



Business activities at the base of the pyramid (BOP) in South Africa

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This research was designed to provide insight into South African financial companies' activities among the poor or the BOP (Base Of the Pyramid). South African businesses should build resources and capabilities with a strategic intent to create and exploit the traditionally under serviced markets while delivering goods and services that are of value. In doing so, managers, marketers and business leaders should view the South African adult population as households and not individual decision makers.

The aim of this study was to determine the applicability of an equal partnership model for the BOP engagement in the South African economy. In the investigation of the equal partnership model, it was found that the participants (including the BOP as producers or consumers, business, local community members, non-governmental organisations and local government) could derive mutual value. This mutual value can be described as the enhancement in growth for the business, raising the BOP out of poverty, involving the poor in the economy and boosting national economic growth (through job creation, tax revenue and investment).

Findings of this research supported the aspects of resource commitment, experiential preparation, innovation and technology use in product or services together with mutual value creation for all partners (especially the poor). In addition, there was support for the different levels of risk taken by the partners, responsibilities expected from participants, the sustainability of the collaboration and the required depth of understanding of BOP circumstances.

Bank managers responded positively to there being value at the level of the poor (such as profits, poverty alleviation and improved reputation). The collectivist nature of the poor in South Africa (in that the poor carry out financial decisions at the household level) was not established in this research and needs further investigation.

KEYWORDS

BOP market, equal partnership model, mutual value creation, poverty alleviation

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other university. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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ABBREVIATIONS

AMPS	All Media and Products Survey
BOP	Base Of the economic pyramid or the poor
CR	Corporate responsibility
CS	Corporate sustainability
CSR	Corporate social responsibility
FMCG	Fast moving consumer goods
GINI	Measure of inequality of inequality of income or wealth
LSM	Living standards measure
MMDS	Metric multi-dimensional scaling
NGO	Non-governmental organisation
PPP	Purchasing power parity
SAARF	South African Advertising Research Foundation
US\$	United States Dollar

CHAPTER 1: PROBLEM DEFINITION

1.1 Research Problem

Managers must be aware of the environment in which their businesses are operating so that they can use their capabilities to take advantage of opportunities to increase revenue or profitability (Andrews, 1999). Hamel and Prahalad (1994) supported the idea of businesses reinventing their industries. It is apparent that there is immense opportunity for business with the poor, particularly when they are regarded as both consumers and producers wielding trillions of dollars in economic power (Prahalad, 2006).

Prahalad and Hart (2002) expressed the need for business to profitably tap into the huge consumer market at the base of the economic pyramid (BOP) in their article, “The Fortune at the Bottom of the Pyramid”. This may require firms to re-define their “projected and served market” in order to capture a larger share of future opportunities (Hamel and Prahalad, 1994). Bottom and Base are used interchangeably for the definition of BOP in this paper, though the concept takes on the same fundamental implication of the clientele that has, in traditional business mindsets, been ignored and left untapped.

1.1.1 The BOP

There are many conceptualisations of the BOP. Olsen and Boxenbaum (2009, p.101) define the base of the pyramid (BOP), within a context, as “the creation of a new profit-seeking market opportunity to low-income segments in the developing world with the simultaneous goal of contributing to the resolution of significant societal problems “. Prahalad and Hart (2002) defined the BOP as the poor who earn less than four United States dollars a day at purchasing power parity.

Prahalad (2006) described the BOP as wielding trillions of dollars in economic power, especially considering the vast numbers that constitute this segment of any economically active population.

Hammond, Kramer, Katz, Tran and Walker (2007) have identified four billion low income consumers who constitute the base of the pyramid. In all cases above, the BOP definitions are based on the principle of the tiered economic pyramid with the poor at the base and, in most cases, making up the majority. Karnani (2005), however, questioned the Prahalad and Hart's (2002) definition of the BOP, the size of this population and argued that the BOP can be producers and not just consumers. In this perspective, the BOP have immense influence in the success or failure of a business venture that intends to tap into them from the view that they are a potential and acquiescent market.

South African Marketers need a definition of the BOP so that they can measure, track and investigate activities at the level of the BOP. This is accomplished using the Chipp and Corder (2010a) South African pyramid (comprising the foundation, core, buttress and apex) developed through analysis of personal and household data. Chipp and Corder (2010a) used the South African Advertising Research Foundation Living Standard Measure (SAARF LSM) that cuts across race and other outdated techniques of categorising people. LSMs one to four include the poor based on criteria such as degree of urbanisation and ownership of cars plus other appliances (SAARF, 2010) and these four groups constitute 36 percent of the South African Population.

1.1.2 Corporate Sustainability, Poverty alleviation and Profit

There is increased recognition and popularity in the business world today of corporate sustainability as a driver to the creation of a new market space such as at the Base of the Pyramid (Margolis & Walsh, 2000). This recognition fits well with

the United Nations Millennium Development Goals that, amongst many others, include hunger alleviation, universal education, environmental sustainability and global partnerships (UN, 2006).

Several authors (Hahn, 2009; Sanchez, Ricart and Rodriguez, 2006) support the principle of business corporations having corporate social responsibility for the BOP because they must uphold the basic human rights of freedom, and full development as stated in the Universal Declaration of Human Rights (UN, 1948). Altman, Rego and Ross (2009) also highlight that engaging with the BOP markets will lead to organisational transformation, with increased employee engagement and stronger community relations. Such an organisation will be attractive to both customers and employees.

Moore (2006) supports the need for business to look at the BOP market and deliver goods and services that are of value to the BOP. In doing so, companies will find new profitable markets which will increase both the values of the companies and the lives of the customers they serve. The emphasis is on enabling the world's poor to create wealth by empowering the BOP through inclusion. Kotler and Lee (2009, p. ix) emphasise that the cost of poverty exceeds by far the cost that the poor themselves bear and therefore argue that such poverty "...pours its poison on the rest of mankind".

The aim of this study is to develop a model that includes the BOP in the economy as producers or partners. The model, developed from the literature review, would then be tested in the financial sector for applicability.

1.2 Significance of Study

Business in South Africa needs to build resources and capabilities with a strategic intent to create and exploit future markets. A sustainable business strategy should

include the development of relationships with non-traditional partners, co-inventing custom solutions, building local capacity, creating markets, creating lifestyles and innovating. Such a strategy would involve engaging with the BOP as consumers and producers.

Almost three million South Africans live on less than R5 per day, 9.5 million live on less than R10 per day and 18.2 million live on less than R20 a day (Eighty20, 2009). This, in total, comprised 41 percent of the total population in SA in 2008. Chipp and Corder (2010a) defined the South African adult population as households and not individuals and classified the BOP or poor in the LSM one to four groups. LSM one to four comprised of 36 percent of the Population in South Africa, a large and untapped market of 11.2 million adults.

According to Corder and Chipp (2010b), the business need is as follows:

“Monitoring the Pyramid over time in an emerging economy should have implications for the GINI coefficient, the impact of government social grants on household living standards and upward mobility of the poorest group in society. Business could track the impact of their anti-poverty efforts and reap the rewards of consumer upliftment in the long term. In turn, the attractiveness of emerging markets and their appetite for various products and services would increase for many producers” (p. 18).

This research aims to give insight into the financial companies’ activities among the poor or the BOP.

1.3 Research Objectives

This research aims to identify the activities taking place with the BOP in the South African financial sector. The investigation intends to reveal the different aspects

found to be important to managers in engaging the BOP in comparison to the model developed from the literature review in chapter 2.

1.4 Scope of Research

This research is limited to the aspects of the relationship developed between financial institutions and the BOP or poor.

CHAPTER 2: LITERATURE REVIEW

This literature review identifies aspects of business strategy and business activities within Bottom of Pyramid (BOP) markets or low-income groups.

Firstly, the link between strategy, market and business is identified and developed. Then the aspect of the relationship between corporate responsibility and the poor is investigated. Next, the mind-set shift of business and managers necessary for an inclusive approach to the BOP is described. Following the discussion on the existence of the BOP, characteristics of the BOP are presented. The market based approach to poverty reduction is raised next, followed by examples of engagement with the BOP or poor. Finally, models for engaging the BOP are explained and integrated to the current research problem.

2.1 Marketing Strategy and Awareness

2.1.1 Awareness

Synonyms to awareness are consciousness, alertness, responsiveness, sensitivity, concern and knowledge. Managers and leaders need to be aware of, sensitive to, and concerned about their ecological and potential market surroundings. Andrews (1999) states that managers must be aware of the environment in which they are operating. This awareness leads to the ability of a company to use its capabilities and profitably take advantage of opportunities. This implies that, companies must adopt a global perspective and therefore take into consideration the world, the nation, the community, the industry and themselves when making choices on a business opportunity. This statement may not be applicable to smaller businesses or concerns because of their limited reach and constraining forces beyond the communities that they intend to serve.

2.1.2. The BOP Market

Hamel and Prahalad (1994) express that for a firm to compete as a challenger it must reinvent its industry continually. This is the basis of the firm challenging its own orthodoxies; traditional practices that inhibit the potential of the firm. In addition, Hamel et al (1994,) describe a laggard as,

“a company where senior managers believe they know more about how the industry works than they actually do, and what they do know is out of date ” (p.60).

The definition of the firm’s “served market” (ibid. p.61) has to change in order to capture a larger share of future opportunities and for the company to compete favourably in the future. Examples given by Warnholz (2008) are of Norway based Telenor (which operates in Bangladesh and Pakistan) and Jamaican based Digicel (which operates in Haiti) who have refused to accept the perceived inability of the low income groups to take part in consumer markets. Instead, these two companies have successfully created local consumer markets at the Base of the Pyramid (BOP). The two companies have boosted both corporate and national economic growth by, amongst other achievements, job creation, tax revenue and investment.

The review above identifies the need for environmental awareness such as market or industry knowledge, understanding and utilising business capabilities and industry innovation as crucial strategic aspects for a competitive and successful business.

2.2 Corporate Responsibility

Hammond et al (2007) state that:

“Addressing the unmet needs of the BOP is essential to raising welfare, productivity, and income....Engaging the BOP in the formal economy must be a critical part of any wealth-generating and inclusive growth

strategy....to the extent that unmet needs, informality traps, and BOP penalties....addressing these barriers may also create significant market opportunities for businesses” (p 5).

It is clear from the above statement that Hammond et al (2007) subscribe to mutual inclusion of the poor in the re-invention of strategy and the pursuit of business responsibility.

Contrary to this statement, Milton Friedman (1962) argued that the only social responsibility of business, is to pursue profit as vigorously as possible (within the law). Friedman (1962) believed that the state was responsible for all the other social needs of its people. Prahalad and Hart (2002) express the need to develop a more innovative business model, conceding the profit motive but also accepting corporate social responsibility. However, the development of embedded ties with the local community members, non-governmental organisations and local governments favours a bottom up process. This statement by Prahalad and Hart (2002) brings into discussion the principle of corporate responsibility (CR).

2.2.1 Corporate Responsibility, Corporate Social Responsibility and Corporate Sustainability

With no clear definition of corporate social responsibility (CSR) or CR (abbreviation for CSR in most cases), Van Marrewijk (2003), concludes that the Linnanen and Panapanaans’ (2002) model suffices. This model includes economic, environmental and social responsibility by business under the umbrella of CR or CSR.

Whitehouse (2006) concludes (through her survey of 16 United Kingdom companies) that the duties of directors are firstly guided by the principle of enhancing shareholder value, then accounting for the interest of employees, consumers and the environment as proposed by the UK government. This finding

opposes the first Millennium Development Goal of the United Nations (UN, 2006) which calls for the eradication of extreme poverty and hunger in the world.

There is increased popularity of corporate sustainability (CS) as a driver to the creation of a new market space such as at the Base of the Pyramid (Margolis and Walsh, 2000). CS, discussed in Van Marrewijks' (2003) article, focuses on value creation, environmental management, environmental friendly production systems, human capital management and social issues. Both CS and CSR are voluntary company activities that demonstrate the inclusion of social and environmental concerns in business operations and in interactions with stakeholders. Naidoo (2009) found commonalities between the concept of BOP and corporate social initiatives, but found no evidence of corporate social initiatives and loyalty by the BOP. These are the concepts of creating or increasing company profits and the upliftment of the poor.

2.2.2 Triple Bottom Line

Cummings and Worley (2009) below describe the triple bottom line, as a multidimensional view of corporate sustainability:

“...triple-bottom-line proposes that organisational change and globalisation should be guided by the economic, social, and ecological values that are added or destroyed...This involves being clear about the company's purpose and taking into consideration the needs of all stakeholders, shareholders, customers, employees, business partners, governments, the ecology, local communities and the public” (p. 708).

Considering the above elaborate definition, corporate sustainability covers both concepts of “doing business” or making a profit and “doing good” or making a difference to the community in which the corporate organisation operates (Martinez and Carbonell, 2007, p.52). These principles of corporate responsibility, corporate sustainability and triple-bottom-line all link in the broader sense with doing business profitably, in a responsible or ethical manner and in a manner

which meets the needs of today without compromising the needs of future generations.

The UK government's definition of sustainable development (Rost and Ydrén, 2006) is about ensuring a better quality of life for everyone, now and for generations to come. Adapting this perception to the South African context, the implication is that, a BOP-strategy developed by business together with its market will result in a sustainable market development strategy. When these strategies are pursued responsibly, they can lead to a triple-win situation for the poor, private enterprises and the environment. Olsen and Boxenbaum (2009) in their research identified external barriers (which include lack of infrastructure, low education levels and lack of buying power) and internal barriers (which include conflicting mindsets, radical changes to routines, project evaluation criteria, incentive structures and discrepant mandates) as pivotal factors that prevent organisations from taking this strategic step.

2.2.3 Poverty Alleviation

Hahn (2009) emphasises the opportunities to do business at the BOP, and highlights the aspect of corporate citizenship for the purpose of poverty alleviation as an important consideration. Additionally, Hahn (2009) states that corporate citizenship offers an ethical and pragmatic reason for business to engage in poverty alleviation. In Hahn's (2009) paper, he reiterates that corporations are responsible for the BOP because they must uphold the basic human rights of freedom, and their operations should be committed to human development as stated in the Universal Declaration of Human Rights (UN, 1948).

Additionally, Hahn (2009) states that multinational corporations have a special influence on the global situation and over national states, which then extends their obligation to the above mentioned human right of poverty alleviation. The manner in which the development of the BOP takes place must be without causing

disastrous effects on the ecological environment (Hahn, 2009). Hahn (2009) then described a model where measures to reduce poverty are linked to a slow-down of population growth to prevent excessive pressure on the environment.

Organisations stimulating commerce and economic development in low income groups (such as the BOP) may improve the lives of billions of people and create a more stable, sustainable and inclusive world (Sanchez et al, 2006). Altman, Rego and Ross (2009) express that engaging with the BOP markets will lead to organisational transformation, increased employee engagement and stronger community relations. In their article, Altman et al (2009) state that as the demand for a triple-bottom-line business model grows, companies that serve the BOP can be more attractive to both customers and employees. This is the critical point in terms of employee engagement because there is a demonstrable link that enhances mutual community relations.

Business in South Africa needs to build resources and capabilities with a strategic intent to create and exploit future BOP markets. A sustainable business strategy should include the development of relationships with non-traditional partners, co-inventing custom solutions, building local capacity, creating markets, creating lifestyles and innovating. Such a strategy would involve engaging with the BOP as consumers and producers.

With innovative business models, companies can develop embedded ties with the local community members, non-governmental organisations (NGOs) and local governments with opportunities to do business at the BOP. Corporate citizenship offers an ethical and pragmatic reason for business to engage in poverty alleviation. Corporate social initiatives will require organisational transformation with increased employee engagement and stronger community relations.

2.3 Mind-Set Shift

South Africa, as an emerging economy, has a high GINI coefficient of 67.9 (Pressley, 2009) which effectively measures the big difference in the wealth between the rich and the poor amongst other factors. The poor, being in the majority of the population (36 percent or 11.2 million people 16 years or older as specified by Chipp and Corder, (2010a)) constitute a potential market which has not been tapped to its fullest in South Africa.

Prahalad (2002) comments that "the solution to the increasing divide between rich and poor throughout the world requires a significant shift in the mind-sets not just of managers and entrepreneurs, but also of politicians, non-governmental organizations (NGOs), and bureaucrats" (p.6). Prahalad (2002) continues the argument by stating that the focus should be on experimentation and not on refining the already unsuccessful business models and solutions. Successful business innovation needs to be made visible and the principles should then be applicable elsewhere.

Mind-set changes necessary for an inclusive approach to the BOP in the economy of a country are included in Table 1 below, as adapted from Prahalad (2002). Moore (2006) supports the need for business to look at the BOP market and deliver the goods and services that are of value to the BOP. The importance of mind-set change is on enabling the world's poor to participate in the enterprise and create wealth for them in turn.

2.4 Is There Really A Fortune At The BOP?

Karnani (2005) counters Prahalad's (2006) argument in stating that,

“....not only is there no fortune, there is not even glory at the bottom of the pyramid. It is a fallacy to claim that there is much “untapped” purchasing power at the BOPThe only way to help the poor and alleviate poverty is to raise the real income of the poor. There are only two ways to do this:

lower prices of the goods that the poor buy (which will in effect raise their income); or raise the income that the poor earn” (p. 100).

For Karnani, there is no inherent fortune at the bottom of the pyramid as prescribed by Prahalad (2005). Karnani (2005) then provides solutions to market to the poor which include significant reduction in price by innovatively changing the price-quality trade-off with a value offer to the poor.

Table 1. Mind-set Changes Required for Managers and Leaders to Include the BOP in the Economy (Prahalad, 2002).

From	To
Poor as a problem	Poor as an opportunity to innovate a global market
Poor as dependants of the state or welfare	Poor as an active market or consumers
Old technology in business	Bundling of most advanced technology with a local flavour
Follow Western principles in business	Selectively “leap-frog” the West and innovate
Focus of the business on resources and constraints	Focus on creativity and entrepreneurship
Capital limitations or access	No limitations to information, hence enhanced access
Efficiency in a known model	Innovation of a new model

Another aspect highlighted by Karnani (2005) where business can profit, is by focusing on the poor as producers, rather than focusing on the poor as consumers. Karnani (2005) states that the importance of making markets more efficient is for the poor to retain more value from their outputs. The best way to do this is through training the poor to upgrade their skills and improve productivity. There is a need to create more opportunities for the employment of these very poor. Karnani (2005, p.109) considers these steps as the real “Fortune at the Bottom of the Pyramid”.

Warholtz (2007, p.1) counters Prahalad's (2005) view as an "opportunity missed". Selling to the poor may not eradicate poverty (Warnholz, 2007). Instead, it will hurt small businesses and threaten local jobs and in the process incomes. Warholtz (2007) indicates that household surveys throughout the world show a smaller BOP size, a view supported by Karnani (2005), of less than five percent of the household survey population. Karnani (2005) and Warholtz (2007, p.3) have expressed their concern that everyone in developing countries has been classified as a 'poor' consumer in most of the BOP literature, clouding the reality that there is a rich segment at the top.

Taking into consideration the arguments presented above, there does exist a large population of the poor who must be involved in the economy in the best way possible to pull them out of poverty. What stands out in this whole review is the fact that the BOP should not be imagined as consumers but most importantly as producers. Incorporating them at this level empowers them more than a consumerist perception.

2.5 BOP Characteristics

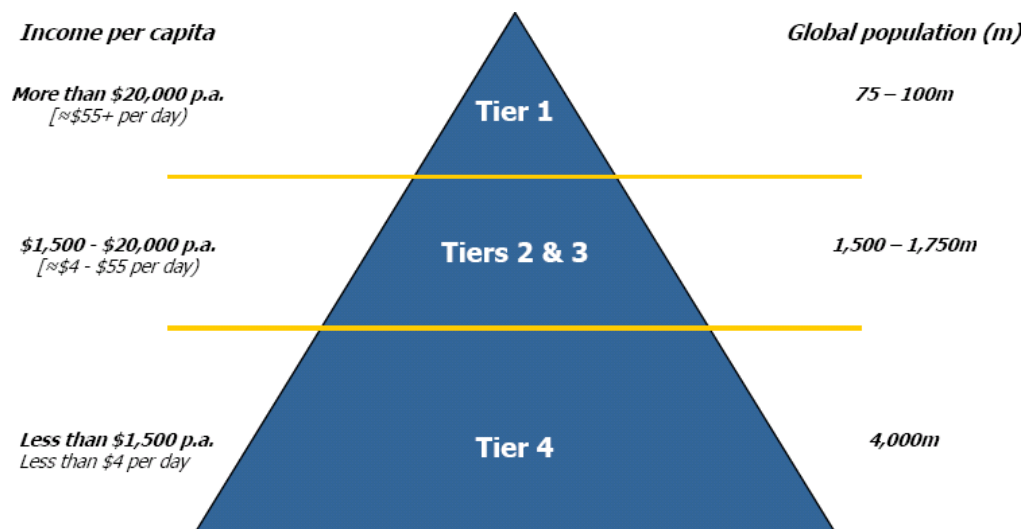
According to Hammond et al (2007) and Warnholz (2007) the BOP occurs at two different levels; those one billion individuals that earn below one United States dollar a day in local purchasing power and those four billion individuals who earn well below any Western poverty line (which is approximately four dollars in local purchasing power). Hammond et al (2007) have further identified four billion low-income consumers who constitute the BOP and make up the majority of the world's population.

