Value creating business strategies at the Base of the Pyramid

Assessing a customer perceived value approach via value chain activities within the Brazilian food processing industry to suit low-income consumer preferences

Master Thesis

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Preface

I developed the first ideas about my master thesis during the Management in Emerging Economies class, which provided me with strong insights into strategic approaches in emerging economies. I soon got to the subject "Base of the Pyramid" and developed the initial ideas further. The uniqueness of the subject and its range fascinated me. My experience with and my personal interest in Brazil supported the wish of conducting a research about the Base of the Pyramid in Brazil.

The primary objective of this master thesis was to enhance the existing knowledge in the rather new field of doing business with poor consumers. As this is a quite wide research field, the focus was narrowed down to strategies of companies from the food processing industry along their value chains in order to meet the values of the poor with their products and services. For that purpose I provided detailed insights into the concept and the Brazilian Base of the Pyramid market. Further, I developed a model that conceptualizes customer perceived value with the goal to create an idea of how the customer perceived value of a product is assembled at the Brazilian Base of the Pyramid.

This master thesis assignment would have never been possible to realize without the help of Prof. James Terence Coulter Wright and Prof. Renata Giovinazzo Spers from the Faculty of Economics, Business Administration and Accountability of the University of São Paulo (FEA-USP). I am very thankful for their support and open attitude towards my research project. By providing me with useful contacts they essentially contributed to the realization of this research.

Further, I have to thank the company executives and directors that granted me some of their valuable time for the interviews and gave me interesting input that goes far beyond the limits of this master thesis. I appreciate the warm atmosphere and the relaxed nature of the interviews. I felt very comfortable during the interviews and learned a lot, not just regarding my research, but also on personal level.

Furthermore I would like to thank my both supervisors Prof. dr. Hans E. Roosendaal and Dr. Kasia Zalewska-Kurek for their critical reviews of my work, their very useful inputs and their patience with me and my master thesis. Due to their dedication I was able to really learn new ways in scientific work and research and felt of going through a process of continuous learning during the execution of my master thesis.

Finally, I owe special thanks to my family, who supported me during all the time and gave me the opportunity to conduct my research in Brazil and to do a masters degree in the Netherlands. Without them all of this would have never been possible.

Thank you!

Enschede, November 2012

Daniel Krause

Executive summary

Recently the world's population exceeded the seven billion people mark. Most of them, around 80%, live in developing or emerging countries rather than in the rich markets of the world. These statistics have not been left unnoticed and interfere today in the strategies of companies around the world. As markets in the developed world are largely saturated, the focus turns to poor countries where companies see the opportunity to also sell their products and generate growth and profit on the long run.

Their business scope within emerging economies, however, was until now often limited to high income customers, where similar business models and products to those from developed markets could be applied. The reason for this cautious approach is due to the fact that companies, especially from well developed countries, lack essential knowledge about the poorer mass markets in developing and emerging countries, the so called "Base of the Pyramid" (BoP) markets. These markets are the ones where most of the population resides and that are characterized by a totally different competitive and institutional environment compared to the more developed markets. According to the Base of the Pyramid proposition the population's accumulated spending power radiates attractiveness and entices companies from all kind of industries and businesses.

However, business investments at BoP markets do not naturally turn into overwhelming success stories. Still, too often western business models are applied and fail in BoP markets because they do not correspond to the market conditions and lack to consider low-income consumer values enough. Some companies cannot and others will not afford to miss out this market opportunity and have to innovate their strategic approaches.

Successful ventures at the BoP are those that maximize the functionality of their products from the low-income consumer's perspective. In other words, companies need to meet consumer expectations and create and deliver value through their products' value propositions. The integration of BoP consumer intelligence into business and transforming it into viable strategies is therefore a major concern for the private sector. Knowing that, however, is certainly not sufficient and does not supply insights on how this is done and the way it impacts and determines corporate strategies at the BoP. Though the importance of understanding low-income consumer expectations and values, as well as being responsive to them, is widely discussed among BoP literature, it lacks on providing further and more detailed knowledge for practical application.

This scientific gap has been worth to be investigated in order to contribute to reduce the existing lack of knowledge. Considering widespread scientific belief, a distinct appreciation of products and services occurs at BoP markets, creating an urgent demand for providing findings on corporate strategies that create a product value proposition in the light of the buyer's perception of product value within the BoP market segment. So, the study at hand investigated company strategies by focussing on their value chain activities as the primary sources of value creation. We took a look at their strategic orientation and the options they provide to correspond to the specific influences of consumer characteristics and preferences on the customer perceived value.

This study acknowledges the interest of recent scientific discussions in Base of the Pyramid research regarding corporate strategies. The study's approach towards this interesting research field is to determine strategic positions of value creation by analysing primary value chain activities of a variety of companies. These strategic positions, for instance quality or distribution, are the outcome of and are based on the performance of the entire primary value chain activities and are part of successful business conduct at the BoP, as they have been found to contribute to the satisfaction of consumer expectations, for instance through quality enhancement or widely dispersed distribution. The value creating potential of the strategies is tested through the Brazil-specific customer perceived value (CPV) model. It conceptualizes the consumer's value perception as an evaluation between perceived quality, perceived risk and perceived sacrifice, whereas these perception indicators are influenced by the consumer's assessment of extrinsic and intrinsic cues, such as brand, store format or price, among others. Further, the model receives its country-specific touch through the integration of the four parameters that represent the Brazilian low-income consumer values as a whole (e.g. dignity and low self-esteem, social inclusiveness, personal relationship, abundance), through which the cues are evaluated accordingly. As the CPV model encompasses these consumer preferences and aspirations of the Brazilian BoP market, the determined strategic positions contribute to the creation of a customer value proposition that satisfies the consumer by making sure that the consumer aspirations are addressed by the strategic positions, and as such deliver value to the consumer. Hence, this study connects the very particular low-income consumer preferences and aspirations in Brazil with corporate strategies arising from the performance of primary value chain activities at the Brazilian BoP. Through this connection the study discloses focal points for the design of the strategic positions at the Brazilian BoP, which determine the value creating potential of the strategies and that are essential for sustainable business engagement at the Brazilian BoP. Eventually the study presents ideas and theories about the strategic positions, such as that they have to create strong bonds and continuous contact with the low-income consumer. Those theories have scientific and practical implications, as pointing out the strategic positions that create value for the consumers at the BoP adds knowledge to the research area and allows companies to use this knowledge for their BoP business model design.

For reasons of clarity this research referred to only one country, which is Brazil. Brazil's Base of the Pyramid market has an estimated share of 84% of its entire population with an estimated annual spending of US$ 316 billion. By investigating a stratified sample of companies (n=7) from Brazil's food processing industry this study was taking into account former research that have shown that food consumption constitutes a major challenge for low-income consumers and that half of the spending among BoP consumers is related to food products.

To fully be able to understand the dynamics involved within the different concepts of value and the BoP market, which this study is referring to, the most relevant research literature has been considered. The general assumptions of the Base of the Pyramid concept, such as the global market size, the definition by income and the recent developments of the concept towards mutual value creation as part of a cooperation between firms and consumers are explained in detail, followed by a thorough rendition of the Brazilian BoP market in terms of size, socio-economic and geographic characteristics, as well as the determinants (e.g. education, culture etc.) for the current consumer values of the encompassing population.

Finally, we were able to stress the four salient parameters that characterise the Brazilian low-income consumer preferences and aspirations they value (e.g. dignity and low self-esteem; personal relationship; social inclusiveness; abundance).

The abstract concept of value was approached via its most common scientific definitions. These definitions assumed that consumers select the alternative that maximizes value as a relationship between benefits and costs. Working along the value concept showed that consumers' subjective perceptions, rather than rationality, determine the consumer behaviour and purchasing decisions. Based on this, a conceptual model of customer perceived value was derived, depicting extrinsic and intrinsic cues (e.g. brand, store format, time/energy/efforts, price, physical product attributes), which are evaluated by the consumer on the basis of the above mentioned four consumer characteristics and that influence the perception of costs and benefits in terms of quality, risk and sacrifices. Hence, the model represents a tool to test the theories regarding the strategic approaches of customer value creation that come up with the analysis of the interviews via the value chain framework. Testing was done by stressing the impacts of strategies on the cues, for instance advertising strategies directly impact the brand, then using the four parameters of Brazilian low-income consumer preferences and aspirations (e.g. dignity and low self-esteem; personal relationship; social inclusiveness; abundance) to evaluate the cues in the light of these impacts and finally stressing the modes of action on the perception indicators (e.g. quality, risk, sacrifice) as the consequence of the evaluation. Eventually, a statement about the contribution to the consumers' overall value perception, and thus, the value creating potential at the Brazilian Base of the Pyramid could be made for each strategy.

Furthermore, a qualitative research approach was used to cope with the study's explorative nature. Semi-structured interviews with company executives have been conducted to gather very detailed information regarding company strategies along their value chain activities. This approach ensured an open conversation and allowed developing its own dynamic, where new topics, questions and insights came up throughout the interview that went well beyond the predefined questions.
For that purpose a questionnaire with 5 subdivided parts and a total of 23 predetermined questions has been elaborated, based on the concepts of the BoP market and the value chain framework. Questions dealt with the current situation of the firm at the Brazilian BoP market, as well as with processes and strategies along the firm's primary value chain activities, like sourcing, production, distribution, advertising or services. All of them supposed to add value to the final product.
In a next step, the gathered data has been processed. Data processing started with the transcription of the digitally recorded interviews. This helped to get an overview about key words, phrases and similarities within the collected data. Afterwards the transcribed data was being analysed via the coding process. From the transcription 330 different information packages have been derived, which were categorized incident by incident with 22 different codes. Coding allowed breaking down the interviews and labelling different meanings. This conceptualising process was somehow interpretative, which has been essential for theory building.
In the next sequence, the coded data has been analysed through the framework of primary value chain activities and simultaneously tested through the conceptualized customer perceived value model by stressing the impacts on the extrinsic and intrinsic cues, their evaluation and the modes of action towards the perceived value.

Based on the data analysis and the depiction of the strategies' impacts according to the Brazil-specific customer perceived value model several strategic positions of the food processing companies could be summarized, which have been found to contribute positively to the perception indicators and enhanced the overall customer's value perception, since those positions appealed to his most salient aspirations and urges. These strategic positions have been found to compose the value proposition for the Brazilian Base of the Pyramid, and as such, are necessary strategic conditions to cope with low-income consumer satisfaction.
The findings delineated the following strategic positions of high relevance:

- Quality: enhancing product quality and quality image by applying quality controls, remaining within area of expertise, maintaining core operational processes, focusing marketing efforts on brand image, creating strong bonds between consumers and brand

- Distribution: ensuring product availability at the BoP by focusing on highly dispersed small and medium sized stores, facilitating cost reductions as part of decentralization
- Advertising and Communication: simplicity of messages and adaption to regional preferences that build proximity or personal connection with the product, enhancing brand/product differentiation
- Price and Costs: reducing costs where possible to allow pricing that enables the consumer to start consumption by leveraging economies of scale, reducing packaging sizes, ensuring efficiency
- Localization: geographical and product related local embedding that culminates in consumer trust and identification with brand/product by adapting to regional preferences on several levels
- Service: simple service offers that ensure steady contact and proximity to the consumer

According to the findings, companies achieve consumer satisfaction as they attend the different preferences and aspirations of the Brazilian low-income consumer based on these six positions that arise from the performance of primary value chain activities and the strategic approaches they encompass. They stimulate the totality of cues leading to a positive overall product value perception by the low-income consumer, which means creating value for him. These constantly recurring strategic positions of the companies, both individually as well as in their entirety, are designed specifically to create conditions of strong bonds and continuous consumer contact, decentralization and localization, affordability and quality. According to our study the found strategic positions recognise and respond most to the existing consumer expectations and aspirations. This leads us to conclude that the creation of these conditions (e.g. strong bonds and continuous consumer contact, decentralization and localization, affordability and quality) among strategies of primary value chain activities is a necessary premise for the generation of a value proposition that underpins a favourable value perception, as it matches with the consumer's expectations and enhances consumer satisfaction.

This research has studied corporate strategies and their value creating potential of companies at the Base of the Pyramid market, a rather new scientific research area in emerging market and strategy research. However, this study also inherits some restrictions due to its explorative nature and its scope. For instance, the four salient parameters that characterise the Brazilian low-income consumer values have been used to evaluate the cues of the customer perceived value model. However, it is worth to say that this study was not investigating, if and to what extent these parameters are used as an evaluation mechanism for the cues by the Brazilian low-income consumers, and thus, for corporate strategies of primary value chain activities. Also, this study does not provide reasons how the evaluation mechanisms work or whether they rely on different weighting, but rather logically depicts their modes of action. These assumptions should be further investigated in future research. Furthermore, the proposed customer perceived value model has been quite specific to the Brazilian BoP market and could be adapted to a more generalist approach by integrating general overall valid BoP consumer attributes. This way the model could be conceptualized for the BoP market concept in general, allowing for an analysis of the general BoP customer perceived value and strategies that are likely to cope with them.

1. Introduction

1.1. Background

In the last two decades the importance of emerging markets has increased noticeably for multinational companies (MNCs). They see themselves faced with saturated markets in the developed world and therefore search for new growth and profit opportunities. The highest future growth rates are expected to be generated in emerging markets (Cavusgil et al., 2002). This assumption is supported by the fact that these emerging economies are mass markets including around 80% of the world's population (Cavusgil et al., 2002; Som, A., 2009) with most of them joining the market economy for the first time at present or within the near future (Prahalad & Hart, 2002).

This has led to new approaches where MNC's turned to emerging economies in the pursuit of successful businesses. Their business scope within emerging economies, however, was often mainly limited to high income customers (top of the pyramid), where similar business models and products to those from developed markets could be applied (Arnold & Quelch, 1998; Prahalad & Lieberthal, 1998; Hart & London, 2005; Anderson & Billou, 2007). However, the very large growth potential is connected to the lower income strata. Scholars like Prahalad and Hart (2002) realized that latent potential and turned the focus towards the *"Bottom"* or Base of the Pyramid (BoP). They insistently made clear that the sheer size of underserved potential customers around the world from these low-income spheres represents enormous business opportunities.

At the same time it has to be emphasized that the BoP business activities constitute a major challenge, since the market environment is totally different compared to developed or high income markets and therefore requires different strategic approaches (Hoskisson et al., 2000). Eventually, if done right, scholars like Prahalad and Hart (2002) predict a win-win situation, where companies create profits and low-income customers are being lifted from poverty and ascend to the emerging middle class.

In order that this is not just wishful thinking, companies have to innovate their strategic approaches. A wide range of scholars like Rivera-Santos and Rufín (2010), Simanis et al. (2005), London and Hart (2004), Prahalad and Lieberthal (1998) to name just a few, stressed major differences at the BoP, for example in terms of the competitive and institutional environment. But still, western business models are predominant in science and determine to a large extent the practical behaviour and decision making processes, especially of MNCs with their rather inflexible organizational structures. Prahalad and Lieberthal (1998) named this view *"corporate imperialism"*. As London and Hart (2004) and Peng and Luo (2000) suggest, most research by scholars on strategic management in emerging markets adopts a *"westernization"* assumption and is therefore distorted. Low-income markets are regarded as early stages of developed markets (Arnold & Quelch, 1998). However, because of the ubiquitous severe market differences the use of the western mindset to do business and develop low-income markets can be questioned (Hoskisson et al., 2000). As such, it is widely argued that business model approaches for promising BoP markets have to be rethought and adapted to the specifications of the market environment. The reason is that besides adequate business models being key for properly reaching the customers at the BoP, they are also the foundation to create competitive advantages through the creation and delivery of value to the customer.

The common notion in recent literature is that business models predominantly lack an adequate recognition of the low-income consumer and his values. It can well be stated that the integration of Base of the Pyramid customers into business strategies is still not consistently included in the corporations' codes of conduct (Kolk & van Tulder, 2006), or if so, this recognition is often based on wrong assumptions. The Boston Consulting Group (BCG) study from 2008, for instance, suggests that low – income customers might have been considered *"unprofitable to serve"* because MNCs looked at them from their conventional business model perspective. Such strategic bias can be a major restriction, not just to business engagement within the BoP market segment per se, but also to the likelihood of successful business with low-income customers. Therefore it is important to enhance the existing knowledge of these market segments and consumers.

The current reality is that multinationals have few or no experience at all with low-income consumers. Their global brands and products, which have been developed for upper level consumers, do not consist of an adequate value proposition that would benefit BoP consumers. Simply making a product cheaper, so that consumers with little income can afford it, is therefore not a viable strategy. Drawing on this aspect, Hart and London (2005) found in their study that successful ventures at the BoP are those, which maximized the functionality of their products from the low-income consumer's perspective.

Knowing that corporations have to take a distinct perspective regarding the value proposition when it comes to low-income consumers, is not enough. The importance of understanding low-income consumer expectations and values and being responsive to them, is widely discussed among BoP literature, but lacks on providing knowledge on how this is done in practice. Meeting consumer expectations determines business success (Hart & London, 2005). Enhancing the understanding of how this is done by companies at the BoP is therefore important.

From the entrepreneurial perspective the question at stake is how consumer characteristics influence the perception of product value and how a value proposition can be turned into product value at the BoP, which meets the necessities and preferences of the BoP consumers. The proper integration of BoP consumer intelligence into business by turning it into viable strategies is therefore a major concern for both academics and companies. A research gap exists here, which calls for further studies to address imminent questions, as so far academia did rather not focus on the strategies that create a product value proposition in the light of the buyer's perception of product value within the BoP market segment.

1.2. Objectives

Departing from this academic gap, this study enters the BoP research area by focusing on value theory. Emphasis is put on primary *value chain activities* as a connecting link between the concepts of *customer value proposition* and *customer perceived value*.

This study takes a look at on-going ventures at the Brazilian BoP food market and their primary value chain activities according to Porter (1985). Although improvements have been achieved in recent years in terms of poverty reduction, there is still a large part of the Brazilian population that is not participating in the formal economy and remains part of informality (Capp et al. 2005). Recent data estimates the share of the BoP population in Brazil around 84% with a combined annual spending of more than US$ 300 billion (Data Popular, 2006; Da Rocha Azevedo & Mardegan Jr., 2009; Nardi, 2009). As such, Brazil disposes a huge BoP market opportunity, which so far was largely overlooked by multinational and large domestic companies. They rather concentrated their marketing efforts on the wealthier parts of the Brazilian population (The Boston Consulting Group, 2008). From that point of view Brazil constitutes an interesting testing ground to conduct a BoP theory related research.

To the best of my knowledge, there is currently no such approach in the literature, which accentuates corporate value chain activities at the BoP in order to create a valuable product for the BoP customer and ensure customer satisfaction by meeting the particular customer value perceptions. This paper aims to contribute to academia by focusing on multinational and large and small domestic companies from Brazil's food processing industry and their business operations at the Brazilian Base of the Pyramid. It accentuates the linkages of low-income consumer characteristics and behavioural patterns, which are derived from the general conditions surrounding the market segment, the more specific Brazilian BoP market characteristics, the consumer's value perception of products and the company's customer value proposition (see Research Framework). In order to do business with and sell to the low-income consumers, companies have to cope with value expectations by structuring their value chain activities accordingly to enhance a value proposition that is likely to meet specific BoP consumer requirements. Next to insights into value chain processes, the analysis' objective is to allow statements on how product value creation is realized within BoP markets. The findings therefore stress value chain activities with the goal to correctly deliver a valuable food product to the end consumer at the Brazilian BoP.

The outcome of this study is regarded equally useful for academics and practice. First, the study focuses on a rather untouched academic research field and is therefore contributing to business theory by generating further knowledge and insights. Second, the outcome is helpful for managers, as a better understanding of the relationships between BoP consumer and market conditions, product value perceptions and value chain activities will help them to design successful BoP business models with the right value propositions, which create value for the companies and consumers as well. Further, this study might contribute to the understanding of some ventures' failure in BoP markets.

