

# EPIC2016

## Case Studies 2 – Emergent, Underserved & New Markets

### **Have You Heard? Using Place-Based Ethnography to Construct a Word-of-Mouth Campaign in the Bottom of the Pyramid**

JENNIFER GIROUX

*ReD Associates*

ZUNG NGUYEN

*ReD Associates*

*The “bottom of the pyramid” concept has promised companies that they can simultaneously create wealth and social impact when serving the world’s poorest customers. In reality, companies have faced multiple challenges when trying to acquire and retain customers in the “bottom of the pyramid”. This case study captures the journey of one such company that is operating low-cost private schools in slums and remote villages in an African country. Despite delivering a solid educational quality, the company was facing retention issues, and was struggling to maintain a healthy student population. Leadership diagnosed that a word of mouth marketing campaign would be important to increase acquisition and retention; but it did not know where to start. By designing a place-based ethnographic approach, ReD was able to gain the customer centric insights needed to design a new value proposition and engagement model that tapped into and leveraged word-of-mouth social dynamics.*

#### **INTRODUCTION**

There were barely two weeks left until the school year would open. Pacing back and forth in front of a classroom, David, a principle for a school in an African country that was part a company that managed a chain of low-cost private schools in the area, could not understand why enrollment numbers were down. The classrooms’ mud walls and wooden chairs were certainly not fancy but well made and usable, and far better than what comparably priced schools were offering. Because of recent exam scores, he also knew that his students were outperforming those enrolled in competitor schools. So why then, he wondered, were parents choosing to send their children to private teachers in dilapidated huts instead of to his superior facilities and better performing school?

David was not alone. Questions like this reverberated across the company. Despite investments in teacher training, improved lesson plans and teacher performance, and quality school structures the company was not doing as well as it expected. It was confident that it had the best competitive offering – superior quality at comparable prices – and had the student grades to prove it. Furthermore, every decision the company made relied on extensive customer surveys and pilot testing. But after five years of operation, they were not seeing the level of growth that they expected or that the data had predicted. Why was this the case and what could be done to alter the tide?

This case study is about a journey of one company and its efforts to go back to the drawing board and develop a deep understanding of its customer – low-income families – in order to increase customer acquisition and retention. Applying a corporate ethnographic approach, a research team led by ReD Associates (hereafter referred to as the research team

or the team) used a qualitative research approach built on place-based ethnography to lead a project for Star Education in order to gain the customer centric insights needed to design a new value proposition and engagement model that tapped into and leveraged word-of-mouth social dynamics. While this case on its own is interesting, what makes it particularly compelling is that it illuminates a larger issue: the lack of customer insights and marketing approaches designed specifically for emerging markets.

## **A STAR SOCIAL ENTERPRISE THAT HAD LOST ITS TOUCH**

The company, hereafter referred to as Star Education, operates private schools in low-income countries where they offer an attractive value proposition to families living on roughly 2 dollars a day: access to a quality education. The reason why such a simple value proposition resonates is because in the slums and poorer villages where these families reside, public schools are characterized as being poorly equipped and managed as well as supplied with tenured public school teachers who are known to abandon classes, lack sufficient training, and even accost parents for bribes and extra tuition. Within such a context, private schools increasingly enroll a much bigger share of primary-school pupils (*The Economist*, 2015). While middle and upper class parents have traditionally been the main customers for the private school market, the growth of low-cost alternatives have given low-income families more educational choices. That said, this growing industry is not without criticism. Low-cost private schools are available, but their quality is questionable and they are often unregistered, which means they are not regulated. Because of this they are often criticized for employing untrained teachers and/or hosting students in hazardous conditions. Star Education, however, sought to fill a gap in the low-income market by providing private schools with facilities that, while humble, were safe and reliable; teachers who were well trained and followed a standard curriculum; and an overall management system that adhered to a strict schedule. All this at a competitive fee.

Without a doubt Star Education has a unique business model. In order to sustain the low cost it has an ambitious growth model as well as a strict top-down standardization of facility building, marketing, operations, and training to ensure quality. It's focus has been largely on education quality – early pilots, students' performance in the standardized exams were very positive while their English speaking and writing abilities, often cited by parents as their biggest consideration, were remarkably better than their peers at competitor schools. The company's innovative approach and pilot results attracted external funding as well as customers. Indeed within 5 years of its launch, the company had an impressive growth rate and was reaching its targets.

