Entry modes and the impact of mobile microfinance at the Base of the Pyramid: Scenarios of “My Village Phone” in Egypt

Mostafa R.A.Mohamad
Doctoral Researcher at Manchester Business School
The University of Manchester
Booth Street West
Manchester
M15 6PB, UK
e-mail:mostafa.mohamad@postgrad.mbs.ac.uk

Abstract:

The expansion of mobile telecoms in the Egyptian market has contributed to different development paradigms. The entry mode and the way telecoms follow to access the Base of the Pyramid market in Egypt identifies which paradigm will take place in the future. Using the case of “My Village Phone” we developed a scenario analysis to explore the linkages between the entry modes and development paradigms. We found that “Pro-poor”, “Para-poor”, “Per-poor”, “Per-poor exports” and “Networked” are expected to take place if telecoms followed the Base of the Pyramid entry mode. However, they may fail to achieve one or more of these paradigms if they followed different entry modes such as “Capitalists mode”, “Skimming mode”, “Social responsibility mode”, or “Sustainability mode”. This study contributes toward a typology of entry modes and development scenarios for mobile telecoms market in general and for mobile microfinance in specific. In the national level, we provide a testable business model for the candidate mobile telecom that looks for holding the fourth mobile licence in Egypt.

Keywords: Base of the Pyramid, Mobile telecommunication, development and microfinance

Introduction:

Despite that the ideas of personal freedom and political democracy became commonsense; the democracy of commerce is still out of imagination. In a believe that the globalization should work for all and redistributes the powers\(^1\) among nations and among social classes in the same nation, I am going to expect how the poor Egyptians are going to use the mobile telecommunications to improve their power in front of the rich capitalists. According to the literature and the narratives of mobile telecommunication industry, mobile use may improve the people social capital, productivity, and purchasing power parity (PPP)\(^2\). These three indicators reflect the degree of power that the individuals have and the degree of development that they live in. Different paradigms of development result from different entry modes by the telecoms. This paper provides a prototyping for telecoms expected entry modes based on two pillars “Foreign direct investment by Multi-National Corporations (MNCs)” and “state

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\(^1\) The theory of power is one of the mainstream theories adopted by the political economists such as Adam smith. The power here means the economic, social, and political powers that increase as much as the resources increase.

\(^2\) See Appendix 1 that presents a mind map, which collects the background and foreground of this research.
organization”. Further, it links between different entry modes and development impacts in order to draw a business model for potential mobile network providers in Egypt.

This business model is tailored to the local Egyptian market, culturally sensitive and economically feasible. Moreover, this new practical model can be used to conceptualise the Base of the Pyramid (BoP) business approach developed by Prahalad (2002 & 2004). Advancing the BoP strategy created a crossroad for business strategy and poverty alleviation (Prahalad & Hammond, 2002; Simanis & Hart 2009). The BoP represents four billion people live with less than $3,000 per capita purchasing power and primarily run their microenterprises in the informal economy (Hammond et.al, 2007). The BoP literature provides a convincing argument to business-minded leaders for viewing the poor as an untapped market of consumers, producers, and entrepreneurs (Akula, 2008). It also, offers insight into the mindsets, capabilities, and partnerships that enterprises need to develop viable business models (London & Hart, 2004; Seelos & Mair, 2007).

Most recently, a second generation of BoP strategies has emerged. Rather than an emphasis on “finding a fortune at the BoP,” this work suggests that BoP initiative benefits from “creating a fortune with the BoP” (Arora & Romijn, 2011; London & Hart, 2011). A fortune-creating approach involves identifying and enhancing what is “right” in BoP markets, co-creating and piloting business models in deep dialogue with the poor, and establishing competitive advantage based on the capability to become socially embedded in the local context and to assess and enhance mutual value creation (London, 2009). Collaborative interdependence, a partnering strategy premised on “how we can help each other,” provides the foundation for establishing and maintaining the necessary relationships (Margolis & Walsh, 2003; Simanis & Hart, 2009; Simanis et.al, 2008). The BoP literature on partnering, however, has primarily focused on strategies for interdependence collaboration between the poor community (the grassroots), donors, private enterprise and other non-traditional partners such as the Non-Governmental Organizations (NGOs) and state organizations.

In Egypt, BoP’s first version represents a two ways winning; winning for the MNCs who can get huge profit and reputation by selling to the poor market; another winning goes to the 30 million Egyptians who earns less than 2$/day (The Egyptian Cabinet, 2012). The main goal of this scenario analysis is to remove the vagueness about conflicts among the stakeholders in the mobile telecommunication market in Egypt and to bring more attention to the market opportunities that exist in the Egyptian poor market.