However, Olsen and Boxenbaum (2009, p.101) define the base of the pyramid (BOP) as "the creation of a new profit-seeking market opportunity in the low-income segments in the developing world with the simultaneous goal of contributing to the resolution of significant economic and societal problems in

these regions”. This defines the BOP within a context in comparison to the Prahalad and Hart (2002) definition of the BOP as the poor who earn less than four United States dollars a day at purchasing power parity and exist as an untapped, yet potential target for firms facing market saturation in established high income markets (see Figure 1 below). Prahalad (2006) therefore logically perceived the BOP as wielding trillions of dollars in economic power.

Contrary to most other definitions, Simanis (2009) argues that the BOP is not actually a market. Simanis perceives rather, a consumer market as a lifestyle built around a product or service. Therefore, Simanis (2009) reiterates that companies must create markets or lifestyles among the poor that will stimulate the poor into recognising their power not just as consumers, but also as an empowered market. There is benefit for both the BOP households and corporate business to serve these traditionally unlikely markets.

Figure 1. C. K. Prahalad’s Definition Of The BOP As Those That Live On Less Than \$4 Per Day (Prahalad, 2002)



2.5.1 BOP in the World

Hammond et al (2007) have revealed that the 72 percent of the world's 5,575 million make up the BOP with a large proportion of this population resident in Africa, Asia, Eastern Europe, Latin America and the Caribbean. In Africa, generally the BOP is predominant in the rural areas, though it is a fact that the urban areas also have their significant share of the marginalised and poor.

According to the economic statistics website, NationMaster, (CIA World Factbooks, 2003 to 2008) fifty percent of the South African population was lying below the poverty line in 2000 and the country is ranked twenty third amongst the poor and developing countries listed. This poverty estimate is based on economic surveys of population subgroups and the definition of poverty is specific to South Africa.

In describing the BOP, it is evident that they are not involved or integrated in the global market economy (Hammond et al, 2007). They have significant unmet needs such as financial services, housing, and utilities such as electricity, water, sanitation, telephone service and health care. The BOP is dependent on informal or a subsistence source of income, which are considered poverty traps in the vast literature on developing and underdeveloped economies. Intermediaries exploit their handcraft, artefacts, crops and labour.

The same bottom of the pyramid sector tends to pay higher prices for goods and services than other income groups and often they receive lower quality goods. Examples of these goods or services are the cost of transport, health care and financial services (when they have to borrow from established financial institutions and informally).

2.5.2 BOP 1 and BOP 2

Louw (2008) in his paper describes the confusion that existed with regards to the BOP market size and market value. Louw (2008) identified the following BOP venture characteristics in his research:

- The target markets were both implicit and explicit.
- The offering was a product or service.
- Partnerships were important for a BOP venture.
- There was need for an innovative business process, product or technology.
- Technological novelty was important.
- Profitability and Sustainability were interlinked.

Louw (2008) then went on to define the BOP at two market levels, BOP1 and BOP2.

The BOP1 were defined as those individuals who earn below two United States dollars a day, the absolute poverty line defined by the World Bank, adjusted for local purchasing power parity (PPP). This population of BOP1 accounts for 2.8 billion people in the world, which is about 70 percent of the four billion BOP defined by Prahalad and Hart (2002). Louw (2008) attributed the following traits and attributes to the BOP1 market in his case analysis:

- Sales to them consisted of mainly services with some consumer goods and products.
- The successful market sectors were health, financial services (particularly in the form of short term, high interest loans) and fast moving consumer goods (FMCGs).
- There was an improvement of business processes through the involvement of Government or NGOs.
- Branding was important.

The BOP 2 market included those individuals who earn more than two United States dollars a day adjusted for local PPP. The characteristics of the BOP2 market identified by Louw (2008) were the following:

- Greater than two dollars a day was a typical income of customers in this market.
- There was need for product or business process innovation for success.
- Technology was important and played a key role in all cases.
- Products and services were successful in this sector but local partners and NGOs were required for delivery and distribution.
- Multi National Corporations were the only examples where local partners or NGOs were not required.

2.5.3 Urban BOP

Ireland (2008) in his study defined the urban BOP and found them to be a more attractive clientele than the rural BOP. The two reasons cited by Ireland (2008) were firstly, that the urban BOP is a large, growing market that spends most of its income on consumer goods. Secondly, the urban poor do not require any of the adaptations needed for marketing to the rural BOP. Therefore, for Ireland (2008), the urban BOP is exploitable in comparison to the rural BOP who might be more conservative. There is a great deal more entrepreneurship with informal trade in the form of backyard industries, workshops and stalls that make the urban BOP market a little more complex, as they are both consumers and producers.

2.5.4 Poverty Factors and Forces

Kotler et al (2009) cited factors and forces that contribute to the **continued** poverty of the BOP as the following:

- Poor health, which may be due to the lack of affordable health care, the spread of disease such as malaria, low levels of physical activity and

inadequate nutrition. This statement implies that disease is more prevalent in poverty stricken societies than others.

- The difficulties encountered in the presence of adverse environmental factors. These include examples such as, low soil fertility due to erosion, deforestation and water contamination.
- Difficult economic conditions, such as unemployment, low wages and government failure both economic and political that result in little or no support for the poor.
- Inefficient infrastructure and services, such as roads, sewage, water supply and electricity.
- Limited access to education.
- Social factors, such as crime, domestic violence, wealth distribution and beliefs.
- Lack of family planning such as access to counselling and related services.
- High energy prices in recent years.
- The rise of China with its strong economic growth and thirst for world resources. The rise of China has created a perceived threat to “established” business. It has brought in a lot of competition and therefore there is no longer “business as usual”. A lot more aggressive strategies have had to be adopted in order to ‘stop’ Chinese infiltration.
- The advent of bio-fuels which utilise farmland commonly abundant in the BOP areas and the resulting rise in the price of food, further making basic needs out of reach for the BOP.
- Droughts which have reduced the output of food.
- Dietary changes in growth economies and hence higher demand for better quality (which those in the BOP cannot afford) and volumes of food.
- Global warming (which largely emanates from developed economies but has devastating effects on the BOP) which has contributed to

drought conditions and lower food production in equatorial and tropical areas.

- The recession due to the financial meltdown in 2008 which led to factories closing, lost jobs and hence an added increase in the number of poor, particularly in the developing and under-developed economies.

These factors continue to contribute and exacerbate the economic position of the poor.

2.5.5 Valuing and Quantifying the BOP

Hammond et al (2007) have valued the BOP as a five Trillion dollar market. Additionally, Hammond et al (2007) state that significant opportunities exist for market based approaches to better meet these four billion consumers' needs. This would increase their productivity, improve their incomes and empower them for entry into the formal economy. In their report, Hammond et al (2007) determined that the people at the BOP earn less than \$3000 (in local purchasing power parity with the reference year being 2002). Examples of other BOP incomes range from US\$1.56 a day in India to US\$3.35 a day in Brazil (these incomes were based on 2007 surveys, and are in US dollars).

The four billion BOP market with an income of four trillion dollars (in purchasing price parity) makes up the following percentages in the respective regions identified below (Hammond et al, 2007):

- Africa – 95 percent of the population (surveyed) and 71 percent of the purchasing power.
- Asia inclusive of the Middle East – 83 percent of the population and 42 percent of the purchasing power.
- Latin America and Caribbean -70 percent of the region's population and 28 percent of purchasing power.

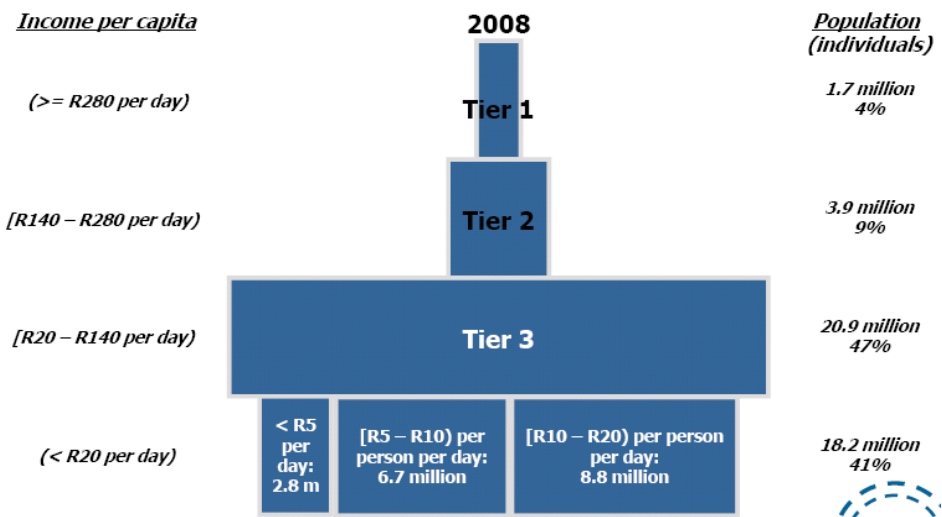
- Eastern Europe – 64 percent of the region’s population and 36 percent of the purchasing power.

The sector markets for the BOP range in size, from the largest being food, and medium being health, transportation, housing and the least being energy. Hammond et al (2007) identified the smallest market sectors for BOP as water, and information and communication technology.

Chen and Ravallion (2008) describe the main poverty line at \$1.25 a day at 2005 prices being the average poverty line found in the poorest ten to twenty countries investigated. Estimates by Chen and Ravallion (2008) place the number of people living on less than \$1.25 per day (at 2005 prices) at 1.4 billion people. A billion people will still live on less than \$1.25 a day in 2015 and those that escape this level will still earn much less than the middle-income and rich of their respective countries. In Sub-Saharan Africa, the number of poor has nearly doubled from 202 million in 1981 to 384 million in 2005 (Chen and Ravallion, 2008) but there have been signs of progress from 1996 to 2005 where the poverty rate has fallen from 58 percent (or 348 million) to 50 percent (or 384 million) due to improved economic stability.

According to a 2009 Eighty20 report (for which data was sourced from All Media and Products Survey [AMPS] 2008 RA of the South African Advertising Research Foundation [SAARF] that has been conducted annually for over thirty years) almost three million South Africans live on less than five Rand per day (see Figure 2 below); 9.5 million live on less than ten Rand per day and 18.2 million live on less than R20 a day. Most of the BOP in SA survive on government grants and the BOP figure would significantly increase if it excluded those catered for by government social grants. The government grants amount to substantial quantities when unemployment, old age pension and child grants, amongst others, are taken into account.

Figure 2. A Breakdown of the South African BOP (Source: An Eighty20 AMPS 2008 analysis , eighty20.co.za/insightout/mass-market-south-africa)

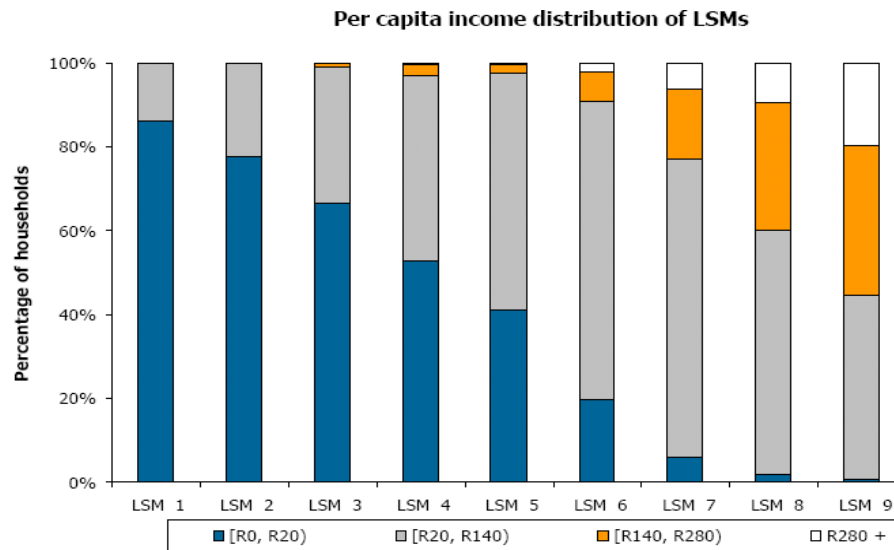


2.5.6 BOP and the Living Standards Measure (LSM)

Approximately 50 percent of households in South Africa in the Living Standards Measure (LSM) range of one to eight consist of those who earn less than R20 per day based on the 2008 figures (see Figure 3 below). Of the total population in 2008, 41 percent constitute the BOP (Eighty20, 2009).

Based on the Eighty20 analysis (2009), BOP households in SA in 2005 spent 35 percent of their income on food, ten percent on transport, ten percent on clothing, nine percent on furniture and six percent on recreation (which includes entertainment, personal care and culture) . Other spending is in areas such as social protection, communication, financial services, transfer of funds to others, education, health, alcohol, tobacco and savings. The last two, tobacco and savings accounted for one percent each. The implications are for corporations to tap into the BOP consumers in the areas of food, transport, clothing and furniture in SA.

Figure 3. BOP Presence in the SA Population in Living Standards Measure LSM) Terms. (Source: An Eighty20 AMPS 2008 analysis (2009), www.eighty20.co.za/insightout/mass-market-south-africa)



Chipp and Corder (2010a) identified the LSM measure as a better descriptor to classify South African Adults, regardless of ethnic group, than any other single demographic variable. Marketing and marketing research experts developed the LSM system (for its applicability in business) by identifying specific independent variables on which a principal component analysis was applied. These independent variables include the possession of the following assets and items: polisher or vacuum cleaner, fridge or freezer, television set, water or electricity in the home, washing machine, number of cars, hi-fi music centre, sewing machine, frequency of supermarket shopping, rural dweller, number of domestic servants, VCR and tumble dryer. Based on the principal component scores, respondents were then divided into LSMs.

LSMs provide an understanding of the living conditions of the South African populations that fall into each bracket (Chipp and Corder, 2010a). Of interest to Chipp and Corder (2010a) in their LSMs analysis was the living conditions of the poor. Chipp and Corder (2010a) provided a model of the living standards of

different household groups in South Africa using the LSM variables stated earlier (with source data from the 2008 to 2009 AMPS reports and South African Advertising Research Foundation [SAARF] reports in 2009).

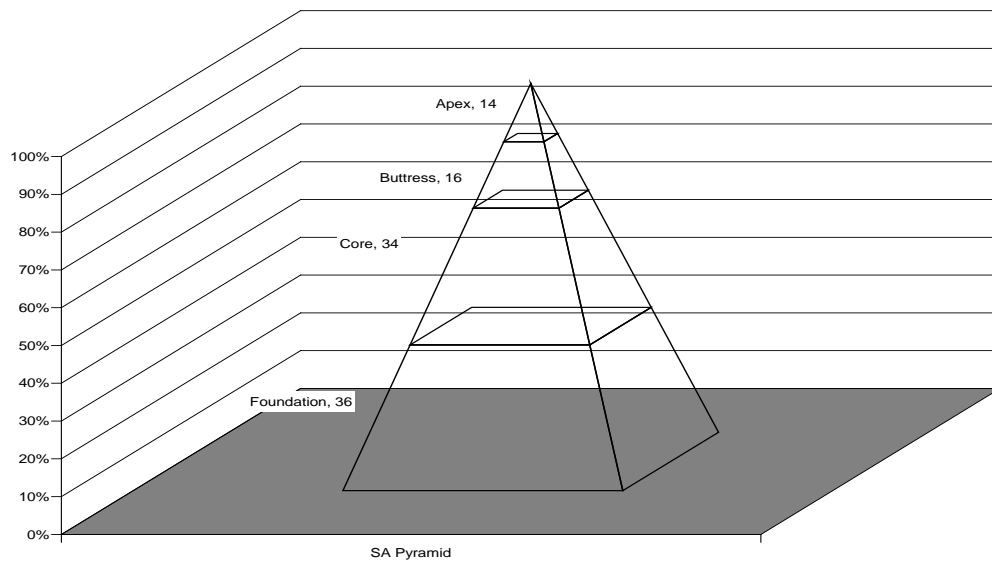
The model in Figure 4 and Table 2 below divides the population of South African adults (16 years and older) into four categories of a pyramid. Firstly, the Apex or group A (which includes LSMs 9 and 10) makes up 14.3 percent of the South African population. Next, the Buttress or group B (LSMs 7 and 8) comprises 16.3 percent of the population. Thirdly, the Core of group C (LSMs 5 and 6) makes up 33.6 percent of the population and lastly, the Foundation of group D (LSMs 1 to 4) comprises 35.8 percent of the South African adult population.

Chipp and Corder (2010a) stated that their “..study provides strong support for a clear dollar and household definition of BOP based on living standard and thus dollars earned per day are descriptors rather than determinants of the BOP “ (p1). A household definition characterises the manner in which South African households operate; financial matters require joint decision-making and co-operation at household level, not at individual levels. The Chipp and Corder (2010a) South African pyramid indicates that there is collectivism rather than individualism at the lower levels of the SA Pyramid. This collectivism is a result of the scarcity of the dollar, the irregularity of income, at times, the absence of any income, to the extent that whatever has been earned is extended to cover every household member and to buy only the most immediate and basic needs.

In addition to their previous report, Corder and Chipp (2010b) reported that “a higher incidence of collectivism among the lower tiers of the South African Pyramid indicate that from an African perspective, therefore, the BOP should be considered from a group perspective rather than a Western view of the individual” (p10). Hence, Corder and Chipp’s (2010b) recommendation to marketing researchers and managers:

“Thus to view the low income consumer and their earnings per day in isolation from their households and dependencies would limit researchers from gaining a fuller perspective on this segment” (p10).

Figure 4. The South African Pyramid (Source: Chipp and Corder, 2010a)



2.6 Poverty Reduction- A Market Based Approach

Businesses need to identify opportunities, consider robust business models, develop products and expand investment into the BOP markets. This is even more important in the developing world (Hammond et al, 2007), where it is possible for poverty alleviation to be framed as an enabling opportunity and less in terms of aid. A market based approach views the BOP as consumers and producers and aims at finding solutions and making markets more efficient, competitive and inclusive (Karnani, 2005). The BOP can then benefit from these markets. A market-oriented approach looks at goods and services provision at affordable prices and in a sustainable manner to meet the needs of the BOP market.

Table 2. The South African Pyramid Defined (Source: Chip & Corder, 2010a)

The South African Pyramid	TOTAL	
	‘000	%
The Adult Population (‘000) equivalent to 16+ years	31,305	100
The Apex of the Pyramid (Group A – LSMs 9 &10.)	4,463	14.3
The Buttress of the Pyramid (Group B - LSMs 7 & 8)	5,105	16.3
The Core of the Pyramid (Group C - LSMs 5 & 6)	10,534	33.6
The Foundation of the Pyramid (Group F - LSMs 1-4)	11,194	35.8

2.6.1 Managerial demands

Prahalad (2002) outlines the following as critical managerial demands in creating a market at the BOP:

- The price-performance view of products must change. It must not be necessary that, good quality and adequately sized products be expensive.
- Business models must be scaleable or transferable to address the needs of the hundreds of millions at the BOP.
- The business models must be environmentally sustainable due to shortages of resources, critically financial, in rural areas. The production methods or processes must consume little or limited resources without sacrificing product performance.
- Innovation, integrating advanced technologies and local conditions for innovative solutions should lead towards opportunity at the BOP for experimentation.

Rangan (2002) in his commentary on Prahalad’s (2002) paper added two more aspects to the managerial demands which are:

- The economic sustainability of the business model (and not just environmental sustainability), and
- The societal value-add of a product or service as a criterion so that there is an enhancement in the consumer's quality of life.

2.6.2 Marketers and the BOP

Nilesen and Samia (2008) reveal three major implications for marketing managers to serving the BOP marketplace. These are:

- BOP consumers and producers are intertwined. Their interrelationships must be taken into consideration in strategic business planning;
- There are many lessons to be learnt from BOP entrepreneurs who have developed innovative products, pricing, promotion, and distribution strategies to meet the needs of BOP consumers; and
- Co-operation with facilitating organisations such as local businesses, public agencies and non-governmental organisations can lead to win-win solutions for BOP producers and consumers. This then ensures long-term business relationships and success in the BOP marketplace.

Pitta, Guesalaga and Marshall (2008) state the need for management or marketing strategists to view the BOP as both consumers and producers. To better design a business approach to the BOP, companies must understand their market needs, perceptions, and behaviour. In so doing, companies must recognise that dealing with the BOP will require a different business model that encompasses access to micro-credit, the establishment of alliances and the adaptation of the marketing mix. BOP markets involve many challenges in terms of technical and economic infrastructure, education, financial resources, and cultural differences.

Stuart L. Hart in a journal interview by Powell (2006) stated the urgent need for a BOP model to work by finding:

“...the right partners on the ground – people who are locally embedded, who really understand, who are trusted and are visible in the space that you’re trying to reach. ... You can’t really know who the appropriate partners are until you get there and spend some time on the ground. ... The network or eco-system of partners that you put together is not going to look anything like the partnerships that you have been accustomed to dealing with at the top of the pyramid“ (p. 1482).

Marketers’ approach to the BOP (Pitta et al, 2008) should be in an innovative and different manner by reinventing themselves and their strategies. Modifying products (as sold to the market at the top of the pyramid) and selling them will lead to business failure. Knowing the BOP intimately is a key to success with sources of intelligence being at the grass roots level in order for the business entity to understand the voice of the BOP consumer. Hence, collaborating effectively with agents “on the ground” is critical. Trust and visibility of the agent are paramount in this regard. Should the BOP ecosystem perceive the business entity in their midst as an outsider, then they are likely to resist or even boycott the services and products offered, leading to an inevitable loss and consequent collapse of the entity.

Pricing is of utmost importance in servicing the BOP. Micro-credit at the BOP provides one possible solution to providing finance for the purchase of value creating products and services (Pitta et al, 2008). Investment in the BOP will be for long-term involvement. There is high risk in investing in the BOP such that if profits come, they will come later rather than sooner. Finally, some products are just not for the poorest of the BOP such as those of questionable value and others which are too expensive.