While growth was prioritized it was done so with some caution. For example, teachers were constantly required to input data on their own work and on student performance, to ensure that operations were being managed as designed while parents were frequently called and surveyed for satisfaction. In addition to such research, Star Education invested as much as it could into marketing efforts that could reach a large audience: posters and banners in villages to promote its schools, spots on the radio and TV to showcase pupil performances, even printed vests emblazoned with the school logo that motorbike drivers could wear.

But after the first 5 years of growth, customer acquisition and retention began to show cracks. Though the company was still opening schools, enrollment at new facilities were much lower than what Star Education's data projected – and what it needed. Even in

schools that had been under operation for a few years, drop out rates were increasing, churn rates at places reached 30% the student population. In response to the crisis, Star Education ramped up customer research and marketing. More fliers were circulated, campaigns were launched, stickers were given out - and yet nothing seemed to reverse the tide. The company was stumped at a new direction for marketing, and requested help from us. From survey research and literature review, they had a sense that word of mouth marketing was highly effective in the communities, but how should a word of mouth campaign be designed? Whom should it start with, and how can it be cost-effective?

Taking on the case of Star Education, it's important to recognize that this company was (and is) not alone in its struggles with this market. In fact, retaining a large enough segment of customers in order to stay profitable is a common challenge faced by companies operating in the bottom of the pyramid (Simanis 2012).

## **THE BOTTOM OF THE PYRAMID MARKETING CHALLENGE**

Star Education is part of a wave of enterprises that have excitedly invested in the African bottom of the pyramid market. For the past 10 years, many economists and entrepreneurs have broadcasted the emergence of Africa as the next global business destination. Of course, there is wide variation in activity and context across the continent, but a general trend towards optimistic investment is evident, driven by observations of growth in size and attractiveness of the consumer market (McKinsey 2012). No longer is Africa seen merely as an attractive destination for its natural resources, its emerging consumer market is now key to driving foreign investment (Bhan 2014). Business' enthusiasm to reach not only middle class Africans, but also consumers at the "bottom of the pyramid", largely followed the pioneering work of C.K. Prahalad, who, in his 2004 book *Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits* argues that all segments of the economy are potential economic agents. There is untapped purchasing power, and therefore profits to be made, in the bottom of the pyramid. Selling to the poor can be both profitable and can contribute to reducing poverty (Prahalad 2004).

But finding success at the Bottom of the Pyramid has not been as easy as Prahalad promised. Companies such as Star Education are confronted with a range of infrastructural and social challenges when attempting to understand and market to their customer, such as the prevalence of the informal trade and services, of cash transactions, and a lack of marketing support services. Together, these barriers mean that the standard value propositions, data collection and marketing methods that companies have fine tuned over the last 50 years in the West may not be applicable here.

Marketing is a critical function for BOP players because as has been noted by HBS, in order to operate a sustainable business, companies need to make up for lower profit margins by having very high volume and penetration – often 30% or more consumers in an area. This formula is largely based on the success of Hindustan Unilever in selling Wheel brand detergent to low-income consumers in India. Star Education in fact, also adopted this same strategy. However, this pressure to scale places an incredible challenge on the firms to not only achieve universal awareness rates but also convert huge numbers of customers scattered across slums and urban centers and successfully retain them. As a result, many well-meaning businesses have failed because they could not sustain profits in low-income markets (Simanis 2012). For example, Procter & Gamble invented a water-purification powder called PUR for

bottom-of-the-pyramid markets, but it was a commercial failure. It's now distributed by a philanthropic enterprise. In 2007, household-products giant SC Johnson launched Community Cleaning Services, a BOP business aimed at creating employment in Kibera, a sprawling slum in Nairobi, Kenya – but because profits were hard to come by, the project was eventually spun off into a nonprofit (Gunther 2014).

