

THE BOTTOM OF THE PYRAMID

Democratising Commerce

The central argument behind the bottom of the pyramid (BoP) concept is that the world's poorest people represent a massive, untapped market that businesses can serve profitably. The idea first circulated in 1998 and reached a wider audience in 2002, in a *strategy+business* article by C. K. Prahalad and Stuart L. Hart entitled 'The Fortune at the Bottom of the Pyramid'. It was followed in 2004 by Prahalad's book of the same title, which argued that among the billions of people at the bottom of the economic pyramid lay not only need but also entrepreneurial energy and market opportunity.

The book's subtitle, *Eradicating Poverty Through Profits*, asserted that addressing poverty and making profits were not in opposition. If products and services could be designed for constraint – for people on low incomes, with weak infrastructure and irregular access – and marketed at scale, even small margins could be profitable. For companies, simplifying their offerings also had the benefit of turbo-charging innovation because they were forced to rethink packaging and distribution, to cut waste. The solutions they developed had the potential to

open new markets and opportunities. (This idea was picked up by Prahalad's friend Vijay Govindarajan and inspired the idea of reverse innovation.)

BoP was a radical concept at the time, and some questioned the ethics or dismissed it outright. But the idea landed and took root. Unilever provided a classic example. Through its Indian subsidiary Hindustan Unilever Limited, it offered products such as shampoo, detergent and soap in small, single-serve sachets, successfully reaching rural and low-income markets. Costing only a few cents (or paise), using local entrepreneurs for distribution and focusing on hygiene awareness, Unilever showed that the BoP model could work in the real world.

Critics carped that there were too few such exemplars to make the idea viable. But Prahalad's challenge of the orthodoxy did not stop with BoP. Underpinning it was another Rubicon-crossing idea. In 2004, the same year as *The Fortune at the Bottom of the Pyramid*, Prahalad published another book, *The Future of Competition*, written with Venkat Ramaswamy. The book's central argument was that value is not created by firms alone; it is co-created with customers. It sounds obvious now. It wasn't then.

The origins of co-creation go back to the 1980s work of the Japanese professor Koichi Shimizu, who coined the term co-marketing. But Prahalad and Ramaswamy brought the idea into the mainstream, defining it as the 'joint creation of value by the company and the customer; allowing the customer to co-construct the service experience to suit their context'.

The old model held that companies designed products, and customers bought them. End of story. Prahalad and Ramaswamy saw something different emerging. Customers were no longer passive. They were informed, connected, involved. They wanted a say – and they increasingly expected one. The market, they suggested, was becoming more of a forum than a factory: a place where companies and customers interact, learn from one another and create value together.

Today, that logic is clear in everything from open-source software to online communities and platforms, where users play a key part in shaping the experience. What Prahalad described has become received wisdom. He also saw what it would require: Shifts in behaviour, not slogans. Real dialogue with customers, not one-way messaging. Communities, not segments. Experiences that can be shaped, not just delivered.

A COLLABORATIVE CAREER

C. K. Prahalad's ideas, like the man himself, travelled far. But they began in a very specific place. One of nine children, Coimbatore Krishnarao Prahalad was born in 1941 in Coimbatore, southern India. He later described that upbringing as an extraordinary preparation for management, explaining 'you learn early when to listen, when to push and when to accommodate'.

India itself – diverse, unequal, full of contrasts – played a role in shaping his outlook. It exposed him, early on, to different ways of living and working. His father, a judge and scholar, left a lasting mark too. He believed in learning seriously. Knowledge, in the Prahalad household, was something to be shared, not hoarded; it was the only resource where the more you gave, the more you had.

As a young man, Prahalad took a job at Union Carbide – not the obvious beginning for a future management thinker, but he later described it as a major inflection point. He worked with trade unions. Negotiated. Listened. Learned that 'the other side' often has a point, and is often better informed than you.

He went on to attend the Indian Institute of Management Ahmedabad, then Harvard Business School, where he completed his DBA in 1975. He moved easily between India and America, scholarship and practice, forming a conviction that ideas matter most when they escape the classroom.

Prahalad carried that conviction with him. Most of his academic career was spent at the University of Michigan's Ross School of Business, where he became the Paul and Ruth McCracken Distinguished University Professor of Strategy. From there, his influence spread globally. Executives read him. Policymakers sought him out. Academics debated him.

A collaborator by instinct, Prahalad's partnership with Gary Hamel produced one of strategy's defining ideas: core competencies. His later work with Venkat Ramaswamy and M. S. Krishnan pushed that thinking into new territory. Few thinkers shape one era's strategic agenda and then go on to help redraw the next as he did.

