-to-day needs of low-income consumers by offering supermarket-like efficiencies in more accessible locations, such as neighbourhoods and near public transportation hubs (Khanna, 2023).

"*We've gotta have equitable trading terms*" (Interview 11) and innovative distribution models as suggested in Interview 11's statement of equitable trading terms and the need for finding cost-effective distribution partnerships. This reflects Agyenim-Boateng et al. (2015), who emphasized the importance of adapting distribution strategies to local contexts.

In terms of localizing production and utilizing micro-entrepreneurs for distribution, Interview 9's strategy of partnering with "*big distribution centres which are actually very close to the mass consumer*" and Interview 8's approach of empowering micro-entrepreneurs offer innovative solutions. Highlighting a key aspect, interviewee 8 explained that "*Yebo Fresh... delivers locally produced fresh fruits and vegetables in little mini bags... to communities in*

township areas... they've been hugely successful... they found a distribution model and a pricing model that is able to meet the needs of an emerging consumer... it's difficult to drive a huge truck into certain areas... but it's really easy to rip in there with a little bag... you have to... think about how you empower micro entrepreneurs and learn from them as a big corporate and integrate their thinking into your strategy" (Interview 8). These approaches are in line with Bendul et al. (2017), Lehtikoinen et al. (2018) and others, who advocated leveraging local distribution channels to overcome distribution challenges. Also, van Dijk et al. (2020) argue that finding innovative last mile distribution channels, such as micro-franchising or partnering with local entities, are crucial for FMCGs to succeed in BoP markets. Similarly, in terms of entry modes, Mathibe (2018) emphasizes the importance of joint ventures, franchising, and direct exporting with distribution networks as effective strategies. These modes of entry allow FMCGs to leverage local expertise, reduce operational risks, and gain market insights, thereby facilitating smoother market penetration.

Additionally, eliminating intermediaries and focusing on cost reduction are critical, as suggested by Interview 12, which advocates for cutting out intermediaries to shorten the supply chain for cost reduction. In the words of the respondent: *"The best way would be to cut out intermediaries like wholesalers and other parties that usually add a mark-up to the original prices which usually become more expensive for the end market. Removing the intermediaries would mean that the companies shorten the supply chain and thus offer products and services directly to the end customer"* (Interview 12). This aligns with Muthuri et al. (2020), who emphasized innovative supply chain management as a key to penetrating BoP markets successfully.

In conclusion, strategic market penetration in South African BoP markets involves overcoming significant distribution and accessibility challenges. These challenges align with previous literature, emphasizing the need for FMCGs to adopt innovative and localized distribution strategies (Agyenim-Boateng et al., 2015; Bendul et al., 2017; Lehtikoinen et al., 2018; Schuster & Holtbrügge, 2012). The insights from the interviews not only validate existing knowledge but also contribute new perspectives, particularly in adopting localized and inclusive distribution models and leveraging technology to streamline distribution processes.

4.1.2 Market Understanding and Local Insights

Delving deeper into the challenges of penetrating low-income markets, a crucial aspect that emerges is the need for in-depth market understanding and local insights. This aligns with existing literature emphasizing the necessity of comprehensive market research and cultural sensitivity in BoP markets (Agyenim-Boateng et al., 2015; Muthuri et al., 2020; Prahalad, 2004). The interviews conducted illuminate this need vividly, with respondents emphasizing the importance of understanding local climates, traditions, cultures, and consumer behaviours.

You have to understand the local climate... their traditions, their culture, their values, their expectations to be able to produce products that make sense (Interview 11).

Interview 1 highlights the challenge of adequately gathering detailed insights about low-income markets, echoing the findings of Agyenim-Boateng et al. (2015) and Prahalad (2004) who noted the lack of market information as a significant barrier for FMCGs in these markets. The interviewee's perspective, *"adequacy and precision of insight on low-income markets. There is that challenge of FMCGs to adequately gather detailed and enough insight about low-income markets"* (Interview 1), underscores the importance of precise market research.

The role of understanding local nuances is further accentuated in Interview 11, where the necessity of comprehending local climates, traditions, and values is stressed for producing relevant products. This mirrors Muthuri et al. (2020), who argued that companies must understand local needs and preferences to meet the unique needs of BoP customers. Similarly, Interview 2 explicitly recommends to *"conduct research in these low-income area markets to understand the customers better, their habits, living conditions, preferences, media channels used, needs etc."*. This emphasizes the need for market research to understand customer habits, preferences, and needs in low-income markets, which aligns with the findings of Pizzagalli et al. (2018) regarding the need for tailored marketing strategies.

Interview 3 and 12 offer insights into the diverse consumer behaviours and socio-economic imbalances in South Africa, highlighting the challenges FMCG companies face in product offerings. In the words of Interview 3, *"the landscape is very different, the consumer is also typically cash-strapped and tends to prioritise their basket in bottom of the pyramid economies."* Further elaborating on this, interviewee 12 argued *"the main problem is the fact that the South African market is one of the most socially and financially imbalanced, with the*

socio-economic gap being great. It thus poses a huge challenge when it comes to product offerings by FMCG companies” (Interview 12). These statements are in line with several researcher who found that overcoming structural and cultural barriers is crucial for resonating with BoP customers (Agyenim-Boateng et al., 2015; Kamp et al., 2015; London, 2016).

As interviewee 5 put it, *“it’s all about branding... it’s about how you talk to the consumers”* (Interview 5), shedding light on the importance of branding and communication tailored to low-end market consumers, which is critical in this context. It reflects the literature’s emphasis on the need for FMCGs to develop effective communication strategies in order to penetrate BoP markets (Lehikoinen et al., 2018; Prahalad & Hart, 2002; Prahalad, 2004; Schwarz, 2021).

Furthermore, Interviews 7 and 8 provide a nuanced perspective on the commonality of human needs across different economic segments, with Interview 8 stating that one *“can’t think of consumers... that are affluent as having a different set of needs than consumers who... are less affluent or at the bottom of the pyramid... all humans are the same”*. This viewpoint aligns with Prahalad & Hart (2002), who argued that companies can leverage unique advantages in BoP markets by understanding and addressing common human needs. Reflecting on this, Interview 7 mentions that *“the first organization who gets this right... it’s the whole cake because the other organizations are gonna take years to catch up”*.

In summary, the results from the interviews confirm and extend the existing literature on the importance of market understanding and local insights in penetrating low-income markets in South Africa. They emphasize not only the need for in-depth market research and cultural sensitivity but also the opportunity to leverage common human needs across different economic segments. This approach is pivotal for FMCGs to develop relevant, effective, and culturally resonant strategies for the BoP market.

4.1.3 Technology Integration and Digital Solutions

The integration of technology and digital solutions is a critical component in the strategic market penetration of FMCGs in South Africa’s low-income markets. This theme aligns with the existing literature that emphasizes the role of technology in enhancing distribution, marketing, and cost efficiencies (Prahalad & Hart, 2002; Prahalad, 2004; Muthuri et al., 2020).

The insights from the interviews underscore the significance of embracing digital strategies to navigate the unique challenges of these markets.

Interview 1, focusing on the adaptation of digital marketing technology in BoP markets, reflects the growing necessity for FMCGs to leverage digital platforms. This is in harmony with the findings of Fu et al. (2023), who highlighted the importance of digital platforms and marketing in reaching the fragmented BoP markets. The respondent's statement, *"explore to a larger extent digital marketing technology use and adaptation in BoP markets"* (Interview 1), underscores the need for FMCGs to innovate in their marketing strategies.

Interview 2's emphasis on developing better approaches to reach customers, including those with smartphones, reflects the growing relevance of mobile technology in South Africa. This observation aligns with Fu et al. (2023), who noted the importance of digital technology to improve efficiency and promote the availability of product to BoP consumers. The respondent calls for *"use of better media strategies to reach low-income customers"* since today about *"20 to 22 million people in South Africa use a smartphone, which accounts for about one third of the country's population"* (Interview 2).

Imagine if Unilever becomes an online platform business...we use technology to make sure that...the product leaves our factory or our warehouses directly to the consumer (Interview 9).

The potential of technology to streamline distribution by removing intermediaries, as mentioned in Interview 9, is a notable insight. This approach can enhance efficiency and reduce costs, resonating with the suggestions of Prahalad & Hart (2002) regarding the use of innovative technologies for improved supply chain management. The interviewee's perspective, *"what technology will do if we do it well is to remove the various middlemen...you are skipping a lot more people so that the product can reach the consumer"* (Interview 9), illustrates the transformative impact of technology in distribution.

The best way to scale is making sure that you have solid infrastructure, and you have solid platforms that can help the scaling be a lot more convenient for you (Interview 7).

The role of technology in scaling operations quickly and efficiently, as highlighted in Interview 7, is crucial in a market characterized by rapid changes and diverse consumer needs. In the

words of the respondent, *“technology gives you the capability to scale very quickly”* (Interview 7). This perspective is in line with the findings of Bagchi et al. (2021), who discussed the significance of technology in enabling FMCGs to respond swiftly to market demands.

Interview 12 sheds light on the use of big data and machine learning for customer segmentation and targeted advertising, a strategy that aligns with the growing trend of data-driven marketing in the FMCG sector. This approach, as the interviewee suggests, *“can use algorithms to predict which customers will buy which products and thus use that information for targeted advertising and offerings, both online and in-store”* (Interview 12), is reflective of the literature’s emphasis on the importance of data analytics in understanding and serving BoP markets (Muthuri et al., 2020). Shedding light on sustainable practices (further elaborated in section 4.2.3 Sustainable and Ethical Practices), interviewee 12 explained that *“technology can also help in designing innovative solutions that combat hunger and other basic human needs like being sanitary whilst using up less packaging and wasteful practices in the supply chain”* (Interview 12).

In conclusion, the integration of technology and digital solutions is a pivotal strategy for FMCGs aiming to penetrate low-income markets in South Africa effectively. The insights from the interviews corroborate the literature’s emphasis on the need for digital marketing, efficient distribution, and the utilization of data analytics and machine learning. These strategies enable FMCGs to overcome traditional barriers, reach a wider audience, and tailor their offerings to the specific needs of the BoP consumers, thereby enhancing their market penetration and competitiveness.

4.1.4 Adaptation to Local Market Dynamics

Adapting to the local market dynamics is a critical element for FMCGs in effectively penetrating South Africa’s low-income markets. This theme is echoed in the literature that stresses the necessity for FMCGs to understand and resonate with the unique cultural, socio-economic, and behavioural aspects of their target audience (Agyenim-Boateng et al., 2015; Prahalad & Hart, 2002; Prahalad, 2004).

From Interview 3, it becomes evident that understanding different landscapes and consumer behaviours is crucial, especially in BoP communities where consumers are often cash-strapped and prioritize differently. This aligns with the findings of Schuster & Holtbrügge (2012), who

highlighted the importance of understanding diverse consumer priorities in low-income markets. The respondent's insight, "the landscape is very different, the consumer is also typically cash-strapped and tends to prioritize their basket in bottom of the pyramid economies" (Interview 3), emphasizes the need for FMCGs to tailor their strategies to these unique consumer needs. Further elaborating on the adoption to local market dynamics, interviewee 10 explained, "*low-income markets have not been exposed to as wide a range of products - you can leverage your existing products from developed markets and reposition them in the low-income market. You, however, need to be aware that it is not a simple lift and shift model - you have to ensure that you have the right pack sizes and price points to suit the consumers' needs and budget*" (Interview 10). Echoing this sentiment, van Dijk et al. (2020) and Mathibe (2018) emphasize the need for a consumer-centric approach including affordability as a critical factor since products must be priced within the purchasing power of BoP consumers, which often requires cost-effective production and distribution methods.

The problem being solved for the customer is key... not necessarily creating products that look great (Interview 7).