Is, then, the dream of serving at the bottom of the pyramid a mirage, as Karnani and others have proclaimed (Karnani 2007)? Many progressive companies believe that the work is not over yet, but that companies just need to find the right strategy for doing business with the poor instead of relying on standard business approaches, in order to follow through with the vision that Prahalad had painted. Following that vision, companies must find unique value proposition that keep customers coming back, and also build behaviors and routines that are deeply a part of people's everyday lives and social context (Simanis 2012). In terms of marketing, that means companies cannot rely on standard marketing approaches such as the one Star Education had been employing (flyers, posters, etc.) but must seek to develop a word of mouth strategy. As Prahalad himself wrote, among the poor, the best way to establish connections is through personal interaction: "Word of mouth is the single most important broadcast mechanism... People in the community tend to have very close-knit ties within the community that again reflect the importance of social capital. Anything good or bad spreads effectively through the word-of-mouth channel" (Pralahad 2004). In Star Education's case, several executive leaders had also come to suspect that the mass-market marketing tools it had been employing (radio spots, flyers, posters, etc.) were perhaps not as effective as it had hoped. Though this idea may not be new to theorists, successfully implementing it in an organization is different challenge all together, as it requires a company to completely let go of its existing assumption in order to embrace a new approach grounded in an understanding of the customers in the bottom of the pyramid. This classic struggle was evident in Star Education as well: while many in the leadership suite sensed that the core assumptions were wrong, and a new approach was needed, it was unclear where to begin.

## **LET'S GET REAL: IDENTIFYING ASSUMPTIONS**

Applying a corporate ethnographic approach, ReD's research team was immersed in the client context for 3 weeks during which it spoke with staff at different levels in the organization, as well as conducting discourse analysis of Star's marketing materials. This allowed the team to get a deep understanding of the internal assumptions on the customer world – and why they were facing a drop out issue. Speaking to the staff, the team found that there was overall confusion and anxiety about why the marketing materials they had put effort into creating were not working. Underlying that frustration were two core historical assumptions that defined the company's existing engagement strategy with parents:

1. *Parental awareness would lead to both recruitment and retention. Therefore, marketing strategy should prioritize mass-market coverage.* As mentioned previously, the company's marketing activities include a wide variety of mass-market tactics intended to raise awareness and prevalent in low-income areas. For example, the range of tactics tried in the first half of 2015 include: signposts, micro-billboards, wristbands, performance reports, newsletters, robocalls, billboards, and door-to-door flyers. As more awareness was assumed to lead to customer growth and retention, surveys

would predominantly focus on measuring awareness.

2. *School choice was seen as a function of rational, measured parent evaluation on student performance compared to price. Therefore, marketing materials were designed to give information on student performance.* Information featured on the materials would include its internationally designed curriculum, superior facilities, and small class size. When surveys showed signs of wrongful information or rumours about the school, these were interpreted as a result of lack of information and more information was given. Parent-teacher conferences and other interactions with parents also focused on giving functional information: on students' performance, school growth, or tuition and other matters.

Understanding these assumptions, it was clear why the company had been making the type of decisions on marketing that it had. Within the organization, however, there were increasing voices questioning these assumptions. These voices claimed that in terms of strategy, word-of-mouth should triumph mass-market coverage. In terms of content, they questioned the rational approach, and argued in favor of more emotional coverage. These leaders' intuitions were very close to the core arguments that Prahalad made. But where could they go from there? What Prahalad's work failed to synthesize is how does one actually run an effective word of mouth campaign, especially given that Star Education serves thousands of villages and slums, and in total have millions of clients. Who should the word of mouth target? How would the word spread? What moments are the most important? And what message would be the right one?

## **DESIGNING A PLACE-BASED ETHNOGRAPHIC APPROACH**

In light of these challenges in building a word of mouth campaign, the research team proposed to use an ethnographic approach that focused on understanding rural and urban communities where the schools were based. Firstly, in contrast to traditional market research, employing ethnographic deep dives would allow us to go in without a hypothesis, free from the industry orthodoxies. This would allow us to identify what messages would truly resonate with people. Secondly, ethnography allows us to understand not just individuals but the entire communities that they live in. An understanding of how to influence communities as a whole, and what narratives are part of that community. Lastly, ethnography allows us to deeply imbed ourselves in the lives of people to understand how their daily routines and habits are formed. This allows us to identify critical moments where word of mouth can target people.