One of the lessons stressed by Hammond and Prahalad (2004) was that “Successful product development requires a deep understanding of local circumstances, so that critical features and functionality....can be incorporated into the product’s design” (p.34).

2.6.3 Partnerships

Willie and Barham (2009) in their report identified areas that need attention to achieve business success in collaboration with the BOP. These areas of attention are such that they would benefit both sides:

- There should be more coverage in literature, the financial press, other media and politics of investment by business for the emergence of the BOP from poverty. The focus of this reporting should be on the potential for business at the base of the economic pyramid.
- Business' role in society is to gain and maintain a good reputation apart from just wealth creation. It is in the interest of companies to be seen to be contributing to society.
- Some altruism and philanthropy by business go hand-in-hand with the profit motive.
- There should be harmony and cooperation between NGOs and companies. Companies should seek the advice and cooperation of the NGOs when engaging with the BOP.
- Companies should set up a specific commercial unit to engage with the BOP and other needy populations. Profit maximisation must not be the main goal.
- Companies should coordinate their efforts with the BOP to address a number of problems simultaneously. Companies must avoid a synergy of failures.
- Coordinating efforts with others would complement efforts with the BOP. Systems that are simple with limited bureaucracy can be developed with NGOs and government.
- A government department could form a coalition with companies with different core competencies to deal with the needs of specific communities.

- Companies could adopt the Cornell University BOP Protocol system (Simanis and Hart, 2008b) to consider whether to adopt it. See Appendix 2 for more details on the Cornell University BOP Protocol. The Cornell University BOP protocol covers processes under the banners of pre-field processes (including identifying sites for project set up, team selection plus preparation and partner selection), in-field processes (including building the business and embedding it in the community through three phases) and finally, scaling out which involves efficient transfer and re-embedding the model in hundreds of other communities.
- Companies planning ventures with the BOP would need to recognise the need for careful and meticulous preparation.
- Companies, both big and small, in countries with a large number of people living in dire poverty, must recognise their social and corporate responsibility to these people.

Good work has been done in the area of 'business and the BOP' but in the global sense it is very limited according to Willie and Barham (2009). If the BOP are to be left in poverty then business will suffer the consequences of global instability and depletion of vital natural resources.

Sanchez et al. (2006, p.20) define social embeddedness in a low-income market as:

“The integration into diverse local networks that leads to the development of long-term and co-operative relationships which result in the achievement of common benefits for all the players involved in the network.”

The authors describe three conditions under which firms have greater incentives to build embedded ties and partnerships, and these are:

- An under-developed market oriented system; meaning a framework which allows both private sector and social participants to work together in a symbiotic relationship.
- A high psychic distance between the organisation and the low-income markets; or in other words, the degree to which a firm is uncertain of the characteristics of a BOP market; and,
- The degree of personalised co-creation experiences offered by the firm, which are the processes in which the consumer interacts with different actors and co-creates value in each business interaction.

Social embeddedness contributes to creating the competitive business advantage and may create more total value, both socially and economically (Sanchez et al, 2006).

Taking their cue from the submissions above, Martinez and Carbonell (2007) describe the following factors for sustainable “Business Social Action”:

- It must be voluntary, triggered by the possibility of a business opportunity.
- The action must tie in with the business strategy and align with key skills.
- Funds must be committed fully and consistently.
- There should be openness in application for anyone to participate.
- Extends the opportunity as lessons learned for replication in other similar environments.

Sanchez et al. (2006) support this argument for successful competition in low-income segments. This is achieved by training and educating partners across all levels to get responsible partners, providing incentives and building the ability to self govern.

Simanis (2009) supports the idea of organisations “getting the community involved in creating, implementing and shaping the business itself” (p. 7). In addition, Simanis (2009) recommends that companies present as many uses of their product in their marketing strategy as possible. Altman et al (2009) maintain the idea that organisations should meet the demands of the BOP, by developing relationships with local delivery providers, social development players, entrepreneurs, government officials and potential customers. Organisations will need to develop people or teams who can work in BOP environments and with non-profit organisations that have scarce resources (Altman et al, 2009). These individuals and teams will need to learn how to create alliances, build economically sensitive movements, tap passion and unlock the business potential. Table 3 below summarises the aspects of working with the BOP identified in this literature review.

2.7 Examples of Engaging the BOP

Experience with viable business strategies (Hammond et al, 2007) justify far closer business attention to the opportunities that the BOP present to ecologically conscious business ventures (see Appendix 1 for more details on the examples below). Examples cited by Hammond et al (2007) and others include:

- CEMEX (the largest cement producer in the Americas) based in Mexico which is an enterprise that focused on making housing accessible to the poor by providing a ‘pay-as-you-go’ system for materials and instructions as needed.
- Jaipur foot which is an Indian business that focused on providing artificial limbs.
- HLL salt Annaoura in India (a company that aimed at improving health through supplying iodised salt).

Table 3. A Summary of Major Findings Related To Doing Business with the BOP

	Factors in working with the BOP	Action by Business	Action by BOP
1	Scaled down affordable products and services	Yes	No
2	Innovation in product, service or processes/co-creation	Yes	Yes
3	Application of new technology	Yes	No
4	Partnerships/ community involvement	Yes	Yes
5	As consumers	No	Yes
6	As producers	Yes	Yes
7	Accountability and responsibility	Yes	Yes
8	Build relationships with NGOs and government	Yes	Yes
9	Build BOP oriented teams or departments	Yes	No
10	Training and education plus skills development	Yes	Yes
11	Voluntary association	Yes	Yes
12	Full consistent commitment of funds	Yes	No
13	Replication of venture in different environments	Yes	No
14	Long term association with little or no payback	Yes	Yes
15	Addressing problems of the poor for the benefit of all	Yes	Yes
16	Improving societal view or reputation	Yes	No
17	A deep knowledge of local circumstances and their needs	Yes	No
18	Innovative pricing, promotion, and distribution	Yes	Yes

- Hammond and Prahalad (2004) cite the case of the Indian Industrial and Technology Conglomerate (ITC). ITC's networks of Internet-connected computers called "e-Choupals" in farming villages in India's rural state of Madhya Pradesh, support soy farmers with fertilizers plus other materials at low cost, soil testing and access to market trends on crop prices. The ITC network is an example of raising incomes and productivity by providing access to information.

- Mobile phone banking in Johannesburg, South Africa (a more secure way of receiving salaries and making payments in the crime-ridden capital).
- Low cost drinking water filtration in Tianjin, China (developed by entrepreneurs to clean heavily polluted and high-risk river water).

Ireland (2008) developed the notion of targeting the urban BOP residents in emerging market slums that in his case were the 80 percent of the Venezuelan poor who live in unplanned shantytowns called “barrios” (p.431). He cites that the key difference between the rural and urban BOP marketing is that the urban BOP can purchase products or services in shopping malls and large supermarkets, whereas the rural BOP shop daily and generally at the same location.

Ireland (2008) found that the urban poor buy middle-class products and services and receive information about these products through mass media. “Customers also paid more for convenience, social integration, brand meaning, reliable quality or status or versatility” (Ireland, 2008, p.436), in addition to reliable quality or technical superiority. This observation has great implications in SA considering the urban population growth in the form of informal settlements since 1994.

Karnani (2007) cites the case of ‘Fair & Lovely,’ a skin whitening cream for women marketed by Unilever in many countries in Asia and Africa. Karnani (2007) feels that Unilever has unwittingly helped to sustain and perpetuate sexist and racist prejudices that feed the demand for this product. ‘Fair & Lovely’ is doing well, it is profitable and it is a high-growth brand for Unilever in many countries, especially in India. Hindustan Lever Limited (the Indian subsidiary of Unilever) marketed the product in ‘affordable’ small size pouches targeted for the poor. For such a market, the more the sales of the smaller pouches, the higher the financial returns for Hindustan Lever Limited.

Hammond and Prahalad (2004) describe businesses that are packaging products in smaller units. These smaller units allow for immediate use and allow the poor to purchase an otherwise unaffordable product. Examples cited are of a Mexican retail chain selling chicken in smaller portions and Hindustan lever limited with personal health-care products such as shampoo and detergents packaged in a 'single-serving' version packages.

Hammond and Prahalad (2004) cited another example of prepaid phone cards being the dominant business model for the cell phone market worldwide, which squashes the perception that business with the poor is risky. Prepaid cards eliminate collection costs and debt. Payment is made before a call is connected. In addition to the advantage pointed out here, the pre-paid vouchers are sold in various small denominations such that even the BOP market apparently sees these vouchers as affordable.

'Person-to-person' cosmetic giants such as Amway Corp and Avon Products have modernised distribution channels in India and Brazil (Hammond & Prahalad, 2004). The two companies have used direct distribution strategies to sell beauty products to the poor and have hired poor people as entrepreneurs.

Vikram Akula's SKS Microfinance Company (Akula, 2008) provided finance to women in rural India so that they can start small businesses and get out of poverty. The company's business strategy is based on three principles. Firstly, a profit-oriented approach was applied to access commercial capital. Secondly, there was standardisation of products, training and other processes to boost capacity and finally, there was use of technology to reduce costs and limit errors in the business.

The principles running through most of the examples in dealing with the poor above are of entrepreneurship, alliances or partnerships and technology implementation. There is gain for business in the form of increased profit or market

share. The BOP or poor gain access to better products, services or they engage in partnerships, which ultimately assist in poverty alleviation.

2.8 Models for Working with the BOP

Simanis, Duke and Hart (2008) in their article presented three models for investing with the BOP. These models by Simanis et al (2008) are the Provider model, the Empowerment model and the Equal Partnership model described by Willie and Barham (2009) below.

- The Provider model or 'Basic Needs' model is where companies match community needs with their products to discover new markets. Affordable and high quality products are sold to the poor. These products are based on customs within communities, hence providing a benefit and advancing market development.
- The Empowerment model or 'Empowerment and participation' model creates localised products and services based on the unique needs and conditions of the poor community. There is dialogue between the business and potential customers although initiated by the former. Through the active participation of the poor, they are likely to build or develop new capabilities.
- The Equal Partnership model or 'New Commons' school aims to share initiatives with the community on equal terms so that results are embedded in the community. The businesses aim to improve a whole range of areas which would make life worthwhile. Both the business and the community harness their capabilities, resources and creativity. The process aims to build a deep base of entrepreneurship and management capability within the community. The approach is enhanced through a process of engagement that changes the terms of the relationship between the business and the community.

In their discussion on the models above, Willie and Barham (2009) emphasise the need for the Equal partnership model such as that of the BOP Protocol Model by Simanis and Hart (2008b). The involvement of the local BOP in every step of the investment as partners and co-creators almost ensures success due to the shared ownership and responsibility of the initiative. The BOP Protocol is based on the assumption that poor communities are resource rich, full of skills and highly competent. This ability of local communities combined with the companies can result in an original business opportunity to serve the community.

London, Anupindi and Sheth (2010) in their analysis of 64 ventures serving BOP producers found three common themes proposed earlier by Willie and Barham (2009). Firstly, they found that in overcoming constraints, the ventures built trust and long-term relationships with BOP producers and other partners. Secondly, all the ventures demonstrated opportunity for mutual value creation. Technological and economic limitations were noted to work against mutual value creation. Finally, most of the ventures collaborated with socially oriented organisations (such as NGOs) that require the creation of adequate local value.

Willie and Barham (2009), in comparing the BOP protocol and the two other models (Empowerment and Provider models), state the need for all three models because of the different companies' goals. Some companies may be working to provide a base for the future, others may be philanthropic and others may be using the process as part of its corporate social responsibility or public relations and finally, some may be looking to make a profit.

The partnership model takes time to set up and for the business to make a profit. The first two models are based on the presumption that the company knows what the community needs or wants. Taking these in consideration, Willie and Barham (2009), stress the need for all three models to be dynamically integrated due to the large number of the poor who need urgent action. Additionally, corporations may not be willing to wait for the slow process of implementing the third, Equal

Partnerships, model. All models need to operate together if the UN Millennium Development Goals are to be achieved.

Anderson and Markides (2007) propose the need for innovation at the BOP in developing markets through their “Four A’s” (p.84) framework; affordability, acceptability, availability and awareness:

- “Affordability is the degree to which a company’s goods or services are affordable to consumers at the low end of the market” (ibid, p. 84). The offerings must be at a price point that enables consumption by even the poorest. The example cited here was of Smart Communications in the Philippines with small denomination mobile airtime, Honda in India with their generators as prizes (for shopkeepers in a lottery) and Tata Motors’ low cost car.
- Acceptability is the extent to which consumers in the value chain are willing to consume, distribute or sell a product or service. Companies respond to specific needs nationally or regionally, either cultural or socio-economic or respond to unique requirements of local businesses. Hindustan Lever’s shampoo for women in India and the Haier Group’s multipurpose washing machine in China are examples of modifying products for local acceptability. Examples of note of innovations in distribution are the Eveready Industries India van-distribution system and Avon Products sales women in Brazil.
- Availability is the level to which the product or service can be acquired and used. “Strategic innovators are resourceful about distributing or delivering products and services to the most isolated communities” (ibid, p. 84).
- Awareness is the customer’s level of knowledge about a product or service. Conventional advertising may not reach poor customers. Companies need to use other modes and methods of communication.

Smart Communications of the Philippines used modes such as billboards, visits to tertiary education institutions, dealer recruitment and dealer training in low income communities.

Therefore, companies in developing markets such as South Africa find gaps in the industry-positioning map; they go after them and exploit the opportunities, just as they do in developed markets (Anderson and Markides, 2007).

2.9 Conclusion

The aim of this research is to investigate the extent of involvement of businesses and their actions thereof in an emerging market such as South Africa. Uplifting the BOP (poor) in South Africa would have a positive impact on the macro-economic situation in the country and this literature review has demonstrated the specific principles that could be adapted for the South African context.

The following partnership model was developed for the South African context drawing information from the literature. The model has been designed for the retail-banking sector in South Africa. The other partners are the poor or BOP with government and NGOs as intermediaries or facilitators. The model in Figure 5 describes the critical requirements from each partner or intermediary for the success of an alliance or partnership between the BOP and Banks.

In terms of the Bank, as a partner, the important features are expanded on below:

The banks **commitment of resources** involves the full allocation of funds, consistent application of resources, a long-term view, sustainability (both economic and environmental) and the allocation of a specific commercial unit to the partnership. **Careful and experiential preparation** in developing the

partnership due to the high risk, involvement for the long run, to understand the situation of the poor and a deep understanding of local community circumstances. **Value creation** is through new market opportunities, improved or increased profitability, the increase in shareholder value, the social responsibility of business to the community, the economic value add to society and the improved reputation of the business.

Innovation takes place with low cost, simple and local technology, processes or products. Products or services should be inexpensive and appropriately priced with the creation of markets for these products. There is high **risk** to the business due to finances involved or allocated, with the resulting profits expected later rather than earlier and all parties (bank, BOP, NGOs and government) responsible for the long-term success of the partnership. There is need for economic and environmental **sustainability** due to the social responsibility of business to alleviate poverty and ensure the careful use of scarce resources.

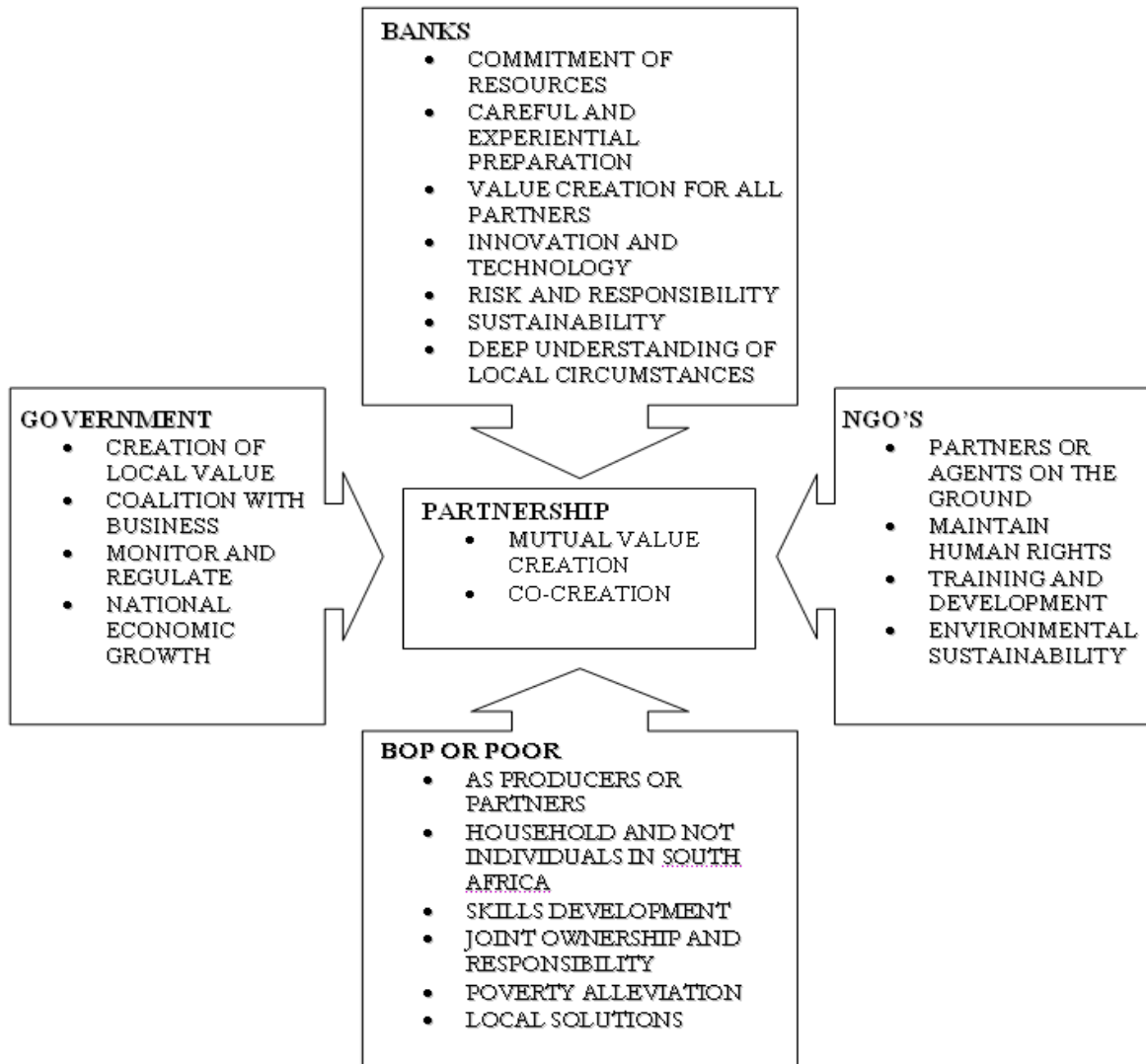
The following aspects important for the BOP are discussed below:

The BOP are to be considered as producers forming alliances or partnerships and involving entrepreneurship at their level. Skills development involves training to acquire management capabilities and unlimited access to information. All parties jointly hold responsibility of the partnership or venture success with ownership split between the bank and the BOP entrepreneur.

Poverty alleviation takes place as an incentive for action by the BOP with the need for an enhanced quality of life. **Local solutions** are required through building local capacity to produce and innovate at the level of the poor and so empowering them. The South African BOP demonstrate **collectivism** in their economic activities and so should be viewed as households and not individuals.

Important features for **government** involvement in the partnership are discussed below:

Figure 5. The Equal Partnership Model for the Economic Involvement of the BOP



Government support **creates local value** through its delivery or distribution networks, at grass root level and acting as agents on the ground to understand the needs of the BOP. A **coalition with business** will assist in dealing with specific needs of communities, for co-operation or advice and for the long-term success of

the business. Government's role is to **regulate and monitor** the partnerships for fairness and to simplify difficult processes for progress. Ultimately, the goal is **national economic growth** through investment, job creation, tax revenue generated, poverty alleviation, application of human rights and the reputation of the country.

The NGO's role in the partnership covers the following aspects:

The NGO acts as an **intermediary** to better understand the BOP (cultural, financial, technical education and infrastructure) and forms embedded ties between the BOP, government and business, as agents on the ground for delivery or distribution and creating value in communities. The upholding of **human rights** requires that fairness in treatment of the BOP, poverty alleviation and societal problems be addressed. The NGO would focus on the need for **training** including skills development, entrepreneurship and basic management skills for the success of the venture. **Sustainability** of the venture or partnership would require environmental and resource protection by delineating responsibilities to all parties for the long-term success of the venture.

All the aspects described above are important for the successful application of the equal partnership model.

CHAPTER 3: RESEARCH PROPOSITIONS

Zikmund (2003) defines a proposition as a statement concerned with the relationships among concepts. A proposition describes the logical linkage between certain concepts by asserting a universal connection between concepts.

3.1 Collectivism

As per Chipp and Corder (2010a) and Corder and Chipp (2010b), the base of the pyramid (BOP) should be defined empirically for South Africa. Defining the BOP in terms of individual earnings would not work in the South African society that displays collectivism when dealing with earnings and money spent. There is a need for managers to understand this aspect of collectivism and the resulting actions by households rather than individuals. A deep understanding of household decisions in earnings and spending will provide managers and marketers the ability to devise actions for tapping into this market. The aim of the proposition below is to determine the level of manager awareness regarding the collectivistic nature of the poor.