Interview 7 sheds light on the importance of moving away from a corporate mindset to understand and address customer needs more effectively. This approach resonates with the work of Agyenim-Boateng et al. (2015), Prahalad (2004) and others, who stressed the significance of understanding local consumer behaviours for effective market penetration. The interviewee's statement, "*it's important to... move away from the corporate mindset... and really start unpacking, understanding your customer*" (Interview 7), underscores the need for FMCGs to develop a deeper understanding of their customers. Similarly, the insight from Interview 8 "*to structure your portfolio in such a way that it meets the needs of... scale consumers*", highlights the importance of adapting product offerings to local market conditions. This is consistent with the findings of Muthuri et al. (2020), who emphasized the need for FMCGs to offer products that are specifically tailored to the preferences and financial capabilities of low-income consumers. This is also in line with van Dijk et al. (2020) who found that among the major challenges is the need to understand and adapt to the unique preferences and constraints of BoP consumers, who have limited disposable income and therefore display distinct purchasing behaviours.

In conclusion, the adaptation to local market dynamics is a pivotal strategy for FMCGs aiming to successfully penetrate low-income markets in South Africa. The insights from the interviews reinforce the literature's emphasis on the need for FMCGs to deeply understand and resonate with the unique cultural, socio-economic, and behavioural patterns of their target audience. This approach enables FMCGs to offer products and services that are not only financially accessible but also culturally relevant and appealing to the BoP consumers, thereby enhancing their market presence and effectiveness.

4.1.5 Conclusion of Strategic Market Penetration

The exploration of strategic market penetration in South Africa's base of the pyramid (BoP) markets culminates in a comprehensive understanding that intertwines with and extends the existing literature. This dimension, pivotal for multinational enterprises, especially in the FMCG sector, is characterized by addressing critical distribution and accessibility challenges, understanding market dynamics, integrating technology, and adapting to local market nuances.

a. Overcoming Distribution and Accessibility Challenges

The interviews and literature collectively highlight the significant distribution and accessibility hurdles in penetrating South African BoP markets. Echoing the insights of Bendul et al. (2017), Lehtikoinen et al. (2018) and Schuster & Holtbrügge (2012), and the necessity for FMCGs to adopt innovative, localized distribution strategies is clear. The interviews enrich this understanding by proposing inclusive distribution models and the application of technology to streamline distribution processes, emphasizing a deep integration of local market nuances into distribution strategies.

b. Emphasizing Market Understanding and Local Insights

The findings reaffirm the critical role of market understanding and local insights. In-depth market research and cultural sensitivity, as underlined in the literature, are fundamental in recognizing and leveraging common human needs across different economic segments. This approach is not merely a strategy but an essential facet of developing resonant and effective market interventions that cater to the unique characteristics of the BoP market.

c. Integrating Technology and Digital Solutions

The integration of technology and digital solutions emerges as a transformative strategy for market penetration. The insights align with the literature's focus on digital marketing, efficient distribution, and leveraging data analytics and machine learning. This approach equips FMCGs to transcend traditional barriers, expanding their reach and tailoring offerings to the BoP consumers' specific needs. Technology, therefore, is not just a tool but a catalyst enabling FMCGs to enhance their market penetration and establish a competitive edge.

d. Adapting to Local Market Dynamics

Finally, adapting to local market dynamics is crucial for successful market penetration. The interviews reinforce the literature's emphasis on the importance of understanding and resonating with the cultural, socio-economic, and behavioural patterns of the target audience. This strategy is pivotal in ensuring that FMCGs offer products and services that are financially accessible, culturally relevant, and appealing to BoP consumers, thus enhancing market presence and effectiveness.

In synthesizing these insights, it becomes evident that strategic market penetration in South Africa's BoP markets requires a multifaceted and nuanced approach. FMCGs must navigate the complex landscape of distribution challenges, understand the depth of local market insights, leverage technological advancements, and resonate with the unique cultural and socio-economic fabric of their target consumers. This integrated approach is vital for FMCGs to not only penetrate but also sustain and grow in the dynamic and diverse low-income markets of South Africa.

4.2 Dimension two: Sustainable and Inclusive Growth

In this chapter, the focus shifts to the crucial dimension of Sustainable and Inclusive Growth in the context of FMCG companies penetrating low-income markets in South Africa. This dimension, encapsulating the themes of Economic and Pricing Strategies, Stakeholder Engagement and Inclusive Approaches, and Sustainable and Ethical Practices, is central to understanding how FMCGs can achieve growth that is not only economically viable but also socially responsible and environmentally sustainable.

The literature underscores the myriad challenges FMCGs face in BoP markets, notably in balancing affordability with profitability, and in navigating the complexities of diverse and often marginalized communities (Nagy et al., 2019; Prahalad & Hart, 2002; Prahalad, 2004). Moreover, the literature highlights the imperative of adopting ethical and sustainable practices, which are increasingly recognized as critical to long-term business success and social welfare (Lashitew et al., 2022; London, 2007; Muthuri et al., 2020; Prahalad & Hart, 2002; Prahalad, 2004).

Drawing on insights from the interviews, this chapter will explore how FMCGs are currently addressing these challenges and opportunities. The interview data revealed a nuanced understanding of the economic realities in low-income markets, the importance of engaging with and understanding local stakeholders, and the need for ethical and environmentally sustainable practices. These insights from the field not only affirm the findings from the literature but also provide practical examples of how FMCGs are innovating and adapting their strategies for sustainable and inclusive growth.

The discussion in this chapter aims to critically examine these themes in light of the empirical data and existing scholarly work. It will explore how FMCGs can develop and implement strategies that not only contribute to their economic objectives but also foster inclusivity, build strong community relationships, and uphold ethical and sustainable practices. The goal is to present a comprehensive analysis of how FMCGs can create growth that benefits both the company and the communities within the unique socio-economic landscape of South Africa's BoP markets.

4.2.1 Economic and Pricing Strategies

The economic and pricing strategies necessary for FMCGs to successfully penetrate the BoP markets in South Africa are critical elements for sustainable and inclusive growth. This aligns with the broader literature that highlights affordability and pricing as pivotal factors in low-income markets (Agyenim-Boateng et al., 2015; Mathibe, 2018; Muthuri et al., 2020; Nagy et al., 2019; Prahalad, 2004; van Dijk et al., 2020).

One of the primary challenges, as highlighted in Interview 1, is the difficulty of pricing low due to environmental, sourcing, and distribution constraints. The interviewee stated, “*affordability*

has always become a core and fundamental challenge” (Interview 1), echoing Mathibe’s (2018), Muthuri et al.’s (2020) and van Dijk et al.’s (2020) findings on affordability barriers in BoP markets. This is further corroborated by Interview 11, which stresses that *“one of the biggest challenges is getting to the price points... reducing a pack size doesn’t necessarily give you a proportionate decrease in the cost to make and the cost to sell and distribute”*. Further elaborating on this, the respondent explained that *“the value chain in getting to the consumer is often a little bit more incumbent... often adds costs to the packs that the consumer needs to pay at the final point of consumption”* (Interview 11) which again aligns with Mathibe’s (2018) and van Dijk et al.’s emphasis on affordability as a critical factor in low-income markets, which often requires cost-effective production and distribution methods.

Interview 4 emphasizes the economic climate’s impact on consumers, noting the lower disposable income in target demographics. This aligns with Muthuri et al. (2020), who highlighted the economic constraints of BoP consumers. The interviewee from Interview 4 elaborated, *“the economic climate is one of the biggest challenges... people have lower disposable income”* (Interview 4). This reflects the need for FMCGs to consider the financial capacity of their target market closely. Moreover, Interview 4 highlights the impact of the economic climate on consumer behaviour, noting that people with lower disposable income prioritize price over brand loyalty. From the respondent’s perspective, *“it does start to erode your equity and your long-term brand loyalty because now people are choosing brands based on what’s on special at the time”* (Interview 4). Similarly, interviewee 9 stated that *“from a financial model perspective, we do very well with products where we can charge a premium but the minute you say, hey, let’s then go mainstream...you find that your financial model...is not really suitable to serve those [low-income] consumers”* (Interview 9). This insight aligns with Costa Filho et al.’s (2021) observation that low-income consumers often make purchasing decisions based on immediate economic needs, which can erode brand equity and loyalty. It emphasizes the need for FMCGs to develop pricing strategies that not only attract low-income consumers but also foster brand loyalty.

The biggest challenge FMCGs have is to innovate quickly, at a low cost and also cater to the lower income brackets with solutions that are bigger pack formats, bundled products (Interview 6).

Interviews 6 and 9 focus on the necessity of innovating quickly and at a low cost to cater to the lower income brackets. Interview 9 particularly underscores the challenge of serving low-income consumers within existing financial models, stating, *“your price points need to be really low and there needs to be discipline in how you design...you cannot design a product that has a lot of luxuries”* (Interview 9). Elaborating further, respondent 8 highlighted the importance of *“delivering the right type of product to the person in spite of these pricing challenges”* (Interview 8). These statements are consistent with the literature suggesting that FMCG companies must innovate to maintain affordability (London & Hart 2004; Prahalad & Hart, 2002; Prahalad, 2004).

Additionally, Interviews 7 and 8 emphasize the fact that *“you’re dealing with a customer segment that’s very sensitive to price”* (Interview 7) and that *“your strategy... has to be very, very focused on price”* (Interview 8), reinforcing the need for FMCGs to adopt price-sensitive strategies. This is in line with the insights provided by Francis & Webster (2019) on the highly inequalitarian income distribution in South Africa, which necessitates a strong focus on affordability.

The interviews collectively underscore the necessity for FMCGs to navigate the delicate balance between maintaining profitability and offering products that are affordable and accessible to low-income consumers. Innovative approaches to pricing, such as offering bigger pack sizes or bundled products, as suggested by Interview 6 or *“smaller dosages of a product e.g. sachets”* (Interview 10), can be effective strategies to enhance accessibility while catering to the financial constraints of these consumers. From the literature we see that practical examples of such endeavours have been proven to be successful: For instance, FMCG companies have created smaller and more affordable product packages such as the Sunsilk and Pantene shampoo manufactured and distributed by Unilever and P&G in India for \$0.02 per mini-sachet. Also, P&G found an innovative water purification technology that turns 10 litres of dirty and potentially deadly water into clean drinkable water within seconds (Procter & Gamble, 2022). This resonates with the findings of van Dijk et al. (2020) who stress the importance of innovations in product design and packaging for successful market penetration.

In conclusion, economic and pricing strategies form a cornerstone for sustainable and inclusive growth in BoP markets. The challenges of affordability, the impact of the economic climate on disposable income, and the need for innovative, low-cost solutions are all critical aspects that

FMCGs must navigate to succeed in these markets. The insights from the interviews provide a real-world perspective that complements and extends the existing literature, emphasizing the nuanced and complex nature of pricing and economic strategies in the South African BoP context.

4.2.2 Stakeholder Engagement and Inclusive Approaches

Stakeholder engagement and inclusive approaches are crucial for FMCGs to achieve sustainable growth in low-income markets. This resonates with the literature emphasizing the importance of community engagement and building trust in BoP markets (London 2016; Muthuri et al., 2020; Pizzagalli et al., 2018; Rosca, 2017).

Interview 7 highlights the significance of integrating local stakeholders as a part of the business model, asserting the need to *“make local stakeholders part of your business”* (Interview 7). This aligns with Muthuri et al.’s (2020) findings, which emphasize the importance of engaging with local communities for a better understanding of consumer needs. The idea of working with existing businesses and community leaders, as noted in the interview, underlines the value of integrating FMCG operations within the local socio-economic fabric.

The BoP market is very unpredictable in most cases and hence, local stakeholder engagement prior, during and post implementation is crucial (Interview 1).

Similarly, Interview 1 highlights the leverage gained from local expertise and contextualized knowledge, which is crucial for unpredictable markets like the BoP, reinforcing researchers’ argument about the value of local insights in tailoring strategies for BoP markets (London & Hart; 2004; Mathibe, 2018). The emphasis on local stakeholder engagement reflects the necessity for FMCGs to adapt their strategies to the unique dynamics of each market.

In Interview 11, the focus is on creating partnerships with local businesses, which is crucial for developing products that resonate with local preferences and needs. As articulated, *“partnering with credible, reliable ethical partners in market to be able to partner with to produce goods locally”* (Interview 11). This approach is consistent with Prahalad & Hart’s (2002) viewpoint on the necessity of localized strategies for FMCG companies in BoP markets. Furthermore, Mathibe (2018) commented that collaborative approaches, especially with local businesses or

NGOs, can also provide valuable support structures and enhance the FMCGs' understanding of and integration with local markets (Mathibe, 2018).