1.3. Problem statement

The selection of the Brazilian Base of the Pyramid market segment is based on the relatively large size of the BoP market and the huge latent opportunity for private sector organizations. By now, Brazil's BoP market is composed by a vitalising mix of MNCs and domestic organizations. Brazil suits therefore very well the purposes of this research.

The food processing industry gets particular attention because of two reasons. First, former studies have shown that food consumption constitutes a major challenge for low-income consumers (Caplovitz, 1968). Second, food is a basic need for consumers independent of their economic status. Hence, low-income consumers cannot avoid buying food in order to save money for other purposes. This assumption is supported by the fact that nearly half of the spending among BoP consumers is related to food products (Hammond et al., 2007).

Further, the study focuses on a stratified sample of MNCs and large and small domestic corporations because they possess different resources in technological, managerial and financial terms, which are needed to turn the latent opportunity at the BoP into success (Prahalad & Hart, 2002) and therefore provide this research with a wider range. In fact, this focus keeps also in mind the hesitancy of larger organizations to pursue the business opportunities at the BoP, which, as stated earlier, can be explained through a poor knowledge base of this subject.

Therefore, this study conducts an analysis by connecting the knowledge about Brazilian low-income consumer values and preferences with BoP value chain activities of companies from the food processing industry in Brazil. Eventually, with focus on the study's objective, the analysis should give detailed answers to following research question:

Which strategic conditions are necessary to firms' value chain activities in order to generate a customer value proposition matching the consumer aspirations that contribute to a positive evaluation of customer perceived value at the Base of the Pyramid?

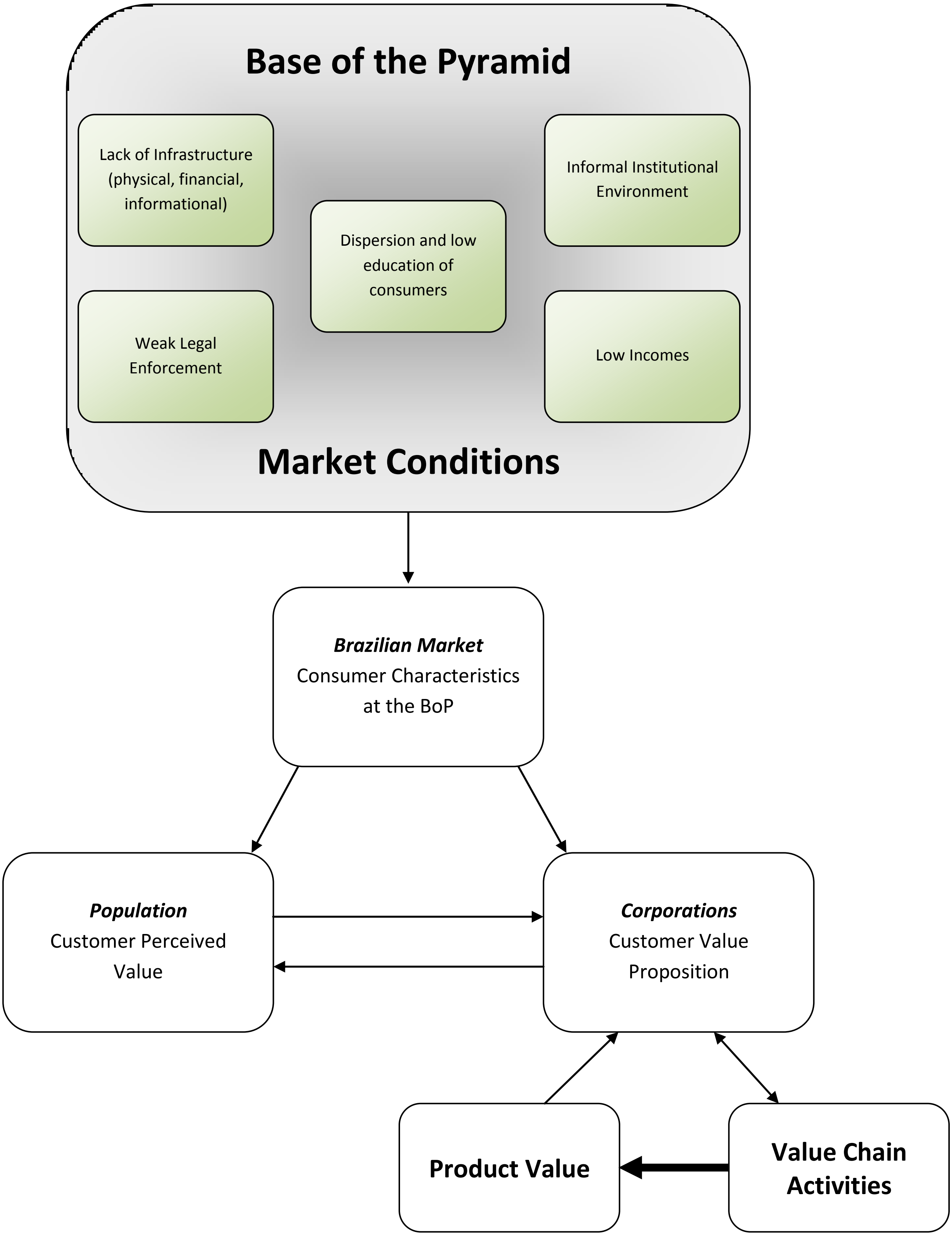
Further sub-questions act as guidelines to help answering the problem statement:

- What are the Base of the Pyramid market conditions?
- What are the low-income consumer needs?
- What consumption principles do Brazilian low-income consumers follow?
- What influences the low-income customer perceived value?
- Are companies aware of what constitutes value for low-income consumers?
- What determines a customer value proposition?
- What are primary value chain activities and their purposes?
- How do companies try to cope with product value expectations?

1.4. Research strategy and framework

This research aims to generate new knowledge about the BoP phenomena by looking at strategies of the companies' primary value chain activities as the main source of product value creation. Basically, new insights arise from the integration of two theoretical approaches: *the BoP market concept* and *the value concept*. This merger is a discovery driven exploratory research (Saunders et al., 2009), as, in line with the theoretical framework provided here and the research question, it aims to clarify the problem of creating a match between product value and consumer expectations at the BoP through a set of strategic conditions that apply to a company's value chain activities. Exploratory studies have been found to be very valuable for the examination of strategies in emerging economies and low-income markets (Hoskisson et al., 2000). Also, they are appropriate for further theory building (Eisenhardt, 1989; London & Hart, 2004). Gathering strategic conditions for value creation along companies' value chains in BoP markets is a relatively new phenomenon. Taking this perspective, a qualitative research fits best the purpose of examining relationships between variables within an unknown context (Eisenhardt, 1989). A corresponding data collection tool is the semi-structured interview to ensure an open conversation (Alston & Bowles, 2003). This approach allows generating a dynamic conversation where new topics, questions and insights arise throughout the interview.

Figure 1: Research Framework with causal paths



Source: Own Source

Figure 1 is a detailed elaboration of the prevailing ideas and models with their interrelating paths, which are subject to this study. It is characterised by three different levels that are addressed throughout this paper. First, there is the market level as a starting point. Its conditions and characteristics influence the second level, the value level. The value theory is used in order to determine theoretical concepts such as the customer perceived value and the customer value proposition. These concepts show a strong interdependence, since value is the common factor that should be assessed, addressed and communicated accordingly by the corporation. The third level is the creation or manufacturing level. Based on the second level value concepts, the third level relates to value chain activities that create product value. Product value continuously feeds back and models the customer value proposition, whose design is determining the degree of satisfaction by meeting the customer perceived value.

This research framework reflects the study's goal to inductively create new theories regarding customer value creation at the Brazilian BoP by gradually analysing the collected raw data through the use of the value chain framework, and subsequently test these theories. The customer perceived value (CPV) model elaborated in Figure 4 of the following chapter is used as a tool to test the theories on value creating strategies further in terms of their modes of action and their impact on the consumers' value perception. Therefore the study integrates several data sources (primary and secondary) in order to get a thorough picture of the research phenomenon. This is somewhat similar to approaches of grounded theory advocates (Strauss & Corbin, 2008). For this research several secondary data sources are used: *Published Papers*, *Books*, *Market data* (e.g. Government, NGOs, Consulting Companies). Primary data collection is achieved through in-depth semi-structured interviews with executives from MNCs and large and smaller domestic companies in Brazil.

The following chapter of this paper provides a detailed literature review based on the problem statement. It is critically reviewing the literature on BoP, the BoP market in Brazil and value, while giving detailed explanations of the key concepts through the use of relevant secondary data. This depiction of theoretical background is used to generate an understanding of the relevant concepts at stake for this study, such as the Brazilian low-income consumer aspirations and allows deriving a conceptual customer perceived value model for the Brazilian BoP. Subsequently, the methods used to collect the data for this research are outlined in detail. The semi-structured interview as the tool for primary data collection is specified and details about the sample and data processing and analysis are provided.
Finally, the collected data is being analysed and the results are discussed. Upon the discussion of the findings a final conclusion of this research is drawn. Indications for further research are given considering the paper's limitations.

2. Structured approach to Customer Perceived Value at the Brazilian BoP

2.1. Introduction

The analysis and generation of theoretical assumptions on value chain activities of companies acting at the BoP requires a general understanding of the BoP concept and the presence of market and consumer characteristics and forces. Likewise, the conceptual modelling of customer perceived value needs a structured approach to the research field from different angles. This depiction of common knowledge from the literature is the basis for the ability to narrow the BoP concept down to the country specific level of Brazil and generate a conceptual model approach of the Brazilian customer perceived value, which is used to reveal modes of action and the impacts of corporate strategies on consumer's value perception at the Brazilian BoP.

Value chain activities are market oriented with the final purpose to create superior value for buyers (Porter, 1985). This is the reason why in this study much effort is put on providing details regarding the Brazilian BoP market and its encompassing consumers as the research design, or better said the interview questions, need to be structured around the prevailing market facts in order to create significance of the research. Without this delineation the answers of the interviews, and thus, the results and findings could not be assessed properly.

This chapter is indispensable for this work, due to its explanatory nature, since its objective is to provide an understanding of variables that have the power to influence and determine the company's value chain activities. The literature review is a compilation of relevant existing knowledge and theories with the goal to originate a comprehensive understanding of the Base of the Pyramid concept, buying behaviour and purchasing motivations with the objective to create a profound BoP market notion. Peculiar consumer aspects will be identified in order to contribute to a thorough understanding of the Brazilian low-income consumer. The antecedents of the value concept lead to a value definition allowing for an analysis of the individual Brazilian customer perceived value and enable to identify the potential of value chain activities to create a matching value proposition. Hence, the concepts and ideas presented throughout the literature review contribute to adapt the research design in terms of directing the interview, but they are also essentially important for the ability to understand and analyse the results of this study.

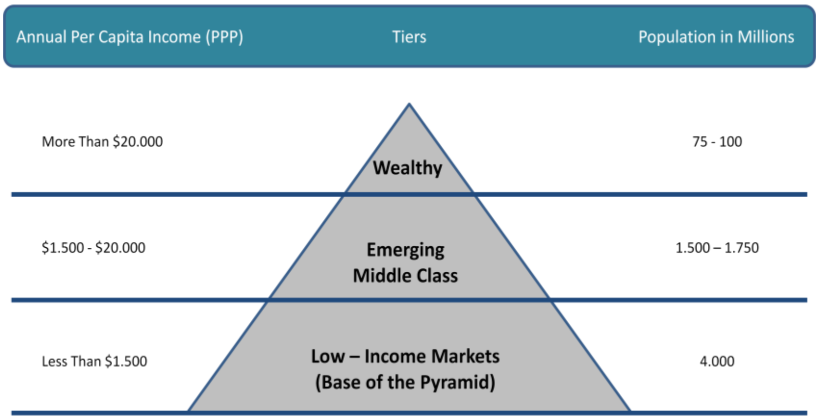
2.2. The Base of the Pyramid Market

2.2.1. The Concept

It is widely argued that a large part of the world's population has been neglected and barely had the chance to participate within the formal economy because of their economic status. In fact, this segment of consumers, described as the Base of the Pyramid (BoP), has limited access to markets, products and the opportunity to develop themselves through adequate participation on economic and social level (Prahalad, 2005; Hammond et al., 2007). In order to reach the objective of this study general assumptions and theories about the Base of the Pyramid phenomenon are being stressed with the purpose to objectively create a common understanding of the focal research area.

The BoP proposition gained a lot of attention due to the innovate perspective on business – society linkages. The concept's approach, claiming that businesses can generate profits and at the same time help to reduce or even eradicate poverty among the poor (Prahalad & Hammond 2002; Prahalad & Hart 2002; Prahalad 2005) makes it being highly interesting to theory and practice. The premise of the BoP concept is that most of the world's population lives at the very bottom or base of the economic pyramid with an annual per capita income of less than US$ 1.500 (see **Figure 2**).

Figure 2: World Economic Pyramid

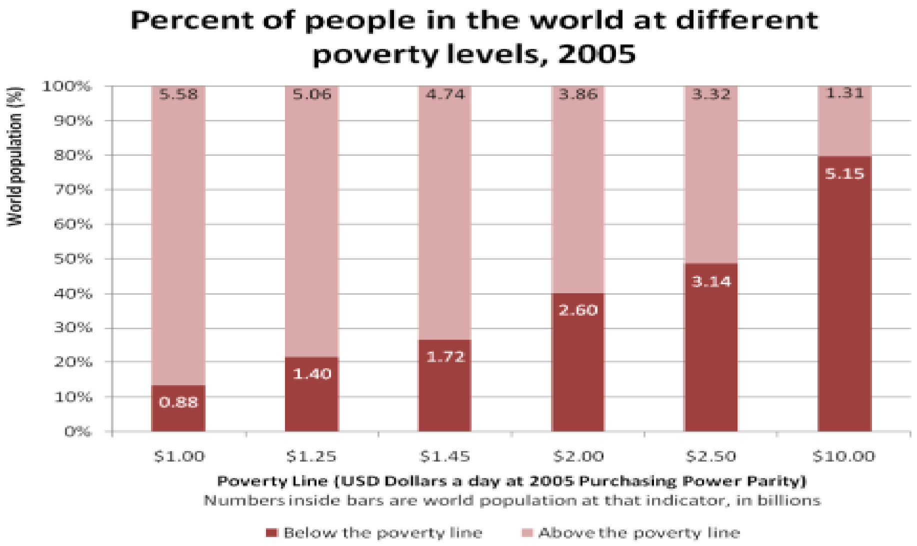


Source: Own presentation based on Prahalad & Hart (2002) and Hart & London (2005)

The seminal work of Prahalad & Hart (2002) *"The Fortune at the Bottom of the Pyramid"* suggests that there are around four billion people living at the Base of the Pyramid, who compose the low-income markets. Most of the scholars are in line with that proposal. However, as Karnani (2007) stresses, the number of people at the BoP is not consistent according to different poverty line definitions (e.g. US$2, US$2.50, US$8 or US$ 10 per day in PPP). Pitta et al. (2008) argue that the difference of the BoP population ranges from 4 billion to 600 million, depending on the income definitions, and that this is rather a *"gap to cause concern"*.

As **Graph 1** shows, by applying the poverty line of US$ 2/day in purchasing power parity (PPP), a rather usual threshold, around 40% of the world's population falls below the poverty line. Hence, though dominant logic might suggest that drawing the poverty line depends strongly on the context of each country and its overall economic situation; there is no doubt that a large BoP costumer base exists.[1] A universal number, however, seems to be difficult to cite.

Graph 1: Different Poverty Levels (2005)



Source: Shah (2010)

While earlier works on the Base of the Pyramid concept (Hart & Milstein, 1999; Hart & Christensen, 2002; Prahalad & Hart, 2002; Hammond & Prahalad, 2004) showed strong focus on the need for a differentiated logic for pursuing business strategies targeted to low-income communities, there has been a recent shift in these strategies (Simanis et al., 2008). **Table 1** gives an overview of the two different approaches from the corporate perspective.

Table 1: Overview of BoP 1.0 and BoP 2.0 concept approaches

Base of the Pyramid 1.0 "Selling to the Poor"	Base of the Pyramid 2.0 "Creating Mutual Value"
BoP as consumers /producers	BoP as business partners
Deep listening	Deep dialogue
Reduce Price Points	Expand imagination
Redesign packaging, extend distribution	Marry capabilities, build shared commitment
Arm's length relationships mediated by NGOs	Direct, personal relationships facilitated by NGOS

Source: Simanis and Hart (2008)

The initial assumptions of the concept, here BoP 1.0, focus merely on *selling to the poor*, whereas the further developed ideas presented by BoP 2.0 focus on *mutual value creation*. It is no surprise that the BoP 1.0 approach often failed in the field due to its endogenous weaknesses.

[1] Note: This paper will not go into further detail about the poverty debate. For information on poverty please regard the corresponding literature.

The modification of products to make them affordable for low-income levels lacks to take into consideration the perspective of the poor themselves. As Hart (2007) points out, the answer to the problems of the BoP 1.0 approach is strategic co-creation and co-venture of companies, consumers and strategic partners (e.g. NGOs and government), which is concordant with the BoP 2.0 strategic assumptions.

2.3. The Brazilian Base of the Pyramid Market

2.3.1. Market and Consumer Characteristics

The general parameters of the Base of the Pyramid concept help to generate an idea of the concept's underlying assumptions. Now it is critical to understand the typical market and consumer conditions and how they manifest in Brazil. Low-income markets can differ in their more detailed characteristics from each other. This holds also true for its consuming population. But overall valid features do exist in all BoP markets around the globe. These market features reflect the business environment into which companies enter when doing business at the BoP. It is important to stress them for the research at hand, since the conditions that apply to value chain activities are likely to be responsive to these facts in one way or another, assuming that the underlying characteristics are determinants for values of the BoP consumers. The question is whether or not and how these conditions of the Brazilian BoP market and the BoP consumers are reflected by the primary value chain activities.
In this section of the paper the reader is provided with facts surrounding the Brazilian BoP market and its consumers to establish a comprehensive picture of the researched region. The goal is to stress the individual character of the Brazilian BoP market, which is indispensable for putting the results of the research into perspective.

A selection of literature is available that tries to assemble all the factors that typically compose the BoP market. Most of these factors also apply in Brazil and will be extended by country-specific particularities, if needed. Considering the research problem, it appears useful to provide specific evidence of market and consumer characteristics at this point, as they give explanations of the need for a differentiated business strategy to ensure the ability to create value and can therefore explain value chain related issues. Market conditions influence the needs and expectations of consumers and are therefore explanations for country-specific consumer values. Below, our model of Customer Perceived Value (CPV) takes this approach into consideration. Hence, the analysis and description of product value expectations at the Brazilian BoP has to be based on a detailed description of market and consumer characteristics. Further, such description of the theoretical assumptions on the BoP market characteristics provides a useful guide for the research and its analysis.

Widely mentioned by the BoP literature is the lack of economic infrastructure at BoP markets (e.g. physical, financial and informational) that increases the need for innovative approaches to deal with the obstacles it causes (Rivera-Santos & Rufín, 2010). Especially distribution and transportation as a value chain activity becomes a costly task that can inhibit to assure certain price points at the BoP. Further, the financial (e.g. access to credits and insurance for private assets, (UNDP, 2008)) and informational infrastructure (e.g. information and communication services, (SadreGhazi & Duysters, 2009)) drawbacks can restrict the possibilities of business and of the development of the BoP market. In Brazil, not so much informational and financial infrastructure, but physical infrastructure is a hurdle. The size of the country and the geographic characteristics of the BoP population are the reasons that distribution is a challenging task. Assumingly, value chain activities have to deal with this problem, to reach the goal of attending the Brazilian BoP.