Before our work, other researchers have employed ethnography in an attempt to understand the bottom of the pyramid. Their lessons and findings all spoke to the importance of taking ecology approach and investigate daily habits when considering business implications in emerging markets. N. Rangaswamy and S. Yamsani explore the evolution of mobile Internet in an Indian slum by linking the development of digital geography to the social one bounded by the slum's physicality. To understand the "slum" as an ecology, Rangaswamy and Yamsani conducted investigations in two waves. In the first wave, they interviewed political leaders and shopkeepers around the community in addition to observing daily life, in order to gain a contextual understanding of community life. In the second wave, using the contextual understanding gained, they conducted more in-depth

interviews with teenagers – the focus of the mobile investigation (Rangaswamy and Yamsani 2014). Johnsen and Helmersen similarly stressed the importance of using ethnographic interviews and observations to contextualize customer life when doing business casing for mobile telephone products (Johnsen and Helmersen 2009). Both of these applied ethnographic cases had an end goal in mind: a broader mobile strategy. The mission for this project, on the other hand, was more tactical: a strategy was needed to drive word-of-mouth. This meant that the research team needed to understand how exactly stories travel throughout the community’s space, what physical nodes and actors are the most important for marketing. How does the physical interact with the social to carry on community narratives? Place has often been a missing actor in research on small businesses, but for our context, it was vital to understand the key individuals, entities, and initiatives in communities, as well as map their relationships to each other (Kaplan 2014). While place is often an element of research in ethnographies concerning the bottom of the pyramid, in our case, it no longer merely served a value of adding context. Our ethnography, instead of focusing on individual-actors, would take place-based approach.

The research team selected 7 communities where schools were located to study. In each of these communities, through observations and snowball interviews with families, the team mapped out in detail:

- Important narratives that had emerged in the community within the past 6 months and how they had spread and grown, in order to understand what makes an important narrative
- Influential leaders who drove conversations and narratives in the community, especially narratives that would influence school choice. The team identified these leaders through community members and asked to conduct ethnographies with them, in order to understand their lived experience, how they formed opinions, and spread them.
- Influential sites in the community where people would often learn about new information or spread new narratives to others
- Competitor schools in each community and what were narratives defined them and were influencing parent choice

In addition to community mapping, the research team also conducted 31 deep dives with families in Star Education’s target market. Such an exploratory approach led the team to really immerse ourselves in the community: visiting schools, giving speeches at local events and organizations, attending weddings and funerals, and, ultimately, developed close bonds with families. It was through this approach that 3 key insights emerged and stood in contrast to the way the company saw and interacted with its customer world, pointing to a new direction for marketing.

## **FINDINGS THAT FUEL ‘WORD OF MOUTH’**

Three findings – each presented in contrast to a client assumption – helped reshape the way Star Education thought about their customers and pointed to a new direction for customer engagement.

1. **Parents' school choices are driven by their own sense of achievement.** While Star Education had assumed that parents' decisions were mainly based on student performance and cost, in fact, neither were the most critical factors in reality. Firstly, all schools in the area boasted very similar results-based value propositions, and for low-income parents who do not have much education themselves, it was very difficult to distinguish one school's quality from another. The research team observed parents making the decision to pull their children out from one school to another without looking at the child's grades, or despite its performance. Cost did not seem to be a major factor, either, as tuition between schools was similar and parents were willing to borrow or dig deep into their pockets if they perceived a school to be "worth it".

What actually mattered the most for school choice was whether the school's reputation and interactions helped parents feel that they were "making it". In the poor communities examined, many of which had been devastated in the past by drought or violence, it was very important for families to feel that they were on their way up in the socio-economic ladder, that they were "making it". "Making it" could mean three things. It could mean being respected and admired in communities. It could mean being financially capable and not worried about tomorrow. It could also mean being modern and having progressive values. With the income families had, aside from basic living expenses, priority was given to expenses which could help the family feel that they were "making it": i.e. investing in nice furniture to earn social respect, or starting a family-run business. Sending one's child to a respectable private school helped parents achieve all three signs of "making it": it could help them feel they were making a modern choice, it made them proud that they could invest in the tuition, and it made them feel that they were making a modern decision. A good school was a school that had a community reputation for having parents that "made it". Therefore, the research team suggested that Star Education transition from a performance-focused value proposition; to building a reputation as the strongest symbol that parents can choose to show themselves and others that they are 'making it'. But how can this reputation be built? That is the question explored in-depth in the following finding.