The importance of engaging with consumers to understand their real needs is further emphasized in Interview 6, where the interviewee states, *"you only understand the needs of the consumer if you engage with your consumers"* (Interview 6). This reflects Pizzagalli et al.'s (2018) findings on the significance of customer relationships in building trust and loyalty.

Interview 9 discusses the benefits of localizing supply chains for cost reduction and increased efficiency, which aligns with the strategies proposed by Prahalad and Hart (2002) and Prahalad (2004) for FMCGs in BoP markets. The interviewee from Interview 9 notes, *"one of the key enablers...it's really to localize as much as you can"* (Interview 9), underlining the effectiveness of localized strategies.

MTN in Nigeria at their base stations... generators used to power them were getting stolen... It was becoming a hugely expensive exercise. So... they decided to... say to the local community... you will have a share of all the revenue... But it is then your responsibility to make sure that this base station is running... incentivized to ensure that the base station is kept in good neck and in working order... It worked like a bomb... largely eradicated those kinds of issues. It stimulated growth in local areas, which in turn stimulates the economy... it kind of works in your advantage... retailers and FMCG companies have to start thinking about how they can... localize and stimulate growth in nuanced ways (Interview 8).

This example highlighted by respondent 8 emphasizes the need for FMCGs to stimulate local economic growth and ensure operations are perceived as beneficial to the community. Echoing this sentiment, interviewee 12 remarked, *"it's essential and should be one of the steps taken before going to launch. Developing inclusive approaches can show the communities that it operates in that they care about their well-being and needs as well as making sure that they feel catered for"* (Interview 12).

The essence of stakeholder engagement, as brought out in these interviews, lies in the understanding that local stakeholders are not just conduits to market entry but are integral to the long-term success and sustainability of FMCG operations in these markets. Engaging with local stakeholders, understanding their needs and preferences, and integrating their insights into

business strategies are crucial for FMCGs to establish a sustainable and inclusive growth trajectory.

In conclusion, stakeholder engagement and inclusive approaches are not just a strategic choice but a necessity for FMCGs aiming for sustainable growth in the South African BoP market. These approaches, as highlighted by the interviews and supported by the literature, ensure that FMCGs can build trust, understand consumer needs better, and create a positive impact in the communities they serve.

4.2.3 Sustainable and Ethical Practices

Sustainable and ethical practices form a cornerstone for FMCG companies aiming to penetrate and grow within low-income markets, particularly in South Africa. This aligns with the literature that underscores the importance of responsible business conduct in emerging markets (Camilleri et al., 2017; Hart et al., 2016; Lashitew et al., 2022, London, 2007; Muthuri et al., 2020).

Interview 1 emphasizes “*engaging in environmentally compliant processing*”, highlighting the need for FMCGs to engage in practices that are environmentally friendly. This aligns with the findings of Muthuri et al. (2020), who stress the importance of sustainability in operations. This approach not only caters to the immediate needs of the low-income markets but also ensures that the business activities do not detrimentally impact the environment, thereby securing long-term viability and social acceptance.

Interview 6 brings to light the need for continuous innovation to meet changing consumer needs and to ensure long-term brand relevance. As the interviewee states, “*continuous putting out products that cater to the changing needs of the consumer is important*” (Interview 6). This continual innovation is not only about product development but also about maintaining sustainable and ethical practices that align with consumer expectations and global standards.

Interview 12 discusses the importance of investing in community well-being to build trust and encourage patronage from local consumers. The interviewee suggests, “*the best advice would be to care about the communities in which the operations are in. Caring would extend into investing firstly in the well-being of the communities around, which will make sure that the*

communities know that the companies have their best interests at heart.” (Interview 12). Similarly, Interview 11 stated that *“there’s also an expectation... that the beneficiation of that plant has got to be more than just the facility you set up, there’s got to be some level of community give-back mechanisms”*, which resonates with Prahalad and Hart’s (2002) perspective on creating shared value and addressing social issues.

The support of rural and local farmers, as mentioned in Interview 8, is vital for stimulating economic growth and ensuring food security. The interviewee from Interview 8 notes, *“supporting rural and local farmers... stimulates economic growth”* (Interview 8). The respondent further elaborated on this and said, *“local sourcing and local production... also critical... gives rise to... more circularity and growth within their own environment.”* (Interview 8). This approach is in line with the literature’s emphasis on the importance of local sourcing and production (Muthuri et al., 2020).

On another note, not mentioned by the literature, Interview 9 brings an industry-level perspective, highlighting the necessity of collaboration and governmental involvement for sustainability. *“For it to be sustainable, you honestly, honestly you cannot do it alone. It needs to be done at an industrial level and the government has play a role”* (Interview 9), echoing the need for multi-stakeholder engagement in sustainable practices.

In conclusion, sustainable and ethical practices in the FMCG industry are not just about compliance but are integral to building a sustainable business model that is sensitive to environmental impacts, community needs, and ethical considerations. These practices ensure the long-term success and acceptability of FMCGs in low-income markets, fostering a balance between profitability and social responsibility.

4.2.4 Conclusion of Sustainable and Inclusive Growth

The exploration of sustainable and inclusive growth in South Africa’s BoP markets underscores a critical pathway for FMCGs, marked by economic and pricing strategies, stakeholder engagement, and ethical practices. This dimension forms the bedrock for establishing a sustainable presence in these markets, emphasizing a balance between profitability and social responsibility.

a. Navigating Economic and Pricing Strategies

The critical role of economic and pricing strategies in fostering sustainable and inclusive growth is evident. The insights gained from the interviews enrich the existing literature by highlighting the challenges surrounding affordability, the impact of economic climates on disposable incomes, and the imperative for innovative, cost-effective solutions. These insights emphasize that FMCGs must adeptly navigate these economic complexities to ensure their products are accessible and relevant to the BoP market. The success of FMCGs in these markets hinges on their ability to balance financial viability with the economic realities of their target consumers.

b. Emphasizing Stakeholder Engagement and Inclusive Approaches

Stakeholder engagement and inclusive approaches transcend being mere strategic choices; they are essential for sustainable growth in BoP markets. The interviews, alongside the literature, highlight the importance of these approaches in building trust, better understanding consumer needs, and creating a positive community impact. FMCGs must invest in genuine partnerships and collaborative efforts with local stakeholders, ensuring that their market strategies are inclusive and resonate with the community's aspirations and needs.

c. Championing Sustainable and Ethical Practices

Sustainable and ethical practices are paramount in the FMCG industry, extending beyond compliance to become integral to a sustainable business model. These practices encompass environmental stewardship, community well-being, and ethical operations. The insights from the interviews affirm that these practices are crucial for the long-term success and acceptability of FMCGs in low-income markets. They represent a commitment to balancing profitability with social and environmental responsibility, fostering a harmonious relationship between the FMCGs and the communities they serve.

In synthesizing these insights, it is clear that sustainable and inclusive growth in South Africa's BoP markets demands a holistic approach. FMCGs must intricately blend economic savvy with ethical practices and stakeholder engagement to create a business model that is not only profitable but also socially responsible and environmentally sound. This approach is vital for FMCGs to not only gain a foothold but also thrive and make a lasting positive impact in the diverse and challenging low-income markets of South Africa.

4.3 Dimension three: Innovation-Driven Solutions

Chapter 4.3 delves into the vital dimension of Innovation-Driven Solutions, a key aspect of penetrating and succeeding in the low-income markets of South Africa for FMCG companies. This dimension, which incorporates the themes of Innovative Product and Service Solutions and Market Understanding and Local Insights, focuses on leveraging innovation as a critical tool in addressing the unique challenges and opportunities present in these markets.

The existing literature on FMCGs at the base of the pyramid emphasizes the crucial role of innovation in product design, packaging, and service delivery (Prahalad & Hart, 2002; Prahalad, 2004; van Biljon & van Rensburg, 2011). These innovations are not merely technological advancements but are deeply rooted in an understanding of the local context, including cultural nuances, economic constraints, and consumer behaviour. As suggested by Muthuri et al. (2020), innovation in the FMCG sector must be grounded in a thorough understanding of the target market's specific needs and preferences.

Drawing from the insights gathered in interviews, this chapter will explore how FMCG companies are currently employing innovative strategies to connect with and serve BoP markets effectively. The interviews provided valuable perspectives on how companies are using innovative approaches to product design, distribution models, and engagement with local communities. These real-world examples not only align with the scholarly discourse but also showcase practical implementations of innovative solutions in diverse market conditions.

The focus of this chapter is to critically analyse how innovation-driven solutions, informed by deep market understanding and local insights, are being utilized by FMCGs to adapt to and thrive in South Africa's low-income markets. The discussion aims to highlight the importance of innovation not just in product development but in all facets of market engagement – from distribution strategies to customer interaction. By integrating these innovative approaches, FMCGs can develop products and services that are not only relevant and desirable to low-income consumers but also sustainable and effective in overcoming the challenges inherent in these markets. This chapter aims to provide a comprehensive view of how innovation, underpinned by local insights, is essential for FMCGs to achieve success in the dynamic and complex environment of South Africa's BoP markets.

4.3.1 *Innovative Product and Service Solutions*

Innovative product and service solutions are paramount for FMCG companies aiming to penetrate low-income markets in South Africa. This need for innovation aligns with literature emphasizing tailored products and services for BoP consumers (Agyenim-Boateng et al., 2015; Muthuri et al., 2020; Prahalad & Hart, 2002; Prahalad, 2004). The interviews highlighted a variety of innovative approaches, ranging from novel distribution models to the design of products and services specifically crafted for the BoP market.

4.3.1.1 *Product design and packaging*

In the context of FMCG companies targeting low-income markets, product packaging plays a critical role in both market penetration and consumer satisfaction. Insights from interviews and literature highlight the importance of packaging size and design to meet the specific needs of these consumers.

Smaller packaging is a key strategy for making products both affordable and accessible to low-income consumers. As noted in Interview 8, while smaller packaging may not always be sustainable, it represents a form of frugal innovation designed to make products more efficient and appealing to budget-conscious consumers. In the words of the respondent one needs to ensure to *“design products in the most efficient way”* (Interview 8). This approach is crucial in ensuring that products fit within the financial constraints of these consumers. Van Dijk et al. (2020) stress the importance of innovations in product design and packaging for successful market penetration.

Interview 10 further elaborates on this strategy by discussing the introduction of smaller product dosages, such as sachets. These smaller dosages cater to the needs of affordability and convenience, essential factors for consumers in low-income markets. In the words of the respondent, *“introduction of smaller product dosages, such as sachets, to cater to affordability and convenience for low-income consumers”* (Interview 10). The sachet model allows consumers to purchase products in quantities that align with their daily budgets and consumption patterns.

The importance of packaging size in meeting the daily budgets of low-income consumers is further emphasized in Interviews 9 and 11. In particular, Interview 9 highlights “*disciplined product design*” and “*focusing on essential features to maintain affordability*” as crucial role. Reflecting on this, interviewee 4 mentioned the possibility of “*driving brand difference through innovation, which can include enhancing existing product strengths or minor new features without needing to create entirely new products*” (Interview 4). This approach, echoed in the literature by Anderson and Markides (2007), Muthuri et al. (2020), and others, underscores the need for products to be frugal yet effective, ensuring value creation through simplicity and affordability.

A notable example from the literature review is Unilever’s use of smaller sachets in their product packaging. This strategy effectively meets the unique needs of BoP customers, as highlighted by Nagy et al. (2019). Also, Mathibe (2018) argues that ensuring product acceptability, which involves adapting products to resonate with local cultural preferences and consumer needs, is crucial for FMCG companies wishing to gain a foothold in BoP markets. By offering smaller, more affordable packaging options, FMCGs can create products that are both financially accessible and attractive to low-income consumers.