Prahalad topped the Thinkers50 ranking of the world's most influential management thinkers in 2007 and again in 2009, and he was posthumously inducted into the Thinkers50 Hall of Fame in 2018. We were fortunate to get to know him.



PHOTO: LUIS MARAM

Always curious and open to new ideas, he became an informal mentor to us, challenging our thinking and inspiring us. Our recollections of him are of a questioner: someone more interested in the next idea than in protecting the last one. It wasn't a technique. It was how he worked, how he was, and who he was.

Implicit in BoP and co-creation is a more expansive idea. As Prahalad explained to Thinkers50 during one memorable and illuminating conversation in 2006, the red thread that linked all of his work was the democratisation of commerce – not in a political sense, but in a very practical one. More people, he said, can and should be able to participate in commerce in ways that give them dignity and purpose, not only as consumers but also as producers, innovators and contributors. That was his real point: Business is no longer something done *to* people. It is something done *with* them – wherever they are in the economic pyramid.

CO-CREATING THE FUTURE

It's one thing to have good ideas. It's another for those ideas to shape what comes next. C. K. Prahalad achieved both. Throughout his career, he had a habit of asking simple questions that turned out not to be simple at all: Who creates value? Who is the customer? Who gets to participate? Over time, those questions redefined how we think about business.

Prahalad's early work with Gary Hamel introduced the idea of core competencies. It gave managers a new way of seeing their organisations: not as collections of products or divisions, but as bundles of capabilities. It pushed them to invest in skills, not just assets – because what matters is not only what you sell, but what you know how to do.

That idea stuck and still shapes strategy today. But Prahalad's purview went further. Over the last 25 years of management thinking, a pattern has emerged: the boundaries of the firm have loosened, customers have become more involved, innovation more distributed, and business more entangled with social questions.

Prahalad was early to all of this. Start with the shift from products to capabilities. Today it feels obvious: companies compete on what they know, not just what they make. But that was not always the case.

Then came the shift from firms to ecosystems. Prahalad did not use that word as often as we do now, but the logic is there. Co-creation assumes that value is made across boundaries: with customers, with partners, with communities. You cannot do everything yourself, and you do not need to.

Today we talk about platforms, networks and ecosystems competing with ecosystems. It's the same underlying shift. Take Google, or Amazon, or Apple. They don't simply make products; they create environments in which others contribute – developers, users, partners. The value comes from interaction.

Prahalad saw that long before others. The platform logic we now take for granted – the idea that *value is generated through participation, not just production* – runs through his later work. It sounded futuristic then; today, it reads like a plain description of the digital economy. Customers no longer passively consume. They review, rate, customise and share. Sometimes they help build the product. Sometimes they improve it. Sometimes they break it, revealing exactly where it fails.

This is co-creation in practice: messy, unpredictable, powerful. It changes the role of the firm. You are no longer in full control, but you gain something else: access to ideas, energy and insights you could never generate alone. The BoP idea pushed companies to look beyond their traditional markets and ask different questions – not 'how do we sell more of the same?' but 'how do we design for people who have largely been excluded?'

That shift is still playing out. You can see it in the idea of frugal innovation, advocated by Navi Radjou and Jaideep Prabhu; in low-cost healthcare models; in financial services reaching people once shut out of formal banking; and in products designed for constraint and then adapted for wealthier markets.

The debate around BoP has not gone away, nor should it. Critics argue that poverty reduction depends not only on selling to the poor but on raising incomes. But the central insight – that innovation can come from the margins – has endured.

Today, interdependence is the norm. Supply chains stretch across continents. Data flows everywhere. Problems such as climate change, health concerns and inequality do not sit neatly inside national or organisational boundaries. In this brave new world, co-creation is not just a strategy; it is a necessity.

You cannot control everything. You cannot predict everything. You cannot innovate alone. You must work with others. That is why Prahalad's ideas still

matter. He believed more people should be able to participate in the system – not just as buyers, but as contributors, creators and problem solvers.

That idea runs through everything he wrote. Core competences value the contribution of people inside the firm. Co-creation values the contribution of customers. The bottom of the pyramid extends that logic to the world at large.

Prahalad's final move was to bring these ideas together. In 2008 he published *The New Age of Innovation*, co-authored with M. S. Krishnan, where he distilled his thinking into two short formulas:

- **N=1:** Every customer is unique.
- **R=G:** Resources are global.