3.1.1 Proposition 3.1.1

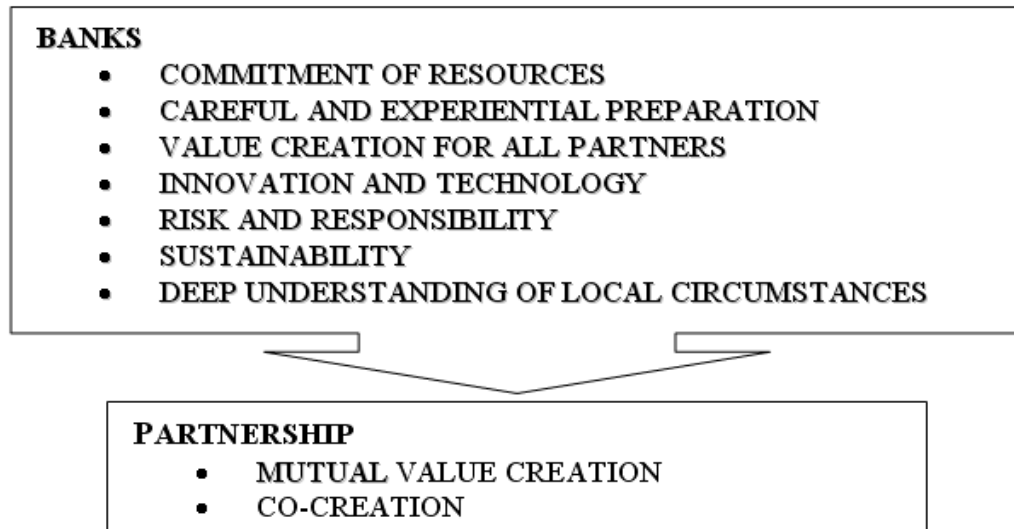
The poor in South Africa demonstrate collectivism in their economic activities and are recognised as households and not individuals in developing partnerships with a bank.

3.2 Bank activities

Simanis and Hart (2008b) stress the need for business and the BOP to come together as partners and co-creators to ensure success of a BOP venture due to

the shared ownership and responsibility of the initiative. It is essential for mutual value creation in partnerships with the BOP as specified in Figure 6 below. The aim of this study is to determine the level of activities by retail banks at the level of the BOP. The results of this study are expected to assist banks in defining areas for improvement in penetrating these low income markets.

Figure 6. Bank Activities in the Equal Partnership Model



3.2.1 Proposition 3.2.1

Banks or branches need to commit long-term resources to a partnership at the level of the poor.

3.2.2 Proposition 3.2.2

Banks need to experiment with different business models and prepare well before going into an equal partnership venture with the poor.

3.2.3 Proposition 3.2.3

For a partnership venture with the poor, there should be value created for the bank at multiple levels such as increased profitability and improved reputation.

These areas of value for the bank are:

- Increase in the number of customers and resulting revenue.
- Increase in the value of the bank to shareholders.
- Increased social responsibility of the bank to the poor.
- Improvement in reputation to society.

3.2.4 Proposition 3.2.4

There needs to be innovation by the bank in a simple technology, new process or innovative product or service for a partnership with the poor.

3.2.5 Proposition 3.2.5

There is high financial risk for the bank in investing in the poor.

3.2.6 Proposition 3.2.6

The business or partnership with the bank should be economically and environmentally sustainable for alleviation of poverty and careful use of scarce resources. These scarce resources required by the poor are money, electricity, clean water and other raw materials.

CHAPTER 4: RESEARCH METHODOLOGY

This chapter presents the research philosophy, approach, design, population, sample selection and data collection tools used, to address the problem as outlined in Chapter one. In addition, possible limitations to the study will be discussed.

4.1 Research Classification

This study aimed to determine the applicability of the equal partnership model for BOP engagement in the South African economy. Different aspects were drawn from literature to develop the equal partnership model as described in Figure 5 (Chapter 2). Case studies of BOP strategies such as those of Cemex, Tetra Pak, Unilever, Telenor, Digicel and Nike have been mentioned in most literature (Sanchez et al., 2006; Warnholz, 2008). Some BOP strategies have been successful (Cemex, Tetra Pak, Unilever, Telenor and Digicel) and others failures (Nike).

The research design was both quantitative and descriptive in nature. The purpose of this study was to produce information which reduced uncertainty (Zikmund, 2003) about South African business activities in the area of the BOP. As stated by Zikmund (2003, p. 55) descriptive research aims to answer questions such as “who, what, when, where and how” by way of a survey questionnaire. Quantitative approaches, especially surveys of individual responses, are often more practical in terms of time and cost (Wreathall, 1995).

4.2 Research Design

Descriptive research was chosen for this investigation because of the previous qualitative and quantitative work done in the area of business and the BOP. The aim of this research was to expand on previous qualitative studies done in the area of the BOP and business. Quantitative analysis was selected to test theoretical predictions with precise measures of variables (Tharenou, Donohue & Cooper, 2007). As stated by Zikmund (2003), descriptive research studies are based on some prior understanding of the problem. The aspects of the relationship of those involved in the partnership model with the BOP were tested in this research.

4.3 Data Gathering Process

The method used in gathering data is through a survey. Zikmund (2003, p.175) defines the survey as “a method of gathering primary data based on communication with a representative sample of individuals”. The information was gathered by way of a telephonic interview with a structured questionnaire. The quality of this data may be comparable to data obtained through personal interview (Zikmund, 2003). According to King (1994), interviews are appropriate when the researcher wants to see the topic from the perspective of the interviewee and to see how or why the interviewee comes to have this perspective. Zikmund (2003) stressed that respondents may be more willing to provide detailed and reliable information over the telephone than through personal interviews. Seidman (1996) stated that structured interviews are composed of completely pre-set standardised questions, which are normally closed-ended.

Surveys are extremely valuable to academics and managers when conducted properly (Zikmund, 2003). The choice of survey for this study was the telephone interview due to the time limitations of this study and due to the flexibility of its

application to studies such as the current one. Telephone interviewing was chosen because of ease of access to the respondents who were branch managers of banks. The availability of these managers for personal interviews was questioned and the travelling cost for face-to-face interviews was a restriction. For this study, a detailed structured questionnaire was designed to draw out the different relationships being tested in the partnership model for BOP involvement.

4.4 Questionnaire Design

The instrument used in this survey was a questionnaire designed from a literature survey of the subject area. For the design of a new instrument, the principles of questionnaire and scale construction was investigated (Mouton, 2009). A questionnaire is relevant if no unnecessary information is collected and if the information needed to elaborate on the problem is obtained. The accuracy of a questionnaire is determined by ensuring it is valid, in that it must measure and predict relevant criteria of the construct (Tharenou et al., 2007).

In this research, a multiple measures approach, as recommended by Tharenou et al. (2007), was used to determine if a number of measures converge for evidence of construct validity. The questionnaire has been included (see Appendix 3).

The survey was carried out telephonically using a structured questionnaire. The questionnaire was designed to ask questions that are more general and then focus on specific questions. This funnel technique (Zikmund, 2003), of asking general questions before specific questions, was carried out to avoid biased responses. The approach used in designing the questionnaire followed the general principles outlined by Foddy (1993). Questions for telephone surveys must be less complex versus questions used in personal interviews because there is less time for elaboration or explanation.

Social desirability error or response (Richman, Kiesler, Weisband and Drasgow, 1999) is the tendency for a respondent to choose the socially desirable response whether true or not. The respondent wishes to represent himself or herself in a favourable light, no matter what they actually feel about an issue or topic and would contaminate any results obtained. Acquiescence response is the tendency for respondents to agree to positively phrased questions, regardless of the content (Spector, 1987). The correct design and application of the structured questionnaire would reduce the occurrence of the above response errors.

4.4.1 Pre-testing of the Questionnaire

Pre-testing of the questionnaire was done in order to refine categories and clarify other questions that were initially unclear and needed both refinement and improvement. In addition, pre-testing ensured that the questionnaire timing was appropriate. As a result of the pre-test, definitions were simplified to make them more understandable. These simplified definitions were presented during the process of questioning by stating them prior to asking the questions pertinent to them.

4.4.2 Scale

Attitude is a complex and difficult to define concept (SAARF, 2010; Zikmund, 2003). Attitudes, as described by Zikmund (2003), are an enduring disposition to respond consistently in a given manner to various aspects of the world, including persons, events and objects. However, attitudes are subject to change in shorter periods in comparison to values and traits. The three components of attitude are affective, cognitive and behavioural. The affective component relates to an individual's general feeling or emotions to an object. The cognitive component represents one's awareness of and knowledge about an object. The behavioural

component represents a predisposition to action including both intentions and behavioural expectations.

Attitudes can be measured using the ranking, rating, sorting or choice techniques. The function of an attitude scale is to locate an individual's position on a continuum (Zikmund, 2003). This study focuses on the cognitive component of attitude and so a rating scale was used. A Likert type scale was used in this study. During the survey "respondents indicate their attitudes by how strongly they agree or disagree with carefully constructed statements that range from very positive to very negative towards the attitudinal object" (Zikmund, 2003, p.312). As described by Tharenou et al. (2007), there are numerous benefits in using multi-item measures in research. Some of these benefits are superior validity and composite scores can be used to represent the construct of interest. Respondents were asked to rate the magnitude of awareness and knowledge in a specific area.

To measure the attitudes and for data analysis purposes a weighting score was attached to each response. The scale was biased towards the positive because it was expected that most managers would respond in a positive manner. This bias in scaling was effected to give a larger range of more positive answers. The neutral option was not included in this scale to force the respondents to take a stance. Scoring was carried out as described in Figure 7 below. Weightings were attached based on the questions asked.

Figure 7. Likert Type Scale Used for this Study

1 Disagree	2 Slightly Agree	3 Agree	4 Strongly agree
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4.5 Unit of Measure

The unit of analysis chosen was the retail (or personal) bank manager of branches belonging to the three bank groups in South Africa. These banks included the Amalgamated Bank of South Africa (ABSA), Standard Bank and Nedbank. Each bank manager's response was considered as an individual data source (Tharenou et al., 2007).

4.6 Population

Zikmund (2003) described the need for selection of the appropriate target population to ensure that the data collected is from the correct source. Respondents were identified from the retail-banking sector in South Africa, which has recently been involved with the BOP. The target population consisted of all retail bank managers of three banks in South Africa (ABSA, Standard Bank and Nedbank). Geographically, the population covers all the nine provinces in South Africa. These market-oriented organisations provide a robust investment plan and strategy for the anticipated BOP market. Such organisations have modelled their business practices around economic, environmental and social spheres with the goal of doing good while being profitable.

The banking sector in South Africa has recently launched an industry wide project, the 'Mzansi initiative', to involve the "under-banked and un-banked" in society by providing cost effective products to the entry level account holder and the informal sector (Standard Bank, 2009, p.17). Standard bank (2009) has launched a new banking model to extend affordable and accessible financial services to the underserved market, which includes low-income earners and the informal sector. This model combines cell phone banking, community retailers and community banks without the need for a physical branch and automated teller infrastructure. ABSA (2009) planned to launch new low-cost channels and basic banking

products in 2010 to grow value from the entry-level group of the South African population.

The total number of branches of the three banks was estimated at 1,600 (ABSA, 2010; Standard Bank, 2010; Nedbank, 2010).

4.7 Sampling Method and Size

The purpose of statistics is to describe the characteristics of a population or sample and to generalise from the sample to the population (Zikmund, 2003). The principle of sampling was to obtain a large enough sample of retail banking branch managers to be able to generalise the findings, to draw conclusions and make recommendations to the whole population of retail banking branch managers. Albright, Winston and Zappe (2006) encouraged researchers to obtain as large a sample as possible to reduce sampling error. In doing so, the authors recommended compromising the sample size considering the opposing forces. The opposing forces to consider were those of the cost of sampling, the timely collection of data and non-sampling error.

In this study the main issue of concern was the time spent in collecting the data considering that the method selected was of a telephone survey.

Zikmund (2003) prescribed the following three factors in determining sample size:

- Variance or heterogeneity of the population which is an estimate for the standard deviation of the population,
- Magnitude of acceptable error and
- Confidence Level

The following method was used to determine a sample size for a proportion of a population (Zikmund, 2003). See Figure 8 below.

Figure 8. The Equation Used to Calculate the Sample Size.

$$n = \frac{Z^2 \cdot p \cdot q}{C^2}$$

n = number of items in the sample

Z^2 = square of a confidence level of 1.96 in standard error units.

p = estimated proportion of successes, or the response rate , which was assumed to be 50 % or in this case 0.50

q = $1-p$, or estimated proportion of failures, 0.50.

C^2 = square of the maximum allowance for error between the true proportion and the sample proportion, where C represents the confidence interval of 0.05.

With the above values , $n = 384$, but due to the time limitation of the study, a sample size 150 was used. In addition, to conduct an exploratory factor analysis, Guadagnoli and Velicer (1988) recommend between five to ten cases (or respondents) per item for a stable solution. With 16 items on the questionnaire, the sample ranged from 80 (5 times 16) to 160 (10 times 16). Hinkin (1995) suggested 150 observations as a minimum. This sample, of 150 respondents, gave a confidence interval of 8 %. According to Albright et al. (2006) and Zikmund (2003), the confidence interval is the probability of the true population parameter being incorrectly estimated. In this study, the value of 8 % was used versus the 5 % standard. In other words, with a response of 50%, the true response rate would lie somewhere between 42% (50% - 8%) and 58% (50% + 8%) in 95 cases out of 100.

The sample was of the probability type because it was based on some random procedure of selection. A systematic random sampling technique was used for this study (Zikmund, 2003). In systematic random sampling, the population is listed according to some criteria (such as alphabetical), an interval is determined based on the sample required and finally, one item is randomly selected within that interval as a starting point.

For this study, to ensure a proportional sample from each bank group (ABSA, Standard Bank and Nedbank) the population of bank branches within each group was listed alphabetically after stratification by bank (Zikmund, 2003). An interval was then determined by dividing the total number of branches of the three banks by the sample size required of 150. The sample was then drawn according to this interval after a random start.

4.8 Analysis Approach

Data collected has little or no value as data and extracting meaning from this data is important (Babbie, 2005). Zikmund (2003, p.473) refers to descriptive data as “the transformation of raw data into a form that will make them easy to understand and interpret”. The three main stages of data analysis were performed as prescribed by Tharenou et al. (2007). These included data management prior to data entry, initial data analysis to check suitability of the data after data entry and finally the data analysis to test the propositions.

4.8.1 Capturing of Data

Data was captured manually on survey questionnaires following the procedure described by Tharenou et al. (2007). Before entering the data on an electronic spreadsheet all questionnaires were numbered by source bank (and/or province), checked for missing data (for a decision to include in the data entry or not), the

data was coded and then only was the data transferred on to a Microsoft Excel spreadsheet. Analysis of the data was then carried out using both Microsoft Excel and NCSS 2007 statistical software.

4.8.2 Descriptive Statistics

The data obtained from the survey will be analysed using descriptive statistics such as frequency tables, quadrant analysis and box-and-whisker plots (Babbie, 2005). Descriptive statistics is concerned with the explanation and summarisation of data obtained for a unit of analysis (Welman & Kruger, 2001). In analysing and interpreting the results of the survey, a comparison of the descriptive statistics was undertaken to make the results more meaningful. The different banks were compared. According to Welman and Kruger (2001), without comparative data, a survey is of little or no use.

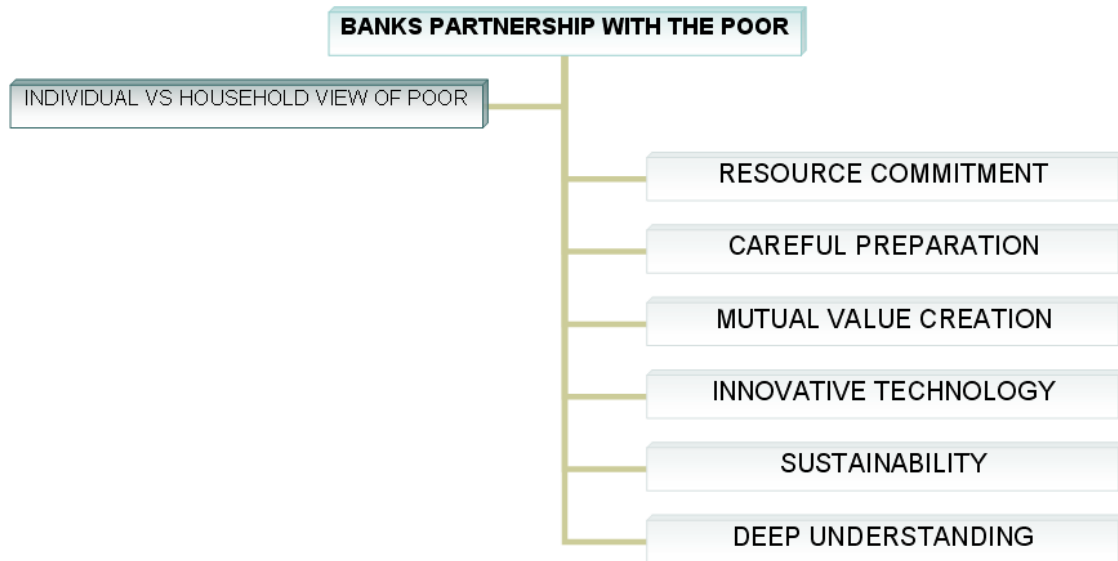
4.8.3 Multivariate Analysis

Multivariate analysis was carried out on the data to draw a relationship between the different variables listed below in Figure 9.

Multivariate analysis assesses the relationships among three or more variables (Tharenou et al., 2007). An exploratory factor analysis was undertaken for the purpose of analysing scores from the variables to see if they could be reduced to underlying dimensions. According to Tharenou et al. (2007), the most common method of exploratory factor analysis in organisational research is principal component analysis (PCA). The goal of PCA is to arrive at a relatively small number of factors or components that will extract most of the total variance from a large set of variables.

Principal components analysis (Hinkin, 1995) was performed on the raw data to identify factors, or underlying perceptual dimensions.

Figure 9. Variables Related to the Partnership of the Bank with the Poor.



4.9 Limitations of the Study

The following limitations were expected in this study:

- Restricting the population to the three major banks limited the projection of data beyond this population (Zikmund, 2003).
- The ability of the interviewer to ensure that the interviewee understood the questions and that the resulting responses were valid.
- Non-response error due to the managers approached refusing to participate in this survey. Access to the population was an issue because of the level of the managers in the business that were targeted. Getting the branch managers on the telephone did prove difficult.

- Response bias was prominent in this research due to the unfamiliarity of the subject area, the use of extremes when responding and by the desire of the respondents to appear socially right when responding (also known as the social desirability bias).

CHAPTER 5 : RESULTS

5.1 Introduction

This section reviews the results of the telephonic survey. The data on the responses to the questions are compared to expected values in order to evaluate the propositions. This evaluation of the responses was undertaken to determine the awareness of bank managers to activities taking place in their businesses. Support by managers of the aspects queried in the questionnaire indicates familiarity and action by the banking sector in the area of the BOP. In this manner the model described in Chapter 4 (Figure 9, page 56) would be tested.

Commentary is given on the inter-relationship of questions or attributes through a correlation analysis. This inter-relationship could give insight or understanding into underlying perceptual dimensions. These commonalities are then uncovered through a best-fit factor analysis. After identifying the underlying perceptual dimensions (or factors), the different groups are tested for significant difference between them. The different groupings are of age, gender, race and bank.

5.2 Response Rate and Demographics

Of the initial sample of a 158, 113 (or 71%) were willing to respond. In three cases, two questions were omitted. The response rate was highest for Nedbank (88%), then ABSA (71%) and finally Standard Bank (58%). Most respondents were female (69%). In terms of racial groupings, the highest response was from whites (43%), next were blacks (30%) and finally Coloured or Asian (27%). Most respondents were aged 35 to 49 years (59%). Of the sample, **personal and business** banking constituted the higher proportion (65%), then **personal banking** (31%) and finally **business** with the lowest proportion (4%).

The general demographics of the sample are reported in Appendix 4 through tabular and graphical representation (see Tables 13 to 17 & Figures 17 to 21).

5.3 Evaluation of Propositions

The propositions were evaluated on a one sample two-tailed t-test. Based on the four point Likert Scale (see Figure 10 below) a mean score of two (2.0) was set as the expected response to the questions. This expected average was selected to determine if any responses were biased towards the top end of the scale or bottom end of the scale. A one sample two-tailed t-test was used to compare the mean of the response to each question to the expected mean of two.

Figure 10. Likert Type Scale used for this Study

1	2	3	4
Disagree	Slightly Agree	Agree	Strongly Agree

5.3.1 Proposition 3.1.1

The poor in South Africa demonstrate collectivism in their economic activities and are recognised as households and not individuals in developing partnerships with a bank.

Results to the question on the recognition of the poor as households and not individuals (Question 6a) indicated that there was no significant difference ($p > 0.05$) between the response with a mean of 2.15 (slightly above 2.0) (see Table 4 above). Hence, the proposition was not supported.

Table 4. The One Sample Two Tailed T-test on Results for Proposition 3.1.1

One-Sample Statistics					Test Value = 2				95% Confidence Interval of the Difference	
Question	N	Mean	Std. Dev.	Std. Error Mean	t	df	Significance (2-tailed)	Mean Difference	Lower	Upper
6a. Households	113	2.15	1.063	0.1	1.505	112	0.135	0.15	-0.05	0.35
6c. Financial Decisions	113	2.27	0.954	0.09	2.957	112	0.004	0.265	0.09	0.44

In terms of the poor making financial decisions collectively (Question 6c), there was a significant difference ($p < 0.05$) between the response mean of 2.27 than that expected (2.0) (see Table 4 above). This response to collective financial decisions was more inclined towards the positive end of the scale and so supporting the proposition.