4.3.1.2 Innovative distribution models

Interview 3 emphasizes the importance of exploring “*different distribution models...crafted specifically to township / bottom of the pyramid economies*” which underscores the importance of innovation in logistics and supply chain management. This aligns with the notion by Muthuri et al. (2020) that innovation should not only be in products but also in the ways they are delivered and presented to consumers. By customizing their distribution models, FMCGs can enhance accessibility and convenience for consumers in these markets. The emphasis on crafting solutions specifically for the unique needs of these markets underlines the critical role of innovation in product and service strategies.

a. Smart Partnerships

A key strategy discussed in Interview 1 is the formation of smart partnerships, where FMCGs collaborate with informal vendors to distribute products in low-income communities. The respondent talked about successful cases in which “*smart partnerships, where FMCGs in food processing partnered with informal food vendors to distribute their products to low-income*

communities” (Interview 1). This method leverages existing community networks and exemplifies the concept of frugal innovation, as described by Prahalad and Hart (2002) and Prahalad (2004). It suggests that effective solutions can be found through collaborative and localized approaches.

These smart partnerships demonstrate an innovative way to extend market reach and distribution. By engaging with local networks and leveraging existing community structures, FMCGs can enhance product penetration and accessibility. This strategy resonates with the literature’s emphasis on local engagement for effective market penetration (Lehikoinen et al., 2018). Bendul et al. (2017) further supports this view, suggesting that leveraging local distribution networks is key for FMCGs. Additionally, Simanis and Duke (2014) recommend partnering with local suppliers to better understand and penetrate local markets, a concept mirrored in the smart partnerships discussed in Interview 1.

b. Platforms for Community Buying

Another innovative solution is the use of technology for community buying, as discussed in Interview 7. This interviewee introduces the concept of using digital platforms like WhatsApp for “*group buying strategies*” (Interview 7). This approach represents a significant shift in the traditional distribution model, utilizing technology to facilitate group-based purchasing, which is particularly novel in low-income markets (London & Hart, 2004).

The use of WhatsApp for community buying and group purchases underscores the role of technology in enhancing service delivery. The respondent explicitly emphasizes “*WhatsApp integration for placing orders and group buying via WhatsApp*” (Interview 7) as innovative solutions for FMCG companies to penetrate low-income markets successfully. This strategy caters to the communal nature and technological engagement of BoP consumers, reflecting a deep understanding of the social dynamics within these markets. It aligns with the emphasis in the literature on leveraging digital platforms for novel and cost-effective ways to reach and serve consumers (Prahalad & Hart, 2002; Prahalad, 2004). Muthuri et al. (2020) also highlight the importance of understanding the unique social dynamics of BoP markets, and how technology can be leveraged within this context.

This innovative use of platforms for community buying simplifies the buying process for consumers, making it more accessible and aligned with digital trends and preferences in the

target market. This is also in line with van Dijk et al.'s (2020) and Mathibe's (2018) consumer-centric approach which includes accessibility of products as an important factor, necessitating innovative distribution strategies to reach consumers in both urban and remote rural areas (Mathibe, 2018). It exemplifies how FMCGs can adapt to the evolving landscape of low-income markets by embracing technology and innovative distribution models.

4.3.1.3 Brand Differentiation Through Innovation

The role of innovation in driving brand differentiation in the FMCG sector is crucial, as underlined in Interview 4. This approach, which includes enhancing existing product strengths or introducing minor new features, is a strategic method for FMCGs to differentiate their brands in competitive markets. Such continuous innovation is vital to meet the ever-evolving consumer needs and to maintain long-term brand relevance, a notion that aligns with the insights provided by Muthuri et al. (2020).

a. Driving Brand Difference Through Continuous Innovation

Interview 4 emphasizes the importance of brand differentiation through innovation, a process that can include improving upon existing product strengths or the introduction of new, yet minor, features. This approach is not about overhauling products entirely but rather about making strategic enhancements that add value. As the interviewee states, *“you wanna be continually driving difference and you can drive difference through innovation... innovation can come in many forms”* (Interview 4). This perspective aligns with Prahalad & Hart's (2002) views on differentiation and localization in product development. It suggests a nuanced approach to innovation – one that is continual and responsive to market demands.

b. Adapting to Consumer Needs and Market Trends

This emphasis on driving brand difference through innovation is not just about product development; it's also about understanding and responding to consumer needs and market trends. FMCGs need to stay agile, adapting their products to meet the changing preferences and expectations of consumers. This statement finds support in van Dijk et al.'s (2020) findings highlight the importance of adapting to the unique preferences and constraints of BoP consumers, who have limited disposable income and distinct purchasing behaviours. Interview 6 suggests *“adjusting payment terms to be more inclusive for lower-income brackets”* as a possible innovative solution. This strategy is essential for maintaining consumer interest and

brand loyalty, especially in highly competitive markets. It reflects a deep understanding of the market dynamics and the importance of staying relevant to consumers.

In conclusion, the innovative product and service solutions for FMCGs in South Africa's low-income markets require a deep understanding of local consumer needs and preferences. It calls for a blend of tailored distribution models, smart partnerships, digital platforms for community buying, disciplined product design, continuous product enhancement. By employing these strategies, FMCGs can create offerings that are not only relevant and appealing to low-income consumers but also sustainable and competitive in these challenging markets.

4.3.2 Market Understanding and Local Insights

While we have previously discussed the importance of market understanding and local insights for FMCGs in the context of strategic market penetration, these aspects are equally crucial in the realm of innovation-driven solutions. Deep knowledge of the market and insights into local consumer behaviours are indispensable for FMCGs to develop innovative solutions that effectively serve the base of the pyramid (BoP) in South Africa.

a. Integrating Market Insights into Innovative Strategies

Interview 1 stresses the challenge for FMCGs to gather detailed and adequate insights about low-income markets, which is essential for tailoring innovative strategies. The interviewee's statement, *"adequacy and precision of insight on low-income markets. There is that challenge of FMCGs to adequately gather detailed and enough insight about low-income markets"* (Interview 1), reflects the literature's emphasis on the importance of deep market understanding (Agyenim-Boateng et al., 2015; Muthuri et al., 2020; Prahalad, 2004).

"Understanding the local climate... their traditions, their culture, their values, their expectations" is highlighted in Interview 11 as vital for producing relevant and innovative products. This aligns with Muthuri et al.'s (2020) argument about the necessity of understanding local needs and preferences to innovate effectively for the BoP consumer. Similarly, van Dijk et al. (2020) emphasizes the importance of understanding the unique consumption patterns, preferences, and financial constraints of the BoP segment which differ significantly from other market segments.

Further elaborating on this, respondent 4 stated that *“it’s the type of people and cultures and they are obviously very different across the world...going back to the study, we saw that in Europe people have this, this very health minded sort of mindset, eating nutritious meals that you’re not gonna get sick, whereas in China ...people are more fast paced...they’re not really so much into cooking they’re very much into convenience and you’ll know that in China almost every household has a rice cooker because it’s for convenience...and then in Africa, it’s about sustenance because obviously the countries aren’t the most developed and so for them it’s more on just meeting the daily requirements or having their meals”* (Interview 4). In light of Interview 4’s insights about regional cultural preferences and consumer needs, adapting products to align with these distinct needs becomes essential, mirroring Mathibe’s (2018) emphasis on localizing flavours, packaging, and branding among other features to ensure product acceptability in diverse markets. Also, van Dijk et al. (2020) found that businesses must navigate the complexities of creating affordable yet high-quality products that resonate with local cultural and nutritional preferences.

b. Emphasizing Localized Approaches to Innovation

The importance of moving away from a corporate mindset to truly understand customers, as mentioned in Interview 7, is critical in the innovation process. In the words of the respondent, *“it’s important to... move away from the corporate mindset... and really start unpacking, understanding your customer”* (Interview 7). This approach is in line with Bendul et al. (2017), Hart et al. (2016) and others, who discussed the need for companies to develop localized strategies and approaches to successfully innovate in BoP markets.

Interview 3 brings to light the different consumer behaviours in BoP communities, particularly highlighting the aspect of being cash-strapped and prioritizing differently. The interviewee explains that *“the landscape is very different, the consumer is typically cash-strapped and tends to prioritize their basket in bottom of the pyramid economies”* (Interview 3). This insight aligns with Agyenim-Boateng et al. (2015) and Costa Filho et al. (2021) who underscored the need for FMCGs to understand and cater to the distinct purchasing behaviours and constraints of BoP consumers.

In conclusion, for FMCGs targeting the BoP in South Africa, an in-depth understanding of the market and insights into local consumer behaviours are foundational for driving innovation-driven solutions. This involves a multifaceted approach that encompasses detailed market

research, a deep understanding of local cultures and values, and a focus on addressing the real and tangible needs of consumers in these markets. By incorporating these insights, FMCGs can develop innovative products and services that are not only relevant and appealing to low-income consumers but also sustainable and effective in meeting their unique needs and preferences.

4.3.3 Conclusion of Innovation-Driven Solutions

The successful penetration of FMCGs into South Africa's low-income markets is fundamentally anchored in the implementation of innovation-driven solutions. These solutions, as revealed through both the interviews and literature, demand a comprehensive understanding of local consumer dynamics and a commitment to continuous innovation in product and service offerings.

a. Embracing Tailored and Innovative Strategies

The key to unlocking the potential of low-income markets lies in a blend of innovative approaches, including tailored distribution models, smart partnerships, and the use of digital platforms for community buying. These strategies emphasize the necessity of adapting to the unique needs and preferences of local consumers. By employing disciplined product design and continuously enhancing their offerings, FMCGs can create products and services that are not only relevant and appealing to low-income consumers but also capable of standing out in a competitive market environment.

b. The Vital Role of Market Understanding and Local Insights

An in-depth understanding of the market and local insights stands as a critical foundation for these innovation-driven solutions. The need for a multifaceted approach that includes detailed market research, deep cultural sensitivity, and a commitment to solving tangible consumer problems is paramount. This approach aligns with the call for FMCGs to deeply understand the unique needs, behaviours, and preferences of low-income consumers and adapt their strategies accordingly. It is not merely about creating products; it's about tailoring solutions that resonate with and fulfil the specific demands of the BoP market.

In synthesizing these insights, it becomes evident that innovation in product and service solutions for FMCGs targeting the BoP in South Africa is not a linear process but a dynamic,

ongoing journey. It requires a proactive approach to understanding the evolving market landscape, a willingness to engage in creative and unconventional partnerships, and a commitment to leveraging technology to enhance accessibility and convenience. By doing so, FMCGs not only cater to the immediate needs of the consumers but also invest in building long-term relationships and loyalty, ensuring sustainable growth and a significant impact in these markets.

In essence, the path to innovation-driven solutions in South Africa's low-income markets is multifaceted and challenging. It demands an approach that is deeply rooted in local insights, embraces technological advancements, and is continually evolving to meet the dynamic needs of the BoP consumers. This strategic focus enables FMCGs to create more than just products; they create value-driven solutions that resonate with and empower the communities they serve.

4.4 Conclusion of Findings and Discussion

This research has illuminated the multifaceted challenges and opportunities for FMCGs in South Africa's BoP market. The study's findings converge on three critical dimensions: Strategic Market Penetration, Sustainable and Inclusive Growth, and Innovation-Driven Solutions. In Strategic Market Penetration, the importance of innovative distribution strategies and deep market understanding was highlighted. It emphasized adapting to local dynamics and leveraging technology to enhance market reach and consumer engagement. Sustainable and Inclusive Growth underlined the necessity of economic and pricing strategies that cater to the unique needs of BoP markets. Stakeholder engagement and sustainable practices emerged as essential for building trust and ensuring long-term growth. Innovation-Driven Solutions revealed the need for continuous product and service innovation, rooted in a profound understanding of local consumer preferences and market conditions.

Overall, this study underscores the complexity of entering and succeeding in South Africa's BoP market. It suggests that FMCGs must employ a balanced approach that combines strategic penetration, sustainable growth, and continuous innovation to navigate this challenging yet promising market effectively. The findings contribute valuable insights for both academic understanding and practical strategies in the FMCG sector.

5 Research Conclusion

5.1 Summary of Findings

This study delved into the intricate landscape of challenges and opportunities for FMCG companies penetrating low-income markets in South Africa. Through comprehensive analysis, it uncovered how these multinational enterprises can navigate the complex base of the pyramid market landscape, revealing a multifaceted picture of strategic needs, innovative solutions, and potential growth areas.

Sub-question 1: *“What strategies should FMCGs implement to successfully penetrate the base of the pyramid in South Africa?”*

In addressing the first sub-question, regarding the strategies FMCGs should implement to successfully penetrate the base of the pyramid in South Africa, the research presents a multi-dimensional approach.