All the BoP literature puts much focus on the customer income. Value chain activities, such as sales and services, are connected to consumer income and spending conditions. Therefore these conditions can strongly determine actions taken along the value chain, for example, pricing and granting of credits. Again, among scholars there never has been agreement on how to define the income barrier of consumers. In accordance with most of the literature on BoP it is set around US$ 2/day (Prahalad & Hart, 2002; Whitney & Kelkar, 2004; Prahalad, 2005; Karnani, 2007).
Brazilian institutions, which provide valuable statistics, such as the Brazilian Statistics and Geography Institute (IBGE), use monthly family income as a threshold to classify the different economic spheres. This socio-economic classification into classes A, B, C, D and E is widely accepted and found in most of the literature regarding the Brazilian BoP (Parente, 2008; Wright & Spers, 2008; Da Rocha Azevedo & Mardegan Jr., 2009; Nardi, 2009; Barki & Parente, 2010).
The definition of the Brazilian low-income consumer is based on the number of minimum wages a family has as disposable income per month. The latest data from IBGE (2011) in their recently released Pesquisa de orçamento Familiares (PoF) 2008-2009, shown in **Table 2**, adjusted the minimum wage to R$ 415, which is equivalent to around US$ 240.[2] According to Parente et al. (2008) the socio-economic segmentation through the application of minimum wages is distributed in the following way: *class E – up to 2 minimum wages as monthly family income, class D – more than 2 up to 5 minimum wages as monthly family income, class C – more than 5 up to 10 minimum wages as monthly family income, class B – more than 10 up to 20 minimum wages as monthly family income, class A – more than 20 minimum wages as monthly family income.*
In fact, this segmentation can adapt over time, as also the minimum wage adapts. Nevertheless, when applying these segmentation indicators to the latest data and therefore defining classes C, D and E as the Brazilian Base of the Pyramid, nearly 84% of the Brazilian population falls

[2] US$ 1 = R$ 1,74 (exchange rate 1 January 2010)

currently into this market segment, with largely varying family incomes (e.g. maximum 2400 US$ = 10 minimum wages). This shows the difficulty of strategic approaches, since even within this market tier consumer segmentation could be applied.

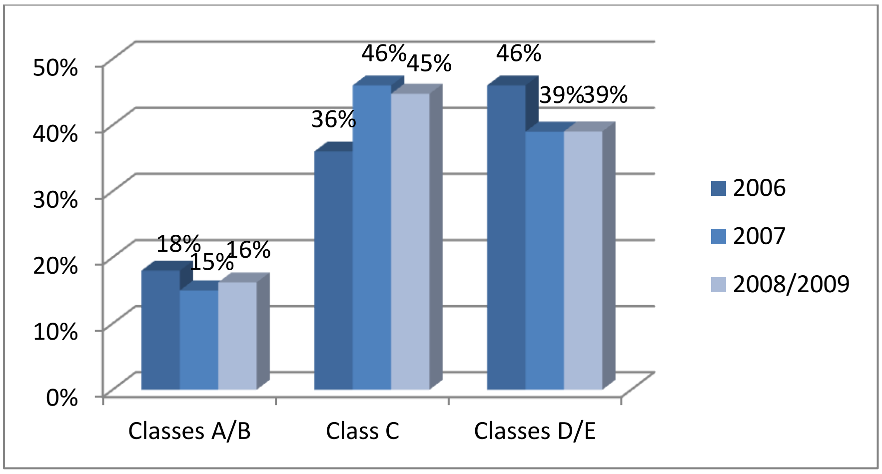
Table 2: Family income distribution in Brazil per month

Monthly family income (US$)	Number of Families	%	% Accum.	Total income (US$)	%	% Accum.
Up to 480	12.503.385	21,63%	21,63%	3.882.660.335	4,42%	4,42%
480 - 720	10.069.184	17,42%	39,04%	5.927.335.112	6,75%	11,18%
720 – 1440	16.972.311	29,36%	68,40%	17.043.711.757	19,42%	30,59%
1440 – 2400	8.890.463	15,38%	83,77%	15.825.381.802	18,03%	48,62%
2400 – 3600	4.181.485	7,23%	91,01%	11.640.124.758	13,26%	61,88%
3600 – 6000	2.994.837	5,18%	96,19%	12.923.668.299	14,72%	76,61%
More than 6000	2.204.938	3,81%	100%	20.533.104.963	23,39%	100,00%
Total	**57.816.603**	**100%**		**87.775.987.027**	**100%**	

Source: IBGE (2011), Pesquisa de orçamento familiares 2008 - 2009

In **Graph 2** the IBGE (2011) data from above has been combined with the data of 2006 and 2007 from Da Rocha Azevedo and Mardegan Jr. (2009) to show the socio-economic evolution over time. A recent shift from the classes D and E towards class C has taken place, especially resulting from the implementation of social programs by the former Brazilian president Luiz Inácio Lula da Silva, which extremely benefited the poor population (Da Rocha Azevedo and Mardegan Jr., 2009). Hence, class C is by far the largest socio-economic group in Brazil and considering Rivera-Santos and Rufín (2010), where generally the BoP population experiences higher demographic and income growth as opposed to the rest of the population, it can be expected that this trend is continuing.

Graph 2: Distribution of Brazilian Population per consumer class – Evolution 06/07/08-09



Source: Own source based on Da Rocha Azevedo and Mardegan Jr. (2009) and IBGE (2011) - PoF 2008-2009

The entire Brazilian BoP together encompasses 160 million people with an estimated annual spending of US$ 316 billion (R$ 550 billion) (Data Popular, 2006; Da Rocha Azevedo & Mardegan Jr., 2009; Nardi, 2009). The distribution of monthly spending on food by income class in **Table 3** is supporting the assumption that low-income consumers spend more on food products in relative terms than the higher income classes (Kunreuther, 1973). Though class E is nearly spending 40% of their average disposable income on food products, the Brazilian BoP is far away from spending 50% on food, as most BoP populations in other countries do (Hammond et al., 2007).

Table 3: Monthly average spending on food by income class

Monthly family income (US$)	Number of Families	Average monthly total income (US$)	Average monthly spending on food (US$)	Total spending on food (US$)	% of total income
Up to 480	12.503.385	310,53	119,05	1.488.549.542	38,34%
480 - 720	10.069.184	588,66	160,36	1.614.657.310	27,24%
720 – 1440	16.972.311	1004,21	217,72	3.695.184.239	21,68%
1440 – 2400	8.890.463	1780,04	300,38	2.670.511.145	16,87%
2400 – 3600	4.181.485	2783,73	376,70	1.575.146.174	13,53%
3600 – 6000	2.994.837	4315,32	484,36	1.450.585.446	11,22%
More than 6000	2.204.938	9312,33	688,59	1.518.289.894	7,39%
Total	**57.816.603**			**14.012.923.749**	**15,96%**

Source: IBGE (2011), Pesquisa de orçamento familiares 2008 - 2009

Important, but less often considered in literature is the income flow. For the private sector income flow is important, as it dictates to certain extent the way how people purchase. The low-income consumers in BoP markets are not able to predict what amount of money they have at disposal to buy consumer goods and services, nor can they foresee the payment frequencies, since they fluctuate strongly (Prahalad, 2005). Mainly, these difficulties of properly assessing incomes are due to the informal employment of the low-income people at the BoP (Dawar & Chattopadhyay, 2002; Johnson, 2007).

In Brazil, around 43% of the BoP population is employed under informal conditions (Da Rocha Azevedo and Mardegan Jr., 2009), which is one important reason for the inability to anticipate income streams. High numbers of transactions in BoP markets take part in the informal sector (De Soto, 2000). Especially the food processing industry has to deal with informality, as products are often sold on the streets in local communities. Sales activities have to consider the informal market. The entire Brazilian informal market accounts for close to 40% of the economy in terms of gross national income (GNI) (Capp et al., 2005). Accordingly, in order to reach most of the Brazilian BoP population, companies need to apply strategies with the objective to eventually place their products at informal points of sale. Informality and a weak institutional environment are the reason that in BoP markets contracts rely on rather informal ties without any legal foundation. Kinship, religion, race and culture can play an important role to reach agreements (Arnould & Mohr, 2005).

So far Brazilian Base of the Pyramid consumers have significant unmet needs caused through the lack of participation in market economies. Opposed to what is reported in the literature, they want to be served with good quality products (Barki & Parente, 2010). Civil society has already focused on meeting the needs of the poor. But still, it showed too often that this alone is not enough and that a market oriented approach through business engagement is needed, especially when the consumer's desires turn towards more sophisticated products.

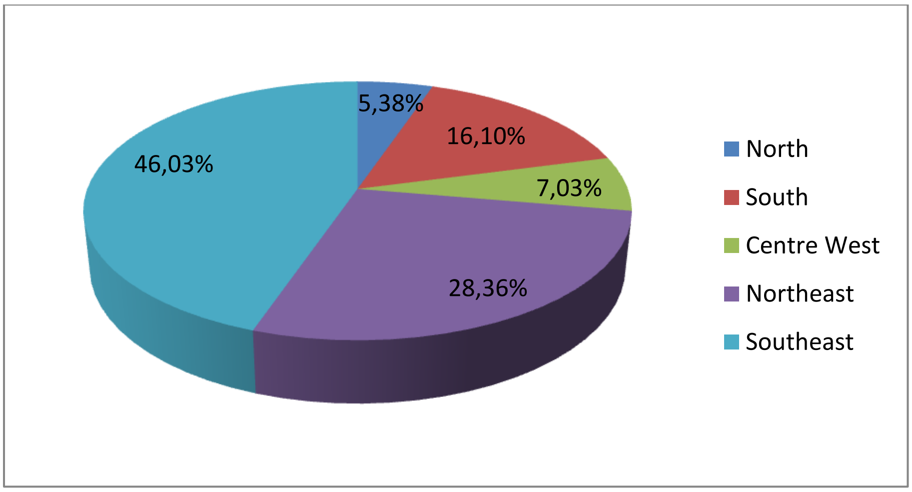
Low-income consumers strongly depend on informal or subsistence livelihoods, where it is hard for them to sell their labour and products. Further, the poor suffer from a poverty penalty. This means they pay more for certain products than the richer income tiers, as they have no other choice allowing them to switch to cheaper products in their direct surroundings (Prahalad & Hart, 2002; Hammond et al., 2007). The combination of the conditions of the unmet needs for quality products and the poverty penalty suggest that value propositions have to go beyond mere price points and have to appeal to other values.

Traditionally, BoP markets are isolated geographic locations (Arnould & Mohr, 2005), either in rurally dispersed or in densely populated urban areas (Anderson & Markides, 2007). According to Rivera-Santos and Rufín (2010) geographic isolation consequently leads to less participation in the society and in turn creates strong local cultures and very particular consumer habits and values. Additionally, the fact that BoP markets are located in extreme geographic locations causes relatively hostile market environments lined with dirty and uncommon surroundings, like heat, moisture, dust and others. Such environmental features require corporations to adapt their products to ensure their functionality (SadreGhazi & Duysters, 2009). Besides ensuring product functionality, isolated locations require innovative distribution approaches, especially considering the poor quality of infrastructure mentioned above. Furthermore, local cultures assume that the BoP marketing approach, as part of value chain activities, has to be fragmented.

The dispersion of the Brazilian population is characterized by the fact that approximately up to 81% of the entire population is living in urban centres. Interestingly, though general wisdom on BoP population is considering them to be rather rural (Subrahmanyan & Gomez-Arias, 2008), 85% of the Brazilian Base of the Pyramid population is located in urban areas, even surpassing the Brazilian average. This urban tendency is a phenomenon, which can be found all over Latin America (Subrahmanyan & Gomez-Arias, 2008).

The depiction in **Graph 3** shows the distribution of the low-income population in Brazil per region. Remarkably most of the BoP population is located in the south-eastern part of Brazil. In fact, the south-eastern region of Brazil is where most people live, with a very high population density due to large cities like São Paulo and Rio de Janeiro. This explains the urban tendency of the Brazilian BoP population.

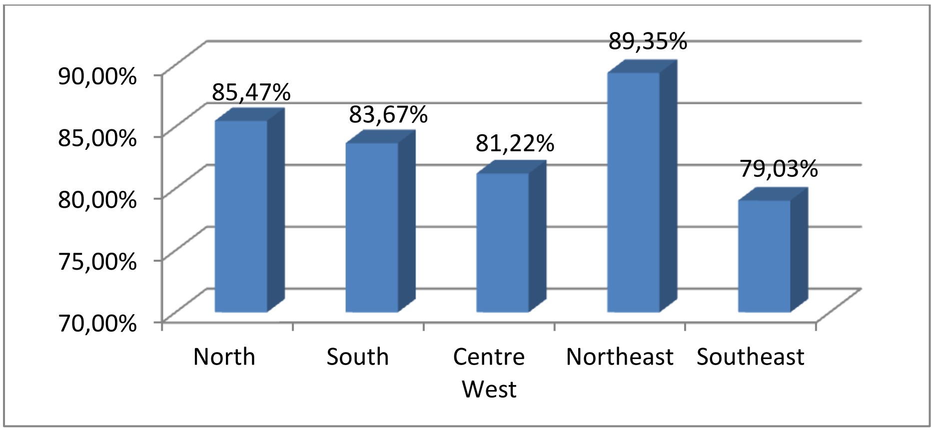
Graph 3: Distribution of Brazilian Low-Income population per region



Source: Da Rocha Azevedo and Mardegan Jr. (2009)

Considering **Graph 4** this picture changes, as percentagewise, compared to the total amount of the population, the northeast of Brazil has the highest BoP participation with more than 89%, while the southeast shows the lowest. Without any doubt, these depictions show that the BoP market is not a confined territory in Brazil, but rather spread all over the country.

Graph 4: Low-Income participation as percentage of total population per region



Source: Da Rocha Azevedo and Mardegan Jr. (2009)

A closer look on the population pyramid makes obvious that the low-income population in Brazil is on average rather young, compared to the higher socio-economic classes. According to Data Popular (2006), referring to *Pesquisa Nacional por Amostra de Domicílios* (PNAD) from 2005, within the classes D and E approximately 41% are younger than 20 years. Within the class C this number decreases to still 30%.

The institutional environment is often found to be weak in BoP markets (Rivera-Santos & Rufín, 2010), which is somewhat threatening to companies, especially MNCs. They are used to markets with clearly defined boundaries. Institutional weaknesses do not provide much support for businesses and lack legal safety. Corruption and clientelism are facts that have to be considered by companies, when they engage in BoP markets. Also, weak legal enforcement and a low degree of regulations (Ricart et al., 2004) cause major concerns to companies used to deal with a highly developed institutional environment in favour of doing business. Therefore, intense social relationships among buyers and sellers are often found at the Brazilian BoP market and represent high value to the consumer. The great dependence on each other arises from inherent disadvantages, such as being poor and often low-literate, which causes a higher need for mutual help (Sridharan & Viswanathan, 2008). Primarily, close personalized relationships are created to satisfy certain consumption needs and to generate income (Barki & Parente, 2010). Such close and highly trusted relationships can create a high degree of social capital within BoP markets, which enables to spread economic benefits among the actors of the market (Iyer et al., 2005; Sridharan & Viswanathan, 2008).

In terms of the competitive environment Rivera-Santos and Rufín (2010) find penetration of BoP markets by MNCs is still relatively low. The Brazilian BoP market opportunity has so far largely been overlooked by multinational and large domestic companies, who concentrated their marketing efforts on the wealthier parts of the Brazilian population (The Boston Consulting

Group, 2008). But it does not implicate that MNC's compete in BoP markets against "non-consumption" (Hart & Christensen, 2002). Local firms are already embedded and play an important role as competitors. They are mostly informal, few in numbers, small in size and offer rather low-quality products at high price points relative to consumer incomes (Prahalad & Hammond, 2002; London & Hart, 2004). According to De Soto (2000), small firms can be very strong and competitive as they have the advantage to be embedded into the local informal environment and are linked to local powers and institutions. This does not imply that large multinational corporations could never have a competitive advantage over small local firms. However, they might hardly be able to compete in terms of responsiveness compared to local entrepreneurs. In fact, the empowerment of local entrepreneurs as suppliers and producers, as Prahalad (2005) mentions, is key to develop custom solutions for the poor communities.

2.3.2. Consumer Values

Based on the abovementioned market and consumer characteristics it is now possible to draw on the consumer values of the Brazilian BoP population. With respect to the development of a certain consumption behaviour and value perception pattern, the consumer values of the Brazilian BoP population are outlined in detail. In the course of this paper the information is integrated with the customer perceived value model, so that a specific value perception of the Brazilian low-income consumer can be determined.

The low-income consumer can be described in several ways, but most of the literature approaches him through his consumer behaviour. This paper is trying to give a comprehensive picture of the Brazilian low-income consumer by describing him in terms of his unique values, as well as his consumption behaviour. This approach can be regarded as profound, since the individual values characterize the comportment of the consumer (Kim et al., 2002). Specific values and behaviours have to be considered by companies that pretend to serve this market segment with a successful value proposition.

Culture determines to a large extent the values, and thus, the behaviour of people. The Brazilian popular culture is characterized by the preference for abundance, mainly related to the colourful different popular events in the country (Barki & Parente, 2010). This preference is expressed in two different contexts by the Brazilian BoP population. During their shopping experience the BoP consumers prefer crowded places with a vast variety of products, as their subjective perception of such places indicates them generosity and a well managed low priced store (Barki & Parente, 2010). At home, abundance is seen in the amount of food, especially when they have visitors, to not appear to be poor or lack something (Parente, 2008; Barki & Parente, 2010). In general, the preference for abundance can be regarded as the attempt to escape at least for a moment the scarcity of resources the poor face (Barki & Parente, 2010).

The Brazilian poor have a very low self-esteem (Parente, 2008; Da Rocha Azevedo & Mardegan Jr., 2009; Nardi, 2009; Barki & Parente, 2010) because of mainly two reasons. One is the fact that they are poor and therefore feel not being part of the society. Such feeling can even be accelerated by the bad treatment they often experience by their richer countrymen and lead to the feeling of being *"second class"* citizen. Secondly, the classes C, D and E suffer from inferior education, since the average years spend in school are significantly lower as opposed to the classes A and B. For instance, class C spends on average 7,9 years at school, class D 5,7 and class E 4,3 (Data Popular, 2006). This lack of education still leads to analphabetism among some of the poor, which makes the BoP population feeling inferior and having a very poor self-image.

School time has further a negative correlation with conservatism, which is often encountered among the low-income consumers. Parente et al. (2008) refer to a research done by Data Popular in 2004, where it was found that the less time spend in school, the more conservative values are adopted, totally contrary to the liberal attitude of the Brazilian *"elite"* with higher education. However, as Da Rocha Azevedo and Mardegan Jr. (2009) stress, moral, being a basic value of the poor Brazilians, is very closely related to religious beliefs, and reflects also a rather conservative posture. Hence, the Brazilian BoP population, apart from being conservative, does also rely on religious beliefs.

Further, the BoP population is very concerned with dignity, where it is very important to them to preserve self-respect and being treated with dignity (Da Rocha Azevedo & Mardegan Jr., 2009). Barki and Parente (2010) found evidence that the *"embarrassment"* of being poor leads to a strong need for being respected and recognized, which is more important to the low-income consumers than the prices of products they consume. This *"inferiority complex"* can be aggravated by low quality and poor service.

Interestingly, low-income consumers and higher income consumers have distinct expectations regarding the image of the product they purchase. While higher income classes aspire a feeling of exclusivity to be *"unique"*, the BoP population is longing for a product that promises social inclusivity. This notion of inclusivity is based on the wish to be recognized as a part of the society. Hence, low-income classes are consuming also to eventually feel being equal to the rest of the society (Parente, 2008; Da Rocha Azevedo & Mardegan Jr., 2009).