5.3.2 Proposition 3.2.1

Banks or branches need to commit long-term resources to a partnership at the level of the poor.

In terms of allocation of resources (such as funds and teams to deal with partnerships with the poor), there was a significant difference ($p < 0.05$) in the responses in both cases in comparison to the expected response (see Table 5 below). Both responses of allocation of funds and of allocation of teams to deal with partnerships were directed more to the positive end of the scale.

Table 5. The One Sample Two Tailed T-test on Results for Proposition 3.2.1

One-Sample Statistics					Test Value = 2				95% Confidence Interval of the Difference	
Question	N	Mean	Std. Dev.	Std. Error Mean	t	df	Significance (2-tailed)	Mean Diff.	Lower	Upper
7a. Allocation of funds	111	2.53	0.98	0.093	5.714	110	0.000	0.532	0.35	0.72
7b. Allocation of teams	111	2.5	0.98	0.093	5.324	110	0.000	0.495	0.31	0.68

5.3.3 Proposition 3.2.2

Banks need to experiment with different business models and prepare well before going into an equal partnership venture with the poor.

Table 6. The One Sample Two Tailed T-test on Results for Proposition 3.2.2

One-Sample Statistics					Test Value = 2				95% Confidence Interval of the Difference	
	N	Mean	Std. Dev.	Std. Error Mean	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
8a. Experimental relationships	112	2.83	0.746	0.07	11.78	111	0.00	0.83	0.69	0.97
8b. Understanding poor	110	2.64	0.864	0.082	7.72	109	0.00	0.636	0.47	0.8

The response to experimenting with different models in dealing with the poor was significantly different ($p < 0.05$) to the expected response. The response was **strongly** inclined to the positive end of the scale.

In preparing well by understanding the poor, was significantly different ($p < 0.05$) to the expected response towards the positive end of the scale. Both responses supported the proposition.

5.3.4 Proposition 3.2.3

For a partnership venture with the poor, there should be value created for the bank at multiple levels such as increased profitability and improved reputation.

Table 7. The One Sample Two Tailed T-test on Results for Proposition 3.2.3

One-Sample Statistics					Test Value = 2				95% Confidence Interval of the Difference	
	N	Mean	Std. Dev.	Std. Error Mean	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
9a. Increased customers	112	2.59	0.844	0.08	7.387	111	0.00	0.589	0.43	0.75
9b. Increased shareholder value	112	2.55	0.899	0.085	6.518	111	0.00	0.554	0.39	0.72
9c. Social responsibility	112	3.21	0.65	0.061	19.779	111	0.00	1.214	1.09	1.34
9d. Reputation	112	3.16	0.578	0.055	21.246	111	0.00	1.161	1.05	1.27

In terms of value creation for the bank through partnerships with the poor, the four responses were all significantly different ($p < 0.05$) to the expected mean of 2.0

(see Table 7 above). The responses to an increase in customers and the increase in shareholder value were oriented to a positive response.

There was a strong inclination to a positive response for the social responsibility of the bank and the improved reputation of the bank. All responses to these questions (9a, 9b, 9c and 9d) supported the proposition.

5.3.5 Proposition 3.2.4

There needs to be innovation by the bank in a simple technology, new process or innovative product or service for a partnership with the poor.

Both responses to innovation by the bank using simple technology for product and services for the poor were significantly different ($p < 0.05$) to the expected (Table 8 below). In terms of using technology to deliver a product or service, the response was towards the positive end of the scale and supporting the proposition. The same was true for using technology to price services and goods for the poor.

Table 8. The One Sample Two Tailed T-test on Results for Proposition 3.2.4

One-Sample Statistics					Test Value = 2				95% Confidence Interval of the Difference	
	N	Mean	Std. Dev.	Std. Error Mean	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
10a. Product technology	112	2.85	0.808	0.076	11.113	111	0.00	0.848	0.7	1
10b. Price technology	112	2.9	0.735	0.069	12.989	111	0.00	0.902	0.76	1.04

5.3.6 Proposition 3.2.5

There is high financial risk for the bank in investing in the poor.

Table 9. The One Sample Two Tailed T-test on Results for Proposition 3.2.5

One-Sample Statistics					Test Value = 2				95% Confidence Interval of the Difference	
	N	Mean	Std. Deviation	Std. Error Mean	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
11a. Later profitability	111	2.87	0.776	0.074	11.865	110	0.000	0.874	0.73	1.02

In the response to the financial risk involved in investing in partnerships with the poor, there was significant difference ($p < 0.05$) to the expected result of 2.0 (see table 9 above). The response to later profitability linked to higher risk was more inclined to a positive response in the Likert scale, hence supporting the proposition.

5.3.7 Proposition 3.2.6

The business or partnership with the bank should be economically and environmentally sustainable for alleviation of poverty and careful use of scarce resources. These scarce resources required by the poor are money, electricity, clean water and other raw materials.

In terms of the responses to sustainable use of resources in alleviation of poverty and the careful use of scarce resources by the poor, they were both significantly different ($p < 0.05$) to the expected mean (see Table 10 below). In both cases, of

poverty alleviation and resource use the responses were strongly oriented to the positive end, hence supporting the proposition.

Table 10. The One Sample Two Tailed T-test on Results for Proposition 3.2.6

One-Sample Statistics					Test Value = 2				95% Confidence Interval of the Difference	
	N	Mean	Std. Dev.	Std. Error Mean	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
12a. Poverty alleviation	112	3.18	0.661	0.062	18.883	111	0.000	1.179	1.05	1.3
12b. Resource use	112	2.96	0.709	0.067	14.386	111	0.000	0.964	0.83	1.1

5.3.8 BOP as a profitable market

Table 11. The One Sample Two Tailed T-test on Results for the BOP as a Profitable Market

One-Sample Statistics					Test Value = 2				95% Confidence Interval of the Difference	
	N	Mean	Std. Dev.	Std. Error Mean	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
6b. Profitable market	113	2.73	0.897	0.084	8.708	112	0.000	0.735	0.57	0.9

The response to the BOP as a profitable market was significantly different ($p < 0.05$) to the expected response. The response supported the question on profitability of the business when dealing with the poor.

5.4 Relationships between the Attributes

The relationship between attributes was assessed using correlation coefficients. The correlation coefficients calculate the strength of the linear relationship between the different attributes or items.

The results indicated a strong relationship between the attributes of an **increase in customer base** and an **increase in shareholder value** (with a correlation of 0.6). In addition, findings implied a strong relationship between the attributes of **technology used in product or services to derive value** and the **attribute of technology used to reduce the price of the product or service** (with a correlation of 0.6).

There was a medium strength (or a correlation of 0.5) relationship indicated between the attributes of **allocation of funds** and **allocation of teams** from the responses in the area of commitment of resources. The same relationship (or correlation of 0.5) was found for the responses between the attribute of **experimenting in mutually beneficial relationships** with **deep understanding of the poor** and with **an increase in profitable customers**.

In addition, a medium strength relationship (or correlation of 0.5) was indicated from the responses between the attributes of **improved reputation of the branch** with **social responsibility of the bank** and the **alleviation of poverty**. The final relationship of note was between the **alleviation of poverty** and the **careful use of resources** with a correlation of 0.5 (refer to Table 19, Appendix 5).

Other attributes tended to be independent (refer to Table 19, Appendix 5).

5.5 Metric Multi-Dimensional Scaling (MDS)

According to Agarwal, Lanckriet, Willis, Kriegman, Cayton and Belongie (2007),

“multidimensional scaling (MDS) refers to the general task of assigning Euclidean coordinates to a set of objects such that given a set of dissimilarity, similarity, or ordinal relations between the objects, the relations are obeyed as closely as possible by the embedded pointsMultidimensional scaling...metric algorithms...seek an embedding with inter-point distances closely matching the input dissimilarities...” (p. 2)

In order to get a clearer understanding of the inter-relationships between the attributes metric multi-dimensional scaling was carried out on the correlation coefficients after subtracting them from one (see Table 20, Appendix 5). A map of attributes was then drawn which visually displays items with high loadings. Attributes with high correlations will tend to be closer together and vice versa (see Figure 11 below).

5.6 Factor Analysis

In order to get insights into underlying perceptual dimensions a principal component analysis (PCA) was carried out on the data. PCA is a process that allows for the verification of whether an item within a factor has significance in relation to other items in the same factor (Tharenou et al., 2007). Firstly, the eigenvalues were determined (see Table 12) and based on the eigenvalues: two, three, four and five factors were examined.

On the basis that eigenvalues were greater than one and on marketing sense, a five-factor solution was determined as the optimal solution (see Table 21, Appendix 5).

Figure 11. Metric Multi-dimensional Scaling Map of Attributes.

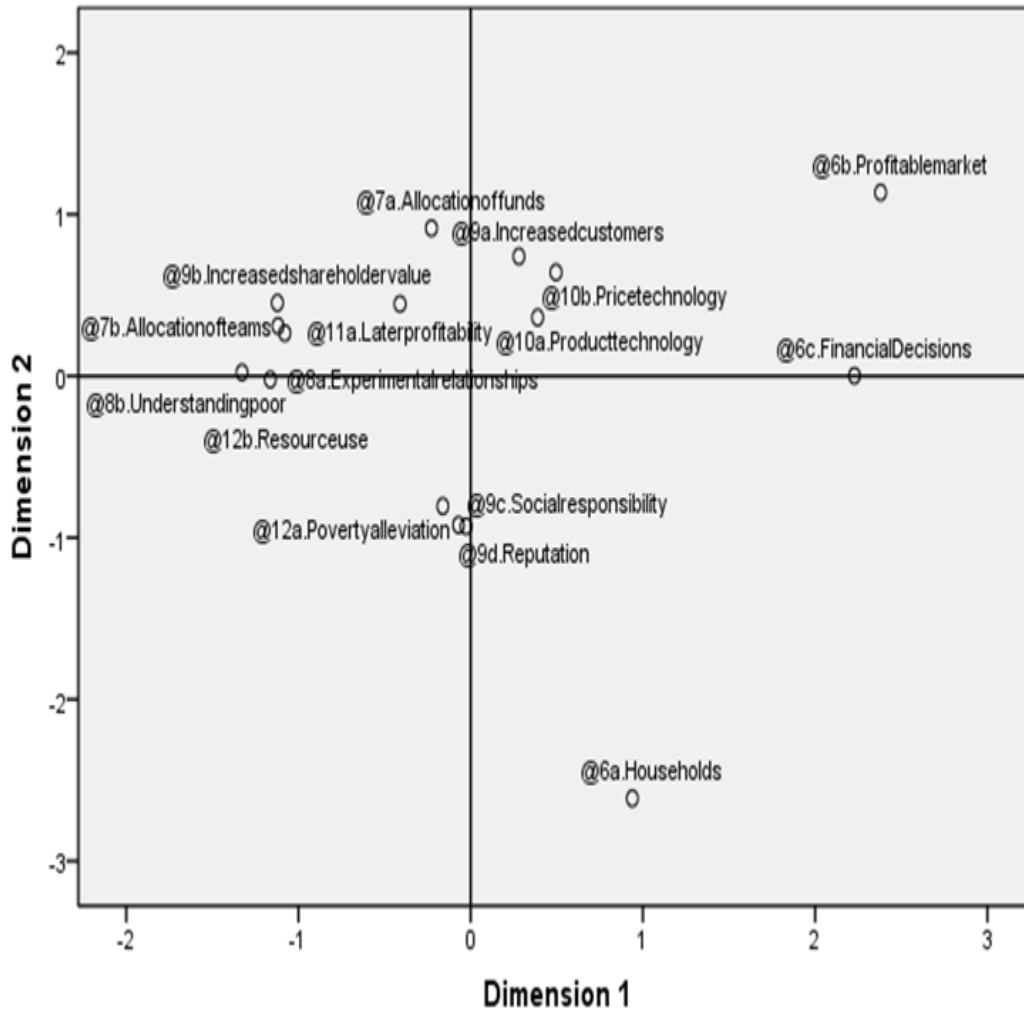


Table 12. Factor Variance as determined by Eigenvalues

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.764	29.774	29.774	4.764	29.774	29.774
2	1.56	9.752	39.527	1.56	9.752	39.527
3	1.316	8.223	47.749	1.316	8.223	47.749
4	1.214	7.587	55.336	1.214	7.587	55.336
5	1.044	6.526	61.862	1.044	6.526	61.862
6	0.902	5.635	67.498			

Factor one has the highest loadings for:

- Increased shareholder value,
- increased customers,
- experimental relationships,
- understanding the poor,
- allocation of funds and
- allocation of teams

This factor refers to the dimension of **enhancing stakeholder value** through collaboration with the poor. Stakeholders include customers, shareholders, employees, partners, government, local communities and the public. Processes need to be in place for an inclusive partnership with the poor.

Factor two has the highest loadings for:

- Resource use
- Product technology
- Price technology and
- Poverty alleviation (shared with factor three)

Factor two could be described as the dimension of **customising solutions** for the poor. In other words, this involves the alleviation of poverty through co-inventing solutions for the poor using technology and available scarce resources.

Factor three has the highest loadings for:

- Poverty alleviation (shared with factor two)
- Reputation
- Social responsibility
- Households

The dimension for factor three covers the aspect of the **public perception** of the business. The business needs to be viewed as socially responsible, with the intention of understanding the poor in the process. The result would be the alleviation of poverty and the consequential improved reputation for the business.

Factor four has the highest loadings for:

- Financial decisions
- Later profitability

Factor four could be described as the dimension of **financial risk** in understanding how the poor make financial decisions and the expected returns from dealing with the poor.

Factor five has a high loading for:

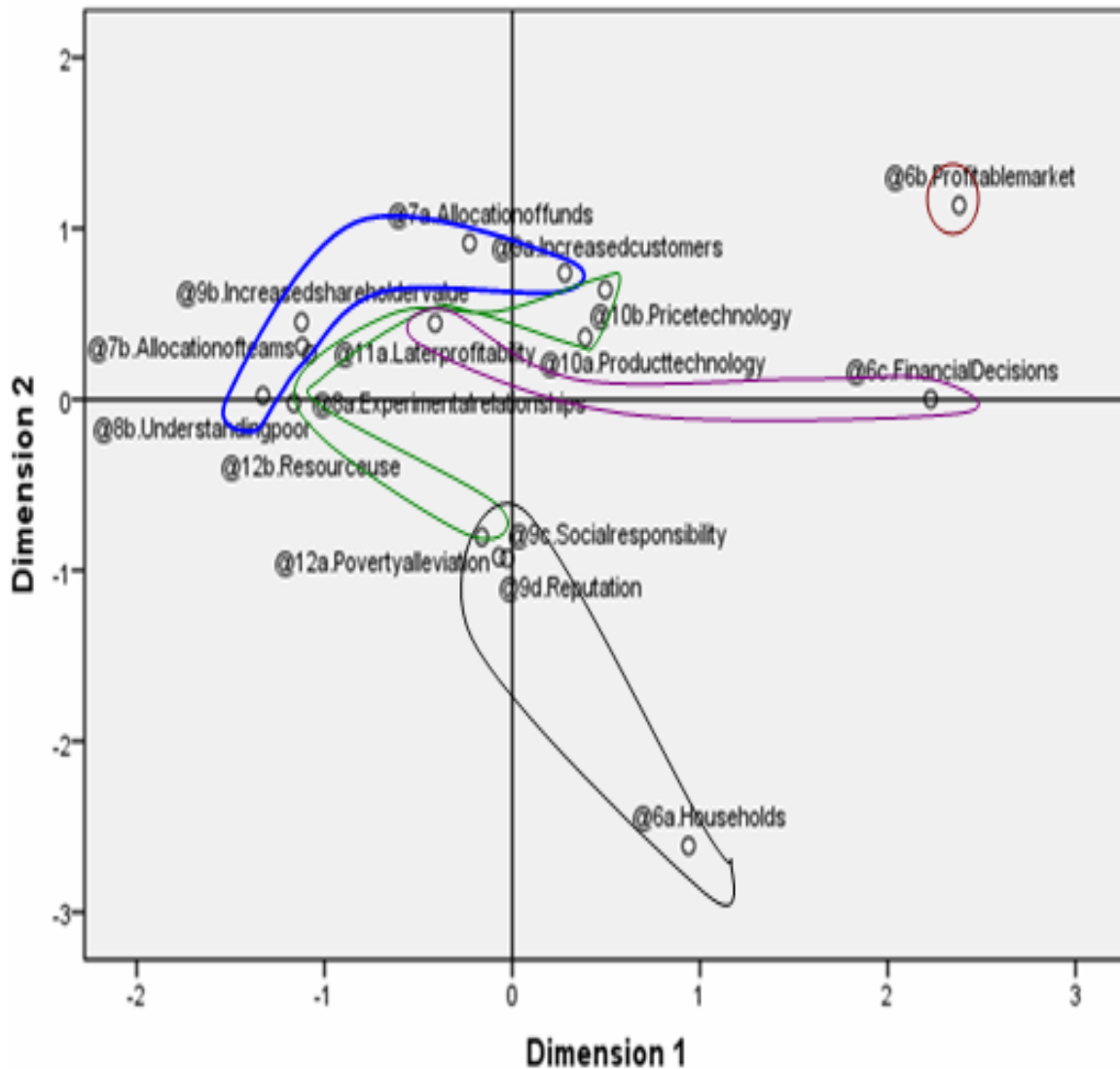
- Profitable market

Factor five is simple and explains that there is a **profitable market** at the BOP.

The factors are then identified on the map by grouping items with high loadings as seen in Figure 12 below.

The lengths of the two dimensions are very similar in the plot (about four units wide). If the one dimension were longer than the other, then the former dimension would be more important in describing the differences between the factors. If the attribute of “Households” was ignored then dimension one (four units wide) would describe the differences in factor more than dimension two (2.5 units wide).

Figure 12. Metric Multi-dimensional Scaling Map of Attributes with Factors.



5.7 Reliability

An internal consistency method of establishing reliability was used, namely Cronbach's alpha coefficient. When Cronbach's alpha for a factor is above 0.7, then it is statistically possible that the items within a factor are strongly related to each other or they are consistent with each other (Tharenou et al., 2007).

Cronbach's alpha of 0.79 was determined for Factor 1 consisting of six items (Table 22, Appendix 5). These items included:

- Increased shareholder value
- Increased customers
- Experimental relationships
- Understanding the poor
- Allocation of funds
- Allocation of teams

Even with individual items deleted (Table 22, Appendix 5) the Cronbach's alpha values were above 0.7 (ranging from 0.75 to 0.78), indicating a strong relationship between the different items and of the items with the scale total.

Cronbach's alpha of 0.72 was determined for Factor 2 consisting of four items (Table 23, Appendix 5). These items included:

- Product technology
- Price technology
- Resource use
- Poverty alleviation

When individual items were deleted (Table 23, Appendix 5) Cronbach's alpha values ranged from 0.64 to 0.70, indicating a strong relationship between the different factors. The exclusion of any one item did not result in a higher Cronbach's alpha representing reliability between the items.

A low Cronbach's alpha was determined for Factor 3 (of 0.44) consisting of three items (Table 24, Appendix 5). These items included:

- Reputation

- Social Responsibility
- Household

When “Households” was removed (Table 25, Appendix 5), Cronbach’s alpha value increased (to 0.63), indicating a better relationship between the two other items, “reputation” and “social responsibility”. Therefore, the item “households” does not appear to fit well in this factor.

Cronbach’s alpha for Factor 4 was very low (at 0.30) and consisted of the two items (Table 26, Appendix 5):

- Later profitability
- Financial decisions

There appears to be a weak relationship between the two items.

The fifth factor only had one item, “profitable market”, so no internal consistency of reliability was determined.

5.8 Differences Between Groups

In order to find out if there was a significant difference in the scores on the five factors for men and women; younger (under 35) and older (over 35) people; race groups (Black; Coloured, Indian, Asian: White); and bank (ABSA, Nedbank and Standard Bank), a one-way ANOVA (analysis of variance) was used (Tharenou et al, 2007).

The results showed that on Factor one, men (mean = 2.85) scored significantly higher ($p. < 0.05$) than women (mean 2.5). See Table 27, Appendix 5 for additional data.

For Factor four, the results showed that, the Black (mean 2.32) groups scored lower than the Coloured, Indian or Asian (mean = 2.65) and the White group (mean = 2.70). There was a significant difference ($p < 0.05$) in means within factor 4 but from the previous analysis on reliability, Factor 4 scored a very low Cronbach's alpha. Therefore, this data was interpreted with caution (see Table 28, Appendix 5).

The results showed that on Factor one, there was a significant difference ($p < 0.05$) in the means of the two age groups of less than 35 years old (mean = 2.88) and greater than 35 years old (mean = 2.46). See Table 29, Appendix 5.

In comparing the means of the different bank groups for Factor one, the results showed that there was significant difference ($p < 0.05$) in means between ABSA (mean = 2.63), Nedbank (mean = 2.34) and Standard Bank (mean = 2.83). See Table 30, Appendix 5 for more details on the data.

CHAPTER 6: DISCUSSION

Collaborating with the poor is important for business to capture a larger share of future opportunities (Hamel et al., 1994). In doing so, the poor are uplifted economically and socially. Investment in the BOP should be for the elevation of the BOP from poverty so that it can take part in the economic activity of the country. Both the increased opportunity for business for growth and the economic involvement of the poor result in the growth of a nation. Therefore, companies can boost both corporate and national economic growth by collaborating with the BOP.