The key strategy identified involves overcoming logistical hurdles like poor infrastructure and complex distribution challenges, as emphasized by London (2004), Schuster and Holtbrügge (2012) and others. The dissertation highlights that FMCG companies seeking market penetration must adopt innovative distribution models to navigate infrastructural challenges and ensure efficient last mile delivery. It is crucial to utilize digital technologies and tap into informal networks to expand reach and improve service in low-income regions (Bendul et al., 2017; Hahn & Gold, 2014; Lehtikoinen et al., 2018). By partnering with local vendors and adopting mobile vending solutions, FMCGs can significantly enhance distribution and product availability (van Dijk et al., 2020; Khanna, 2023).

A pivotal finding is the necessity for FMCGs to deeply understand local consumer behaviours, preferences, and socio-economic conditions. This is in line with the insights of Agyenim-Boateng et al. (2015), Prahalad (2004) and others, highlighting the importance of cultural sensitivity and in-depth market research. By tailoring strategies to reflect local customs and preferences, FMCGs can develop products and branding that resonate well with the target audience.

The dissertation also discusses the importance of economic and pricing strategies that address affordability while maintaining quality (Mathibe, 2018; Muthuri et al., 2020; van Dijk et al., 2020). Innovative approaches, such as offering smaller packaging sizes and utilizing sachet pricing models, can cater to the limited financial resources of BoP consumers without sacrificing product quality (Procter & Gamble, 2022; van Dijk et al., 2020).

The research also points to the critical role of engaging with local stakeholders and adopting inclusive growth strategies for building community trust and achieving mutual benefits (Pizzagalli et al., 2018), aligning with Muthuri et al.'s (2020) perspective on overcoming cultural and trust barriers. This approach not only fosters brand loyalty but also ensures that FMCGs align with local needs and dynamics. Moreover, sustainable and ethical practices are increasingly vital for consumer satisfaction and long-term business success (Lashitew et al., 2022; London, 2007; Muthuri et al., 2020; Prahalad & Hart, 2002; Prahalad, 2004). FMCGs must commit to environmentally responsible operations and adhere to ethical standards.

Lastly, innovation in product design and service delivery, underpinned by a thorough understanding of the market, is crucial for differentiating brands and staying relevant in the competitive BoP market (van Dijk et al., 2020). Innovative distribution strategies, including leveraging local networks and digital platforms such as organizing group purchases via social media, emerged as essential, resonating with Bendul et al.'s (2017), Lehtikoinen et al.'s (2018) and other researcher's recommendation for localized and adaptable market approaches.

Sub-question 2: *“What innovative solutions need to be found to serve low-income markets successfully?”*

Furthermore, the research identified innovative solutions necessary for serving low-income markets in South Africa effectively. It highlighted the vital role of innovation in product and service offerings, focusing on affordability, accessibility, and cultural relevance. This supports the perspectives of Prahalad and Hart (2002), Simanis and Duke (2014) and others on the need for FMCGs to tailor their solutions to the unique challenges of BoP markets, including specific consumer needs like smaller packaging sizes that cater to the financial constraints of BoP consumers (van Dijk et al., 2020).

This is supported by examples from the interviews and literature where FMCGs have created value through product innovations tailored to low-income consumers' daily budgets and preferences.

Likewise, the research underscores the importance of tailored distribution models, acknowledging the unique infrastructural and logistical challenges in low-income markets. It advocates for alternative distribution approaches, such as collaborations with informal vendors and the use of mobile technology to improve product reach and accessibility (Bendul, 2017; Hahn & Gold, 2014; Lehtikoinen et al., 2018). These methods are validated by empirical data indicating that such innovative distribution strategies lead to increased market reach and consumer satisfaction.

Also, technology integration emerges as a critical innovation strategy, leveraging digital platforms and social media for marketing, group buying, and enhancing customer engagement. This approach is particularly effective for FMCGs in tapping into the communal purchasing habits and technological trends prevalent among BoP consumers. The interviews provide evidence of how digital strategies can be leveraged to circumvent traditional barriers and connect with BoP consumers effectively.

Findings emphasize local production and sourcing strategies as innovative solutions for FMCGs to reduce costs and foster local economic growth. By engaging in local sourcing and manufacturing, FMCGs can not only lower prices but also enhance the acceptability of products among local consumers, as supported by insights from industry experts emphasizing the benefits of local supply chains (Muthuri et al., 2020).

Moreover, brand differentiation through innovation in product features and brand communication is highlighted as essential for FMCGs to stand out. Continuous product improvement and the introduction of new features, aligned with consumer needs, are strategies that resonate with consumers and build brand loyalty, as indicated by the research findings (Muthuri et al., 2020; Anderson & Markides, 2007).

Lastly, the research advocates for community engagement and social innovation to go beyond traditional business practices by investing in community development and ethical practices

(Nagy et al., 2019; Rosca, 2017). This not only builds trust and loyalty among low-income consumers but also ensures mutual benefits (Pizzagalli et al., 2018).

Research Question: *“What are the challenges and opportunities for FMCGs penetrating low-income markets in South Africa?”*

Addressing the overarching research question, the study finds that FMCGs face a complex landscape of challenges and opportunities in South Africa’s low-income markets:

The research identifies significant barriers such as distribution and accessibility issues stemming from infrastructural and logistical complexities, particularly in reaching the BoP markets’ “last mile” (Mathibe 2018; Muthuri et al., 2020; Schuster & Holtbrügge, 2012; van Dijk et al., 2020). Industry interviews highlight the struggle of FMCGs to establish efficient distribution networks within these constraints.

Economic constraints further complicate the landscape, with consumers’ limited disposable income necessitating FMCGs to devise pricing strategies that strike a balance between affordability and profitability (Muthuri et al., 2018). Additionally, a lack of deep market understanding, including insights into consumer behaviour, cultural norms, and economic conditions in low-income markets, presents a challenge for FMCGs aiming to tailor their products and marketing strategies effectively (Agyenim-Boateng et al., 2015; Prahalad, 2004).

Conversely, the opportunities within these markets are vast, presenting untapped potential for growth, innovation, and social impact (Mathibe, 2018; Muthuri et al., 2020; Prahalad & Hart, 2002; Prahalad, 2004; van Dijk et al., 2020). Innovations in product design, such as smaller packaging sizes and localized product variations, address both affordability and consumer preferences. Leveraging technology, particularly digital platforms for marketing, sales, and distribution, enables FMCGs to overcome traditional distribution hurdles and engage with consumers more directly. Opportunities also lie in local engagement and ethical practices; investing in community development and incorporating social and environmental considerations can build trust, foster brand loyalty, and ensure long-term growth. Furthermore, forming strategic partnerships with local businesses and informal networks can enhance FMCGs’ distribution reach and provide valuable insights into the local market. The findings suggest that success in these markets lies in balancing commercial objectives with social

responsibility, aligning with sustainable and ethical business practices that cater to both profitability and community development.

In synthesizing these findings, it becomes evident that success for FMCGs in South Africa's low-income markets demands a strategic, innovative, and socially responsible approach. The challenges, primarily infrastructural and cultural, call for tailored strategies that respect local nuances and consumer needs. However, the opportunities for tapping into a large, underserved market, coupled with the potential for significant social impact, are substantial. This approach not only promises commercial success but also aligns with the global trend towards more inclusive and sustainable business practices, offering a pathway for FMCGs to contribute to the socio-economic development of South Africa's low-income communities.

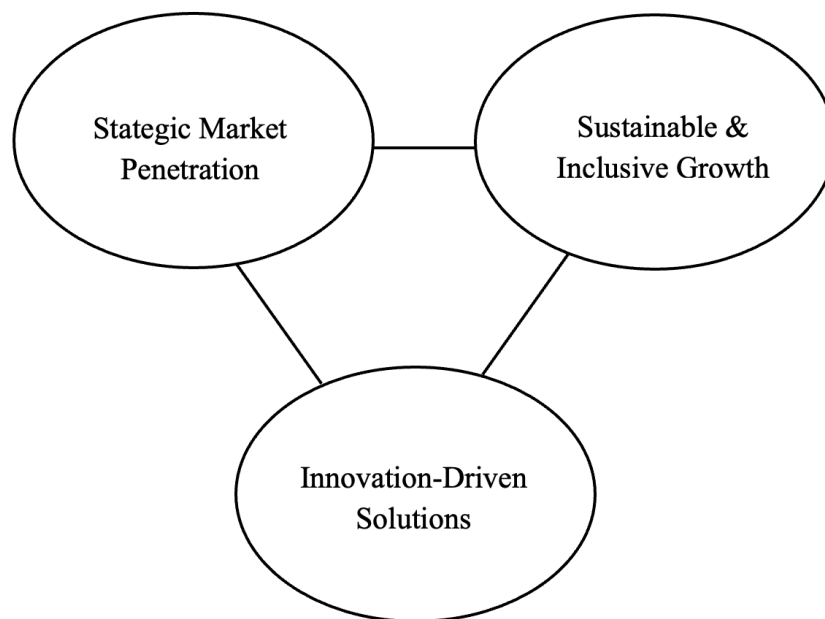
5.2 A Framework for FMCGs to enter BoP markets

This chapter presents a comprehensive framework that encapsulates the findings of this study, focusing on the strategies for FMCG companies to effectively penetrate BoP markets in South Africa. The framework, derived from the synthesis of literature and empirical data, is constructed around three interconnected dimensions: Strategic Market Penetration, Sustainable and Inclusive Growth, and Innovation-Driven Solutions. These dimensions represent the core areas where FMCGs need to focus their strategies and innovations to successfully navigate the complex and diverse BoP market landscape.

The three dimensions are visually represented in Figure 2 which illustrate the interconnected nature of Strategic Market Penetration, Sustainable and Inclusive Growth, and Innovation-Driven Solutions. The diagram serves as a conceptual guide that aids in understanding how FMCGs can balance and integrate various strategic approaches for effective market entry and sustainable growth in the BoP sector.

Figure 2

Three dimensions as conceptual guide for successful market penetration



Strategic Market Penetration is at the foundation of the framework, highlighting the initial steps FMCGs must take to enter BoP markets. It includes key aspects such as understanding and overcoming distribution and accessibility challenges, leveraging technology and digital solutions, and adapting strategies to local market dynamics. This dimension sets the stage for FMCGs to establish their presence in the market and lay the groundwork for sustainable growth and innovation.

Sustainable and Inclusive Growth builds on the foundation of strategic market penetration, this dimension focuses on achieving growth that is both economically viable and socially responsible. It encompasses strategies for economic and pricing adjustments that cater to BoP markets, emphasizes stakeholder engagement to build trust and loyalty, and promotes sustainable and ethical practices. This dimension ensures that growth is not at the expense of social and environmental considerations, thereby fostering long-term sustainability.