A focal value that is equally important to the Brazilians, regardless their socio-economic status, is the family. The importance of the family determines the consumption behaviour of the low-income consumer, as close and personalized relationships are preferred and often found by informal ties in the market. Thus, a familiar atmosphere is highly valued by the Brazilian BoP consumers. The study from Barki and Parente (2010) found that the Brazilian BoP population developed a strong community and social network sense, which is based on mutual help. In fact, these relationships tend to be more informal and friendlier compared to the ones within high income markets. Barki and Parente (2010) stress further three dimensions of the Brazilian market relationships

1. *Personal Service:* The consumers want to be served and insist on good personal service.
2. *Mistrust of large corporations:* Large corporations have an image of being exploiters that do not care about the needs of the population, and are therefore regarded to be *"distant"*. The BoP population is missing the *"relevance"* of large corporations.[3]
3. *Face-to-Face contact:* The consumers rely on the vendor as a source of information and advice, as their educational status makes it difficult for them to get information through other sources. Further, the direct contact with vendors creates trust.

A confirmed pattern among Brazilian BoP consumers is the brand loyalty, as they cannot afford to take the risk of an inferior product, which does not deliver the desired values. Their behaviour is characterized by *"risk mitigation"*, where they do not switch products a lot (Barki & Parente, 2010). This logic and the inferiority complex are further responsible for the fact that BoP consumers want to be served with good quality products, where they are even willing to pay more.

According to Barki and Parente (2010), these Brazilian low-income consumer values can be summed up by four prevailing pillars or parameters that determine behavioural patterns and include the delineated aspirations and preferences:

1. Strong need to compensate for a dignity deficit and low self-esteem.
2. Strong preference for personalized relationships.
3. High level of aspiration to feel socially included in society.
4. Strong preference for abundance.

These pillars represent the framework for consumer behaviour characteristics among the Brazilian BoP population, which is totally different to patterns of their richer countrymen. As such, this pattern is determining the way products are perceived. In order to cope with the value perception of consumers, companies need to integrate these pillars into their value proposition via the execution of primary value chain tasks as the tool to form value propositions.
The following section is based on this approach and uses the theory on value to better understand the concept and the influences of the four pillars on consumer behaviour and purchasing decisions.

[3] Barki and Parente (2010) used the concept of relevance additionally to the 4A's approach. According to them relevance is related to the degree of embeddedness of companies within BoP communities and whether they offer a sort of dignity to the poor through their products.

2.4. The Value Concept

2.4.1. Customer Perceived Value

Franz Adler (1956) specified value by stressing that the *"values in objects cannot be discovered apart from human behaviour relating to the objects"*. Based on this, Zeithamel (1988) figured that value related to products is *"highly personal and idiosyncratic"* and gave a definition of value based on a conducted exploratory research: *"Perceived value is the consumer's overall assessment of the utility of a product based on the perceptions of what is received and what is given."* This definition is based on the utility theory and relates benefits and costs to each other (Snoj et al., 2004), whereas at the same time it becomes obvious that value cannot be defined apart from personal perception.

Such conceptualising approach of value inherits a trade-off between what Zeithamel (1988) calls *"salient give and get components"*, where the importance of what is given (e.g. money, time, effort) and what one gets (e.g. quality, volume, convenience) can vary across the consumers, as they are heterogeneous (Ulaga & Chacour, 2001). Dodds et al. (1991) additionally stress that value is an abstract and highly interrelated concept, which interferes with quality, benefits and price and is often even confused with these concepts. The relationships between benefits and costs, however, cannot be generalized in terms of what the consumer's personal values are, since the evaluation of costs (give components) and benefits (get components) strongly relies on the cultural and socio-economic context (Kim et al., 2002).

Thus, the influence of consumer characteristics and values, which the Brazilian Base of the Pyramid population cherish, on consumption behaviour and decision making, is proposing a very unique and particular perception of product value that is strongly based on the four characterising pillars.

The value concept assumes that consumers select the alternative that maximizes value as a relationship between benefits and costs. Working along the value concept, consumers' subjective perceptions, rather than rationality, determine the consumer behaviour and purchasing decision (Baker et al., 2002). That is why in order to answer the question what really constitutes value for a customer, the application of the Customer Perceived Value (CPV) model is most appropriate.

Above it has been delineated a definition of value in terms of benefits and costs, already including perception as an individualistic dimension (Zeithamel, 1988). This definition of value makes it obviously quite complicated to evaluate the benefits and costs, as the way customers perceive these factors differs strongly from each customer group to another.

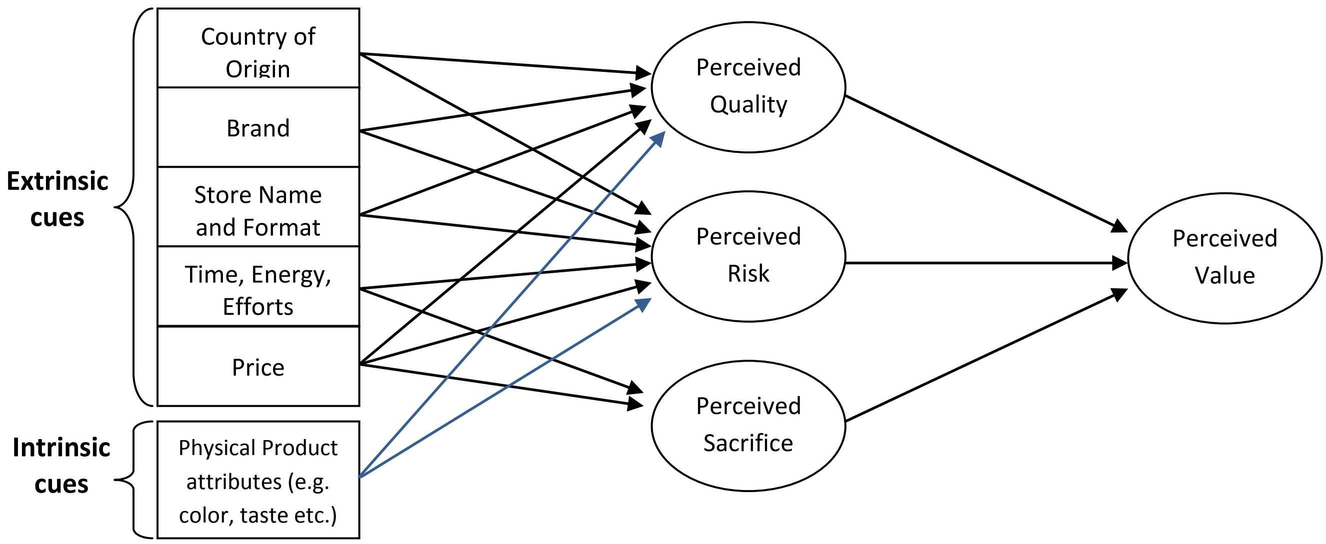
Hence, it is worth to mention that value is a dynamic concept, which calls for a conceptual model approach in order to adequately describe valued aspects of a determined consumer group.

A general definition of customer perceived value is hard to find. Ulaga and Chacour (2001) and Snoj et al. (2004) present several different definitions of CPV from various scholars. However, most of the definitions simply refer to the ratio between perceived benefits and sacrifices, whereas there is no explicitly made separation of sacrifices and risks. Further, the external influences on these perception components are not considered in the majority of cases.

The model illustrated in **Figure 3** has been elaborated based on the approaches of Teas and Agarwal (2000), Agarwal and Teas (2001) and Snoj et al. (2004). It is a combination of these studies showing external influences, called extrinsic and intrinsic cues and their impact on perceived quality, perceived risk and perceived sacrifice. Based on the evaluation of these three perception indicators, consumers form their perceived value, and thus, their willingness to purchase (Agarwal & Teas, 2001).

Contrary to the model of Teas and Agarwal (2000) and Agarwal and Teas (2001) it incorporates the proposition of Snoj et al. (2004), allocating perceived risk independently from perceived sacrifice. While sacrifices describe rather costs (monetary and non-monetary), risk goes far beyond the objective level and deals with subjective and very particular risk assessments, such as financial, psychological, physical or functional risks, making it reasonable to consider risk apart from sacrifices. According to Sweeney et al. (1999), including perceived risk helps to better explain value perceptions, as risk does also consider potential longer-term losses, which do not occur at the time the purchase is done, but in the future.

Figure 3: Conceptual model of Customer Perceived Value



Source: Own source based on Teas & Agarwal (2000), Agarwal & Teas (2001) and Snoj et al. (2004)

For a better understanding of the underlying concepts in the multidimensional model in Figure 3, **Table 4** lists the most important defining aspects of them. Apart from objective judgment, subjectivity plays a major role. Whereas objective judgments of product features, like functionality, are rather comparable to each other, the subjective perception of an offering is a challenge to marketers due to uniqueness and requires a thorough understanding of the consumer.

Table 4: Definition of perceived quality, perceived risk and perceived sacrifice

Perceived Quality	Perceived Risk	Perceived Sacrifice
• **Bundles of attributes** that together represent a certain level of quality (Snoj et al., 2004) • Quality is **superiority** or **excellence** (Zeithamel, 1988) • Quality does not just rely on objective aspects, but includes also **subjective** attributes	According to Murphy and Enis (1986) there exist five different types of perceived risks: **1. Financial risk**: risk that a product is not worth the financial price 2. **Psychological risk**: risk that a poor product choice will harm a consumer's ego. 3. **Physical risk**: risk to buyer's safety in using products. 4. **Functional risk**: risk that the product performance is not as expected. 5. **Social risk**: risk that a product choice may result in embarrassment before one's friends, family or colleagues.	• **Monetary sacrifice**, such as the paid price for a product (Zeithamel, 1988; Snoj et al., 2004). • **Non – monetary sacrifice**, such as opportunity costs, energy costs, time, effort to find/search a product (Zeithamel, 1988; Snoj et al., 2004)

Source: Own source

The model is based on two assumptions that eventually somehow define customer perceived value for this study. First, customers' perception of value is the result of an evaluation between perceived quality, perceived risk and perceived sacrifice. Second, customers' perception of quality, risk and sacrifice can be based on and influenced by extrinsic and intrinsic cues.

Several studies have shown that there exist several extrinsic cues having strong influences on a consumer's perception, such as country of origin, brand, store name and format, price (Dodds et al., 1991; Teas & Agarwal, 2000; Agarwal & Teas, 2001). In this model, however, non-monetary prices (e.g. time, energy and efforts) have been added, as they have been proven to have strong influences on the perceived risk and sacrifice (Zeithamel, 1988). Further, as Szybillo and Jacoby (1974) and Zeithamel (1988) propose, intrinsic cues play also an important role for the value perception, as they refer to physical product attributes themselves, which apparently influence the perception of the product's overall value.
Teas and Agarwal (2000) showed empirical evidence that extrinsic cues influence the perception of consumers. The arrows in the model depict the functional chain and distinct impact directions. Depending on the cues the impact on the perception indicators can be whether positive or negative. For instance, price can act on consumers in two ways. First, it is a positive signal for quality, but it impacts negatively the amount of monetary sacrifices. A brand

image can positively influence the perception of quality and at the same time reduces perceived risks related to that product, and thus, the purchase. The blue arrows are used to create a distinction between the influencing directions of extrinsic and intrinsic cues. However, the way the extrinsic cues influence the perception of quality, risk and sacrifice, and hence, of perceived value, is highly dependent on the socio-economic and cultural context (Kim et al., 2002). The same accounts for the intrinsic cues, which are technically the physical product attributes (Szybillo & Jacoby, 1974).

According to the conceptualising model in Figure 3 the decision to purchase an offering is the consequence of the evaluation of perceived quality, risk and sacrifice related to the item. These factors, however, may not be equally assessed to get to the overall perceived value of a product or service. Nevertheless, the model provides support to understand where and how value can be added to products and services with the purpose of maximization.
With the Brazilian BoP consumer insights provided by the four parameters and the conceptualization of customer perceived value in Figure 3, it is now possible to integrate these two dimensions into one model in the next section of this paper with the purpose to clearly stress the determining role of the Brazilian consumer values within the concept of customer product value perception.

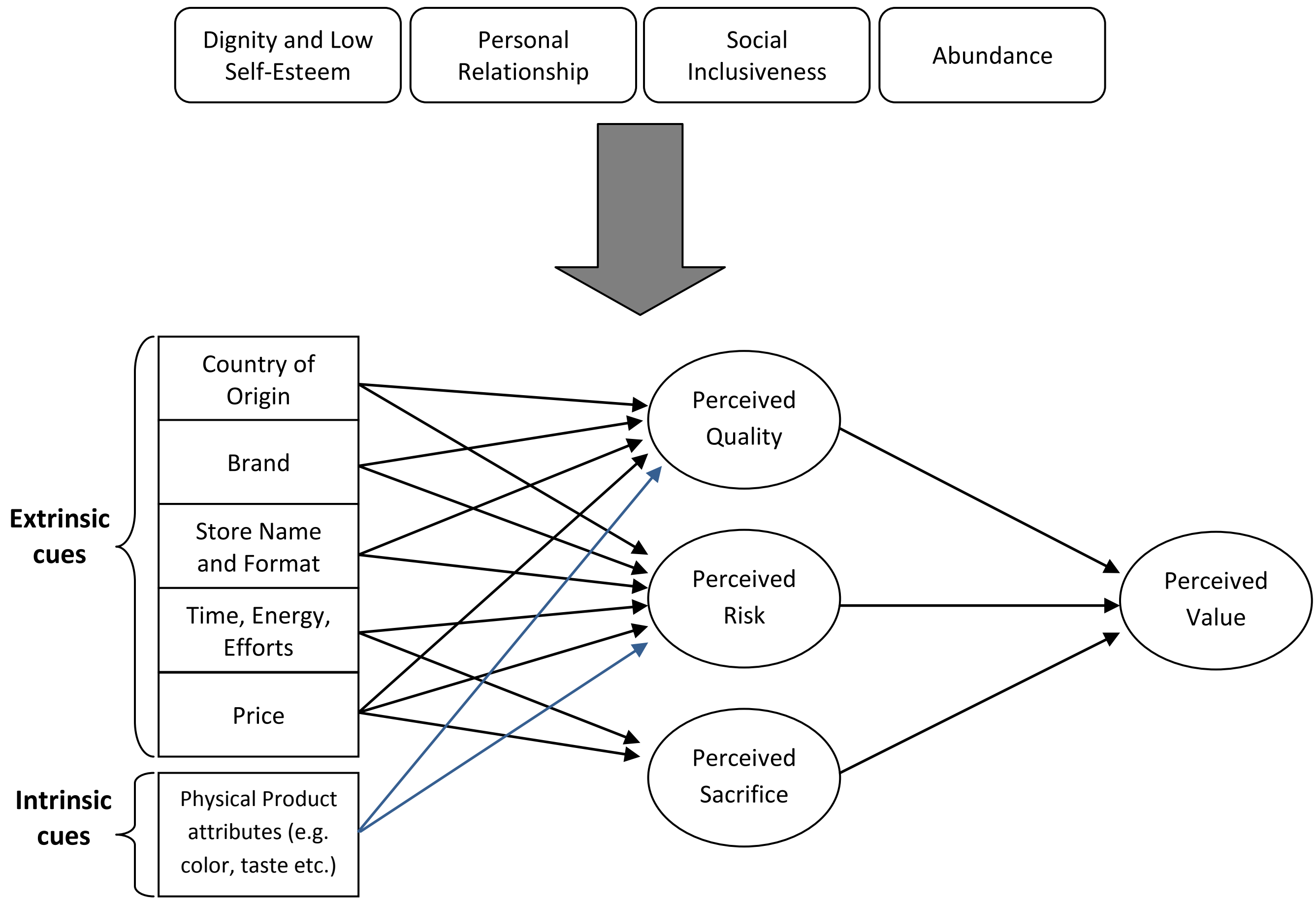
2.4.2. Customer Perceived Value at the Brazilian BoP

Their consumer characteristics and values are determinants for the consumption behaviour of the people who live at the Brazilian Base of the Pyramid. The buying decision is not just influenced, but also rather composed by the sum of the distinct consumer values that have been outlined in chapter 3.3.2. These attributes can be used and integrated into the customer perceived value model, as a powerful tool to determine the value perception of the Brazilian low-income consumer. The conceptual model in Figure 3 stresses the influences on the final perception of the value delivered by an offering. An evaluation of the three upstream perception indicators, based on the distinct extrinsic and intrinsic cues, is done by the consumer in order to get to the final assessment of a product or service.

According to Barki and Parente (2010) the entire act of consumption at the Brazilian BoP can be based on four characterising parameters, which have been named above (e.g. dignity/low-self esteem, personal relationships, social inclusiveness, and abundance). These parameters are facilitating factors, a framework for consumer behaviour characteristics among the Brazilian BoP population, which is representative for all more detailed consumer values and preferences. For the purpose of this work these parameters are very helpful because they allow us to integrate consumer characteristics and values into the customer perceived value model in

Figure 3. This integration results in **Figure 4**, showing a conceptual depiction of the creation of Customer Perceived Value (CPV) of the Brazilian low-income consumers, which is used to analyse and test the theories on strategies resulting from the analysis via the value chain framework in terms of their modes of action and their impacts and contribution to the overall perceived value.

Figure 4: Conceptual model of Customer Perceived Value of the Brazilian Low-Income Consumer



Source: Own Source

In order to enable an evaluative approach the four parameters have been integrated into the conceptual model of customer perceived value from Figure 3 and merged into the new model in Figure 4. Interdependencies and influences are shown by the arrows. Including the parameters does not change the nature of the customer perceived value model from Figure 3 and it is still obvious that there are more cues determining the perception of quality and risk, instead of sacrifices. A closer look at the conceptual model in Figure 4 suggests that the model is bound to a rather subjective evaluation mechanism, since the application of the four parameters to evaluate the cues inherits a subjective nature like Snoj et al. (2004) suggest.

But still, a few more comments for a better understanding of the model must be made here. The parameters of the Brazilian consumer values, which emerged as essential characteristics of the

Brazilian low-income consumer behaviour, are set above in the actual model to stress their status as evaluation criteria. Hence, they provide an external evaluation mechanism, which refers to extrinsic and intrinsic cues that are assessed in the light of the consumer groups' individual preferences and values. Depending on the cues, they impact the three perception indicators as shown by the arrows in the model (Teas & Agarwal, 2000; Agarwal & Teas, 2001; Snoj et al., 2004). When all cues are evaluated, the consumer will have created a perception of quality, risk and sacrifice. The next step the consumer does is to balance these perception indicators against each other, whereas it is clear that the higher the perceived quality the better and the lower the perceived risks and sacrifices the better and vice versa (Teas & Agarwal, 2000; Snoj et al., 2004). The consumer can now picture his particular perceived value of the offering.

2.4.3. Value perception patterns at the Brazilian BoP

As we put the findings of Barki and Parente (2010) into perspective by drawing a connection between the four characterising parameters and the customer perceived value model, it is possible to delineate certain perception patterns at the Brazilian BoP.

Dignity and Low Self-Esteem:
First and foremost the nature of dignity and low self-esteem implies a predominant risk level, which relates to psychological and social risk. The reason is that the Brazilian BoP consumers are concerned with gaining respect and overcoming the sense of inferiority, not only through the purchase of a product or service, but also through details surrounding the act of buying. As such, dignity and enhanced self-respect can be gained by the image of a product and its attributes. But it is also influenced, probably even stronger than through the product itself, by treatment and service quality at the point of sale. Honesty conveyed and acknowledged by the personnel at the point of sale plays also a major role in the formation of dignity and self-esteem. The store format is therefore the main important driver to deliver these consumer aspirations. Other extrinsic cues like brands and country of origin allow the Brazilian BoP population to make image inferences, which compensate for the dignity deficit and the low self-esteem (Barki & Parente, 2010). The same is true for prices because higher prices are often assumed to relate to better brands with superior product quality and result therefore again in image inferences, which impact quality and risk perceptions (Agarwal & Teas, 2001). Consumers will evaluate the options they can choose from via the cues and opt for the store format and the product, which promise them to deliver the dignity and self-esteem aspirations they are longing for. If these values are transmitted by certain cues, they lower the perception of social and psychological risks and increase the perceived quality of the product likewise.