A partnership model for business with the poor for the South African retail-banking sector includes:

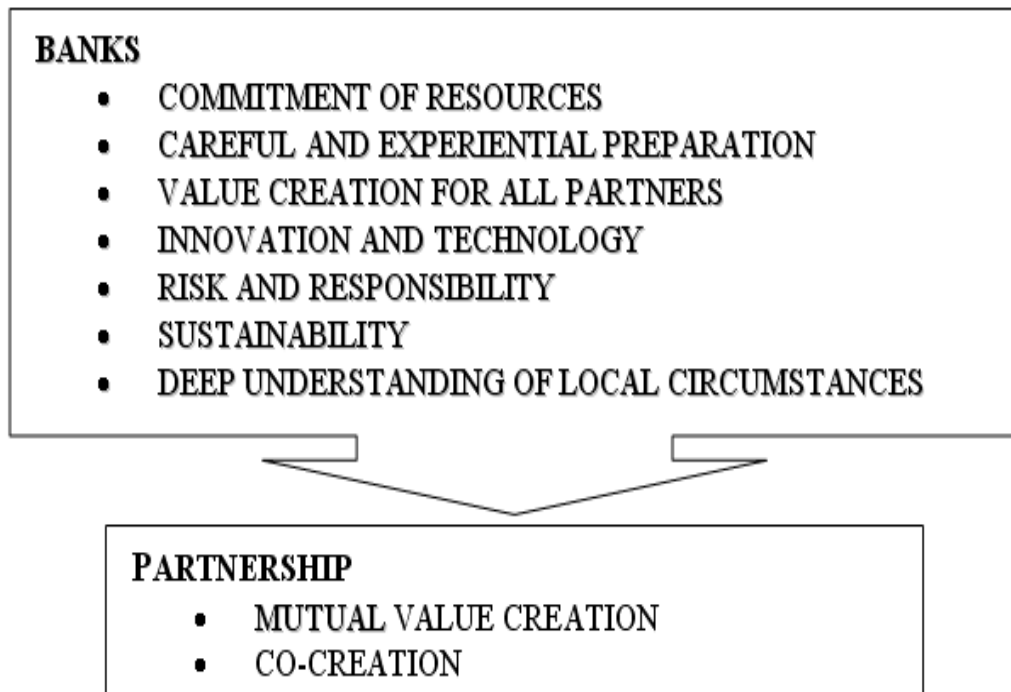
- The poor or BOP.
- The government.
- NGOs as intermediaries or facilitators.

Figure 13 (below) describes the critical requirements from the banking point of view for the success of an alliance or partnership between the BOP and Banks.

6.1 Bank Activities

Through this research, it was evident that managers were conscious of the environment in which they were operating and they were sensitive to how best to serve this potential market (the BOP). This awareness indicated involvement of the banks and their branches in collaborating with the BOP now and in the future. Hence, a BOP strategy developed by banks will result in a sustainable development strategy, where “doing business” will also lead to “doing good” (Karnani, 2007b).

Figure 13. Bank Activities in the Equal Partnership Model



6.1.1 The poor in South Africa demonstrate collectivism in their economic activities and are recognised as households and not individuals in developing partnerships with a bank.

Before reviewing the results, there is a need to review the description of the BOP in South Africa and some related aspects. According to Chipp and Corder (2010a), the poor in South Africa constitute 36 percent of the adult (16 years and over) population or 11.2 million people. These people constitute an untapped market. To enter this market, businesses need to understand the needs and wants of the poor. Goods and services of value need to be delivered by business to the BOP (Moore, 2006). Corder and Chipp (2010b) defined the South African poor as households and not individuals. This is applicable to financial decision making too, where there is co-operation at household rather than individual level.

The results of the responses by the bank branch managers indicated little difference as to whether the poor should be treated as individuals or households. There was a significant shift when understanding how the poor dealt with financial decisions. Managers in the banking sector do support the understanding that the poor make financial decisions collectively. It is possible that bank managers understand better the collective decision making when it comes to financial matters and less on household activities.

South African low-income groups need to be viewed from a group perspective, such as households, in terms of their income and consumption for better understanding of their wants and needs (Corder and Chipp, 2010b). Hence, for a better design of a business approach to the BOP, managers and marketers must understand their market needs, perceptions and behaviour (Pitta et al, 2008).

6.1.2 Banks or branches need to commit long-term resources to a partnership at the level of the poor.

In dealing with resources allocated to working with the poor, companies and their leaders need to recognise that investment of funds and specialised teams will be for the long-term. Willie and Barham (2009) identified the need to set up a specific commercial unit to engage with the poor and other needy groups. Based on the survey results this does seem to be the case in most banks or branches. According to Altman et al (2009, page 51) these teams need to create alliances, build economically sensitive movements, tap the passion and unlock the business potential of the poor. According to Martinez and Carbonell (2007), funds need to be invested fully and consistently.

This research supports the idea of allocating resources such as funds and teams in the long-term when dealing in partnerships with the poor. There was recognition by the managers of the need for specialised teams and long term funding for the

poor. Based on the response in this research there does appear to be movement towards long-term funding and dedicated teams or departments from the banks and their branches when dealing with the BOP.

6.1.3 Banks need to experiment with different business models and prepare well before going into an equal partnership venture with the poor.

Long-term involvement is required to understand the voice of the BOP consumer or producer. Pitta et al (2008) emphasised that knowing the BOP intimately is the key to success in joint ventures. Managers in the banking sector do seem to understand the BOP market needs, perceptions and behaviours based on responses in this research. These banks are collaborating with agents “on the ground” as sources of intelligence at grass roots level to understand the voice of the BOP consumer. Hammond and Prahalad (2004) speak of “....a deep understanding of local circumstances, so that critical features and functionality ...can be incorporated...” (p.34) into the design of products and services. This would include, Willie and Barhams’ (2009) need for careful and meticulous planning, as one of the many areas that need management attention when planning ventures with the BOP.

Following on with the deep understanding of the BOP markets, banks and their leaders appear to recognise that a different business model will be required in dealing with the BOP (Pitta et al, 2008; Powell, 2006). This business model seems to be developed through experimentation based on the response to the survey in this research. Experimentation can be viewed as a process or discipline consisting of trial and error, directed by insight into which a solution might lie (Geldenhuys, 2008). Cash and Pearlson (2005) defined experimentation as a controlled, cost effective, iterative approach to learning about potential successes or failures of a new product, service or process. Findings indicated support for engaging in experimentation when innovating and providing products and services to the poor.

The model recommended (see Figure 5 on page 41), would include aspects of access to micro-credit (or financial resources), the establishment of alliances or mutually beneficial relationships (with governments and NGOs) and the adaptation of a marketing mix (through a deep understanding of the poor). Rangan (2002) identified the need for an economically sustainable business model as one of many managerial demands when dealing with the poor.

In developing the business model, companies could adopt the Cornell University BOP Protocol system (Simanis and Hart, 2008b) which considers all the different aspects. The model in Figure 5 (page 41), included all these aspects through the literature review (including the Cornell University BOP Protocol system). There was support from the bank managers for this all encompassing model developed for the South African context.

Branch Managers in the South African banking sector responded positively and supported the necessity to ensure a deep understanding of the BOP market. This included the need to understand local community circumstances and to use that information in developing products and services. This research supported the requirement by business to develop mutually beneficial relationships with the BOP through deep understanding and experimentation. There was evidence through the positive responses for partnership models with the BOP, which have been or would be developed in the long-term through deep understanding and planned experimentation.

6.1.4 For a partnership venture with the poor, there should be value created for the bank at multiple levels such as increased profitability and improved reputation.

The value created for the banks and their branches by collaborating in ventures with the poor include aspects of social responsibility, the reputation of the business and an increase in number of profitable customers which in turn results in an increase in returns to the business. Bank managers are agreeable to the idea that all of these put together, create greater value for the business in the view of shareholders and so the shares are valued higher on the market. In their analysis of BOP, London et al (2010) emphasised that all ventures demonstrated opportunity for mutual value creation. According to Willie and Barham (2009), business with the BOP aims to improve a range of areas and so making life worthwhile for the poor. This positive social impact in communities then improves the reputation of the business.

Stating Hammond et al (2007):

“Addressing the unmet needs of the BOP is essential to raising welfare, productivity, and income....Engaging the BOP in the formal economy must be a critical part of any wealth-generating and inclusive growth strategy...to the extent that unmet needs, informality traps, and BOP penalties....addressing these barriers may also create significant market opportunities for businesses” (p 5).

There was consensus from the bank branch managers that, there needs to be value created for the bank at multiple levels (especially in social responsibility and reputation). The managers responded very positively to the notion of increasing the profitable customer base, the increase in value of the bank (hence benefiting shareholders) and the need for a socially responsible bank, which in turn results in an improved reputation.

6.1.5 There needs to be innovation by the bank in a simple technology, new process or innovative product or service for a partnership with the poor.

In marketing to the poor, there must be a significant reduction in price by banks through a simple technology, process, product or service by innovatively changing the price-quality trade-off with an offer of value. This was emphasised by Karnani (2005), the need for a market-oriented approach to the BOP by providing goods and services at affordable prices and in a sustainable manner. In addition, Rangan (2002) commented on the need for value-added products and services for the enhancement of quality of life. Based on the responses in this research, there is support for such initiatives from bank managers and hence the banks themselves.

Prahalad (2002) recommended bundling of the most advanced technology with a local flavour, such as money transfers through cell phone texts or managing accounts through mobile recorders from remote areas. This “bundling” proposed by Prahalad (2002) would require creativity and entrepreneurship from both the business and the BOP partner. Banks in South Africa, based on the positive survey responses, are in support of the development of innovative products, pricing, promotion and distribution strategies, which meet the needs of the BOP consumers and producers. An example of such a case is mobile banking offered by nearly all banks in South Africa (Hammond et al, 2007).

6.1.6 There is high financial risk for the bank in investing in the poor.

Banks should not expect early returns when forming joint ventures with the BOP (Pitta et al, 2008). Profit bearing returns, if any, are expected later when venturing with the poor. This high risk in doing business with the BOP was endorsed by the positive response received from the bank managers. BOP ventures will be

experimental at best and may fail most of the time but once a replicable model is developed then profits will come. Such experimentation will take time and some businesses will not be profitable until the foundations have settled. In addition, there is the emphasis in literature of the social aspect of business and not just the profit motive. The aspect of later profits seems evident in the South African banking sector based on the responses received in this research.

6.1.7 The business or partnership with the bank should be economically and environmentally sustainable for alleviation of poverty and careful use of scarce resources. These scarce resources required by the poor are money, electricity, clean water and other raw materials.

An area that is receiving attention by business in partnerships with the BOP is that of social and corporate responsibility in a sustainable manner. Willie and Barham (2009) stated that good work is being done by global businesses but in a limited sense and leaving the BOP in poverty will result in more global instability and depletion of vital natural resources. As per Hahn (2009), corporations are responsible for the BOP because they must uphold the basic human rights of freedom and poverty alleviation. There is recognition by banks in South Africa for the need of environmental and economically sustainable business in conjunction with the alleviation of poverty. There were positive results received in this research to the responsibility of banks to alleviate poverty as part of their corporate citizenship.

South African bank managers corroborated the statement that the development of the BOP needs to take place without causing disastrous effects on the environment by careful and optimal use of scarce resources.

There is agreement from this research and the literature that banks in South Africa are already implementing or need to implement sustainable business strategies that include:

- The development of relationships with non-traditional partners
- Co-inventing custom solutions
- Building local capacity
- Creating markets
- Creating life styles
- Innovating

Such strategies would involve engaging with the BOP as consumers, producers and partners. Programmes stated earlier include the Mzansi initiative (providing cost effective products to the entry-level account holder and the informal sector) by the South African banking sector and Community Banking (a banking model extending affordable and accessible financial services to the underserved market, which includes low-income earners and the informal sector) by Standard Bank (Standard Bank, 2009).

Tied into these strategies is the demand for a triple-bottom-line business model (which includes profit, the community and the environment) which serves to attract customers and employees.

6.1.8 The BOP as a profitable market

Bank managers responded positively to there being a profitable market at the level of the poor, which is untapped. South African banks have not fully exploited this market but the Mzansi initiative and Community banking (Standard Bank, 2009) are indications that there is activity by banks at the level of the BOP. There appears to be an understanding, as per Hammond et al (2007), that raising the

poor into economic activity (into the formal sector) may create significant market opportunities for business. Therefore, addressing the needs of the BOP will raise their welfare, productivity and income. Examples such as the Norway based Telenor and Jamaican based Digicel (Warnholz, 2008) have proven that there is a profitable market at the BOP.

6.2 Underlying Perceptual Dimensions

Through the survey analysis process (using correlation coefficients, factor analysis and metric multidimensional scaling), the following underlying perceptual dimensions were identified when banks collaborate or do business with the poor:

- Enhancing stakeholder value
- Customising solutions
- Public perception
- Financial risk
- A profitable market

6.2.1 Enhancing Stakeholder Value

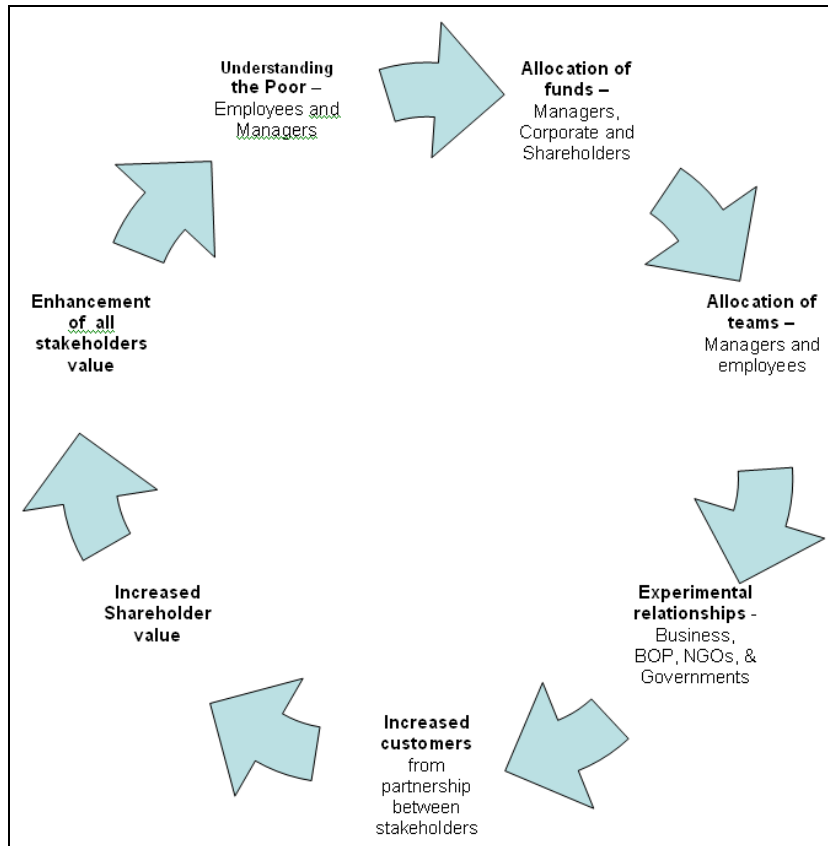
Stakeholders include customers, shareholders, employees, partners, government, local communities and the public. In enhancing stakeholder value, processes need to be in place for an inclusive partnership with the poor.

The attributes that fall into this category of enhancing stakeholder value are:

- Increased shareholder value
- Increased customers
- Experimental relationships
- Understanding the poor

- Allocation of funds
- Allocation of teams

Figure 14. The cycle of enhancement of stakeholder value through partnership with the poor



Karnani (2005), Prahalad (2005) and Warnholz (2007) have argued that the BOP need to be viewed as producers and not solely as consumers. There would be much more gained by all stakeholders including the poor in treating them as producers and empowering them. The process of **enhancing the stakeholder value** is described above in Figure 14.

Through the survey analysis, the strongest relationships and reliability of association were obtained for the attributes above. This showed awareness and

possible application by managers of the process of collaborating with the poor and the benefits of this collaboration to all participants direct or indirect. There appears to be a simplified or generalised model of partnerships with the poor available to bank managers in this respect. This simplified model includes some of the core aspects of this partnership, its processes and benefits.

Each aspect in Figure 14 above could be investigated further for more insight and a better understanding into underlying processes involved in achieving success in the BOP partnerships.

6.2.2 Customising Solutions

Customising solutions involves the alleviation of poverty through co-inventing solutions for the poor using technology and available scarce resources. The themes coming under this dimension are:

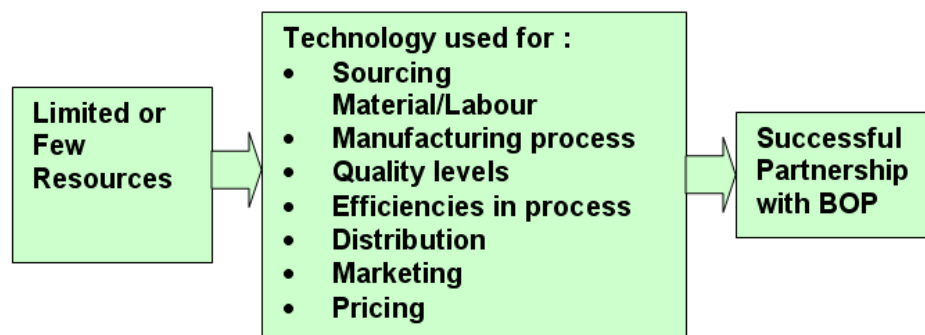
- Product technology
- Price technology
- Resource use
- Poverty alleviation

When serving the poor there is need for a market-oriented approach from business by providing value-added products or services at affordable prices and in a sustainable manner (Karnani, 2005; Rangan, 2002). There is the requirement of creativity and entrepreneurship from both business and the poor for the application of the most advanced technology suitable for the local context (Prahalad, 2002). In addition, Prahalad (2002) emphasised the environmental sustainability of the new business models due to shortages of critical resources. These shortages of critical resources would lead to services or product manufacturing processes which use little or limited resources without sacrificing service or product performance.

Consequently, Hahn (2009) recommended that poverty alleviation should take place without causing disastrous effects on the ecological and social environment.

Awareness or application by bank managers to customising solutions through technology was evident due to there being strong relationships and internal consistency in the items reported (such as product technology, price technology, resource use and poverty alleviation). The detailed process of technology use is beyond this research but can be generalised from the results and possible understanding by bank managers as follows in Figure 15 below.

Figure 15. Optimal Resource Utilisation by Application of Technology in Collaborating with the BOP for Poverty Alleviation



6.2.3 Public Perception

Public perception is the dimension of how the market, the public, investors, shareholders, the community, management and the employees view the banks or branches. The aspects under the dimension of public perception included:

- Poverty alleviation (which was shared with customising solutions)
- Reputation
- Social responsibility
- Households

The banking fraternity needs to be viewed as socially responsible in the eyes of stakeholders. In addition, the business must project a view that it aims to alleviate poverty through understanding the poor and responding to alleviate this poverty. The expected result to the banks and their managers, according to the literature survey, is an improved reputation.

There was positive correlation and internal consistency between the attributes of **social responsibility**, **poverty alleviation** and the resulting **reputation** of the business. The aspect of treating the poor as **households** and not individuals (because decisions by the poor are made at household level and not individual level) did not correlate well and when removed, the internal consistency of the relationship between **social responsibility** and **reputation** improved.

Therefore, there is question as to whether the bank branch managers understood the aspect of treating the poor as households clearly. This concept, derived by Corder and Chipp (2010b), needs to be further emphasised to management and marketers to fully engage the poor in the economics of a country. Corder and Chipp (2010b) reported that “ a higher incidence of collectivism among the lower tiers of the South African Pyramid indicate that from an African perspective, therefore, the BOP should be considered from a group perspective rather than a Western view of the individual”(p10). Viewing the poor segment of consumers and producers in isolation of their households and dependencies would limit the perspective of marketing researchers and managers.

6.2.4 Financial Risk

The aspects that encompass the dimension for financial risk were that of **financial decisions** made by the poor and **later profitability** expected by the business. There was a weak relationship (in both correlation and internal consistency) between the two aspects of financial decisions by the poor and later profitability by

business in dealing with the poor. There is an impression that the financial risk for both the poor and the banks is high (in the partnership). In comparison, the aspect of financial decisions by the poor is more related to the requirement for the poor in South Africa in making decisions (financial or other) as a household. Therefore, there is need for managers and marketers to recognise the collectivist nature of the poor in Africa.

This financial risk dimension, consisting of two attributes, is not substantial and so further research in the area is required. In addition, bank branch managers did not seem to connect the two attributes well. The association seems to be made through the impression that both attributes are financial in nature.

6.2.5 A Profitable Market

There is consensus through the literature and from the survey results that there is a profitable market at the BOP but there is disagreement as to the manner in tapping into this market (Hammond et al, 2007; Karnani, 2005; Prahalad, 2006; Rangan, 2002; Warnholz, 2007). The examples cited in Chapter 2 (section 2.7) are of products and services targeted at the BOP with both poverty alleviation (or serving the poor) and the profit motive as drivers. The fifth dimension of a profitable market could not be expanded on much because it had only one attribute linked to it. Therefore, the profitable market at the level of the BOP needs further investigation and research into its underlying associations.

6.3 Group Responses

The different perceptual dimensions described in the previous section (such as enhancing stakeholder value, customising solutions, public perception and financial risk) were then compared within the sample population between gender, races, age groups and banks. The results with significant differences between

groups ($p < 0.05$) were then analysed to extrapolate to the population of bank managers or leaders. The most significant comparisons were for the **enhancing stakeholder value** dimension (or Factor 1). See Appendix 5 Tables 27 to 30 for details of the comparative analysis.

6.3.1 Gender Comparison

Men scored higher (mean = 2.85) on **enhancing stakeholder value** than women (mean 2.5). Based on these results, men appear to be more open to forming partnerships with the poor than women. This finding needs further investigation into the gender response to working with the BOP.