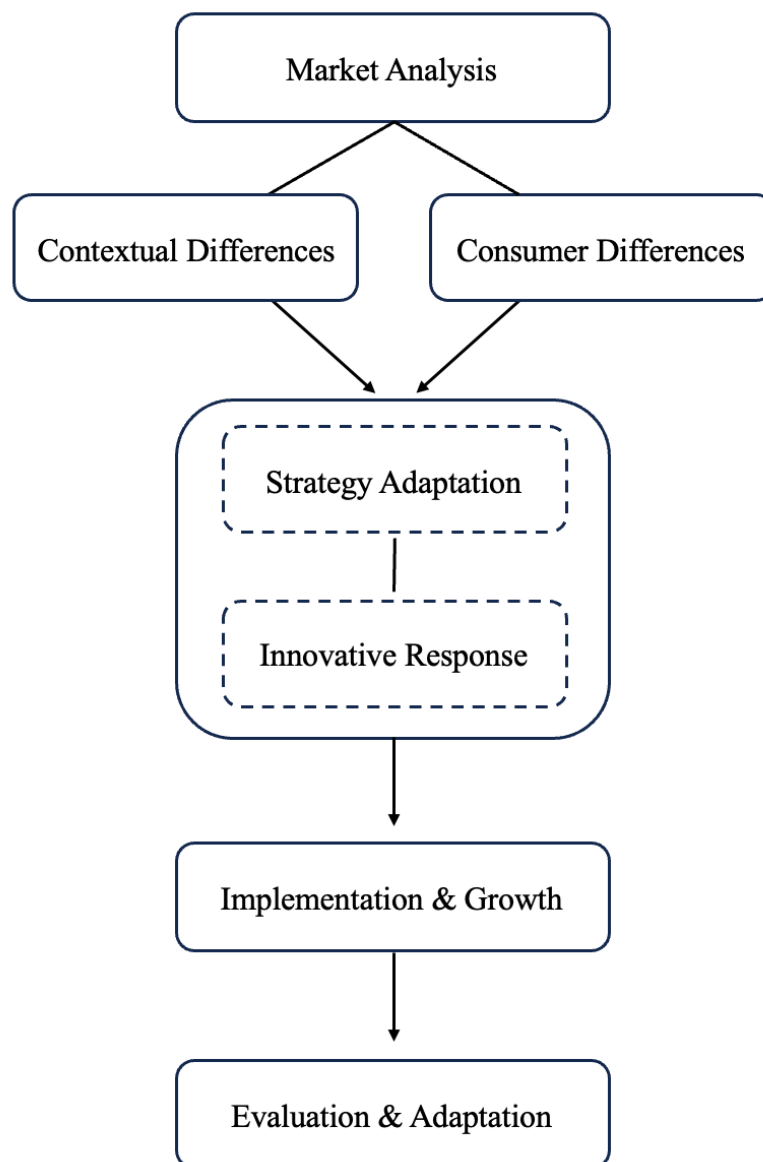
Finally, Innovation-Driven Solutions underscores the need for continuous innovation in products and services, informed by in-depth market understanding and local insights. It highlights the importance of developing tailored and innovative solutions, including product design, packaging, and distribution models that resonate with the unique needs of BoP

consumers. Innovation-driven solutions are crucial for FMCGs to differentiate themselves in the competitive BoP market and maintain relevance and appeal to consumers.

Figure 3 displays a comprehensive roadmap for FMCGs to enter BoP markets successfully. It is an integration of theoretical and empirical insights aimed at guiding FMCG companies through the nuanced market landscape in South Africa. This framework combines strategies for market entry, growth, and innovation with a focus on sustainability and inclusivity. The detailed aspects of the framework are elaborated below:

Figure 3

A roadmap for FMCG companies to enter BoP markets



5.2.1 Market Analysis

The cornerstone of the roadmap is an in-depth market analysis. This involves gathering and interpreting data on the local economic conditions, consumer behaviour, and purchasing patterns specific to the BoP segment. FMCG companies must understand the socio-economic disparities, cultural nuances, and daily realities of consumers living in these markets. This section underscores the importance of understanding both the contextual differences, such as socio-economic and cultural factors, and consumer differences, like purchasing behaviour and preferences in BoP markets in comparison to more affluent markets. These differences are fundamental to understanding the market landscape and form the basis for tailoring FMCG strategies:

5.2.1.1 Contextual Differences

In BoP markets, the socio-economic, cultural, infrastructural, and regulatory landscapes present unique challenges compared to developed markets, necessitating a tailored approach by FMCG companies. BoP markets often feature vast income disparities and varying levels of economic development. Companies need to recognize and adapt to these differences, which influence consumer spending power and market demand (Agyenim-Boateng et al., 2015; Kamp et al., 2015; London, 2016; van Dijk et al., 2020). Also, cultural dynamics greatly impact consumer preferences and behaviours. FMCGs must understand local traditions, values, and social norms to ensure their products and marketing strategies are culturally sensitive and appropriate (Agyenim-Boateng et al., 2015; Kamp et al., 2015; London, 2016; Mathibe, 2018; van Dijk et al., 2020). Moreover, limited access to roads, electricity, and other essential services in many BoP communities poses significant challenges for distribution and market access. Companies must innovate in their logistics and distribution strategies to overcome these barriers (Mathibe, 2018; Schuster & Holtbrügge, 2012; van Dijk et al., 2020). Lastly, navigating local regulations and bureaucratic processes is crucial for smooth market entry and operation. This requires a thorough understanding of the legal and administrative frameworks in each market (Mathibe, 2018).

5.2.1.2 Consumer Differences

Understanding the consumer at the BoP is about recognizing their unique needs, preferences, and constraints. BoP consumers often display a different purchasing behaviour and prioritize

affordability and value for money (Agyenim-Boateng et al., 2015; Prahalad & Hart, 2002; Prahalad, 2004; van Biljon & van Rensburg, 2011). They may prefer smaller, more affordable packaging or products that offer basic functionality at a lower cost (Nagy et al., 2019). Furthermore, consumers face financial constraints and thus limited disposable income influences purchasing decisions (Agyenim-Boateng et al., 2015; van Dijk et al., 2020). FMCGs need to price their products appropriately, considering the economic realities of their target consumers (Muthuri et al., 2020). Due to limited access to information, there is often a trust deficit towards unfamiliar brands. Building trust through consistent quality, engagement, and community-based marketing is essential (Mathibe, 2018; Muthuri et al., 2020; Pizzagalli et al., 2018). Finally, tailoring products to local tastes and preferences is key. This might involve localizing flavours, packaging, and branding to align with cultural preferences (van Dijk et al., 2020; Mathibe, 2018).

5.2.2 Strategy Adaptation

Once the market analysis is complete, the next step is strategy adaptation. This process entails customizing marketing strategies, distribution channels, and product offerings to align with the findings of the market analysis. It is about creating value propositions that are culturally resonant and economically viable for the BoP consumers. For instance, innovative distribution models such as partnering with local entities for micro-franchising or using mobile vending can serve as effective means to enhance product accessibility (Bendul et al., 2017; Hahn & Gold, 2014; Lehtikoinen et al., 2018; van Dijk et al., 2020). Also, FMCGs must consider product customization to suit the financial and cultural needs of BoP consumers. This might include localizing product flavours, adjusting packaging sizes, and considering affordability in pricing strategies (Muthuri et al., 2020; Mathibe, 2018).

5.2.3 Innovative Response

Innovation-driven solutions are vital for differentiation and relevance. This involves developing new products and services or adapting existing ones to meet the needs identified in the market analysis (Muthuri et al., 2020; van Dijk et al., 2020). Leveraging insights from market analysis, FMCGs should innovate in product design, focusing on affordability and suitability for local needs (Prahalad & Hart, 2002; Prahalad, 2004). Innovation also extends to packaging design, such as creating smaller, affordable packages that cater to the budget constraints of BoP

consumers (Procter & Gamble, 2022). Beyond products, FMCGs can innovate in service delivery, such as using digital platforms for accessibility or developing community-based distribution models (Muthuri et al., 2020; van Dijk et al., 2020).

5.2.4 Implementation and Growth

Effective implementation of the adapted strategies and innovations is crucial for achieving sustainable and inclusive growth. This involves operationalizing the plans into actionable steps, considering ethical practices, and aiming for a positive social impact (Muthuri et al., 2020; Prahalad & Hart, 2002; Prahalad, 2004). As highlighted by relevant literature and interviews, inclusive approaches and stakeholder engagement is essential for sustainable growth, where building partnerships with local communities and ensuring benefits for both the company and local populations are critical (Bendul et al., 2017; Hahn & Gold, 2014; Lehtikoinen et al., 2018; Muthuri et al., 2020; Pizzagalli et al., 2018; Prahalad & Hart, 2002; Prahalad, 2004; Rosca, 2017).

5.2.5 Evaluation and Adaptation

The final phase of the framework is a continuous cycle of evaluation and adaptation. FMCG companies must consistently monitor market responses to their strategies and innovations, using feedback mechanisms to refine and adjust their approaches. This dynamic process ensures that companies remain responsive to changing market needs and are able to sustain their relevance over time (Prahalad & Hart, 2002; Prahalad, 2004). The framework also pays special attention to the changing regulatory environments, global economic trends, and local community dynamics that could influence FMCG strategies (Mathibe, 2018). This recognizes the importance of staying attuned to external factors that can affect market conditions and consumer preferences. FMCGs must navigate these external influences while maintaining a commitment to their core values and strategic objectives.

This comprehensive framework for FMCG penetration in BoP markets in South Africa provides a strategic roadmap for companies looking to establish a sustainable and profitable presence. By focusing on strategic market analysis, adaptive strategies, innovative solutions, and sustainable practices, FMCG companies can create a meaningful impact within the BoP

markets. The framework emphasizes a cyclical and iterative process that allows for flexibility and responsiveness, essential for long-term success in these dynamic markets.

In summary, the success of FMCG companies in BoP markets is contingent upon a deep understanding of the unique market landscape, a willingness to adapt strategies in line with local insights, a commitment to innovation, and an overarching dedication to sustainable and inclusive growth. By following the stages outlined in this framework, FMCG companies can strive not just for market penetration but for the establishment of a lasting and positive presence in South Africa's BoP markets, contributing to the well-being of the communities they serve while achieving their business objectives.

5.3 Contributions to Theory and new Insights

This research on the challenges and opportunities for FMCGs penetrating low-income markets in South Africa significantly enhances the theoretical landscape and provides new practical insights, particularly in the context of the base of the pyramid markets. Its contributions and novel insights are grounded in the unique socio-economic and cultural context of South Africa, offering a nuanced understanding that extends beyond the existing literature.

The study enriches the discourse on market penetration strategies for FMCGs, particularly in the base of the pyramid context. It goes beyond the general discussions found in existing works by Prahalad (2004), Schuster & Holtbrügge (2012) and others, offering nuanced insights specific to the South African market. This contributes a fresh perspective to the literature on strategic market penetration, emphasizing the necessity of localized, innovative approaches to distribution and accessibility challenges.

The research also underscores the importance of sustainable and inclusive growth strategies in the FMCG sector. It highlights the balance between economic viability and social responsibility, a concept echoed in the works of Muthuri et al. (2020) and Prahalad & Hart (2002). However, this study provides a more detailed exploration of how FMCGs can navigate these challenges in the specific context of South Africa, thus extending the existing literature on sustainable business practices in emerging markets.

Further, the study's emphasis on innovation-driven solutions in product and service offerings is particularly noteworthy. While innovation has been a focus in previous research, such as that by Lehtikoinen et al. (2018), London and Hart (2004) and Nagy et al. (2019), this study delves deeper into how innovations are informed by a profound understanding of local market dynamics and consumer behaviour in the South African BoP. It presents practical examples of innovation in product design, packaging, and distribution models, thus contributing new insights to the literature on innovation in low-income markets.

Moreover, the research highlights the critical role of understanding local market dynamics and consumer behaviour for successful innovation. This approach, while aligning with existing literature, provides a more applied perspective on how FMCGs can develop tailored solutions that resonate with the unique characteristics of BoP consumers in South Africa. The comprehensive framework developed from this research offers valuable insights, especially for managers of FMCGs looking to penetrate the BoP market in South Africa and potentially have a positive social impact by addressing social issues at the base of the pyramid with the innovative solutions and strategies examined in this study.

Overall, this research offers a significant contribution to the existing body of knowledge by bridging gaps between various theoretical domains and providing a holistic understanding of the FMCG sector in South Africa's BoP markets. It extends beyond traditional discussions of market penetration, sustainable growth, and innovation, offering a comprehensive view of the strategies and solutions necessary for FMCGs to succeed in the dynamic and complex environment of South Africa's low-income markets. The study thus stands as a valuable resource for both academic researchers and practitioners in the FMCG industry, offering insights that are both theoretically rich and practically relevant.

5.4 Research Limitations and Areas for future Research

The research on the challenges and opportunities for FMCGs in South Africa's BoP markets provides a valuable foundation for understanding this complex and dynamic sector. The study has successfully engaged with various FMCG companies and gained insights from some of the largest and most influential players in the industry. However, there are areas where future research could significantly enhance our understanding and application of these insights:

One of the notable gaps in the current study is that compliance regulations such as the “*very strict policy on sharing information*” (Interview 13) restricted the depth of information shared as highlighted in Interview 13. Consequently, while the research provides valuable insights into the strategies of FMCGs operating in the BoP, it may not fully encapsulate the approaches of major multinationals in these markets. Moreover, ethical considerations and access restrictions also played a role in shaping the research. The need to maintain confidentiality and adhere to organizational policies meant that some potential participants, especially from larger corporations, could not partake in the study or had to limit the scope of their contributions. This constraint potentially affects the diversity and depth of perspectives gathered. Therefore, future research could focus on developing strategies to engage more deeply with these large corporations. This might include seeking collaboration through official channels, leveraging industry conferences and forums, or partnering with academic institutions that may have existing relationships with these corporations. A focused approach could be to explore alternative methods of gathering data from these large entities, such as anonymized case studies or aggregated industry reports, to bypass individual compliance restrictions. Additionally, engaging with third-party market research firms like “*Nielsen IQ consumer panel as well as Kantar retail panel...or looking at more local FMCGs who play in that market*” (Interview 13) could provide broader insights into the strategies and market dynamics that large FMCGs navigate.