Personal Relationship:

The reason why the Brazilian low-income consumers highly value a stronger personal relationship is due to the fact that they have always been very dependent on mutual aid and developed a strong community and social network sense (Barki & Parente, 2010). A close and trusting relationship is therefore an important condition when it comes to selling goods to the low-income community in Brazil. The BoP population in Brazil expects close and personal relationships because they are used to this kind of treatment, even in a business environment. Obviously, this preference is close to the dignity and self-esteem expectations related to stores. Therefore it can be assumed that the store format is again important to deliver these rather informal and close relationship aspirations, whilst acting as an extrinsic quality cue (Teas & Agarwal, 2000; Agarwal & Teas, 2001). Certain store formats can develop unique ways to create and maintain personal relationships and overcome mistrust, distance and a lack of relevance.

When close relationships at the Brazilian BoP are formed, they have influences on the perceived quality, risk and sacrifice. Local embedding means being geographically close to the consumer, which lowers the perceived sacrifices of realising a purchase (Zeithamel, 1988). Being geographically close to the consumer facilitates to create long lasting personal relationships that can contribute to lower the perceived risk of a purchase through the trustworthy transfer of information and advice. This eventually suggests that the perception of product quality can be improved.

Social Inclusiveness:

Social inclusiveness, in this case, is the sense of cohesiveness and therefore not related to objective circumstances. It is rather a subjective feeling that the Brazilian low-incomers want to be created when purchasing a product (Barki & Parente, 2010). Such product has to promise them social inclusivity, meaning they aspire to feel being part of the society. As such, the inclusivity aspect influences the perceived social and psychological risk, as they constitute higher order needs of self-realization (Barki & Parente, 2010). The higher the likelihood of being recognized as a part of the society and overcoming the inferiority complex, the lower the perceived risk inherited within the purchase. The social inclusiveness aspiration of the Brazilian BoP consumer is likely to be delivered by brand and country of origin because they can manifest an image, which symbolizes social inclusiveness (Teas & Agarwal, 2000; Agarwal & Teas, 2001). Price is again an extrinsic cue that supports this approach (Agarwal & Teas, 2001). At the same time it means that the consumers create a subjective product quality dimension in terms of intangible attributes that promise social inclusiveness. Additionally, social inclusiveness and dignity and self-esteem aspirations are interrelated. Therefore again the store format can further affect the sense of being socially included, for instance, in terms of direct treatment experiences at the point of sale. Considering that the named cues are extrinsic quality cues, they impact the perception of the products quality (Agarwal % Teas, 2001).

Abundance:

At the Brazilian BoP consumers reveal a marked preference for abundance. This abundance is reflected in various facets. First, the store itself must radiate attractiveness towards the BoP consumer in terms of a crowded atmosphere (Barki & Parente, 2010). Therefore, the store format can directly convey the preference for abundance to the consumer through spatial and people crowding. In detail, studies showed that crowded aisles with displayed products do attract the Brazilian BoP population (Barki & Parente, 2010). The abundance stimuli during the shopping experience have a negative correlation with perceived sacrifice and risk. Monetary sacrifice and financial risk perceptions are diminished, as an abundant store delivers the notion of low-prices (Barki & Parente, 2010).

Though we stressed that abundance in terms of food products is highly preferred, this is rather an exception, which cannot be taken as a general condition to physical product attributes regardless of the product type. However, a food brand whose product appears abundant results in an increased perception of product quality among the Brazilian BoP population. So, in our case abundance does play an important role from two points of view, the act of buying and the food product itself, which leads the Brazilian BoP consumer to evaluate the relevant cues.

In summary, merging the four characterising parameters that show preferences and aspirations of the Brazilian BoP population with the CPV model in Figure 4 provides a comprehensive picture of the interdependencies of customer perceived value at the Brazilian low-end market and its underlying evaluation mechanisms. We have explained the relationships within the model according to the value perception patterns at the Brazilian BoP. Further, the subjective nature has been outlined, which explains why the consumers rely rather on quality and risk perceptions and not so much on sacrifices, as quality and risk contain large subjective perception dimensions (Zeithamel, 1988; Sweeney et al, 1999). However, this fact is not implying that other factors, which are not directly related to subjective perceptions, can be disregarded. They simply are not positioned at the forefront. Consumers' subjective evaluation of the cues controls how the perception indicators are assessed and determine consumer behaviour and buying decisions based upon the overall perceived value. Considering that marked difference between low and higher-income consumers, companies have to take these aspects into account when offering a product to the Brazilian BoP consumer, or in other words, when they develop their value proposition of an offering through the application and strategic direction of primary value chain activities.

2.4.4. Customer Value Proposition

When the market segment is selected (e.g. the Bop Market), a clear articulation of values delivered by an offering has to be established. The means by which a company defines and articulates the value created for its customer is the Customer Value Proposition (CVP) (Slater, 1997; Chesbrough & Rosenbloom, 2002; Anderson et al., 2006; Chesbrough, 2007).
The reason why corporations seek to provide value to the customer is because they want to ensure their business success. In other words, the firms try to generate competitive advantages (Porter, 1985). They do so through matching the value proposition of their offerings with the customer perceived value to reach superior corporate performance (Slater, 1997). In very simple terms it means that in order to sell the product or service successfully at the Brazilian BoP market, companies need to be responsive to the target customer's perceived value.

A proper value proposition is not just a statement of how and what value is delivered to the customer (Walters & Lancaster, 2000), but has to be at the heart of corporate strategy (Barnes et al., 2009). Though developing a value proposition can relate to several different stakeholders, within and outside an organization, the customer is the most important one. According to Kaplan and Norton (2004) *"Strategy is based on a differentiated customer value proposition. Satisfying customers is the source of sustainable value creation."*
Anderson et al. (2006) name three distinct types of how value can be proposed to a customer. First, the *all benefits* assumption lists all the benefits the supplier believes the product delivers to the customer. Second, *favorable points of difference* can be stressed, acknowledging that the customer has other product alternatives where to choose from. The third type is called *resonating focus*, where companies know about what the customer values the most and therefore stress these values by demonstrating and communicating them aggressively. The latter of these types is the most promising approach to propose value to the customer. However, it is also the most work intense, as a thorough understanding of the customer value has to be generated and continuously updated.

The logical connection with the theoretical concept of the Customer Perceived Value (CPV) indicates that a company's customer value proposition and the predominant customer values have to coincide. Knowledge about customer values is therefore vital to companies and requires a market-oriented approach (Slater, 1997). Eventually, consumer intelligence helps companies to better allocate scarce resources in order to create and deliver value (Anderson et al., 2006). Hence, the development of organizational capabilities to understand customer needs and deliver the right value can create severe performance differences between organizations. Such differentiating capabilities act as a source of what Barney (1991) calls *"sustained competitive advantage"*, especially when they are hard to copy. The creation and application of the conceptualized Brazilian customer perceived value approach in Figure 4 helps to get an idea of how the companies' value propositions should look like, considering that a match between customer perceived value and the value proposed by companies is most likely to create sustainable business success at the Base of the Pyramid.

3. Methods

3.1. Introduction

As mentioned in chapter 1, this study has an exploratory nature and relies on a qualitative research approach to generate and analyse data. The tool applied for primary data collection is the semi-structured interview to measure the concepts of the distinct primary value chain activities (e.g. inbound logistics, operations, outbound logistics, marketing and sales, services). In this chapter information about the entire methodological process is provided. It starts with the semi-structured interviews, then giving information about the sample that is used for this study and ends with the delineation of the data processing and analysis.

3.2. Semi-structured Interviews

In line with the research question and the objective of theory building, the selected data collecting tool is the semi-structured interview. It is highly useful because it enables to focus on the perspectives and experiences of the companies' executives and generates in-depth data on BoP business execution. This approach ensures an open conversation that allows developing its own dynamic, where new topics, questions and insights arise throughout the interview (Alston & Bowles, 2003). The questionnaire consists of a header, where data regarding the company, the interviewee and the interview itself is noted. Further, the questionnaire is subdivided into 5 parts with a total of 23 predetermined open questions (see Appendix 2). The interview questions are based on the outlined concepts of the BoP market and the value chain framework with the intention to reveal value creating strategies at the BoP. While questions concerned with the supplier structure and material procurement processes measure the concept of inbound logistics, we apply questions about ways of delivery, retail and store formats to measure the concept of outbound logistics. Further, in order to measure the operations activity of companies, questions refer to the manufacturing process in general, packaging (e.g. size, structure and texture) and the use of machinery in the production process. Questions related to advertising, communication, pricing and sales activities are being used to allow a measurement of the marketing and sales concept. We further apply questions about payment conditions, training offers and other after sales services, which often are subject to the development of the interview in progress, with the objective to measure the companies' service activities. By asking a variety of questions that deal with the current situation of the firm at the Brazilian BoP market, as well as with processes and strategies of value creation along the firm's primary value chain activities, like sourcing, production, distribution, advertising or services, the findings gathered in this survey help to understand interdependencies of the BoP characteristics and product value creation. However, the interview design represented a mere guide, meaning that the actual interview often differs and goes far beyond the predetermined questions (Strauss & Corbin, 2008). The semi-structured interview has been conducted in the local language, which is Portuguese. The reason for this is simply the fact that the executives and managers felt more comfortable to answer the questions in their native language, which also supports the open character of in-depth interviews. The duration of the interviews varied, depending on the interview partner, between 1 and 3 hours each, whereas most of the interviews ranged around approximately 2 hours.

3.3. Sample

In collaboration with the Faculty of Economics, Business Administration and Accountability of the University of São Paulo (FEA-USP) the participants for this research have been selected. The participants for the study are composed by MNC's and large and smaller domestic companies from the food processing industry with business activities at the Brazilian Base of the Pyramid. This stratified sample allows for a valid comparison, as all units of analysis represent a reasonable cross section of companies engaged at the BoP with different organizational structures and business approaches. Eventually, seven in-depth interviews have been conducted (n=7), which equals a response rate of 35%. Of these seven participants, three are MNC's, where two of them are U.S. based and one is Brazil based, two correspond to large domestic companies and the last two can be regarded smaller domestic companies. For a better overview in the results chapter, we labelled the statements of the interviewees with M1-M7.

The sample of companies differs in terms of the products they offer to the market, ranging from margarine and oil to meat, chocolate, cereals or beverages. All of these products, as the food processing industry suggests, belong to the Fast Moving Consumer Goods (FMCG) segment. Further, the interviewees held different positions within their companies, but all were part of the upper management level. As such, positions we were dealing with range from company president for Brazil to directors in the field of marketing, operations and finance, as well as managing director. As already said, the size of the participating companies varied. While some have employees of several thousands and a multi-billion dollar global turnover, others are rather acting in the domestic market with a couple of hundreds of employees and an annual turnover of hundreds of millions or even less. Nevertheless, one common feature is the fact that all of the participants are located with their Brazil headquarters in the area of São Paulo. Such diversified sample, which ensures suitability based on the characteristics of having business operations at the Brazilian BoP and belonging to the food processing industry, increases the likelihood of adding most value to the research.

3.4. Data Processing and Analysis

Data processing starts with the transcription of the digitally recorded interviews, which all together account for around 15 hours of data material. This is done through the help of the transcription software f4, which is often used in the process of qualitative data analysis (Evers, 2011). Transcribing the data in such way helps to get an overview about key words, phrases and similarities within the collected data (Goulding, 2001). Afterwards the transcribed data is being analysed via the coding process. From the transcription 330 information packages are derived, which were categorized incident by incident with 22 different codes. For a better understanding an example of the coding process can be found in Appendix 3. Coding allows breaking down the interviews and labelling different meanings. This conceptualising process is somehow interpretative, which is essential for theory building (Charmaz in Denzin & Lincoln, 2003).
Coding and categorising the data allows analysing it through the framework of primary value chain activities and inductively creating theories on value creating strategies. These theories are tested through the conceptualized customer perceived value model by stressing the impacts on the extrinsic and intrinsic cues, their evaluation and the modes of action towards the perceived value. This allows giving concluding remarks. Also, this study does not lack to mention shortcomings and gives directions for further research.

4. Results and Discussion

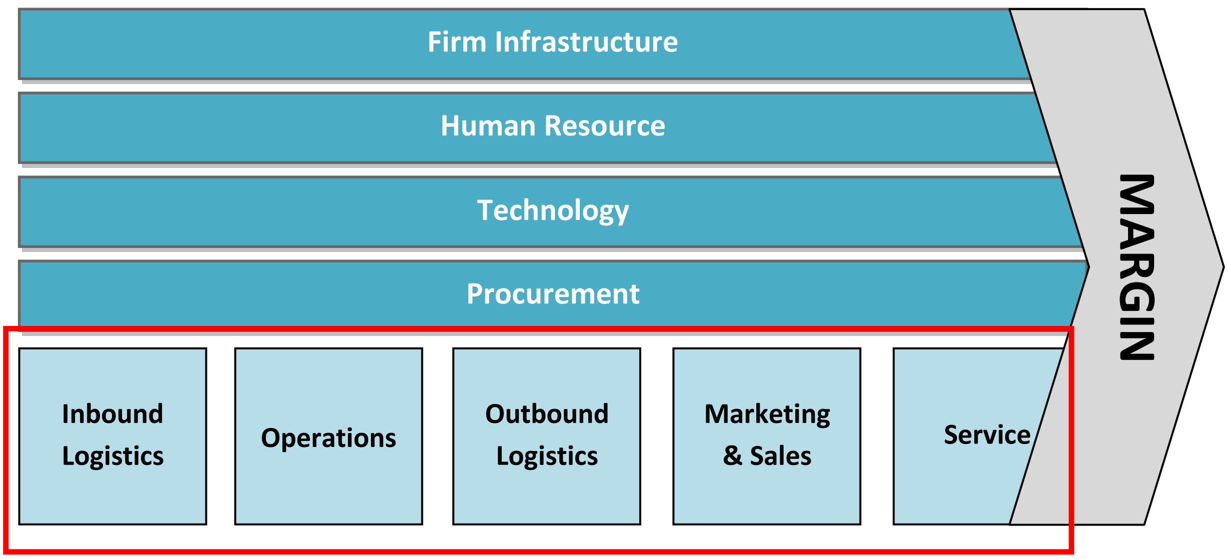
4.1. Introduction

The conceptualization of value in the former section of this paper illustrates that the concept of value and its creation is manifold. The established connection between the four characterising parameters of consumer preferences and aspirations at the Brazilian BoP and the perception of value in Figure 4 enables us now to clearly identify certain conditions along the value chain, which are directly or indirectly responsive to these value determining factors, as they impact the cues in one way or another. For that purpose we include and explain the value chain framework as a means to analyse the gathered data. This analysis starts with the results by filtering and studying the information from the interviews that concern the primary value chain activities of the companies. Then it goes on testing the theories and assumptions of value creation of the revealed strategies by linking them to our conceptual CPV model in Figure 4 and explaining their impacts on the overall customer perceived value at the Brazilian BoP.

4.2. The value chain framework

Customer value creation requires an organizational strategy, which besides the company's scale and scope determines also its activities (Slater, 1997). According to Porter (1985), in order to create a product and add value to it, the organization performs a variety of different activities along its value chain.[4] Porter (1985) identified in his seminal work a sequence of activities that generate value. These activities aim to build an offering, which benefits the consumer by satisfying his value expectations. Each activity within the value chain is solely designed to create and add value to the offering in pre-defined terms. Porter's value chain is composed by nine generic activities, the five primary activities and four support activities, as depicted in **Figure 5**. In this study, the focus of analysis is put on the primary value chain activities, which are highlighted by the red frame.

Figure 5: Porter's generic value chain activities



Source: Porter (1985)

The value creation process is not restricted to the five primary value chain activities. However, they can be regarded as the main activities that are directly related to the creation of an offering and the proposition of its value to the customer. This fact reinforces the importance of focusing on this section of the value chain model, as these activities can be seen as having the most important impact on the product's value and therefore on the value proposition of the company.

[4] Note: Several scholars extended the value chain concept beyond the organizational level, applying it to supply chains and entire value networks, where suppliers, the focal firm and customers are being integrated. Here the value chain concept is used in his originally paradigm, referring to value creating activities within an organization.

In order to understand the task of each activity **Table 5** provides a brief summary. It facilitates a notion of the activities' scope by using Porter's definitions.

Table 5: Primary Value Chain Activities

Inbound Logistics	Operations	Outbound Logistics	Marketing & Sales	Service
Activities associated with receiving, storing, and disseminating inputs to the product, such as material handling, warehousing, inventory control, vehicle scheduling, and returns to suppliers. (Porter, 1985)	Activities associated with transforming inputs into the final product form, such as machining, packaging, assembly, equipment maintenance, testing, printing, and facility operations. (Porter, 1985)	Activities associated with collecting, storing, and physically distributing the product to buyers, such as finished goods warehousing, material handling, delivery vehicle operation, order processing, and scheduling. (Porter, 1985)	Activities associated with providing a means by which buyers can purchase the product and inducing them to do so, such as advertising, promotion, sales force, quoting, channel selection, channel relations, and pricing. (Porter, 1985)	Activities associated with providing to enhance or maintain the value of the product, such as installation, repair, training, parts supply, and product adjustment. (Porter, 1985)

Source: Own Source

Apparently, an organization can adapt these activities accordingly; depending on the value the offering should deliver (Porter, 1985). It is crucial that the offered value exceeds the costs of the value creating activities, so that a profit margin can be applied (see figure 5).

The knowledge provided above on how quality, risk and sacrifice are evaluated and relate to the customer perceived value at the Brazilian Base of the Pyramid (see figure 4) provides insights on how corporations should strategically orientate their primary value chain activities in order to create a value proposition that focuses on certain manifestations of the cues. By doing so, companies can ensure that key value delivery activities are consistent with the customer value expectations, which account for long-term success (Walters & Lancaster, 2000).

The use of the value chain framework as the analysing tool for this study is based on two assumptions. First, the primary value chain activities are assumed to be necessary to manufacture, distribute and sell a product. Second, primary value chain activities are drivers and determinants of a customer value proposition, depending on the way they are executed.

4.3. Results

4.3.1. Inbound Logistics-Sourcing strategy

Food processing companies have high standard strategic suppliers, which are important to them in terms of quality, availability and delivery times of raw materials that they need to manufacture their end products. During the interviews it turned out that with regard to the preservation of these high standards at the Brazilian BoP the same mechanisms and strategies are applied as in other market tiers. A reason for this corporate approach within the food processing industry is that raw materials for high-end and low-end markets are basically the same. In fact, the results provide evidence that companies apply several strategies in order to ensure their high standard requirements at the BoP. For instance, ISO9001 and audits are selection criteria for suppliers that companies use to ensure and maintain certain standards on all levels (e.g. quality, availability and delivery times). Quality commitment is further fostered by strong and long lasting relationships with suppliers that build high levels of trust. The interviews showed that these mechanisms of relationships are being regarded stronger and more reliable than others.

