



## **New Analysis Reveals \$5 Trillion Market at the Base of the Pyramid:**

### **IFC and World Resources Institute Report Details Economic and Development Opportunities**

*Washington, D.C., March 19, 2007* – Four billion people who live in relative poverty have purchasing power representing a \$5 trillion market, according to a new report released today by IFC, the private sector arm of the World Bank Group, and World Resources Institute.

The report, *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid*, for the first time measures the size of markets at the base of the economic pyramid using income and expenditure data from household surveys. The analysis is complemented by an overview of business strategies from successful enterprises operating in these markets.

Accurate data on market potential provides a foundation for private sector engagement that can drive down what the report calls the “BOP penalty,” where poorer people often encounter goods and services that are more expensive, of low quality, or difficult or impossible to access. The report seeks to help businesses think more creatively about new business models that meet the needs of these underserved markets.

According to the report, base of the pyramid markets are often rural, underserved, and dominated by the informal economy, and as a result are relatively inefficient and uncompetitive. As greater numbers of formal firms compete to redress the BOP penalty, the poor experience a direct increase in quality of life. As the report describes through business case studies and data, the penetration of mobile telephony into these markets is a classic example of how competition can drive such improvements.

“The report backs up the calls for broader business engagement with the base of the pyramid, stressing the need for the private sector to play a greater role in development,” said Michael Klein, World Bank/IFC Vice President for Financial and Private Sector Development and IFC Chief Economist. “The report also highlights the need for governments to pick up the pace of reforms to the operating and regulatory environment, so that it becomes easier to do business,” he added.

In its geographic analysis, *The Next 4 Billion* finds that the Asian BOP market (including the Middle East) is by far the largest, with 2.86 billion people and a total income of \$3.47 trillion, constituting 83% of the region’s total population and 42% of its aggregate purchasing power.

Eastern Europe's \$458 billion BOP market includes 254 million people, 64% of the region's population, with 36% of aggregate purchasing power.

In Latin America the BOP market of \$509 billion includes 360 million people, representing 70% of the region's population but only 28% of aggregate purchasing power, a smaller share than in other developing regions.

In Africa, the BOP market is \$429 billion, but it represents 71% of aggregate purchasing power in this region. The African BOP includes 486 million people—95% of the region's surveyed population.

The report also characterizes the base of the pyramid markets by sector. Sector markets for 4 billion consumers range from those that are relatively small, such as water (\$20 billion) and information and communication technologies (\$51 billion), to medium-scale markets such as health (\$158 billion), transportation (\$179 billion), housing (\$332 billion), and energy (\$433 billion), to truly large markets, such as food (\$2,895 billion).

"This report shows how critical it is to focus on the BOP in all its dimensions," said Jonathan Lash, president of the World Resources Institute. "The BOP wins when brought into the formal economy. Businesses win when they pay attention to the needs of the BOP markets. The world wins when environmental sustainability, transparency, and equity are as deeply embedded in BOP growth strategies as the drive for profits. This report lights the path to sustainable business engagement with the BOP."

The empirical profile of the base of the pyramid in the analysis substantially extends previous analyses by C.K. Prahalad, Stuart Hart and other experts by offering a detailed economic portrait of BOP markets. Data are given by income segment, urban/rural location, economic sector, country and region.

Some striking patterns emerge from the data. More than half of BOP health care spending, for example, is for pharmaceuticals. As incomes rise, the share of household spending for food declines, while the share of spending for transportation and for phone and Internet access rises sharply. Access to electricity is universal in Eastern Europe and high for most BOP households in Asia and the Latin America region, but quite low for Africa. For all regions except Eastern Europe, firewood is the dominant cooking fuel for the lower-income segments in the BOP, while propane or other modern fuels dominate higher BOP income segments and urban areas.

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To download a copy of the report please visit: <http://rru.worldbank.org/thenext4billion> or <http://www.wri.org/thenext4billion>.

Note: The website will be live as soon as the embargo lifts on March 19<sup>th</sup> at 11am Washington DC time