2. **Parents assessed schools as they would a social group, and therefore reputation is built through daily personal interactions.** While Star Education viewed itself as a large international company, in small communities, parents did not see it in the same bucket as major national banks or global NGOs. Rather, schools have always been a part of the communities' social fabric, and personal interactions with the school staff are important for parents to feel confident that they are validated and have made the right choice. When these personal interactions are too rigid or transactional, as they had become for Star Education's schools, parents lose confidence that this is the best option that can bring pride for their family. It does not matter if the school has the best facilities or grades. In fact the research team saw again and again that parents would pull their children out and spread bad reviews to others if their interactions with school staff were negative.

With this finding in mind, the research team sought ways to turn the existing daily interactions between the school and the parents – i.e. the grades that the

children sent home, the moment that the parent comes to pick them up after class, the annual parent-teacher conference – into an interaction that validates the parent and builds their trust to the school. Building marketing into daily engagement was cheap as Star Education could leverage the existing assets and routines it already had. All ReD needed to do was help adjust the design of existing materials and created guidelines for staff in order to make each engagement one that could build trust.

While improving everyday interactions was key to improving parental satisfaction, relying solely on parents' organic word of mouth can take a long time. Star Education needed a more aggressive campaign strategy, and it needed to find the right social group that could be its brand ambassador. Through the research, the team found that women involved in microfinance groups were the ideal group because they cared deeply about children's education; they formed the narrative around education in the community; and were incredibly influential.

- 3. Women are main drivers of education, and women's savings groups are key to educational narratives.** In Star Education's surveys, men were often cited as the main decision-makers about education in the family. Yet in reality, the research team found that women were the ones who followed their child's progressions, tracked scores, and constantly discussed with others about school choice. At a wedding for example, the team observed that while the men's tables navigated to discussing local politics, women's gossip revolved around school management and reputation. Women were the ones making decisions about education in the household – with their husbands (if they had one) either rubber-stamping, or absent. Not only making decisions, many women were financing that education too, having been empowered in recent years by savings groups that gave access to cash for investments.

Visiting these savings groups, the team realized how influential they had been for female empowerment in the local communities, and for school choice. It was through these groups that women were learning from each other about the modern economy and workforce. It was through these groups that women were getting access to funds. It was through these groups that women could also feel that they were "making it". Education was frequently a topic in these groups, as women would give advice to each other on school choice, and best options for financing for fees.

The research team very quickly realized that mothers were the best brand ambassadors for Star Education schools, and existing women's micro-finance groups were the best way to spread the narrative outwards to other women. Therefore, that team suggested that Star Education should make the celebration of mothers a core component of marketing. Furthermore, it should seek to recruit and elevate leaders of these micro-savings groups to become customers and cultivate pride in them so that they can help spread the narrative. Lastly, the schools could also establish local partnerships with these local women's groups in order to work on shared issues of concern (such as children's extra-curriculum) and to create positive narratives about it in the community.

## TRANSLATING INTO IMPACT



This approach had fundamental impacts on Star Education’s approach to its customer world. First, this place-based approach enabled us to land on a powerful new value proposition for Star Education that was built upon their schools serving as the strongest symbol of success and “making it” for parents. Yes, “making it” is certainly aspirational and has an important distinction in that it does not signify a more successful future but rather a more successful now.

With the value proposition in place the engagement principles had to ensure that they delivered on the experience of success and ultimately drove word-of-mouth. A key part of this was using every potential parent-teacher interaction, however small (i.e. a greeting in front of the school yard, a letter home) to remind parents that Start Education is a symbol of “making it”: that they have made a great choice, have joined a socially-respectable club, and that their children are quickly progressing. By doing this more and more parents would be compelled to talk about Star Education with their friends and family. This, in turn, would drive a positive and progressive narrative about Star Education schools.