M3:*"Our raw material for our product is basically always the same, independent of the consumer group. So, normally, when we create and launch a new product, it doesn't affect the supply of raw material."*

M1:*"We rather focus on quality, availability and guarantees of delivery instead of mere price points."*

M4:*"Changing the suppliers? I would say in terms of the status quo: No. We could discuss it when not risking our commitment with the quality in front of our customers."*

M4:*"We have strategic suppliers that are audited...we have relations with them over years to be able to maintain the quality and our commitment to the consumer in this way."*

Considering the value perception patterns of the Brazil-specific customer perceived value model in Figure 4 the implications of these strategies are that companies transfer the quality image of their brands to the BoP market by applying the same quality standard to the products for the BoP as they do in other market tiers. Hereby consumers feel treated equally, as they are not confronted with lower quality that they could perceive as being a result to their socio-economic status (Barki & Parente, 2010). Based on this, the Brazilian low-income consumers make a positive evaluation of the brand, because the quality commitment of the companies responds to their dignity and social inclusiveness aspirations. Eventually, they create positive inferences towards the perceived quality of the product and at the same time relate fewer risks to its purchase (Teas & Agarwal, 2000; Agarwal & Teas, 2001).

Additionally, the quality focus of the inbound logistics strategies reveals that the companies are not prioritising price points. We found that companies are very aware that trying to reduce prices by incorporating cheaper suppliers of inferior quality could easily harm the entire brand image, which they already built up for years. In accordance with what has been stressed regarding the perception mechanisms of the customer perceived value model at the Brazilian BoP, the decision to not selling products on a discount basis impacts positively the quality perception of the product, as higher prices imply better product quality and allow the consumer to make inferences for quality accordingly (Agarwal & Teas, 2001). Further, the cue price enhances the effect of the cue brand, which is why image inferences from brands that promote again dignity and social inclusiveness aspirations can be made. Assessing the product in these terms and in the light of the prevalent consumer preferences and values benefits the positive quality perception, as at the same time perceived social and psychological risks are diminished.

M2:*“Of course, we try to make the product as cheap as possible, but I cannot take the risk to change my suppliers and harm my quality just to get a lower price.”*

M4:*"Our brand stands for quality. If we start to produce low-quality products for the BoP, our brand, which we have built up for years, will be damaged. We want to keep our reputation."*

Apart from the strategies to maintain high standards we found that recently localising the sourcing process has gained momentum among the companies. Still not implemented on larger scale, the idea of this approach is to include consumers from the BoP into the supply chain with the goal to mend their wages. The inclusion of their work force and their ability to buy new and better products due to their increased salary enhances the consumers’ dignity and self-esteem. Further, this localization creates brands with a regional touch, which respond by their local embedding to the existing consumer values of close personal relationships and social inclusiveness (Barki & Parente, 2010). With reference to the depicted perception patterns consumers draw positive inferences from the brand based on these aspirations. As localization approaches enhance the brand on these terms the perception of product quality is fostered further, while the perception of social and psychological risks decreases (Teas & Agarwal, 2000; Agarwal & Teas, 2001).

M1:*“A chocolate brand associated to the Amazonas implicates that the cacao has a high quality and the people from that region are proud to buy ‘their own’ products.”*

M1: *“By supporting suppliers of the low-income tier, we create purchasing power of these people, which we can turn into possible consumers of our products and we help them to grow in self-confidence through their new jobs.”*

M3:*“To work together with our customers helps us to understand them and to create a trustful relationship.”*

In terms of packaging the interviews revealed that innovative packaging solutions for the Brazilian BoP require in some cases different suppliers than the existing ones, because of different materials in use. This means that the food processing companies are incorporating and managing new packaging suppliers for the BoP as a result of necessary packaging adaptations with the purpose to respond to the smaller purchasing power of consumers or the need of another packaging material for this market segment.

M4:*"We had to switch from paper packaging to a plastic based format, because people living in favelas often have to store their food in a place which is exposed by rain. They don't have clean and dry storage places. This led to a different supplier."*

M6:*"We try to save money through cheaper packaging."*

The sourcing strategies applied by the food processing companies at the Brazilian Base of the Pyramid market are primarily concerned with quality assurance of necessary ingredients to produce the final food product. This focus does not provide discernible changes of suppliers, nor of handling the incoming supplies. There are no design and management adjustments of the logistics for raw material, except for packaging. Companies apply one sourcing strategy for different market segments to ensure that existing efficiencies are used. However, the results also demonstrate that additionally to the existing sourcing strategies in place companies are being somehow innovative at the BoP and include partially local suppliers into their sourcing process, as long as it is reasonable for the product. Hence, through the symbiosis of new and already existing sourcing strategies in place, which are characterized by the premise of quality commitment, companies wish to augment the value added to their offering at the Brazilian BoP.

4.3.2. Operations

The operations block within the primary value chain is the subsequent activity after inbound logistics. According to its definition it is based on all the processes involved in the transformation of inputs into the final product. Operations therefore refer to processes of manufacturing the product and packaging.

From the interviews it has become evident that products are changed to smaller sizes to make them affordable for the low-income consumer and they are adapted to fulfil special needs. For instance, in some areas it makes sense to think about adding supplements to the food, because of nutrient deficiency. Market research showed that Brazilian low-income consumers prefer food with a high amount of fat and sugar, because they suffer from a lack of energy. We found that the products are adapted to these local tastes without compromising quality.

M4:*"Regarding the product per se the quality is the same, the only thing that changes is whether to sell a pack of 1kg or 30g."*

M2:*"Often we change because of the local taste. There in the northeast you have products with more sugar...we change the aroma of the product, the colour...so it's a new product."*

Furthermore, the ways products are utilized differ at the Brazilian BoP as well. Some production processes have therefore been adapted by companies, as a result of considering special treatment of products, as in the case of BoP business women re-selling self-made chocolate biscuits. The producing company changed the production processes according to the adapted chocolate ingredients with the result that the chocolate is easier to melt and the women need less chocolate for the biscuit, which makes it technically more comfortable to use and reduces costs.

M1:*"They are proud when their friends like their self-made biscuits with our chocolate coated. They are choosing our chocolate because it is working out best for their purposes and they get the best result. That's why we changed the recipe."*

As mentioned in the beginning interviews have shown that most of the companies change their packaging sizes and the material, due to cost savings and different storage conditions at the BoP. Considering these innovative packaging approaches, companies invest in new packaging equipment or source the packaging completely out, when the internal capacities and skills are insufficient. The result is that the operational processes for BoP packaging normally require additional investments.

M6:*"[...] different packaging demands special treatment in the value chain, so we have to invest..."*

M2:*"We have partners for promotional packs and packaging because we don't have employees for it, since we don't need them always."*

These adaptation strategies respond to the particular consumer preferences at the Brazilian BoP, which in some cases can also include the visual abundance of food products. As stressed by Szybillo and Jacoby (1974) and Zeithamel (1988) such strategic approaches attend the intrinsic cue, namely physical product attributes, of the customer perceived value model in terms of functional aspects and size causing several adaptations of the operations processes. The fact that local preferences are included into the process of manufacturing the final product increases the likelihood of meeting the consumer's expectation of the product's function and performance. The value perception patterns suggest that Brazilian BoP consumers evaluate the physical product attribute cue in terms of its objective quality, such as taste, and through their perception of visual abundance (Barki & Parente, 2010). As Nardi (2009) suggests, alimentation, and thus food products, are factors of social inclusiveness at the Brazilian BoP. Hence, the consumers create positive inferences towards the perceived product quality based on their social inclusiveness aspirations, which at the same time is essentially reducing their perception of risk (Teas & Agarwal, 2000; Agarwal & Teas, 2001).

Now, though we have found that changes of operational processes do occur, the core production processes remain the same. Merely the way of utilization of a production plant changes when products for the BoP are manufactured. In other words, the companies stay focused on their expertise and do not switch production processes towards completely new areas. However, companies try to keep up with the latest technologies to ensure operational efficiency.

M3:*"[...] the plant that produces the products for the BoP is the same as for other products. What changes is the utilization of the plant, depending on the product."*

M1:*"We try to minimize the price of the product by using the most efficient technologies"*

The interviews revealed that in case companies create a product for the BoP, they make use of existing facilities and capacities and incorporate the production into the already existing operational processes. Nevertheless, in some cases companies pursue long term investments through the decentralization of production plants, which takes place to enhance capacities and to attend the BoP market segment locally with the effect of reducing distribution costs.

M7:*"It's an advantage to stay in a close relationship to them. We can learn and benefit from each other. […] Employees are the most credible advocates you can get."*

M2:*"The company is conscious that it needs to decentralize its plants. We are building plants in the northeast and other regions in Brazil […] we go to some regions with the objective to attend the market [...] We want to include the people in the production process."*

By locally offering work to the people in newly built plants, the companies include low-income consumers into social life. The companies can further benefit from the close relationship to the people, find out about their lives, as well as their most urgent product needs and enhance their own local relevance. On the other hand, the BoP consumers benefit from the salary they earn, as well as getting included in new social groups. Work therefore enhances their dignity and self-esteem. The local activities of companies create local embedding, which, as we already stressed, responds to the personal relationship and social inclusiveness aspirations of the Brazilian low-income population (Barki & Parente, 2010). Consumers relate all these factors to the brand of the company and create very positive inferences that enhance the perception of product quality within the customer perceived value model (Teas & Agarwal, 2000; Agarwal & Teas, 2001). Similar to the mechanisms working for the strategies of inbound logistics, the fact of retaining core operation production processes, as well as the focus on product expertise by the companies, suggests making a strong statement for the brand image and reputation. Consumers feel again that no distinction is made due to their socio-economic status, which is why these strategies further allow the consumer to relate great value to the brand based on the dignity and social inclusiveness aspirations. Thus, the quality perception receives positive impact, while the perceived risks are reduced (Teas & Agarwal, 2000; Agarwal & Teas, 2001). It can be noticed that the encountered operation strategies have an impact on the price. By making even premium products affordable to the Brazilian low-income consumers through smaller sizes and the use of existing corporate resources that leverage economies of scale, the objectively perceived monetary sacrifice of the consumers is reduced. Further, by giving the poor the opportunity to purchase a certain brand their dignity and social inclusiveness aspirations are addressed. However, according to our study the products are not subject to discount strategies, because of the reasons we already outlined, which is why the perceived product quality is not aggrieved.

While the strategies applied at the operations level of the primary value chain are responsive to local preferences (e.g. taste, color and usage) and consider the lower disposable income of the consumers (e.g. smaller sizes/packaging), the products remain the same in their basics, which is why core operational processes remain rather untouched at the BoP. Furthermore, the strategies aim to emphasize local relevance at the BoP within the different regions. According to the CPV model, besides the functional aspects of products, the consumers' preferences for a rather close contact are addressed through geographic proximity, which eventually creates consumer trust.

4.3.3. Outbound Logistics-Distribution

This part of the value chain refers to the collection, storage and distribution of the final product. Independent of the interviewed company, its size or its product portfolio, distribution has always been considered as the main obstacle at the Brazilian BoP. In other words, dealing with the drawbacks means to create innovative distribution channels in order to reach the Brazilian BoP market. Similar to the inbound logistics, the companies show streamlined handling processes of the final products along their internal steps, which dispose the same characteristics for all the income tiers. But this changes with the physical distribution. The interviews revealed several different distribution strategies for the BoP. Hence, a universal BoP distribution strategy does not exist. The problem of distribution in Brazil is the high costs involved by long distances, as the Brazilian BoP population is geographically dispersed, as well as the volatile infrastructure.

> M5:"*But the question of distribution is very important. The people at the BoP are geographically very dispersed. They are in the capital, in Favelas (shantytowns), but also a lot in the interior in the north and northeast of Brazil. And for a company to have a structure to get to these regions is very complicated. Since the purchasing power is very low the portfolio of what these people buy is a restricted portfolio. Oftentimes it doesn't compensate for a company to go there with the sales force and trucks and distribute and sale products there."*

As a means to counteract the problem of wide consumer dispersion, some companies started their decentralization of plants. This has two advantages. First, it reduces delivery costs and second companies are closer to the customer. A positive side effect of decentralization is the local income generation that pertains mainly the low-income population.

M2:*"So we go to some region with the objective to attend the market and also to improve the conditions of the people."*

Reductions of delivery costs create affordability for the consumer and therefore impact the cue price. The fact that he is able to consume products that others consume as well attends his aspiration for social inclusiveness, which enhances the consumer's value perception. Besides the positive effects of cost reductions for corporate distribution, decentralising production plants enhances the proximity to the BoP consumer and builds trust on the long run. According to our customer perceived value model the desire for personal relationships is a strong driver for the creation of product value at the Brazilian BoP (Barki & Parente, 2010). It can well be said that the creation of proximity through the decentralization of plants takes this driving force into account. Consumers evaluate the brand in terms of its local relevance, which is higher when a company is locally embedded. What we already know from the inbound logistics is that localization strategies are responsive to the personal relationship and social inclusiveness aspirations (Barki & Parente, 2010). Thus, this decentralization strategy improves the brand recognition and image on local level and allows the BoP consumers to make positive quality inferences from the brand based on their aspirations, while at the same time perceived risks decrease due to trust building (Teas & Agarwal, 2000; Agarwal & Teas, 2001).

The research revealed further that companies use direct sales to retailers and wholesalers. The latter act as intermediaries that sell the products to formal and informal stores. In fact, the ability to attend informal stores in Brazil and to avoid the inherited risks relies on the usage of wholesalers, as laws inhibit companies from selling directly to the informal sector. In general, the research has shown that companies prefer the distribution of their products to small and medium sized retails, as they represent further distributional reach.

M2:"*Our preference is to sell in the small and medium size retail. Why? Because as a company the negotiation is a lot easier with small and medium retailers and he distributes the products way more than a large retailer. But you cannot completely detach from the large retailer, as he constructs your brand and he buys large volumes."*

Mostly, wholesalers are used to get to these largely dispersed points of sale in the country because they dispose a thoroughly developed structure to get to these places. However, our research also discovered that companies work with distributors instead of wholesalers to distribute their products likewise. The explanation for that is concerned with the lack of focus of wholesalers, as they buy a vast product portfolio from different companies without any individual touch.

M4:*"We don't sell to wholesalers, it is not our strategy. We sell to the 3 big retailers in the country and we sell directly to them. The other retailers in the country are attended via our distributors. This way we can work better our product mix."*

Innovative strategies came up in terms of truck sizes. A company, whose main distribution area is in a large Brazilian city, reduced the size of its trucks and incorporated third party distributors with small vehicles to distribute the product further and in less time. This distribution strategy ensures proximity and availability to the low-income customer. In general, products for the BoP tend to be rather close to the customer, as the BoP population cannot manage large distances.

M2:*"The consumer's wish is to have a good store in their own neighbourhood, but this is not always possible. However, we want our products to be close to the consumer."*

These results show that the distribution strategies used, namely small/medium sized stores and a high level of dissemination of the products through wholesalers and other distributors, have the goal to get the products very close to the BoP consumer, and thus, create customer proximity. Two cues within the Brazilian CPV model are affected by the results drawn from the interviews. First, time, energy and efforts are reduced due to the fact that small and medium sized stores are often within the direct neighbourhood of the Brazilian poor and distances are shortened. Lowering the efforts to realize the purchase of a product leads to the reduction of the perceived sacrifices relating to it and literally enhances the customer perceived value (Teas & Agarwal, 2000; Agarwal & Teas, 2001). Second, the small and medium sized store formats support the development of close and trustworthy personal relationships based on a familiar mutual treatment at the stores where consumers feel well served (Parente et al., 2008). Further, on the basis of personal relationship, which the consumers aspire, the treatment at the stores delivers dignity and a sense of social inclusiveness to the BoP consumer due to the feeling of an equal status, where the consumer counts as an individual and where his needs and preferences are important. So, this distributional approach revealed by the interviews affects the store format cue in such way that when evaluated by the BoP consumer it promises to deliver dignity, social inclusiveness and personal relationship aspirations (Barki & Parente, 2010). Furthermore, this evaluation of the store format increases the perception of product quality while it reduces its perceived risk (Teas & Agarwal, 2000; Agarwal & Teas, 2001).

Within the food processing industry companies need to make sure their products do not decay during the delivery to the clients. Therefore companies deploy high technology within the delivery process, such as acclimatised trucks. The product quality aspect is again an important driver, which demands the companies to look beyond existing structures and invest in the delivery process of the outbound logistics to counteract the volatile conditions at the Brazilian BoP. Additionally, the companies conduct quality audits of distribution and train their distributors according to the special market conditions.

M1:*"Depending on our product and the region we deliver to, we use acclimatised trucks to ensure the product quality."*

M3:*"We are training the distributors [...] and we also have quality audits that are concerned with how the product gets from here to the retailer. This is in the contract, as our products have some quality requirements that cannot be changed and that have to be followed."*

Audits and trainings along the distribution chain are part of the companies' quality commitment of products. These measures help preserve the brand image and reputation at the BoP, when products reach their final destination in good conditions, which leads to positive brand inferences based on the consumers' dignity and social inclusiveness aspirations that the brand image promises to deliver. Hence, the brand is fostered further and its positive evaluation enhances the perception of quality and decreases the perceived risks of buying the product.

4.3.4. Marketing and Sales

Marketing and sales activities are concerned with inducing the customer to buy a product. The research revealed that the private sector undertakes great efforts to make the Brazilian BoP population consume its products. Therefore the companies adapt their marketing and sales processes on different levels. This has mainly two reasons. First, some products are completely new to the BoP consumer and second the consumer hesitates to change brands (Barki & Parente, 2010). As such, marketing and sales activities become extremely important for companies. The research showed that companies are aware of the fact that there is a discrepancy of understanding between the companies' and the BoP consumers' way of thinking.

M5:"*The problem is the elite is doing the marketing strategies and the people who absorb these strategies are the consumers of class C and D. There is the discrepancy."*

The quote illustrates the increased need for consumer insights, which is why the companies strongly rely on consumer and market research. Though this is nothing extraordinary, as this is common practice independent of the market segment, the study reveals certain rather unconventional patterns concerning the consumer and market research at the Brazilian BoP. Interviews showed that the food processing companies increasingly make use of specialized research institutes that have excellent knowledge in conducting research at the BoP. This way the companies ensure informational fidelity. According to the interviewed executives, they make use of these specialized research institutes because they know how to deal with the consumers and keep in mind educational restrictions. Probably the most unconventional pattern here is the use of ethnographic research, where executives go and sleep in the houses of the BoP population for a period of time. It shows success in enabling them to understand the BoP consumers in terms of their habits, how they link to brands and products and how information circulates among them. The companies gradually transfer this knowledge about the consumer to the adaption of their marketing mixes.

M5:*"[...] so with in depth interviews people say what they think they do and with ethnographic research you see what they really do."*

For instance, it has been revealed that the Brazilian BoP consumer has a promotional buying behaviour. Therefore, companies use promotions at the points of sale to increase their sales and win new BoP customers. Thus, companies consider these promotions as highly important to gain the consumers' attention. However, we have to say that promotion in this context has nothing to do with price reductions, but rather focuses on providing product samples and tastings.

M3:*"Promotion at the point of sale is important. We can even measure this, that action at the point of sale increases sales significantly."*

The principle of promotion strategies at the point of sale is to attract the consumer at the Brazilian BoP. Direct contact with the BoP population is established at the stores. The consumer appreciates this personal relationship, which is reflected by the brand. Hence, promotions add a sense of proximity to the brand. Eventually, as the perception patterns of our CPV model depict, the Brazilian BoP consumer evaluates the brand according to this proximity, which attends his personal relationship aspirations, as well as it delivers social inclusiveness and dignity longings due to familiar treatment (Parente, 2008; Barki & Parente, 2010). Hence, promotion strategies can be said to support the brand identification, which positively impacts the perception of product quality and further reduces the perception of risks (Teas & Agarwal, 2000; Agarwal & Teas, 2001).

Furthermore, companies do adapt their communication processes as part of their marketing and sales activities within their value chains. The task of communication is interestingly not merely restricted to advertising messages, but consists of educational aspects, too. It is a result from existing educational gaps of the Brazilian BoP population that need to be reduced on the long run so that they can understand the benefits of more sophisticated food products. Therefore marketing strategists of the companies differentiate the communication towards the BoP consumer.

