

# Positive business works at the base of the pyramid

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(Phys.org) —For the world's poor in developing countries, income isn't the only factor that affects buying decisions, a University of Michigan professor says.

There are as many as 5 million people living in poverty around the globe. Known as the base of the pyramid, or BoP, this is a large, underserved market attractive to companies seeking new sources of growth, says Ted London, adjunct associate professor of [business administration](#) at the Ross School of Business.

"Serving this market requires adopting new mindsets about the poor and building the appropriate skills, capabilities and partnerships," said London, also a senior research fellow and director of U-M's Base of the Pyramid Initiative at the William Davidson Institute.

London shares results of recent BoP research in India today at the inaugural Positive Business Conference at the Ross School.

The three-day conference brings together more than 300 business professionals, academics, students and industry leaders to collaborate on the latest positive business thinking, best practices and implementation tools. It features executives from Whole Foods Market, Ford Motor Co. and Procter & Gamble.

"BoP ventures embrace the perspective of positive business," London said. "They can create value for the company and help alleviate poverty."

People living at the base of the pyramid have annual per capita income of less than \$3,000 and rely on informal markets for conducting transactions and running business activities.

London, together with the William Davidson Institute's Heather Esper, Andy Grogan-Kaylor from U-M's School of Social Work and Geoffrey Kistruck from York University, found that income was just one factor that influences the likelihood of purchase.

They studied 555 customer and comparison group members of VisionSpring, a nonprofit that sells reading glasses in rural areas. It selects local people to sell the glasses as vision entrepreneurs in "eye camps" that include eye exams and the ability to purchase low cost glasses on site.

There were 275 individuals who chose to purchase glasses and 280 who did not. The sample was nearly evenly split between males and females and the mean monthly income was 1,480.84 rupees, or \$1.02 a day.

The results show that consumer behavior in informal markets is significantly affected by societal norms. For example, while women are more likely to need reading glasses, males are far more likely to be customers.

The study focused on the informal economy from a consumer transaction standpoint and found that institutions coexist with norms, values and traditions to jointly influence purchasing.

"By offering a more holistic framework for understanding the influence of poverty on purchasing decisions, entrepreneurs now have a tool to identify which aspects of [poverty](#) are most relevant to the population they want to target," London said. "This becomes particularly relevant for BoP enterprises seeking to scale across multiple informal markets."

**More information:** Positive Business Conference:  
[positivebusinessconference.com](http://positivebusinessconference.com)

Provided by University of Michigan

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