Second, while the current research provides an excellent overview of challenges, opportunities, strategies and innovative solutions at the BoP, there is a need for more detailed exploration of specific examples and strategies. Future research could involve conducting in-depth case studies on individual FMCGs, particularly those successfully operating in the BoP markets. These case studies would allow for a more nuanced understanding of the implementation and impact of various strategies, overcoming the limitations of broader, surface-level insights. However, as indicated by the challenges faced in this research, accessing detailed strategic information from large corporates might be difficult due to compliance reasons. Therefore, a focus on smaller, local FMCGs, or a comparative approach between small and large companies, might be more feasible. Such case studies could explore how these companies navigate market entry, product innovation, distribution challenges, and stakeholder engagement in the BoP markets, providing rich, actionable insights for both academia and industry practitioners.

Furthermore, the study recognises that it was a missed opportunity not to engage more deeply with consumers. Nonetheless, it was a conscious decision to focus on the multinational perspective in this exploratory phase of research. Future work could benefit significantly from incorporating consumer insights to provide a more holistic view of the market dynamics and strategies at play.

Moreover, the research methodology largely relied on semi-structured interviews, where participants were required to recall past strategies and innovations. This reliance on memory could lead to selective recollection, potentially skewing the data towards more recent or significant events while omitting others. Furthermore, the self-reporting nature of the interviews could introduce biases, as participants might present information in a way they perceive as favourable or socially desirable. Likewise, the purposive and snowball sampling methods, while effective in ensuring relevant and knowledgeable participants, do not allow for broad generalizations of the findings. The study's results are specific to the sampled individuals and their organizations, which may not be representative of all FMCGs operating in South Africa's BoP markets.

Additionally, more empirical data and longitudinal studies are needed to understand the viability and scalability of strategies and innovations over time. This would help in building a more comprehensive and realistic understanding of the challenges and opportunities facing FMCGs in BoP markets, leading to more effective and responsible business practices that can truly benefit BoP communities.

Lastly, an intriguing area for further study is the impact of digital platforms and technological innovations on market strategies at the BoP. As digital connectivity and mobile technology usage expand rapidly in emerging markets, understanding how these tools are leveraged by FMCGs to reach, engage, and transact with BoP customers becomes crucial. Future research could focus on how digital marketing, e-commerce platforms, and mobile-based distribution channels are transforming traditional business models in these markets. This research could also explore how technology is being used to gather consumer insights, tailor products and services, and enhance overall operational efficiency.

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Appendices

Appendix A: Interview Consent Form

(CEMS) MASTER'S IN INTERNATIONAL MANAGEMENT

INTERVIEW CONSENT FORM:

Participant name:

I volunteer to participate in a research project conducted by Christoph Polterauer as partial fulfilment of the requirements for the MiM Degree at the Graduate School of Business. I understand that the research is designed to gather information about “Doing Business at the Bottom of the Pyramid: Fast Moving Consumer Goods Companies penetrating low-income markets in South Africa” and that I will be one of approximately 15 people being interviewed for this research.

Background and purpose of the research

The FMCG industry has neglected the low-income population but with projected growth, there are untapped opportunities. Challenges for FMCGs penetrating the base of the pyramid include low purchasing power, lack of market infrastructure, and insufficient institutional frameworks. However, by altering consumer behaviour and changing manufacturing and distribution methods, it is possible to profitably sell to this sector. Inclusive strategies such as localized production, supply chains, employee training, and social marketing can create shared value by addressing social and environmental issues. Therefore, the purpose of this research is to conduct an exploratory study into the challenges and opportunities for FMCGs at the base of the pyramid in South Africa. This research will highlight strategies and innovative solutions to penetrate low-income markets successfully.

Ethics approval

Ethical consent for the study has been approved by the *UCT Commerce Faculty Ethics in Research Committee*.

Participation and confidentiality

I understand that my participation in this research is voluntary, that I will not be compensated and that I may withdraw at any time.

The interview will take approximately 30 - 45 minutes to complete and will be audio recorded.

I understand that I will not be identified by name in any reports using information obtained from this interview and that my confidentiality as a participant in this study will remain secure. Subsequent uses of records and data will be subject to standard data use policies which protect the anonymity of individuals and institutions.

Should you have any questions or concerns please contact me.

Researcher: Christoph Polterauer PLTCHR005@myuct.ac.za

Supervisor: John Luiz john.luiz@uct.ac.za

Consent

I consent to participate in this interview, based on the terms outlined above.

Signed by Interviewee

Date

Signed by Student

Date

Appendix B: Interview Schedule

Part 1: Introduction

1. Can you tell me a little about your background and experience working with FMCGs in emerging in South Africa or other similar regions?
2. Can you share any personal experiences you've had with FMCGs trying to penetrate low-income markets?

Part 2: Challenges and Opportunities for FMCGs at the base of the pyramid

3. What are some of the biggest challenges and opportunities that FMCGs face when trying to enter the low-income markets in South Africa or other similar regions?
4. Can you describe any specific examples of FMCGs that have struggled to break into low-income markets? What do you think went wrong?
5. Can you share any examples of FMCGs that have successfully entered the low-income markets? What do you think contributed to their success?
6. How do these challenges and opportunities differ from those faced by FMCGs in more affluent markets?

Part 3: Strategies and innovative solutions for FMCGs at the base of the pyramid

7. What strategies do you think FMCGs should implement to successfully penetrate the low-income markets while still achieving profitability?
8. Are there any innovative solutions that FMCGs could explore in order to better serve low-income consumers?
9. Can you describe any innovative strategies or solutions that have been implemented by FMCGs to enter low-income markets in South Africa or other similar regions?
10. How can FMCGs change their manufacturing and distribution practices to better cater to low-income markets?
11. How can FMCGs ensure that their initiatives to enter low-income markets in South Africa are sustainable in the long-term?
12. How important is it for FMCGs to engage with local stakeholders and develop inclusive approaches when entering low-income markets?
13. What role do you think technology can play in helping FMCGs penetrate low-income markets?

Part 4: Closing

14. Based on our discussion, is there anything else you would like to add that we haven't discussed yet?
15. Are there any resources or publications that you recommend I consult to further understand this topic?
16. Thank you for your time and insights. Is there anyone else you think I should speak to in order to gain a better understanding of this topic?

Appendix C: Linkages between Research Question, Literature Review

Doing Business at the Bottom of the Pyramid: Fast Moving Consumer Goods Companies penetrating low-income markets in South Africa		
Research Question	<i>“What are the challenges and opportunities for FMCGs penetrating low-income markets in South Africa?”</i>	
Research Problem	The research problem relates to the unexplored challenges and opportunities faced by FMCG companies in penetrating low-income markets, specifically in South Africa, requiring a comprehensive understanding and strategic framework for successful market entry and operation.	
Research Question	Literature Review sections	Authors
<i>“What are the challenges and opportunities for FMCGs penetrating low-income markets in South Africa?”</i>	2.1. Challenges for FMCGs at the Base of the Pyramid	Agyenim-Boateng et al. (2015); Arnold & Valentin (2013); Bendul et al. (2017); Compos (2021); Hart et al. (2016); Kamp et al. (2015); London (2007); London (2016); Mathibe (2018); Muthuri et al. (2020); Nagy et al. (2019); Prahalad (2004); Prahalad & Hammond (2002); Prahalad & Hart (2002); Rosca (2017); Schuster & Holtbrügge (2012); van Biljon & van Rensburg (2011); van Dijk et al. (2020)
	2.2 Opportunities for FMCGs at the Base of the Pyramid	Francis & Webster (2019); Mathibe (2018); Muthuri et al. (2020); Prahalad & Hart

		(2002); Prahalad (2004); van Dijk et al. (2020)
Sub-Questions	Literature Review sections	Authors
<i>“What strategies should FMCGs implement to successfully penetrate the base of the pyramid in South Africa?”</i>	2.3 Strategies and innovative solutions for FMCGs at the Base of the Pyramid	Anderson & Markides (2007); Agyenim-Boateng et al. (2015); Bendul et al. (2017); Hahn & Gold (2014); Khanna (2023); Lehikoinen et al. (2018); London & Hart (2004); Mathibe (2018); Muthuri et al. (2020); Nagy et al. (2019); Pizzagalli et al. (2018); Prahalad (2004); Prahalad & Hart (2002); Procter & Gamble (2022); Rosca, 2017; Schwarz (2021); Simanis & Duke (2014); van Dijk et al. (2020)
<i>“What innovative solutions need to be found to serve low-income markets successfully?”</i>	2.3 Strategies and innovative solutions for FMCGs at the Base of the Pyramid	Bendul et al. (2017); Hahn & Gold (2014); Khanna (2023); Lee & Evans (2010); Lehikoinen et al. (2018); London & Hart (2004); Mathibe (2018); Muthuri et al. (2020); Prahalad (2004); Prahalad & Hart (2002); Procter & Gamble (2022); Simanis & Duke (2014); van Dijk et al. (2020)

Appendix D: Supporting Participant Quotes for Strategic Market Penetration

Data supporting Interpretations of Strategic Market Penetration

Theme	Representative Quotation
Distribution and Accessibility Challenges	Interview 1
	"Issues about distribution systems / strategy & infrastructure support. Thus, how efficient and innovative can FMCG firms go in order to price low. The difficulty to reach last mile situations and the absence or inadequate systems and infrastructure to support cost effective distribution."
	Interview 3
	"Distribution is definitely a big one as well as maintaining the distribution especially if there isn't a salesperson / agency that is hands-on within the BoP."
	Interview 10
	"Low-income markets general over-index on the informal/traditional trade. The biggest challenge is getting your product into the informal trade i.e., distribution. These stores also tend to only stock a limited number of product lines, so you are having to compete with well-known, established, and trusted brands."
	Interview 2
	"Infrastructure constraints: The state of roads and other infrastructure in these rural areas make it hard to access customers in low-income areas."
	Interview 7

"The biggest challenge is these organizations face, right...if you're gonna put up a pop-up shop, you...gotta make sure that you have the full range of your store...if you're selling something that's not there and this is a core essential for me, then I'm gonna go to the next available spot."

"...a problem that no organization has been able to solve is...grocery delivery to someone's doorstep...the issues with the last mile in these kind of areas of course is safety security it's the level of crime...the customer doesn't get their goods...the person who's doing the last mile is slightly injured..."

Interview 11

"So the biggest challenge we have is we've gotta have equitable trading terms and FMCG across the board. So whether you supply to a ShopRite or you supply to any customer competition, low demands that you are equitable in the margin and the revenue that is available to all customers."

Interview 6

"The other innovative solutions would probably fall into the distribution of it and how it gets to them because we've got people in this country who are in very remote locations and access to these to these products are I'm is not the same for everyone."

"Meeting consumers where they are and not expecting them to come to us...Locations that you know the big supermarkets will be because people have to travel, especially like in provinces like the Eastern Cape and Kwazulu Natal with and parts of the Western Cape. They need to travel 40 kilometers in order to get to their nearest town."

Interview 9

"Our factories are in Kenya, our factories are in Ethiopia...we partnered with big distribution centers who were actually very close to the mass consumer."

Interview 8

"Yebo Fresh... delivers locally produced fresh fruits and vegetables in little mini bags... to communities in township areas... they've been hugely successful... fruits and vegetables... they found a distribution model and a pricing model that is able to meet the needs of an emerging consumer... It's difficult to drive a huge truck into certain areas... but it's really easy to rip in there with a little bag... You have to... think about how you empower micro entrepreneurs and learn from them as a big corporate and integrate their thinking into your strategy."