Put the two together and you get something powerful: personalised experiences, built from resources that sit far beyond the boundaries of the firm itself. That is the world we now live and work in, and he saw it before it crystalised into reality.

VERDICT

With the bottom of the pyramid, C. K. Prahalad offered a broader view of capitalism. Not softer. Not simpler. But wider. More voices. More participants. More complexity. We are still working through what that means. At the same time, the idea of co-creation asked new questions about value creation. Artificial intelligence will push these questions further. Who creates value when machines are involved? Who owns it? Who benefits? Prahalad did not provide all the answers, nor was he trying to. What he did was shift the conversation. Rigorous, provocative and resonant, Prahalad widened the field of who counts – inside the firm, at the edge of the market and across the system. And he left us with a simple but demanding idea: value is something we create together. We're still learning how to do that.

>> CO-CREATION IN THE INTELLIGENCE AGE

By Venkat Ramaswamy

When C. K. Prahalad and I began working together on what became *The Future of Competition*, we were challenging one of management's most deeply held assumptions: that firms create value and customers consume it. We argued instead that value is co-created through interactions, and that personalised experiences – not products or services alone – had become the new locus of value creation.

At the time, this represented a profound shift in management thinking. It repositioned customers as active participants rather than passive recipients. It invited organisations to view value creation as an ongoing process of engagement rather than a one-way act of production. Looking back, I believe that insight has only grown more relevant.

Today, however, we find ourselves at another inflection point.

Artificial intelligence is changing not merely how organisations operate, but what they produce. Increasingly, AI systems generate ideas, recommendations, designs, analyses and decisions. They participate in creating intelligence itself. This raises a natural question: If value is co-created through interactions, what happens when intelligence itself is co-created?

I believe this is the next chapter in the journey that C. K. helped begin.

The defining challenge of the Intelligence Age is no longer simply connecting organisations with customers. It is enabling humans and AI systems to learn together continuously, so that every interaction contributes to the creation of better intelligence and, ultimately, better outcomes.

This does not diminish the importance of co-creation. Rather, it expands its scope.

Co-creation taught us that value emerges through relationships. Today, we are learning that intelligence also emerges through relationships – among people, AI systems, organisations, institutions and the broader ecosystems in which they operate.

This shift has profound implications. Organisations must become learning systems capable of capturing, governing and continually



improving the intelligence generated through countless interactions. Competitive advantage increasingly depends not only on what an organisation knows, but also on how effectively it learns with others, circulates that learning and transforms it into future capability.

In my recent work, I describe this emerging paradigm as *co-intelligence*. The emphasis is not on artificial intelligence replacing human intelligence or on humans simply using AI as another tool. Rather, it recognises that intelligence itself is becoming relational, distributed and continuously evolving through collaboration between humans and increasingly capable AI systems.

Seen in this light, there is a remarkable continuity with C. K.'s original vision. His work consistently challenged conventional boundaries – between producer and consumer, developed and emerging markets, inside and outside the firm. Whether through the fortune at the bottom of the pyramid or co-creation, his central concern was always expanding human possibility by reimagining relationships.

That same spirit should guide us today. As AI reshapes management, the question is not whether technology will create value. Technology alone never has. The enduring challenge remains designing relationships that enable people, organisations and now intelligent machines to create value together.

If the twentieth century taught managers how to scale production, and the early twenty-first century taught us how to scale interactions, the Intelligence Age is teaching us how to scale intelligence itself.

C. K. showed us that value emerges in relationships. The next frontier is recognising that intelligence does as well. Our task now is to design, steward and govern those relationships wisely so that the intelligence we create together contributes not only to organisational performance, but to broader human flourishing.

That, I believe, is where the journey of co-creation leads next.

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KEY TAKEAWAYS

- **Don't mistake low income for low ambition.** People at the bottom of the pyramid want quality, choice, dignity and value, just like everyone else.
- **Big opportunities often sit where big companies are not looking.** Markets at the margins can be larger than they first appear.
- **Constraint can sharpen innovation.** When customers have less money, less infrastructure and less margin for error, lazy design gets exposed fast.
- **Affordability is not just about price.** It's about packaging, access, distribution and ease of use.
- **Customers are no longer spectators.** They are part of the action. Value is increasingly created with them, not simply delivered to them.
- **Dialogue matters.** Listening matters. Communities matter.
- **The old firm-centric model is too narrow.** Real advantage often comes from ecosystems, partnerships and participation.
- **The deeper point of BoP and co-creation is the same.** Commerce works better when more people take part in creating value.