6.3.2 Age Group Comparison

On **enhancing stakeholder value**, the less than 35 year olds scored higher (mean = 2.88) than the greater than 35 year olds (mean = 2.46). This difference in response was significant. There are possible generational gap issues here resulting in such a significant difference in the responses. The younger seem to be more appreciable to collaborating with the poor for the benefit of all parties. This could be due to the entrepreneurial, experimental or risk acceptance nature of the young. The older respondents could be responding less positively because of their negative experiences when dealing with the poor in the past. The two age groups seem to have different mental models of BOP partnerships, the younger model being more open than the older to engaging with the poor.

6.3.3 Bank Comparison

On the same dimension of **enhancing stakeholder value**, Standard Bank respondents scored the highest (mean = 2.83), with ABSA second (mean = 2.63) and the weakest response was Nedbank (mean = 2.34). There are many possible

reasons why the responses were different between the banks. The reasons may range from different levels of awareness of managers of initiatives taking place within the banking sector, levels of communication within banks of such initiatives, to the restriction of such initiatives to head office and specialist teams. The responses could be different due to the different management structures in the bank groups. These variances in underlying perceptual dimensions need to be further investigated and the results would be of interest to the banks scoring low. Banks need to focus in this area if they intend on doing business with the 11.2 million poor (16 years and older) in South Africa (Corder and Chipp, 2010b).

6.3.4 Race Comparisons

In terms of **financial risk**, the Black respondents scored (mean = 2.32) lower than the Coloured, Indian or Asian groups (mean = 2.65) and the White respondents (mean = 2.70). There were significant differences in the responses from the race groups. Considering that there was little internal consistency in the financial risk dimension, this comparison was weak to interpretation. Further research needs to be carried out for findings that are more substantial.

6.4 Summary

In summary, the findings in this research supported the BOP partnership model in the banking sector from a branch or bank manager perspective. All aspects of the partnership model were supported by the findings. Unfortunately, there was not enough data to support the definition of the poor as households in their activities from a management perspective. The underlying perceptual dimensions of enhancing stakeholder value, customising solutions, public perception, financial risk and a profitable market further supported the portion of the model tested in this research. The existence of groups that understood the model (at different

levels) and drew their own conclusions from the model together with its dimensions further substantiated that they have this or a similar model in mind.

CHAPTER 7: CONCLUSIONS AND RECOMMENDATIONS

7.1 Key Findings

The findings in this research supported the role of banks in the equal partnership model for the economic involvement of the BOP (see Figure 5, page 41). Companies that collaborate with the BOP have great potential in boosting both corporate and economic growth through job creation, tax revenue and investment, amongst others.

Managers of the banks involved in this research showed awareness of the processes entailed in developing a partnership with the poor. This alluded to the fact that banks have been or are intending to engage with the poor and recognise the BOP as an untapped market. These activities, taking place by the banks, are through products and services designed for the poor. The introduction of a different business model for this collaboration between banks and the poor appeared to be accepted by managers.

Through a deep understanding of the BOP and their lifestyles, the banks have designed their products and services for this market. There are implications that the poor would only be fully comprehended through agents on the ground or at grass roots level. Consequently, experimentation has taken place at the level of the poor with their cooperation over extended periods for the joint development of these products and services.

To deliver products and services of value to the poor, simple technology was required to provide an offering at the right price, process and value. There was innovation by both the business and BOP for there to be a successful partnership. The implementation of simple technology and innovation has resulted in careful

use of the scarce resources (such as finances, utilities and other natural resources) available to the BOP.

There was support for the allocation of resources over the long term and in a sustainable manner towards the BOP partnership. These resources would be in the form of finances and teams or departments fully committed to dealing with the poor. The high risk in these partnerships was recognised because of the time it would take the BOP to turn a profit. Therefore, there was support of the aspect of the banks receiving profits later rather than sooner.

Ultimately, there was recognition of a profitable market at the BOP. This value creation is in the form of increased customers and higher returns to shareholders. In addition to the profit motive, the poverty alleviation motive was supported by the managers and hence the banks. It was for the most part agreed that improving the lifestyles of the poor allowed them to engage in the economy and boost economic growth with the result of enhancing the reputation of the business.

One area, in which support was unclear, was the treatment of the poor as households and not individuals by marketers and managers. The aspect of the collectivist nature of the poor in Africa in terms of their financial decisions (which include earnings, savings and purchases) was not evident in this research.

The most prominent dimension was that of enhancing stakeholder value that captured most of the aspects of collaborating with the poor. This further substantiated the impact of the equal partnership model between the BOP and business.

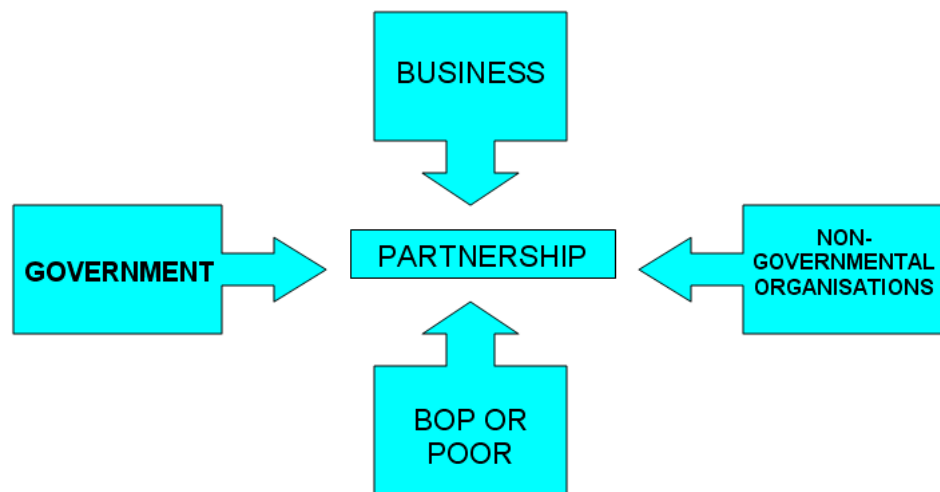
There were different opinions between the categories of gender, race, age and bank group, in the equal partnership model. These perceptions differed on the

underlying dimensions of enhancing stakeholder value, customising solutions, public perception, financial risk and a profitable market.

7.2 Recommendations

Banks should look at their business strategy and incorporate initiatives that lead to collaboration with the poor. There is vast potential in the 11.2 million poor (of 16 years or older) who are not fully engaged in the economy of South Africa. These programmes of engaging the poor should be developed using the model prescribed in this research (see figure 16 below). Involvement in this untapped BOP market can lead to community development, business growth, profitability, country growth and ultimately improving the general well being of the poor.

Figure 16. Participants for an Equal Partnership with the Poor (or BOP)



Initiatives leading to collaborating with the BOP as producers as well as just consumers should permeate at all levels of business to encourage experimentation, innovation and involvement by all employees. The focus on “doing good” as well as “doing well” will lead to an improved reputation, internal and external to the business. All employees need to understand the potential in

themselves, their communities and their businesses for the economic growth of a nation.

When collaborating with the poor, the partnership needs to be considered holistically. Resources, which include money, electricity, materials and others, need to be sourced carefully and used sparingly for a sustainable venture.

Managers, marketers and business leaders need to consider the poor as households as expressed throughout this research and the literature. This is applicable especially in Southern Africa (Corder and Chipp, 2010b) where the poor deal with most financial issues collectively in their households.

7.3 Implications for Future Research

Further research is needed into the profitability or value drawn from collaborating with the poor by business, government and NGOs. It would be beneficial to have some metrics to measure the value drawn from this collaboration. As this research only relates to the collaboration of the BOP and business, the relationship with government and NGOs needs to be explored on further investigation of the equal partnership model.

The collectivism displayed by the South African poor in their financial decision-making needs further investigation. Household decision making by the poor was not clarified or substantiated by this research.

Further research is required on the financial risk dimension for more supportive findings related to the equal partnership with the BOP. More investigation could be done on gender, race, age and brand of bank to determine the reason for and result of the differences identified.

This research could be extended to cover employees of banks at different levels. In addition, managers or employees of other retail businesses could be considered.

7.4 Limitations of Research

There was a limitation to the level of insight gained into the other aspects of the cycle of enhancement of stakeholder value (see Figure 14, page 85). The areas of government facilitation, NGO involvement and the BOP were not covered.

Managers of banks were selected as the population and so the results of this research can only be extrapolated to managers in the financial sector in South Africa. Additionally, this research was limited to three banks in South Africa and so cannot be extrapolated to other retail businesses or outside of South Africa.

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Appendix 1 : Examples of Involving the BOP in the Economy.

Real examples of involving the BOP in the economy from the survey reported by Hammond et al (2007) (p13):

“In an informal suburb of Guadalajara, Mexico, a growing family is struggling to expand their small house. Help arrives from a major industrial company in the form of construction designs, credit, and as-needed delivery of materials, enabling rapid completion of the project at less overall cost.

In rural Madhya Pradesh, an Indian farmer gains access to soil testing services, to market price trends that help him decide what to grow and when to sell, and to higher prices for his crop than he can obtain in the local auction market. The new system is an innovation of a large grain-buying corporation, which also benefits from cost saving and more direct market access.

A South African who lives in an impoverished, crime-ridden neighbourhood of Johannesburg has no bank account, cannot order items from a distant store, and is sometimes robbed of her pay packet. She finds that a new financial service offered by a local start-up company allows her mobile phone to become a solution—her pay is deposited directly to her phone-based account, she can make purchases via an associated debit card, and she carries no cash to steal.

In a small community outside Tianjin, China, a small merchant whose children have been repeatedly sickened by drinking water from a heavily- polluted river is distraught. He finds help not from the overwhelmed municipal government but from a new, low-cost filtering system, developed by an entrepreneurial company.”

Appendix 2 : The Cornell University BOP Protocol Process

This appendix summarises the processes involved in the BOP Protocol developed at Cornell University by Stuart Hart, Erik Simanis and their colleagues (2008b) as discussed in the report by Willie and Barham (2009).

Pre-field processes

The corporation needs to spend time in careful preparation before actually starting the work of setting up a joint venture with a community. The aim is to set up a new business in the community, of which members of the BOP should have a sense of ownership on equal terms with the corporation. Such a new business should be in an area of BOP need in which the corporation has capabilities, but this is allowed to emerge, rather than laid down from the start. It is not an initial objective. The pre-field work may take as much as four months. It includes three interdependent activities:

1. The selection of appropriate project sites

The criteria for this should be that the chosen community has a prima facie need for the exercise of the specific capabilities of the corporation. The choice of country or region should be based on the corporation's long term strategic interests and the existence of some of the corporate facilities nearby, though not necessarily of an extensive, entrenched business presence in the country.

2. Team formation and preparation

A multi-functional team from the corporation, consisting possibly of four people, should be formed. They should, between them, have the knowledge

and experience to be able to draw on and apply their company's core competences to the local situation as it emerges. Ideally, they should be selected from the people already employed in the corporation's activities in the country in which the project is to be based. Once local partnership is established, one or two additional members linked with the community may be added. The team is then trained in the philosophy and practice of the Protocol – other corporate staff may conduct this training and it should include awareness of how to access support and resources from the corporation itself, whilst being able to operate independently, and not constrained by the culture and procedures of the parent corporation.

3. Local partner selection

As “outsiders” initially, the team will depend on the trust and community knowledge of local partners. These should be open to new ideas, have experience of participatory working, and be “socially embedded” in the community. NGOs operating in a community may be able to help identify the right people. Such partners will be compensated for their time.

In-field processes

These are the three interdependent phases of activity that build the new business and embed it in the community and make progress in developing a market for the products or services. It also begins to establish a community team who will be able eventually to take over and lead the new business, while the corporation moves on to embedding the proven business in other communities.

Phase I – Opening up

The company representatives are immersed in the life of the community, living with the local people for a week or two (home-stays) and taking part in their normal life, with all its limitations. The team from the community joins with the company team in developing business ideas and there are a series of participatory workshops to establish a common business language, leading to a shared concept of a single, practicable outline business action plan. In this period, deep dialogue with the community is established, a wider project team involving people from the community, reflecting its diversity (caste, income, age, occupation), is developed; trust and mutual respect grows. After some months of working together, this phase arrives at an idea of the resources, wants and needs of all involved, leading to a clear value proposition, exceeding anything currently done.

Phase II – Building the ecosystem

This creates the organisational foundation for the new business and by action learning methods develops an initial prototype through small-scale experimentation at a low level of complexity. This practical work furthers the uniting of the community with the corporation. Further members join the team on a full-time basis and the work is divided up between groups of 4-6, who gradually withdraw from their other occupations. All new members undergo induction training.

Phase II will last about six months and transition from Phase 1 to Phase II should not exceed six weeks. Phase II moves from development of the project team to building shared commitment and new capability development, with the outcome of the creation of a viable business prototype that has passed through an initial “market screen”. Generating some quick income has to be balanced with longer-term activity which will generate sustainable income.

Phase III – Enterprise creation

This phase aims “to establish both a committed market base and a new organisation, capable of sustaining and growing the enterprise, while evolving and expanding the initial prototype into a complete business model ready for scaling out – for replicating the business in communities in other geographical districts and regions”. The community members of the project team learn the skills to operate as an independent business unit. Corporate influence increasingly fades out during this phase. The new business should avoid becoming a mere link in someone else’s supply chain and should maintain an identity of its own.

Scaling out

The next step is to transfer efficiently and re-embed the business model in hundreds or even thousands of other communities in new geographical areas.

Three steps are proposed:

- Reaching out to new communities, through business ambassadors planting the seed and creating extended project teams.
- Linking the ecosystem by formal connections between the initial BOP business and the new project teams, thus helping further businesses to adopt the organisational culture and guide business roll-out.
- Creating a network of interdependent business communities.

Scaling out is seen as a process without end as more and more communities seek to build on the original “pilot” parent community. From pre-field processes to the point where the pilot BOP business is ready to spread its concepts takes between

two and three years. The practical outworking in a scaling out process will take further time which is difficult to estimate, as it will vary according to specific conditions. However, scaling out is expected to enable other communities to form businesses much more quickly than the initial establishment of the business.

Appendix 3 : The Informed Consent Letter and Structured Questionnaire

A. Informed Consent Letter – Researcher administered version.

Good day, my name is Kamlesh Vasanjee and I am an MBA student at the Gordon Institute of Business science (GIBS) which is part of the University of Pretoria. I am conducting research on the business relationship between banks and the poor. I am aiming to find out more about the activities by banks that engage the poor as partners. This interview will take approximately 15 minutes of your time.

Please note that:

- Any information obtained from the surveys will be used exclusively for the purposes of the research.
- All information will be treated with strict confidentiality and your name will not be reflected in the dissertation.
- Your participation is voluntary and you can withdraw at any time without penalty.
- The interviews are close-ended and will not be tape recorded or transcribed.
- You are under no financial obligation or commitment.

The direct benefit to you participating in this study is that this information will provide a better understanding of market requirements. By participating and completing this interview, you indicate that you voluntarily participate in this research.

If you have any concerns, please contact me or my supervisor, Dr Clive Corder. Our contact details are as follows:

Kamlesh Vasanjee

[@ppc.co.za](mailto:kamlesh@ppc.co.za)

0826035762

Clive Corder

cliveco@icon.co.za

0826556740

I can email or fax this letter of consent to you if you provide me with your email address or fax number so you will have our contact details.

B. Informed Consent Letter – Version administered by other.

Good day, my name is and I am conducting research for Kamlesh Vasanjeer who is an MBA student at the Gordon Institute of Business science (GIBS) which is part of the University of Pretoria. The research is on the business relationship between banks and the poor. The aim of the research is to find out more about the activities by banks that engage the poor as partners. This interview will take approximately 15 minutes of your time.

Please note that:

- Any information obtained from the surveys will be used exclusively for the purposes of the research.
- All information will be treated with strict confidentiality and your name will not be reflected in the dissertation.
- Your participation is voluntary and you can withdraw at any time without penalty.
- The interviews are close-ended and will not be tape recorded or transcribed.
- You are under no financial obligation or commitment.

The direct benefit to you participating in this study is that this information will provide a better understanding of market requirements. By participating and completing this interview, you indicate that you voluntarily participate in this research.

If you have any concerns, please contact Kamlesh Vasanjeer or his supervisor, Dr Clive Corder. Their contact details are as follows:

Kamlesh Vasanjeer

[@ppc.co.za](mailto:kvasanje@ppc.co.za)

0826035762

Clive Corder

cliveco@icon.co.za

0826556740

I can email or fax this letter of consent to you if you provide me with your email address or fax number so you will have our contact details.

Structured Questionnaire

Questions

Demographics

1. Record Gender

Male	Female

2. Record race

Which racial group do you belong to?

Black	Coloured, Indian or Asian	White

3. Record Age group

Which of the following age groups do you fall into?

Under 35	35 to 49	Above 50	Refused

4. Record Bank

ABSA	Nedbank	Standard Bank

5. What levels of banking does your branch handle?

Personal	Business

I will be reading out some **definitions** for you so please take note:

The adult population in South Africa has been divided into ten groupings, termed, **Living Standards Measure (LSMs)** (SAARF, 2010). The LSMs are based on ownership of a range of household items such as a television or vacuum cleaner (as examples) and on urbanisation such as availability of hot running water and electricity (as examples).

Please note that the poor are defined (as per Chipp and Corder, 2010a) in this study as those adult South Africans (16+ years) in LSM 1 to 4 (the four lowest groups of living standards).

I am going to read out a few statements and as I read each statement, please tell me to what extent you disagree or agree with the statement by using the numbers 1 to 4, where 1 equals disagree, 2 equates to slightly agree, 3 equals agree and 4 equates to strongly agree. You may choose any number you want.

6.	1 Disagree	2 Slightly Agree	3 Agree	4 Strongly agree
a. When considering the financial state of the poor they should be treated as <u>households</u> rather than <u>individuals</u> . Remember 1 = disagree, 2 = slightly agree, 3 = agree and 4 = strongly agree.				
b. There is a profitable market at the level of the poor (LSM 1 to 4) which has not been tapped to its fullest.				
c. Poor households or families in SA make financial decisions <u>together</u> .				

I am now going to ask you about **partnerships** between the bank and the poor. (Simanis, Duke & Hart, 2008). The **partners** would be members in a business, project, or association where each member is responsible for the success of the business.

7. This branch commits resources in partnerships with the poor by,	1 Disagree	2 Slightly Agree	3 Agree	4 Strongly agree
a. Allocating funds for many years to new business partnerships. Remember 1 = disagree, 2 = slightly agree, 3 = agree and 4 = strongly agree.				
b. Allocation of a department, or team, specifically responsible for dealing with the partnerships.				

8. This branch prepared well for partnering with the poor by ,	1 Disagree	2 Slightly Agree	3 Agree	4 Strongly agree
a. Experimenting with different ways of forming mutually beneficial relationships.				
b. Spending lots of time with the poor to get a deep understanding of the real situation in these communities.				

9. The value created for this branch by partnering with the poor is:	1 Disagree	2 Slightly Agree	3 Agree	4 Strongly agree
a. An increase in the number of profitable customers.				
b. An increase in the value of the bank to the shareholders because of higher returns.				
c. Part of the social responsibility of the bank to the poor.				
d. The improved reputation of the branch				

Just as a reminder, the scale is as follows: 1=disagree, 2=slightly agree, 3=agree and 4=strongly agree.

10. Innovative technology has been implemented by this branch when partnering with the poor through,	1 Disagree	2 Slightly Agree	3 Agree	4 Strongly agree
a. Value for money, simple or local processes, products or services.				
b. Quality products and services which are priced for the poor.				

11. When partnering with the poor profits are expected	1 Disagree	2 Slightly Agree	3 Agree	4 Strongly agree
a. Later rather than sooner				

12. The bank has a responsibility to ensure long term success of the partnership,	1 Disagree	2 Slightly Agree	3 Agree	4 Strongly agree
a. To alleviate poverty.				
b. And to ensure the careful use of resources such as money, electricity, clean water and other natural resources.				

Thank you for your participation and enjoy the rest of your day!

Appendix 4 : Descriptive Statistics

Table 13. Descriptive Statistics on Gender

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	78	69.0	69.0	69.0
	Male	35	31.0	31.0	100.0
	Total	113	100.0	100.0	

Figure 17. Proportion of the Different Sexes.