M2:*"There are educational problems. This social class doesn't write very well, you cannot give them a long text to read."*

M4:*"[...] there is a gap in knowledge about the impact and benefits of healthy alimentation on their lives. It's a big challenge for the government and for us to educate this population in this regard."*

As such, advertising messages and other communication aiming at the Brazilian BoP consumer is held simple to respond to the educational drawbacks. In order to make messages understandable for the BoP consumer companies rely on images, use simple language and make a very direct statement that can easily be understood.

M3:*"Our advertising messages are very simple with a lot of images and a very simple language, very direct, because they don't have the capacity to absorb a lot of information in one moment. So, all of our communication material has to be simple and direct."*

The transmission of the advertising messages, or the communication channels used for the BoP consumer segment, are mainly radio and TV. In addition to that, the interviews showed that companies strongly rely on lively packaging as a communication channel, whereas nearly all the communication aims at women (housewives), since they make the decisions regarding the food purchases. Images on packaging and on TV are adapted according to the consumer group to differentiate the brand and create identification with it, whereas advertising and communication has a rather audio-visual character, which does not include intense reading.

M2:*"This consumer, especially in the northeast, has a media with high penetration, which is radio. So, we access a lot of consumers by radio. TV too. But look, the consumption of radio in the rest of Brazil is much lower than in the northeast. These consumers, when cooking…or when working as a cleaning women they put on the radio and nearly spend the entire day listening to the radio. So it's a very important media for us. Newspapers and these things they don't read. So, we use radio and TV. And the local media in the stores, like microphone announcing a promotion."*

The communication strategies, including advertising, have a very manifold character. Their diversified approach creates a high level of brand proximity to the Brazilian BoP consumer and a steady presence of the brand and company within the consumer's direct environment, whilst acknowledging the consumers deficits to grasp the messages. Thus, these corporate marketing strategies have the objective to differentiate the brand while enabling the consumer to identify with it. The identification with the brand results in a sense of proximity, which inherits dignity and social inclusiveness aspirations. According to the evaluation mechanisms of the customer perceived value model the brand is evaluated based on these promises, resulting in the increased perception of quality and a lowered perceived risk in psychological and social terms (Teas & Agarwal, 2000; Agarwal & Teas, 2001).

Advertising messages transmit values that have a local spirit. Sponsorship of popular events, tastings and samplings at the point of sale are named as initiatives to promote a product and brand, to communicate directly with the low-income customer and to create local relevance. To properly implement these intentions into action, we found that sales strategies are focused on small and medium sized retails. The use of wholesalers helps in this regard to get the products even to informal vending sites, which account for a large proportion to reach the Brazilian BoP. Hence, indirect sales play an important role for the food processing companies to access the majority of the Brazilian low-income consumers.

M7:*"Without any doubt our channel strategy to be in small retails is important. It's to ensure the availability and proximity to the BoP consumer, so that he can encounter the product. This is another opportunity, we are improving this in Brazil, but it's difficult, as logistics are very expensive."*

M3:*"[...] because we don't have a structure to put our products everywhere, so we sell to wholesalers, as they have this structure to reach the vendor on the street, bakeries and so on."*

Sales strategies, namely advertising and sponsorship, are traversed by a very local touch. This localization is supported by the rigorous focus on small and medium sized retail formats with the goal to cover a wide range of the Brazilian BoP population, as we already mentioned before. Again, the brand is the principal recipient of the strategies' effects. As such, the companies enhance their brand's proximity to the BoP through the creation of local brand awareness and connecting local values to it. This is further supported by the small and medium sized stores. Within the CPV model, these strategies cause the Brazilian low-income consumer to make positive inferences from the brand in terms of dignity and social inclusiveness (Teas & Agarwal, 2000; Agarwal & Teas, 2001). Additionally, the store format attends both the consumers' preference for personal relationships and abundance at the point of sale, due to its rather small size, and supports the dignity and social inclusiveness aspirations accordingly. Hence, our value perception patterns of the CPV model suggest that the cues brand and store format are positively assessed by the Brazilian BoP consumer based on their aspirations. Again, the same modes of action are to be applied according to Teas and Agarwal (2000) and Agarwal and Teas (2001), which suggest a positive impact on perceived quality and a further reduction of the perceived risks of the product.

According to the interviews, pricing strategies are balanced. The products for the Brazilian BoP are not expensive, but they are also not cheap because quality perceptions relate to prices. However, affordability is quite important at the Brazilian BoP and therefore packaging plays an important role, as sizes and costs of packaging are reduced to benefit the low-income consumers.

M1:*"[...] our competitors are more or less in the same price range. There are some with a better price, but without quality, so they are not comparable to us."*

M6:*"The attributes of a product at the BoP have to rely more on coverage and affordability without compromising quality."*

These strategies focus on the price within the CPV model. Since the results support the idea of balanced price strategies and prices are assumed to correlate with product quality (Agarwal & Teas, 2001), Brazilian BoP consumers assess this cue by making inferences from the price. A balanced price strategy allows them to expect that their dignity and self-esteem aspirations, as well as their preference for social inclusiveness, which they want to achieve through the purchase of a product, is not jeopardized because the results show that companies do not apply discount prices at the Brazilian BoP. Though the perceived monetary sacrifices are not alleviated, this pricing strategy ends up in increasing the perceived quality and reducing the perceived risks of the product. Additionally, as we stated earlier, the effect of the brand within the customer perceived value model is augmented (Teas & Agarwal, 2000; Agarwal & Teas, 2001).

In general, marketing strategies change to BoP particularities, but their structure remains the same as in other income levels. That means an adaptation to the Brazilian BoP consumer exists. Marketing and sales activities of the companies consider to a large extent the values of the Brazilian BoP population and their individual characteristics, such as low educational levels. Nevertheless, consumption patterns at the Brazilian BoP change over time due to increasing incomes. The research has shown that the companies know that and try to respond to these continuous changes by adjustments of their marketing strategies via continuous and effective consumer research.

4.3.5. Service

Service activities create value by additional offers or intensive customer care, such as after sales service. It is widely known that in Brazil certain industries with high acquisition costs do offer credit payment services to their customers. In the food processing industry this is rather uncommon, as the relatively low costs for the final products do not provide the needed amounts to establish such service. However, in one interview we found that special payment offers are granted to the final customer from the BoP. This allows creating strong bonds between the customers and the brand. As it turned out, this service is highly related to sales at informal points of sale.

M6:*"[...] besides the affordable product itself, we offer special payment conditions as additional service."*

Another service offer, much more common, is the training. Several companies revealed that they offer classes to teach the low-income consumer how to process the product and what meals to cook with the products.

M1:"*There is a cooking teacher giving classes in some place for the customers and for participation you have to show the receipt or the packaging. Then you can participate in the cooking class, 1 or 2 hours, learning how to make the New Year's turkey."*

An interesting fact that has been revealed by the interviews is that companies provide customer service through hotlines and even Internet. Even among the low-income class the access to Internet in most areas of the country is assured by Internet-Cafés. Any problems and concerns regarding the product can easily be communicated to the company. The companies themselves use these services to create proximity and as a research tool.

M7:*"We have our customer service hotline to attend the customer well. There we learn a lot about the customer."*

M1:*"We use social media even at the BoP to learn about the customers and to provide them with an additional service."*

Cooking classes and teaching of product processing happens on site at the points of sale. Companies use this approach to create additional product value, but they also make use of it as a marketing instrument in order to gain further knowledge about the consumers.

Hence, the service aspect for food products at the Brazilian BoP is quite developed considering the possibilities for additional service offers for food products. Companies create strong bonds between the brands and the consumers and develop local proximity through the continuous direct contact with the final customer at teaching events. Additionally, service hotlines and Internet services provide them with valuable customer insights.

In terms of the value perception patterns of our customer perceived value model the implementation of these service strategies adds value to both the brand and store format. Accordingly, consumers evaluate the brand and store positively, as they connect them with these extra services that, due to their nature, strongly relate to the consumers' most imminent aspirations of dignity, social inclusiveness and personal relationship. Again, we find that the CPV model suggests that perceived product quality is enhanced and perceived risks are diminished.

4.4. Discussion of Findings

The relevant theoretical frame of references has been considered with the purpose to develop a clear understanding of value, how it is perceived, how it relates to purchasing decisions and how it is influenced by primary value chain activities. Existing knowledge about BoP markets has been used to create a specific understanding of the Brazilian BoP market, including his consumers. Further, we elaborated the customer perceived value model (see figure 4) in order to enable ourselves to reveal the modes of action and the impact of the corporate strategies of different value chain activities at the Brazilian BoP and this way test their value creating potential. The analysis of the gathered data according to the value chain framework and CPV model, and the results emerging from it was based upon these approaches. These results allow us to identify major conditions that are associated with generating a value proposition that contributes to a positive customer value perception at the Brazilian Base of the Pyramid, and thus, lead us to determine key strategic positions for value creation.

Accordingly, with the purpose to answer the research question, the findings of strategic directions of primary value chain activities and their impact according to the CPV model need to be discussed, helping to draw a connection of the concepts of customer value proposition and Brazil-specific customer perceived value. It is important to draw significance to these results as we interpret them in order to understand their properties and dimensions.

Consistent with the analysis of the interviews, we were able to construct a summarising overview of the results in Table 6, connecting the encountered strategies of primary value chain activities of food processing companies at the Brazilian BoP with the cues of the Brazilian customer perceived value model of Figure 4, including which consumer aspirations are addressed within each of the activities. It is worth to mention that throughout the research we found that (country of) origin and brand are very interrelated, which is why all the strategies affecting the origin of a product are also affecting the brand and are reflected by the brand name, image and reputation. That is why we did not include origin separately from brand into this table to avoid reiterations.

Table 6: Results Summary

	Brand	Store Format	Time, Energy and Efforts	Price	Physical Product Attributes	Implications of strategies on consumer aspirations
Inbound Logistics	• Relying on known suppliers • Supplier adaptation as part of localization strategy • Incorporation of new suppliers for packaging	-	-	• No switch to cheaper inputs	-	The results show that the strategies of inbound logistics address dignity, social inclusiveness and personal relationship aspirations through the cue brand and price.

	• Quality Commitment: - Audits of suppliers - Strong relationships • Basic input materials for product retained					
Operations	• Local production • Maintaining core operational processes • Remaining within area of expertise	-	-	• Reducing packaging size • Leveraging economies of scale	• Adaptation to local tastes • Reducing packaging size	The operations strategies address dignity, social inclusiveness, personal relationship and abundance aspirations through the cues brand, price and physical product attributes.
Outbound Logistics	• Deployment of high-tech within delivery process • Decentralization of plants • Quality audits and training of distribution	• Preference for small and medium sized retails: - Direct sales - Wholesalers - 3rd party fleets - Smaller vehicles	• Preference for small and medium sized retails: - Direct sales - Wholesalers - 3rd party fleets - Smaller vehicles • Product availability	• Reducing distribution costs	-	Outbound logistics have shown strategies that address dignity, social inclusiveness and personal relationship aspirations through the cues brand, store format, time/energy/efforts and price.
Marketing and Sales	• Advertising messages that appeal to the local consumer • Simple messages • Sponsorship of local events • Product promotion at point of sale (consumer contact) • Inclusion of local consumer values into ads and communication • Using communication channels with highest reach among BoP consumer group • Lively packaging • Consideration of educational drawbacks: - Audiovisual character of ads and communication	• Integration of point of sale into advertising and communication process • Sales promotion	-	• Balanced pricing strategy	-	Marketing and sales strategies address dignity, social inclusiveness, personal relationship and abundance aspirations through the cues brand, store format and price.
Service	• Special payment terms • Providing product training • Service hotlines • Internet After Sales Service	• Training at point of sale	-	-	-	Service strategies revealed that they address dignity, social inclusiveness and personal relationship aspirations through the cues brand and store format.

Source: Own Source

Everything we have outlined regarding the results in this study relies on the premise that the habits, preferences and the behaviour of the Brazilian low-income consumers are known. Based on the data analysis and the depiction of the strategies' impacts according to the Brazil-specific customer perceived value model several strategic positions of the food processing companies can be summarised, which have been found to contribute positively to the perception indicators and enhance the overall customer's value perception, since those positions appeal to his most salient aspirations and urges. These strategic positions generate the value proposition for the Brazilian Base of the Pyramid, and they have demonstrated to be responsive to consumer expectations, which is why they can be assumed to contain conditions necessary to cope with low-income consumer satisfaction.

The results accentuate a clear quality position of corporations due to the fact that measures are taken, which strengthen several cues that both subjectively and objectively contribute to quality standards and their perception as proposed by Dodds et al. (1991) and Agarwal and Teas (2001). Hence, our findings promote the idea that the food processing companies at the Brazilian BoP have a strong quality commitment reflected through the performance of their distinct primary value chain activities. It is vital for food processing companies at the Brazilian BoP to show high concern with all value chain activities in order to handle quality standards and positively influence the consumer's perception of such. This strategic quality position has found to be essential for value creation at the Brazilian BoP, since it helps to create value for the consumer by serving dignity and social inclusiveness aspirations, as the results have shown, and this way contributing to the creation of a positive overall customer value perception. This strategic positioning of companies at the Brazilian BoP is coherent with the findings of Wright and Spers (2008) that emphasize the fierce quality concern of corporations operating at the BoP and is in line with the strong preference for quality products among the Brazilian BoP population, which is reflected by the strong dignity and social inclusiveness aspirations, as Prahalad (2005) and Barki and Parente (2010) suggest.

Further, the results enable us to derive a distribution position geared to small retails, small vehicles and a decentralized multi-channel distribution mix, which impacts mainly the cues brand, store format, time/energy/efforts and price. This strategic profile of the researched companies agrees with the proposition of Anderson and Billou (2007), where distribution strategies at the BoP are conducted with the premise to ensure availability and reduce the costs to serve the market. Our study found that, considering the infrastructural problems in Brazil and the wide dispersion of the BoP population across the country as delineated by Arnould and Mohr (2005), the small-scale and decentralisation approach has the goal to circumvent these problems, which coincides with the proposition of London and Hart (2004), who suggest that small-scale and decentralised initiatives make more sense in low-income markets. As the results have demonstrated, this mantra of the distribution position enhances the perceived benefits of the product from the perspective of the Brazilian low-income consumer, because it addresses the aspirations of dignity, social inclusiveness and personal relationships by being more proximate to the consumer and allowing him to start consumption of new products that are suddenly within his geographic and economic reach. Accordingly, the distribution strategies comprise approaches that contribute to the value creation at the Brazilian Base of the Pyramid, as they satisfy at least some of the consumer expectations.

Another strategic position that can be mentioned here is advertising and communication. The study has shown that the cornerstones of advertising and communication strategies are simplicity, local orientation, audiovisual character and the use of communication channels with highest penetration among the Brazilian low-income consumer segment (e.g. TV and radio). Further it revealed that promotions at the points of sale are used to engage in face-to-face contact with the low-income consumer. By considering local necessities and idiosyncrasies, companies generate again a sense of proximity and create a bond with the consumer. These approaches address dignity, social inclusiveness and personal relationship aspirations of the low-income consumers and contribute therefore to the value creation at the Brazilian BoP market. According to our results, all of these actions are taken to strengthen the brand cue and contribute to the value perception of the consumer by establishing brand differentiation and enable the Brazilian low-income consumer to identify with the brand and get him to finally purchase the product. While Wright and Spers (2008) suggested that though companies are concerned with brand differentiation at the Brazilian BoP they would not invest heavily in media communication to achieve this, our study draws a different picture, as we found companies to be very concerned with using distinct media channels to distribute their advertising messages and communicate with the BoP consumer that is responsible for the purchasing decision. These investment efforts in terms of advertising and communication might be explained by the behavioural characteristics of the Brazilian low-income consumer according to Barki and Parente (2010), who found that getting the consumer to switch products and breaking his brand loyalty is very difficult, assuming major marketing efforts, not just price, to make the consumer consider other alternatives.

Our results suggest that companies operating at the Brazilian BoP are further characterised by two very interrelated strategic positions that determine their value chain activities, pricing and costs. It has been found that the researched companies pursue a balanced pricing approach, which underlies target-oriented cost cutting strategies and investments, especially found in the field of distribution (e.g. decentralization) and in terms of production (e.g. efficiency and use of scale). This is consistent with the findings of Wright and Spers (2008) that found in their study a corporate pursuit of lower cost positions at the BoP. However, our findings regarding the pricing position disagree with Wright and Spers (2008). We found that companies do not prioritise price points as the main competitive factor at the BoP, which corresponds with the idea of D'Andrea and Lunardini (2005), where low-income segments exist that are not primarily driven by prices. Companies show high concern with achieving the balanced optimum where products are not so cheap that it could jeopardize the brand and not too expensive for the BoP consumer, always under the premise to make brand products affordable for low-income consumers. As the results have outlined, this creation of affordability responds to the deeply anchored consumer aspirations of gaining dignity and feeling socially included through the ability to purchase a brand product. That is why the strategic pricing and cost positions of the companies are important approaches of value creation.

The next strategic position to be highlighted is localization. From the results we know that companies apply strategies to establish local embedding and relevance both product-related and geography-wise, which gives the brand as a whole a local touch that has been found to connect to the consumer aspirations. Due to London and Hart (2004) the capacity to become locally embedded is needed to be successful in low-income markets. The reason is, as we found, that localization strategies enhance the sense of proximity and create trust among the low-income consumers, what in turn contributes to a favorable value perception, since dignity, social inclusiveness and personal relationship aspirations of the low-income consumers are served by these localization approaches, who have found to mainly impact the brand and physical product attributes cue.

The final strategic position that we can draw from the results is service. Companies have been found to apply measures that on one hand provide support and on the other hand ensure a continuous exchange of information between consumers and companies. Nevertheless, the services provided have not been very sophisticated in terms of the product itself, but seem trying to foster proximity, and thus, appeal again to the consumer's aspirations of dignity, social inclusiveness and personal relationship. That is why service strategies add this sense of proximity to the brand. Further, the range of services companies provide is rather small at the BoP. These results are in line with the findings of Wright and Spers (2008), who found that only basic services are provided by the companies at the Brazilian BoP.

The nature of these strategic positions suggests that they are closely aligned with the BoP 2.0 approach that Simanis and Hart (2008) stressed. They go beyond the simple selling to the poor paradigm (BoP 1.0) and show rather a tendency towards mutual value creation (BoP 2.0), such as the corporate localization approaches and the educational aspect of advertising and communication strategies suggest.

5. Conclusion

This study was set out to explore corporate strategies among the primary value chain activities of companies operating at the Brazilian Base of the Pyramid (BoP). We took a look at the strategies' roles and their contribution to value creation through their influences on the Brazilian customer perceived value. Strategies achieve consumer satisfaction and contribute to value creation if they are consistent with existing consumer preferences and aspirations. For that purpose we identified low-income consumer values and connected them to the influences of the revealed strategies of primary value chain activities, as revealed in the interviews, through the elaboration of a Brazil-specific customer perceived value model, which tested the value creating potential of the strategies.

Yet, although the importance of understanding low-income consumer expectations and values, as well as being responsive to them, is widely discussed among BoP literature, it lacks on providing further and more detailed knowledge for practical application. Due to their restricted knowledge about the BoP and its consumers, companies take a quite cautious approach to this market segment so far. This study is based on existing scientific gaps, as literature has been inconclusive on the vital questions, such as "Which strategic conditions are necessary to firms' value chain activities in order to generate a customer value proposition matching the consumer aspirations that contribute to a positive evaluation of customer perceived value at the Base of the Pyramid?", that this research seeks to answer. By disclosing corporate strategic positions, whose approaches build the value proposition and have been found to contribute to a positive product value perception of the customer at the BoP, this study contributes to the scientific and practical knowledge about the Base of the Pyramid phenomenon.