Another key engagement principles was to focus on building relationships with influential women. By targeting mothers and the various groups they operate in – e.g. savings, church, etc. – Star Education identified a critical partner in the communities where they operate. By successfully engaging women, especially influential women who have high social and cultural capital in their communities, Star Education found that it had a group that would naturally promote school pride and cultivate a positive narrative about the school within the larger community. In other words, it not only gave a boost to word-of-mouth efforts but it also gave credibility to Star Education.

On a broader level, while the above describes key impacts from insights gained in the field, this approach also shifted Star Education’s marketing strategy as a whole – meaning that while carrying out traditional marketing activities (such as outreach campaigns) are important they are rarely enough. As a company that provides schools it operates in the social impact field. When this happens a company is not just merely selling a product but rather it becomes a key participant in the local social fabric. This not only requires a deep understanding of the target community but also a more holistic take on marketing- one that is better understood as engagement which combines the art of telling and selling with the art of building and maintaining relationships with community members who are critical partners. This is how to get people engaged in a cause and connect to them in such a way that they will choose your product, again and again. While it is still too early to conclude whether these new strategies will have an impact on retention and acquisition; Star Education is embarking on the next chapter of its growth story.

**Jennifer Giroux** is a Senior Consultant with ReD Associates where she primarily works on projects in the social impact space. With a background in cultural anthropology and policy studies her experience cuts across strategy analysis and development; social risk consultancy that sits at the nexus of organizations, community and culture; and leading projects that blend theory with practice.  
*jgi@redassociates.com*

**Zung Nguyen** was until recently a senior consultant at ReD Associates where she managed projects on community engagement, marketing, and brand positioning. She is now pursuing a PhD on urban planning at the London School of Economics, and is interested in the intersection of ethnography, branding, and design in the city. *zungnv@gmail.com*

## REFERENCES CITED

- Bhan, Niti  
2014 *How Africa is Challenging Marketing*. Harvard Business Review, June 27.
- Black, Pamela J.  
2015 *Problems at the Bottom of the Pyramid*. Business Researcher, Sustainability Report.
- Hanover, Evan  
2014 *Co-creating Your Insight: A Case from Rural Ghana*. Ethnographic Praxis in Industry Conference Proceedings: 50–57. <https://www.epicpeople.org/co-creating-your-insight-a-case-from-rural-ghana/>
- Prahalad, C.K.  
2014 *Fortune at the Bottom of the Pyramid: Eradicating Poverty through Profits*. Wharton School Publishing.
- Gunther, Marc  
2014 *The base of the pyramid: will selling to the poor pay off?* The Guardian, Guardian Sustainable Business.
- Johnsnen, Truls Eric and Helmersen, Per  
2009 *Contextualizing Customers*. Ethnographic Praxis in Industry Conference Proceedings: 185–196. <https://www.epicpeople.org/contextualizing-customers/>
- Kaplan, Josh  
2014 *Place and Small Businesses: Reflections on Ethnographic Research in and on Place*. Ethnographic Praxis in Industry Conference Proceedings: 96–107. <https://www.epicpeople.org/place-and-small-businesses-reflections-on-ethnographic-research-in-and-on-place/>
- Karnani, Aneel  
2007 *The Mirage of Marketing to the Bottom of the Pyramid*. California Management Review.
- McKinsey and Co.  
2012 *The Rise of the African Consumer*. A report from McKinsey's Africa Customer Insights Center.
- Neuwirth, Benjamin  
2012 *Marketing Channel Strategies in Rural Emerging Markets Unlocking Business Potential*. Report for the Kellogg School of Management, Northwestern University.
- Rangaswamy, Nimmi and Yamsani, S.  
2011 *'Mental Kartha Hai' or 'Its Blowing my Mind': Evolution of the Mobile Internet in an Indian Slum*. Ethnographic Praxis in Industry Conference Proceedings. <https://www.epicpeople.org/mental-kartha-hai-or-its-blowing-my-mind-evolution-of-the-mobile-internet-in-an-indian-slum/>
- The Economist  
2015 *Learning unleashed*. The Economist, 1 August.
- Wallace, Tim  
2004 *Tourism and Applied Anthropologists: Linking Theory and Practice*. NAPA Bulletin 23. Washington, DC: American Anthropological Association.
- Simanis, Eric  
2012 *Reality Check At The Bottom Of The Pyramid*. Harvard Business Review