Interview 12

"The best way would be to cut out intermediaries like wholesalers and other parties that usually add a mark-up to the original prices which usually become more expensive for the end market. Removing the intermediaries would mean that the companies shorten the supply chain and thus offer products and services directly to the end customer."

Interview 4

"You need to find a way to try and drive down your costs... provide good value to the consumers you need to hit a price point that's going to be attractive to them."

Market Understanding and Local Insights

Interview 1

"Adequacy and precision of insight on low-income markets. There is that challenge of FMCGs to adequately gather detailed and enough insight about low-income markets."

Interview 11

"You have to understand the local climate... their traditions, their culture, their values, their expectations to be able to produce products that make sense."

Interview 7

"The first organization who gets this right... it's the whole cake because the other organizations are gonna take years to catch up."

"It's important to... move away from the corporate mindset... and really start unpacking, understanding your customer."

Interview 2

"Market research: Conduct research in these low-income area markets to understand the customers better, their habits, living conditions, preferences, media channels used, needs etc."

Interview 3

"Townships are highly concentrated and have a high number of households therefore present an opportunity for quick gains if targeted correctly."

"The landscape is very different, the consumer is also typically cash-strapped and tends to prioritise their basket in bottom of the pyramid economies."

Interview 12

"The main problem is the fact that the South African market is one of the most socially and financially imbalanced, with the socio-economic gap being great. It thus poses a huge challenge when it comes to product offerings by FMCG companies."

Interview 4

"People in Europe will be much more health-minded... whereas you get people in like South America who are very family-orientated... in Africa, it's about sustenance... in the USA and China... it's about convenience."

Interview 5

"It's all about branding... it's about how you talk to the consumers."

"They [FMCG companies] really communicate to the low-end consumers, so if they want to, they can start paying money and trying to communicate to those consumers."

Interview 8

"You can't think of consumers... that are affluent as having a different set of needs than consumers who... are less affluent or at the bottom of the pyramid... all humans are the same."

Interview 9

"You really need to take a holistic look at what are your core drivers in your business and... streamline them quite aggressively."

Technology Integration and Digital Solutions

Interview 1

"Explore to a larger extent digital marketing technology use and adaptation in BoP markets."

Interview 9

"What technology will do if we do it well is to remove the various middlemen...you are skipping a lot more people so that the product can reach the consumer."

"Imagine if Unilever becomes an online platform business...we use technology to make sure that...the product leaves our factory or our warehouses directly to the consumers."

Interview 2

"Use better media strategies to reach low-income customers. Today about 20 to 22 million people in South Africa use a smartphone, which accounts for about one third of the country's population."

Interview 7

"Technology gives you the capability to scale very quickly."

"The best way to scale is making sure that you have solid infrastructure and you have solid platforms that can help the scaling be a lot more convenient for you."

Interview 12

"With the advancement of big data and data analytics, it bodes for exciting possibilities, especially in the sector of segmentation. This served with Machine Learning would also mean that we can use algorithms to predict which customers will buy which products and thus use that information for targeted advertising and offerings, both online and in-store."

"Technology can also help in designing innovative solutions that combat hunger and other basic human needs like being sanitary whilst using up less packaging and wasteful practices in the supply chain."

Interview 5

"There is one person who has enabled the way to pay through WhatsApp as well. This indicates the role of technology in facilitating transactions in cash-based markets."

Adaptation to Local Market Dynamics

Interview 3

"The landscape is very different, the consumer is also typically cash-strapped and tends to prioritize their basket in bottom of the pyramid economies."

Interview 7

"It's important to... move away from the corporate mindset... and really start unpacking, understanding your customer."

"Problem being solved for the customer is key... not necessarily creating products that look great."

Interview 8

"You have to structure your portfolio in such a way that it meets the needs of... scale consumers."

Interview 10

"Low-income markets general over-index on the informal/traditional trade. The biggest challenge is getting your product into the informal trade i.e., distribution."

"Low-income markets have not been exposed to as wide a range of products - you can leverage your existing products from developed markets and reposition them in the low-income market. You, however, need to be aware that it is not a simple lift and shift model - you have to ensure that you have the right pack sizes and price points to suit the consumers' needs and budget."

Interview 11

"It's about finding access and route to markets... finding partnerships that will allow you to get your product to market as cost-effectively as possible."

"Transforming business models to cater to low-income markets."

Interview 12

"I would firstly recommend a market development strategy. This is when a business will need to increase its market share and/or market penetration which would be the goal with these organizations."

"Offering valuable products at low prices would mean forgoing extra/fancy packaging so that the focus is on the product and thus, costs associated with that are lowered."

Appendix E: Supporting Participant Quotes for Sustainable and Inclusive Growth

Data supporting Interpretations of Sustainable and Inclusive Growth

Theme	Representative Quotation
Economic and Pricing Strategies	Interview 1
	"Difficulty in pricing low due to firm environment, raw material sourcing, and distribution strategy."
	"Affordability has always become a core and fundamental challenge."
	"The gap has been the ability to pay."
	Interview 11
	"One of the biggest challenges is getting to the price points right... reducing a pack size doesn't necessarily give you a proportionate decrease in the cost to make and the cost to sell and distribute."
	"The value chain in getting to the consumer is often a little bit more incumbent... often adds costs to the packs that the consumer needs to pay at the final point of consumption."
	Interview 4
	"The economic climate is one of the biggest challenges... people have lower disposable income."
	"The problem is that now when you're targeting a lower SCM price is like the biggest factor that you have to take into consideration."
	"It becomes harder for them to justify premiums on their brands because there's always some butter brand that is on discount."

"It does start to erode your equity and your long-term brand loyalty because now people are choosing brands based on what's on special at the time."

Interview 6

"The economy is not doing that great, and the cost of living is rising. Unemployment is high... the lower income bracket is actually growing... the prices of those are constantly increasing."

"The biggest challenge FMCGs have is to innovate quickly and at a low cost and also cater to the lower income brackets with solutions that are bigger pack formats, bundled products."

Interview 9

"From a financial model perspective, we do very well with products where we can charge a premium but the minute you say, hey, let's then go mainstream...you find that your financial model...is not really suitable to serve those [low income] consumers."

"Your price points need to be really low and there needs to be discipline in how you design...You cannot design a product that has a lot of luxuries."

"Every time we do it, we are always at a loss. We have not gotten it. We haven't cracked it as yet."

Interview 7

"You're dealing with a customer segment that's very sensitive to price."

Interview 8

"Your strategy... has to be very, very focused on price."

"You have to consider... delivering the right type of product to the person in spite of these pricing challenges."

Interview 10

"If you are looking to drive penetration, you need to be able to offer an entry-level pack size at a low enough absolute price point."

"Smaller dosages of a product e.g. sachets."

Stakeholder
Engagement and
Inclusive Approaches

Interview 7

"Engaging local stakeholders as integral parts of the business."

"Make local stakeholders part of your business."

"Work with existing businesses, transport services, and community leaders."

Interview 1

"It leverages on expertise, especially local or contextualized knowledge. The BoP market is very unpredictable in most cases and hence, local stakeholder engagement prior, during and post implementation is crucial."

Interview 11

"We have a business in Cameroon called Choco Cam and it is a joint venture with Tiger Brands and local management."

"Partnering with credible, reliable ethical partners in market to be able to partner with to produce goods locally."

Interview 6

"You only understand the needs of the consumer if you engage with your consumers... engage with your stakeholders and your consumers to understand the real tensions."

Interview 9

"One of the key enablers...it's really to localize as much as you can...when you localize your supply chain...you unlock a lot of costs."

"We partner with small...they hire people they work for Unilever just under small...they go to our customers...and make sure that they have enough stock."

Interview 2

"Local stakeholders are the glue to ensuring your FMCG business will thrive in these low markets."

"Local stakeholders also have knowledge on the policies and legal guidelines of operating in low-income markets."

Sustainable and Ethical
Practices

Interview 1

"Engage in environmentally compliant processing and sales."

Interview 6

"Continuous putting out products that cater to the changing needs of the consumer is important."

Interview 12 "The best advice would be to care about the communities in which the operations are in. Caring would extend into investing firstly in the well-being of the communities around, which will make sure that the communities know that the companies have their best interests at heart."

Interview 8

"Supporting rural and local farmers... stimulates economic growth."

"Local sourcing and local production... also critical... gives rise to... more circularity and growth within their own environment."

Interview 9

"For it to be sustainable, you honestly, honestly you cannot do it alone. It needs to be done at an industrial level and the government has a role to play."

"Localization... also improves our corporate image."

Interview 11

"There's also an expectation... that the beneficiation of that plant has got to be more than just the facility you set up, there's got to be some level of community give-back mechanisms."

"Navigating the system... contributes to community development."

Appendix F: Supporting Participant Quotes for Innovation – Driven Solution

Data supporting Interpretations of Innovation – Driven Solution

Theme	Representative Quotation
Innovative Product and Service Solutions	Interview 3
	"Different distribution models. Price pack architecture review innovation suited or crafted specifically to township / bottom of the pyramid economies."
	Interview 1
	"Smart Partnerships – where FMCGs in the food processing partnered informal food vendors to distribute their products to low-income communities."
	Interview 7
	"Community buying via WhatsApp, group buying strategies."
	"WhatsApp integration for placing orders...community buying...group buying via WhatsApp."
	Interview 9
	"Disciplined product design focusing on essential features to maintain affordability."
	Interview 4
	"You wanna be continually driving difference and you can drive difference through innovation... Innovation can come in many forms."

"Driving brand difference through innovation, which can include enhancing existing product strengths or minor new features without needing to create entirely new products."

Interview 6

"Adjusting payment terms to be more inclusive for lower-income brackets."

"The other innovative solutions would probably fall into the distribution of it and how it gets to them."

Interview 10

"Introduction of smaller product dosages, such as sachets, to cater to affordability and convenience for low-income consumers."

Interview 8

"Smaller packaging is...an old strategy and...it actually doesn't...reach a certain price point for a certain consumer, it's not necessarily sustainable."

"Frugal innovation: 'ensuring that you design products in the most efficient way.'"

Market Understanding
and Local Insights

Interview 1

"Adequacy and precision of insight on low-income markets. There is that challenge of FMCGs to adequately gather detailed and enough insight about low-income markets."

Interview 11

"Understanding the local climate... their traditions, their culture, their values, their expectations to be able to produce products that make sense."

Interview 7

"The first organization who gets this right... it's the whole cake because the other organizations are gonna take years to catch up."

"It's important to... move away from the corporate mindset... and really start unpacking, understanding your customer."

Interview 2

"Market research: Conduct research in these low-income area markets to understand the customers better, their habits, living conditions, preferences, media channels used, needs etc."

Interview 3

"Townships are highly concentrated and have a high number of households therefore present an opportunity for quick gains if targeted correctly."

"The landscape is very different, the consumer is also typically cash-strapped and tends to prioritise their basket in bottom of the pyramid economies."

Interview 12

"The main problem is the fact that the South African market is one of the most socially and financially imbalanced, with the socio-economic gap being great. It thus poses a huge challenge when it comes to product offerings by FMCG companies."

Interview 4

"It's the type of people and cultures and they are obviously very different across the world...going back to the study, we saw that in Europe people have this, this very health minded sort of

mindset, eating nutritious meals that you're not gonna get sick, whereas in China ...people are more fast paced...they're not really so much into cooking they're very much into convenience and you'll know that in China almost every household has a rice cooker because it's for convenience...and then in Africa, it's about sustenance because obviously the countries aren't the most developed and so for them it's more on just meeting the daily requirements or having their meals"

"It's all about branding... it's about how you talk to the consumers."

"They [FMCG companies] really communicate to the low-end consumers, so if they want to, they can start paying money and trying to communicate to those consumers."

Interview 10

"Low-income markets have not been exposed to as wide a range of products - you can leverage your existing products from developed markets and reposition them in the low-income market. You, however, need to be aware that it is not a simple lift and shift model - you have to ensure that you have the right pack sizes and price points to suit the consumers' needs and budget."

Interview 8

"You can't think of consumers... that are affluent as having a different set of needs than consumers who... are less affluent or at the bottom of the pyramid... all humans are the same."

Interview 9

"You really need to take a holistic look at what are your core drivers in your business and... streamline them quite aggressively."