The findings we provide show that satisfaction of the specific consumer preferences and aspirations at the Brazilian Base of the Pyramid is achieved through the approaches of six strategic positions. These strategic positions (e.g. quality, distribution, advertising and communication, price and costs, localization, service) are the result of the performance of the entire primary value chain activities of firms, compose the customer value proposition for the Brazilian BoP market and allow portraying several conclusions on value creating business strategies at the Base of the Pyramid.

From the discussion of our findings it can be concluded that the strategic positions, both individually as well as in their entirety, are designed to create conditions that are highly responsible for the satisfaction of the Brazilian low-income consumers' expectations, as these conditions address the preferences and aspirations of the consumers.

The found strategic positions develop strong bonds and a continuous contact with low-income consumers, both consciously and subconsciously. The main reason for this alignment are the consumer preferences and aspirations, because a closer look on the results demonstrates that satisfaction of the consumer's main needs, described through dignity, social inclusiveness, personal relationship and abundance, is closely linked to the development of a sense of proximity.

Although not entirely, the strategic positions show approaches that move away from centrally developed solutions and are rather based on the principles of decentralisation and localisation. The generation of these conditions allow concluding that companies take into account and try to counteract the fragmentation of the Brazilian BoP market through these approaches. In turn, better product solutions with greater personalised value can be provided to the low-income consumers, which enhance his satisfaction accordingly.

Further, we propose that obtaining product affordability through enabling reasonable pricing for the Base of the Pyramid is another underlying design premise of the strategic positions. On the one hand smaller sizes and cost cutting approaches are needed, but on the other hand we found that the efficient use of existing capacities and the ability to leverage economies of scale are necessary for creating affordable prices at the BoP. From this point of view product affordability is a premise, which is reflected by all the strategic positions to ensure its achievement.

Another conclusion drawn from the discussion of the findings is that the design and orientation of the strategic positions underlie the premise of enhancing subjective and objective product quality at the Brazilian Base of the Pyramid. The quality commitment of the companies is mainly based on the fact that quality is a principal driver for the consumer's buying decision. The study shows that all of the strategies of the primary value chain activities somehow contribute to the creation of quality, mostly on subjective level, by fostering the brand.

According to this study the strategic positions of quality, distribution, advertising and communication, price and costs, localisation and service, which have been derived from the primary value chain activities, recognise and respond to existing consumer expectations and aspirations. The discussion of these findings promote the idea that the value creating potential of the strategic positions depends on the achievement of creating conditions of strong bonds and continuous consumer contact, decentralisation and localisation, affordability and quality. This shows that companies are aware of the consumer preferences that influence the consumer's purchasing decisions, because these conditions essentially reflect the Brazilian consumer preferences and aspirations that we have shown. As such, the creation of strong bonds and continuous consumer contact, decentralisation and localisation, affordability and quality among strategies of primary value chain activities is a necessary premise for the generation of a value proposition that underpins a favourable value perception, as it matches with the consumer's

expectations and enhances consumer satisfaction. For generating consumer satisfaction at the Brazilian Base of the Pyramid the creation of these strategic conditions is necessary.
Hence, it can be concluded that value creating business strategies at the Brazilian BoP require corporate business models, whose approaches and strategies align themselves to the achievement of the strategic conditions of strong bonds and continuous consumer contact, decentralisation and localisation, affordability and quality.

With regard to the practical application of the study, companies are able to review their primary value chain activities and compare the conditions their strategies create at the Base of the Pyramid with the ones presented here as necessary to create value for the consumer. This might allow companies to recognise further value creating potential. Additionally, this study provides completely new insights that can make firms rethink their BoP business approaches in place. Managers receive interesting ideas regarding strategies on different levels of the primary value chain. These findings can help to lower the barrier to market entry at the BoP, especially in Brazil, as companies gain knowledge about the market, the consumer, and the way the consumer makes up his buying decision for a product.

The implications on academia of this research are mainly referring to contributing to the existing knowledge base. As a research like ours has not been conducted yet, the knowledge and theories generated can be assumed to enhance current understanding of the BoP phenomenon. Further, the ideas provided here and the approaches used may encourage academia to use this research as a starting point for further research, taking this research to another level, trying to prove the findings on necessary strategic conditions or willing to refute what has been found here.

Due to the exploratory nature of the research this study disposes some limitations that must be mentioned. First, the Brazilian Base of the Pyramid market has very specific characteristics, like the wide dispersion of the population or the low-income consumer preferences and aspirations we used for this study, reflected by the four parameters. These BoP market and consumer characteristics are unlikely to be the same in other countries. Likewise, the food processing industry disposes unique characteristics compared to other industries at the Base of the Pyramid. These very specific approaches of our study make it hard to extrapolate theories that would fit also BoP markets in other countries, as well as other industries and might limit therefore the applicability of our findings in general terms.
Another limitation of this research arises from the fact that no data measuring the success of the involved companies has been included in this study. This might restrict the findings and drawn conclusions. As a result of the performance of primary value chain activities we found strategic positions that contribute to consumer satisfaction at the Brazilian BoP, but no information has

been integrated that represents the success of the companies, especially in economic terms, which could be related to the strategic positions.

Further, the Brazilian BoP market extends throughout the entire country. This means that also companies acting at the Brazilian BoP market are scattered all over the country. However, the scope of this research allowed only including a small portion of companies with their Brazilian headquarters in the area of São Paulo. This poses some limitations to the depth of the research, because the companies do not present a cross-section of the entire Brazilian BoP market.

Future research could take on this approach towards the BoP phenomenon in Brazil and include other industries to get a thorough cross-industry picture of the conditions that apply to the value chains at the Brazilian BoP. Based on the outlined limitations this research could be expanded to other countries with BoP markets as well, to dismiss the country-specific bias and allow for a general theory building regarding BoP value chain activities and strategic positions that contribute positively to the customer perceived value creation.

Further, the Customer Perceived Value model proposed in this research is based on the idiosyncrasies of the Brazilian low-income consumer, which is reflected in the model by the four parameters that show the Brazilian low-income consumer preferences and aspirations (e.g. dignity, social inclusiveness, personal relationship, abundance). Although the rest of the model (e.g. cues and perception indicators) is the same everywhere and not country-specific, a change of the parameters that represent the BoP population's preferences and aspirations has to be applied to meet the individualistic character of other countries' BoP markets. Another option is creating a generalist approach by integrating general overall valid BoP consumer attributes that can be assumed to be, at least partially, different from the ones presented in this study. This way, the CPV model could be conceptualized for the BoP market concept in general, allowing for an analysis of the general BoP customer perceived value.

Additionally, future research could focus on correlations between the strategic positions of value chain activities and the success of companies at the Base of the Pyramid. This way, strategic positions can be filtered and a distinction between relevant positions for success and none relevant could be applied.

Another option for future research is a quantitative analysis of the Customer Perceived Value model with the objective to create a better understanding in which way it applies to BoP markets and how the modes of action work.

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Appendix 1 – Invitation Letter

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Interview for empirical research on:

Value creating business strategies at the Base of the Pyramid
Assessing a customer perceived value approach via value chain activities within the Brazilian food processing industry to suit low-income consumer preferences

Dear Sir or Madam,

Probably you are very busy with your daily corporate work. That is why I highly appreciate the time you devote to this matter. Assuming you are not familiar with the details of my research project, I want to give you a brief introduction to what this is all about. But first, who am I? I am Daniel Krause, a German student from the University of Twente, who has the gladly appreciated chance to do research for his master thesis in Brazil with the support from Prof. James Terence Coulter Wright and Prof. Renata Giovinazzo Spers from the Faculty of Economics, Business Administration and Accountability of the University of São Paulo (FEA-USP).

Personal Facts:

- Master Student at the University of Twente (Enschede), Netherlands
- Field of Study: Business Administration with focus on International Management
- Experience in Brazil: 11 month study exchange at FEA-USP in 2007/2008 in Brazil

Recently companies see themselves more and more faced with saturated middle – and upper class markets, which is why they turn increasingly to lower income markets. The idea gained momentum as scholars included low – income markets into their research areas. Concepts of the Base of the Pyramid (BoP) came up, referring to the low – income market and its consumers. Such concepts stress the opportunities at the BoP for both companies and consumers as company growth and profits might be integrated with poverty alleviation at the BoP. At the same time doing business at the BoP is challenging as well, since the underlying conditions are totally different compared to developed or high income markets and therefore require different strategic approaches. Most research on such differences lacked relating them to corporate practices.

My objective is to address this academic gap and conduct a challenging research project, whereas the deliberate focus is on companies from the food processing industry with business operations at the Brazilian BoP. The research accentuates corporate value chain activities at the BoP in order to create a valuable product for the BoP customer and ensure customer satisfaction by meeting the particular customer value perceptions. I hope to get you on board and make you participate in this interesting research project by granting a personal interview, where I will ask you particular semi-structured questions in order to make a comprehensive analysis of the relationships and its influences. The results will help to gain a better understanding of how companies adapt to low – income market characteristics and low – income consumer behaviour. It will shed light on the question to what extend value chains have to be restructured in order to conduct successful business in low – income markets on the long run. The objective is to enhance theoretical and practical knowledge within the relatively new field of doing business with the poor. In fact, the participation of companies like yours is very important to be able to reach these objectives. As such, I would highly appreciate your willingness to devote me some time and to be part of this interesting research project. Gladly, I will send you a detailed review of the results of the research project, if requested.

Yours sincerely,

Daniel Krause

Note: *All data collected during the interviews will be treated confidentially. The data is for research purposes only and will not be forwarded to third parties. The data analysis is done anonymously and no company names will be revealed.*

Introduction to the Research Project

In my research I am focusing on the Base of the Pyramid (BoP) consumer values and its influences on the value chain of companies from the food processing industry. I want to accentuate in which way there do exist linkages between the particular value expectations of the Brazilian low – income consumers and the company's value chain activities in order to do business with and sell to those consumers. In fact, I am interested in where do value chain alterations exist, if any, and how they contribute to the creation of value that meets the customer value perceptions at the Brazilian BoP. The research will shed some light on a rather untouched area within BoP research and contribute to the knowledge on business strategies for the low – income markets.

Why Brazil?

According to several studies Brazil has a large contingent of people living at the Base of the Pyramid (BoP) or in other words within the classes C, D and E. Due to this large low – income consumer contingent Brazil makes up a very useful research ground, where research will lead to valuable results that will contribute to the theoretical and practical knowledge likewise.

Why Food and Beverage Companies?

First, food and beverages are a basic need for consumers independent of their economic status. Hence, BoP consumers cannot avoid buying food and beverages in order to save money for other purposes. Second, studies support this view by stressing the high percentage of income spending on food by low – income consumers. Further, by focusing on just one industry results can be better compared, as the companies face the same industry challenges.

Why Interviews?

The research aims to generate new knowledge about the BoP phenomena and its influences on the corporate sector, thus, the research a discovery driven exploratory research. From a methodological perspective a qualitative research fits best such purpose. The tool applied is the semi-structured interview to ensure an open conversation. This approach allows generating a dynamic conversation where new topics, questions and insights arise throughout the interview.

Appendix 2 – Semi – Structured Interview Template

Interview Questions on Doing Business at the Brazilian BoP	
Company Name	Product(s)/Brand and Segment
Name of Interviewee	Date and Duration of Interview
Position of Interviewee	Remarks

The Base of the Pyramid Market related questions

1. Please **define the BoP market** and the important characteristics of the market itself.
   - ⇨ What are location characteristics your face?(e.g. urban vs. rural)
   - ⇨ How is the institutional environment seen? (e.g. weak legal enforcement and less enforced property rights, competition, informality)

2. Please stress the specific **consumer characteristics** at the Base of the Pyramid from your point of view.
   - ⇨ What is the purchasing power of consumers?
   - ⇨ Characteristics of buying and consumption behaviour?
   - ⇨ What are the values they share? (e.g. personality, regional culture, traditions, consumer skills, habits and opinions, **consumer needs**, etc.)

3. Please describe the **progress of your company** within the BoP market since you entered it?
   - ⇨ How long are you at the BoP market?
   - ⇨ (e.g. market share, profits (break – even point), motivations, opportunities and challenges)
   - ⇨ How is success measured? By Return on Capital Employed (ROCE)? If so, where is the success threshold?

4. Before you entered the BoP market, did you conduct **market research** to evaluate the risks and opportunities of the market? What were the outcomes of the market research?
   - ⇨ Did the opportunities overweigh the challenges/risks?

5. Please tell us about which **obstacles** did you overcome and which ones are you still facing?

6. Did your **company internally change**/show special characteristics that represent the devotion to the BoP market?
   - ⇨ Did you install a special department/unit that exclusively deals with BoP matters?

Inbound and Outbound Logistics related questions

7. Please describe your **inbound logistics** to get input material for your Base of the Pyramid product(s).
   - ⇨ Are they adapted? If so where in particular? (e.g. reception of material (ex. Just in time), warehousing the inventory etc.)
   - ⇨ Are you able to bargain low costs? If so, why is that? (e.g. economies of scope and scale)

8. Do you have **strategic suppliers** that are essentially important to the ability to create the value desired in your product(s) for the Base of the Pyramid?
   - ⇨ If so, please describe in short the characteristics of these suppliers (e.g. size, local vs. global etc.)
   - ⇨ Are they different from strategic suppliers for products you sell in other markets?

9. Please describe your **outbound logistics** to get product(s) to the end consumer at the Base of the Pyramid.
   - ⇨ Do you rely on unconventional forms to get the product to your customer?
   - ⇨ What kind of retail formats do you have to use? (e.g. large stores or micro-vendors)
   - ⇨ How do the outbound logistics for the BoP differ from other markets?

10. Which of the BoP market conditions create difficulties to make products **available** to consumers and have you created alternative methods of delivering products to overcome these difficulties?
    - ⇨ Do you try to minimize the efforts for consumers at the BoP to get to your product? (e.g. proximity of point of sale)
    - ⇨ Do you make use of partnerships (e.g. local partnering) to ensure proper access to the BoP consumers?

11. Please describe, if you intend to improve **subjectively driven quality** perception by the use of particular **retail formats** at the Base of the Pyramid?
    - ⇨ If so, what retail formats and why?
    - ⇨ Do you focus on certain store formats as quality drivers?

Operations related questions

12. Please describe in short the production process (**operations**) to produce the product(s) you sell to the Base of the Pyramid.
    - ⇨ Did you make special adaptations? If so, where and why?

13. What role does **packaging** play for BoP products?
    - ⇨ Change of sizes or structure?
    - ⇨ Different texture?

14. Please describe to what extend **new machinery** for the production process has to be used in order to create the product(s) for the BoP.
    - ⇨ Are there special machines for a particular (BoP) production process in use?

<u>Business and Marketing Process related questions</u>

15. How do you fill in gaps in the ecosystem - *suppliers, distributors, services and complementors* - to make products **available**?

16. Please describe in which **pricing** tier are your products placed within the Base of the Pyramid.

⇨ Where is the pricing level compared to competitors?

⇨ Are you within the upper, middle, lower pricing tier within the BoP market?

17. Please describe the strategies you have developed to make your products and services more **affordable**?
    - ⇨ Did you reduce costs? If so, where?
    - ⇨ Did you try to increase PPP of the BoP consumer by allowing access to credit or create a different paying system? (e.g. flexible payment terms, informally at the point of sale)
    - ⇨ Did you innovate your product(s)? If so, in what way did innovation take place?

18. Are the products, you are selling to the middle and high income markets easily **accepted** by the BoP consumers or do you have to change them or even develop totally new products to meet their needs?

⇨ Do you feel your product(s) need **improvement** due to consumers' discontent?

⇨ If there is discontent by consumers, where does it relate to? (e.g. functional)

⇨ Do you have a constant communication with the consumers at the BoP? If so, how is this communication structured?

19. Which special attributes, in your opinion, make a product or service more and which ones less **acceptable** to the targeted consumer?

⇨ Do you aim to provide a higher social status and self-esteem to the consumer at the BoP?

⇨ Does your product promise inclusivity? If so, why? (Inclusivity and social status creates "RELEVANCE")

20. Please describe the **quality** attributes your product(s) offer to the Base of the Pyramid consumers.

⇨ Do you focus on objective attributes solely? (e.g. functionality, taste etc.)

⇨ Does the product consider subjective aspects of perceived quality?(e.g. brand, retail formats)

⇨ Does pricing (product imaging) play a role? (e.g. too cheap, considered low quality…)

21. Please describe the most common **complaints** regarding your product(s) from Base of the Pyramid consumers.

⇨ If they complain, about what exactly?(e.g. objective and/or subjective quality)

⇨ How do you receive these complaints?

22. Please name examples on communication channels you are using to create **awareness** of your product among the Base of the Pyramid consumers?

<u>Service Activities related questions</u>

23. Please describe additional **services** that you offer to the Base of the Pyramid consumer along with your product(s).

⇨ If so, what kind of services do you offer to the BoP consumer to enhance the value of your product(s)?(e.g. training, after sales service)

Appendix 3 – Example of coding process (Communication)

Information	Codes
Not much use of internet among BoP consumer group	Communication
Educational problems -> few writing and reading ; more physical and oral contact when conducting research about the BoP consumer	Communication/Research
Promotion at the point of sale and via media to get the BoP consumer to change the brand/product	Promotion/Communication
Transferring advertising messages mainly by radio (sometimes by TV)	Communication
Advertising on site in the stores (announcements per microphone)	Communication
Women (housewives) are the main audience of advertising messages -> they make the decisions regarding food and make the purchase	Communication
Transmitting of values by packaging and communication -> showing local identification	Packaging/Communication
Regional elements in the advertising material	Communication
Explanations of the advantages of healthy food have to be made understandable for the BoP	Communication
The brand is not in the media	Communication
Communication of social commitment (CSR) to get incentives from the government	Communication
Constant communication with final customer -> using social media (twitter) to learn about the customers	Communication/Relastionships
Low-income customers using internet as a mutual help/communication platform	Communication
Marketing people focusing on internet communication -> internet communication helps to get deeper insights about the customer and product weaknesses	Communication/Research
Advertising at the point of sale and in the radio	Promotion/Communication
Communication of real benefits of the product as part of alimentation	Communication
Social responsibility -> not aiming the ads to children below 6 years -> agreement signed with the government	Promotion/Communication
Communication at the point of sale aiming at children above 6 years and adults	Promotion/Communication
No TV communication	Communication
Packaging main channel of communication	Packaging/Communication
Partnership with the Brazilian Association of Food Companies (ABIA) -> helping with the communication of nutritional aspects	Partnerships/Communication
Showing the cost – benefit relation to the consumer as part of the education to change consumption habits	Communication
Images on the packaging remain the same, independent of the social class -> just some additional communication(e.g. on the backside) is adapted	Packaging/Communication
Communicating to different consumer groups with different looking people they find appealing ->	Communication/Relastionships

transmitting proximity through identification with the brand	
Customer service hotline to communicate directly with the customer	Communication
Internet as an increasing channel of communication used by the BoP	Communication
Showing the BoP to calculate the benefits against the costs	Communication
Communication is based on media, mainly TV, but also tactic media (planes with banner on the beach), flyers, but no radio -> process of brand revitalising where the brand has to be shown (visualising)	Communication
Advertising messages are very simple -> a lot of images, simple language, very direct	Promotion/Communication
Simple and direct communication material	Communication
Obstacle of changing the consumption habit (two way bottle) -> media investment and pricing helped to get the consumer used to the new way of buying	Consumer Characteristics/Communication/Pricing
Communication via media (TV and radio)	Communication
Communication refers to mothers as they are the shoppers	Communication/Relastionships
At the BoP mothers are addressed as being the shoppers and communication is based on affordability -> this is different compared to higher classes	Communication/Relationships/Pricing
Images in advertising messages: mothers, soccer, carnival, Christmas	Communication
Product quality attributes communicated via TV and radio	Quality/Communication
Special advertising agencies to communicate better to the BoP	Communication