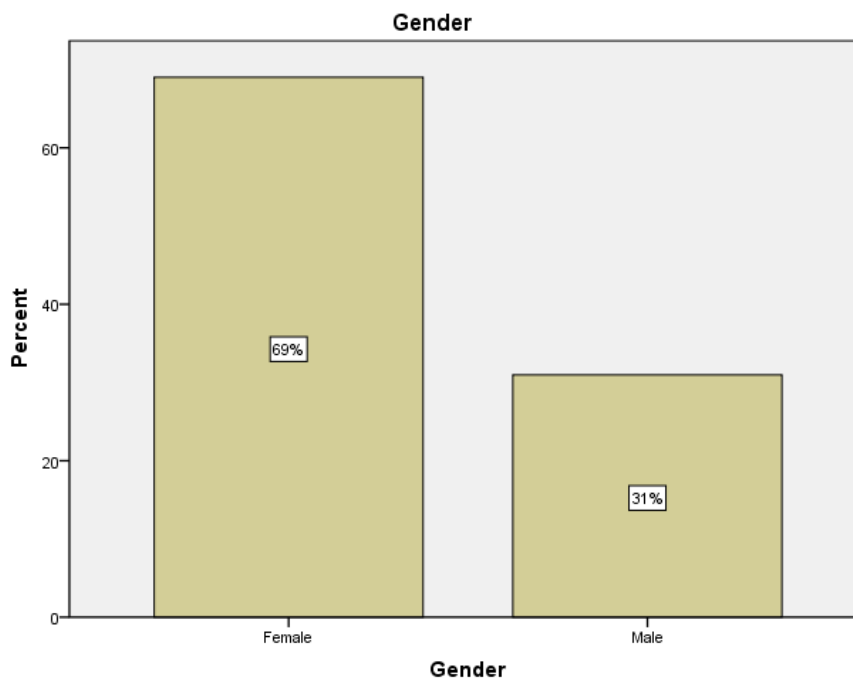


Table 14. Descriptive Statistics on Race

		Race			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Black	34	30.1	30.1	30.1
	Coloured, Indian, Asian	31	27.4	27.4	57.5
	White	48	42.5	42.5	100.0
	Total	113	100.0	100.0	

Figure 18. Race Composition for the Survey

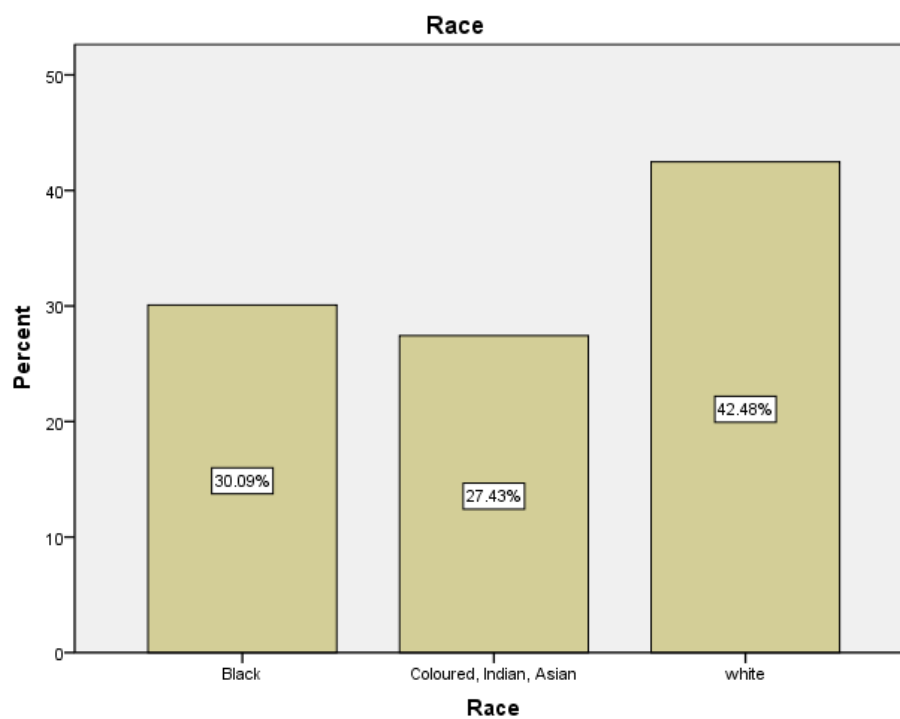


Table 15. Descriptive Statistics on Age Groups

Age Group					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	35-49	67	59.3	59.3	59.3
	Above 50	6	5.3	5.3	64.6
	Under 35	40	35.4	35.4	100.0
	Total	113	100.0	100.0	

Figure 19. Age Group Distribution

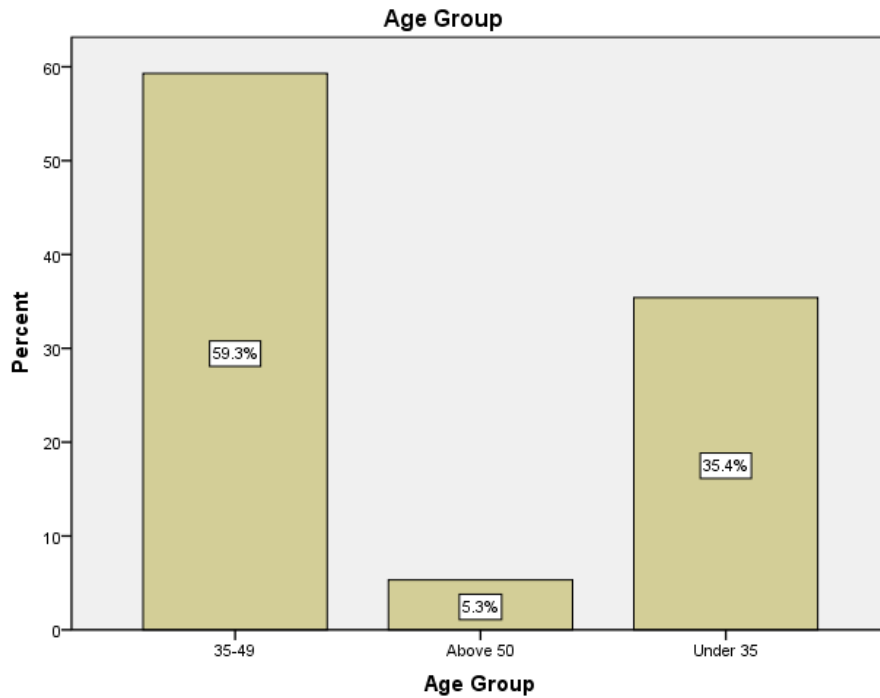


Table 16. Descriptive Statistics on Banks

Bank					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	ABSA	55	48.7	48.7	48.7
	Nedbank	30	26.5	26.5	75.2
	Standard	28	24.8	24.8	100.0
	Total	113	100.0	100.0	

Figure 20. Bank Distribution

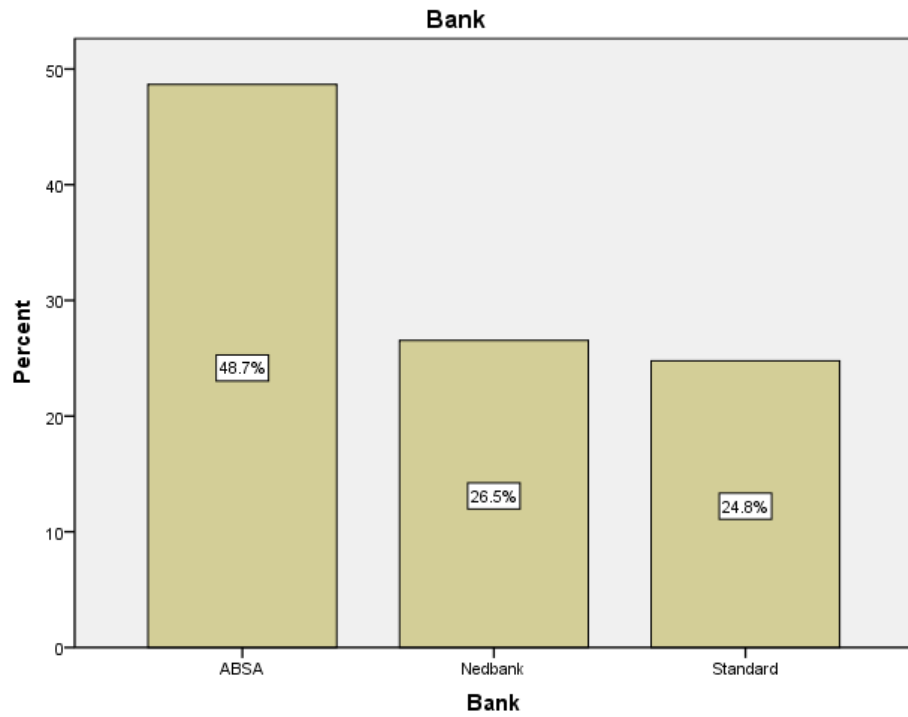
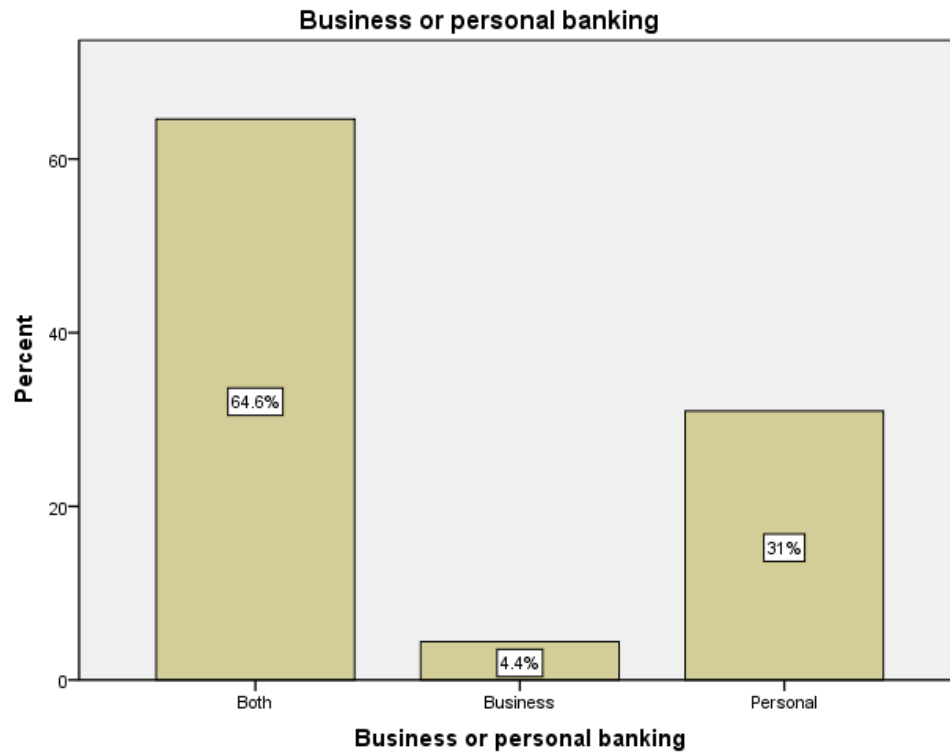


Table 17. Descriptive Statistics on Type of Banking

Business or personal banking					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Both	73	64.6	64.6	64.6
	Business	5	4.4	4.4	69.0
	Personal	35	31.0	31.0	100.0
	Total	113	100.0	100.0	

Figure 21. Type of Banking



Appendix 5 : Multivariate Statistics

Table 18. One Sample Two Tailed T-test Results

One-Sample Statistics					Test Value = 2				95% Confid. Inter. of the Diff.	
	N	Mean	Std. Deviation	Std. Error Mean	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
6a. Households	113	2.15	1.063	0.1	1.505	112	0.135	0.15	-0.05	0.35
6b. Profitable market	113	2.73	0.897	0.084	8.708	112	0.000	0.735	0.57	0.9
6c. Financial Decisions	113	2.27	0.954	0.09	2.957	112	0.004	0.265	0.09	0.44
7a. Allocation of funds	111	2.53	0.98	0.093	5.714	110	0.000	0.532	0.35	0.72
7b. Allocation of teams	111	2.5	0.98	0.093	5.324	110	0.000	0.495	0.31	0.68
8a. Experimental relationships	112	2.83	0.746	0.07	11.779	111	0.000	0.83	0.69	0.97
8b. Understanding poor	110	2.64	0.864	0.082	7.721	109	0.000	0.636	0.47	0.8
9a. Increased customers	112	2.59	0.844	0.08	7.387	111	0.000	0.589	0.43	0.75
9b. Increased shareholder value	112	2.55	0.899	0.085	6.518	111	0.000	0.554	0.39	0.72
9c. Social responsibility	112	3.21	0.65	0.061	19.779	111	0.000	1.214	1.09	1.34
9d. Reputation	112	3.16	0.578	0.055	21.246	111	0.000	1.161	1.05	1.27
10a. Product technology	112	2.85	0.808	0.076	11.113	111	0.000	0.848	0.7	1
10b. Price technology	112	2.9	0.735	0.069	12.989	111	0.000	0.902	0.76	1.04
11a. Later profitability	111	2.87	0.776	0.074	11.865	110	0.000	0.874	0.73	1.02
12a. Poverty alleviation	112	3.18	0.661	0.062	18.883	111	0.000	1.179	1.05	1.3
12b. Resource use	112	2.96	0.709	0.067	14.386	111	0.000	0.964	0.83	1.1

Table 19. Correlations of the Banks Partnership with the Poor.

Question	6a.	6b.	6c.	7a.	7b.	8a.	8b.	9a.	9b.	9c.	9d.	10a.	10b.	11a.	12a.	12b.
6a. Households	1.0															
6b. Profitable market	0.1	1.0														
6c. Financial Decisions	-0.1	0.2	1.0													
7a. Allocation of funds	0.1	0.2	0.0	1.0												
7b. Allocation of teams	0.1	0.1	0.0	0.5	1.0											
8a. Experimental relationships	0.0	0.0	0.0	0.4	0.4	1.0										
8b. Understanding poor	0.0	-0.1	0.1	0.3	0.2	0.5	1.0									
9a. Increased customers	0.0	0.1	0.2	0.4	0.3	0.5	0.4	1.0								
9b. Increased shareholder value	0.0	0.1	0.1	0.4	0.3	0.4	0.4	0.6	1.0							
9c. Social responsibility	0.2	0.1	0.2	0.2	0.3	0.4	0.2	0.2	0.1	1.0						
9d. Reputation	0.2	0.0	0.2	0.2	0.3	0.4	0.3	0.2	0.3	0.5	1.0					
10a. Product technology	0.1	0.1	0.1	0.2	0.3	0.4	0.3	0.3	0.2	0.3	0.3	1.0				
10b. Price technology	0.1	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.6	1.0			
11a. Later profitability	0.1	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.4	0.2	1.0		
12a. Poverty alleviation	0.2	-0.1	0.1	0.2	0.3	0.4	0.4	0.3	0.2	0.4	0.5	0.4	0.3	0.4	1.0	
12b. Resource use	0.0	-0.1	0.0	0.3	0.2	0.2	0.1	0.2	0.1	0.2	0.2	0.3	0.3	0.1	0.5	1.0

Table 20. Adjusted Correlations with Factors Subtracted from One – (smaller values depict closeness in relationship and larger more distant)

Question	6a	6b.	6c.	7a.	7b.	8a.	8b.	9a.	9b.	9c.	9d.	10a .	10 b.	11a .	12a .	12 b.
6a. Households	0.00															
6b. Profitable market	0.90	0.00														
6c. Financial Decisions	1.08	0.86	0.00													
7a. Allocation of funds	0.94	0.79	0.96	0.00												
7b. Allocation of teams	0.95	0.92	1.00	0.46	0.00											
8a. Experimental relationships	1.00	0.97	0.99	0.60	0.57	0.00										
8b. Understanding poor	0.99	1.09	0.94	0.74	0.81	0.53	0.00									
9a. Increased customers	1.07	0.86	0.79	0.54	0.69	0.55	0.66	0.00								
9b. Increased shareholder value	1.07	0.92	0.93	0.62	0.71	0.59	0.63	0.40	0.00							
9c. Social responsibility	0.87	0.94	0.89	0.73	0.68	0.65	0.75	0.81	0.85	0.00						
9d. Reputation	0.79	1.03	0.83	0.79	0.76	0.62	0.74	0.75	0.69	0.54	0.00					
10a. Product technology	0.90	0.86	0.87	0.78	0.74	0.59	0.69	0.68	0.77	0.77	0.74	0.00				
10b. Price technology	0.91	0.84	0.76	0.77	0.71	0.67	0.69	0.75	0.84	0.69	0.75	0.45	0.00			
11a. Later profitability	0.94	0.91	0.82	0.90	0.81	0.77	0.77	0.75	0.82	0.73	0.71	0.63	0.82	0.00		
12a. Poverty alleviation	0.82	1.06	0.86	0.79	0.68	0.55	0.65	0.71	0.79	0.59	0.46	0.59	0.67	0.64	0.00	
12b. Resource use	0.97	1.06	1.01	0.69	0.81	0.86	0.86	0.77	0.81	0.71	0.77	0.70	0.75	0.85	0.47	0.00

Table 21. A Five Factor Principal Component Analysis with Varimax Rotation

Item	Component				
	1	2	3	4	5
9b. Increased shareholder value	0.8				
9a. Increased customers	0.752			0.21	
8a. Experimental relationships	0.691	0.24	0.279		
8b. Understanding poor	0.604				-0.312
7a. Allocation of funds	0.592	0.252		-0.264	0.451
7b. Allocation of teams	0.478	0.308	0.285	-0.231	0.328
12b. Resource use		0.775			
10a. Product technology	0.233	0.678		0.288	
10b. Price technology		0.649		0.341	0.21
12a. Poverty alleviation	0.245	0.568	0.529		-0.23
9d. Reputation	0.312		0.719		
9c. Social responsibility		0.234	0.665		
6a. Households			0.659		0.255
6c. Financial Decisions				0.77	
11a. Later profitability		0.221	0.315	0.455	
6b. Profitable market				0.238	0.805

Table 22. Cronbach's Alpha on Factor 1 with Values after Item Deletion

Reliability Statistics on Factor 1		
Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	N of Items
.792	.796	6
Item-Total Statistics		
Item	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
9b. Increased shareholder value	.397	.754
9a. Increased customers	.435	.746
8a. Experimental relationships	.410	.746
8b. Understanding poor	.272	.783
7a. Allocation of funds	.389	.754
7b. Allocation of teams	.355	.775

Table 23. Cronbach's Alpha on Factor 2 with Values after Item Deletion

Reliability Statistics on Factor 2		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.723	.725	4
Item-Total Statistics		
Item	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
10a. Product technology	.364	.635
10b. Price technology	.320	.669
12b. Resource use	.295	.696
12a. Poverty alleviation	.357	.642

Table 24. Cronbach's Alpha on Factor 3 with Values after Item Deletion

Reliability Statistics on Factor 3		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.440	.521	3
Item-Total Statistics		
Item	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
9d. Reputation	.233	.211
9c. Social responsibility	.212	.296
6a. Households	.045	.626

Table 25. Cronbach's Alpha on Factor 3 without item "Households"

Reliability Statistics on Factor 3 without Households		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.626	.629	2
Item-Total Statistics		
Item	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
9d. Reputation	.211	. ^a
9c. Social responsibility	.211	. ^a
a. The value is negative due to a negative average covariance among items. This violates reliability model assumptions. You may want to check item codings.		

Table 26. Cronbach's Alpha on Factor 4 with Values after Item Deletion

Reliability Statistics on Factor 4		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.296	.302	2
Item-Total Statistics		
	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
11a. Later profitability	.032	. ^a
6c. Financial Decisions	.032	. ^a
a. The value is negative due to a negative average covariance among items. This violates reliability model assumptions. You may want to check item codings.		

Table 27. One –way Analysis of Variance on Gender

Descriptive Data for Gender						
		N	Mean	Std. Deviation	Std. Error	
Factor_1	Female	78	2.4968	.58577	.06633	
	Male	34	2.8529	.64061	.10986	
	Total	112	2.6049	.62216	.05879	
Test of Homogeneity of Variances on Gender						
	Levene Statistic	df1	df2	Sig.		
Factor_1	.100	1	110	.753		
Factor_2	.007	1	110	.936		
Factor_3	1.904	1	110	.170		
Factor_4	.668	1	111	.416		
ANOVA for Gender						
		Sum of Squares	df	Mean Square	F	Sig.
Factor_1	Between Groups	3.003	1	3.003	8.267	.005
	Within Groups	39.963	110	.363		
	Total	42.966	111			

Table 28. One –way Analysis of Variance on Race

Descriptives						
		N	Mean	Std. Deviation	Std. Error	
Factor_4	Black	34	2.3235	.75761	.12993	
	Coloured, Indian, Asian	31	2.6452	.64799	.11638	
	White	48	2.6979	.56248	.08119	
	Total	113	2.5708	.66436	.06250	
Test of Homogeneity of Variances						
	Levene Statistic	df1	df2	Sig.		
Factor_1	1.706	2	109	.186		
Factor_2	1.951	2	109	.147		
Factor_3	.525	2	109	.593		
Factor_4	1.440	2	110	.241		
ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Factor_4	Between Groups	3.026	2	1.513	3.586	.031
	Within Groups	46.408	110	.422		
	Total	49.434	112			

Table 29. One-way Analysis of Variance on Age Groups

Descriptives						
		N	Mean	Std. Deviation	Std. Error	
Factor_1	Under 35	39	2.8761	.49518	.07929	
	35+	73	2.4600	.63737	.07460	
	Total	112	2.6049	.62216	.05879	
Test of Homogeneity of Variances						
		Levene Statistic	df1	df2	Sig.	
Factor_1		2.899	1	110	.091	
Factor_2		.006	1	110	.938	
Factor_3		.104	1	110	.747	
Factor_4		.032	1	111	.857	
ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Factor_1	Between Groups	4.400	1	4.400	12.548	.001
	Within Groups	38.567	110	.351		
	Total	42.966	111			
	Total	49.434	112			

Table 30. One-way Analysis of Variance on the Bank Groups

Descriptives						
		N	Mean	Std. Deviation	Std. Error	
Factor_1	ABSA	54	2.6312	.50766	.06908	
	Nedbank	30	2.3444	.76305	.13931	
	Standard	28	2.8333	.57378	.10843	
	Total	112	2.6049	.62216	.05879	
Test of Homogeneity of Variances						
		Levene Statistic	df1	df2	Sig.	
Factor_1		2.490	2	109	.088	
Factor_2		1.102	2	109	.336	
Factor_3		2.730	2	109	.070	
Factor_4		.748	2	110	.476	
ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Factor_1	Between Groups	3.533	2	1.767	4.884	.009
	Within Groups	39.433	109	.362		
	Total	42.966	111			