To achieve all of the above goals we discuss an interesting case study at its maturity stage, which brings a problematic situation that needs to be resolved. The case of “My village Phone” is a replication of “Village Phone” initiative by Grameen Phone in the Egyptian market. This initiative is a microfinance initiative founded by Vodafone Egypt to create job opportunities for young microentrepreneurs who work as retail managers for Vodafone to expand the use of mobile telecommunication in the poor market. We identified the research problem across the macro and micro levels to link it to the Egyptian context. Data analysis has been conducted using the systematic foresight model by Saritas (2006) which includes “internal foresight” and “external foresight”. The former draws scenarios for the potential entry mode of mobile telecoms at the Egyptian BoP, whilst the later, explored the development paradigms after applying the BoP strategy among the poor Egyptians. At the end of this paper, we represent a testable business model for the candidate mobile network providers who look for holding the fourth mobile licence in Egypt.
1. Mobile Microfinance in Egypt:

1.1. Poverty in Egypt:

The World Bank refers to indicators 55% poverty rate among the Egyptian population (World Bank, 2012). The Egyptian Organization for Human Rights (EOHR) declared that the poverty level is expected to increase, and varies between governorates (administrative regions). For example, poverty in Upper Egyptian governorates encompasses 63% of the population, falling to 40% in governorates which are close to the main cities and so feature more commercial activities (EOHR, 2012). The World Bank report referred to political conditions in Egypt and some bad practices from Egyptian governments as the main reasons for income inequality, social stratification, and high illiteracy. Examples of these practices are price inflation, privatization, a floating exchange rate, a large deficit in the fiscal budget, and the increase of the national debt to high levels (EOHR, 2012).

The Central Agency for Public Mobilization And Statistics in Egypt (CAPMAS) reported the following indicators for year 2012: (1) decrease of GDP by 2.3%; (2) increase of the national debt by 3.4%; (3) price inflation of 2.4% (4) deficit in the fiscal budget of L.E. 56.4 million an increase of 2.4% on the year 2009. In March 2012, the Egyptian Cabinet reported that 47.5% of the poor are farmers who lack access to finance. The same report found strong relationships between income poverty, mortality rate, and illiteracy (the Egyptian Cabinet, 2012). Another issue which affects poverty is the average consumption of consumer goods, estimated at L.E.17000 per year (the Egyptian Cabinet, 2012).

All of the above problems increase as population increases (Bolbol and Fatheldin, et al., 2005). 4.24% of Egyptian children leave school to join the work force as a way to raise funds to cover family expenses. According to Bolbol and Fatheldin, et al. (2005) the Egyptian government succeeded in economic reform through three steps: (1) removing trade customs (2) introducing tax exemptions for small businesses and foreign direct investment companies (3) expanding the infrastructure in new cities on the right bank of the river Nile. The early stages of the reform programmes started in the early 1990s. The Egyptian government has adopted new macroeconomic reforms and stabilization policies. These policies have been supported by the World Bank and the United States Agency for International Development (Osama, 2004). In the year 2000, the United Nations reported that the late 1990s was an era of liberalised commodity prices, a liberalised the financial sector through the reduction of barriers to capital movement and control of the interest rate, reform of public enterprises, and the boosting of privatisation. Al-Mashat and Grigorian (1998) divided Egypt’s economic reform and structural adjustment program into two phases. The first phase occurred between 1990 and 1993 and sought to decentralise the Egyptian economy through minimizing the role of the public sector and giving the private sector a larger role in a market based economy. These policies resulted in the following positive results: (1) reducing the budget deficit of the government; (2) liberalising the financial sector by decontrolling the interest rates and exchange rate unification; (3) establishing the Treasury bill market in 1991; and (4) liberalising prices, in particular energy prices, resulted in lower price distortions.

The second phase was mainly concerned with partnerships with MNCs in order to improve the performance of the financial sector, high technology industries, and microenterprises (e.g. the partnership with Shell to train micro-entrepreneurs and financially support their projects) (Shell Egypt, 2008). Concluding the above discussion, despite the Egyptian government introducing many steps to enhance the economic reform, these efforts need more partnerships
with the MNCs, the NGOs, and poor communities to achieve sustainable economic development from the bottom-up (Silmi, 2010).

1.2. Mobile Telecommunications in Egypt:

Based on our secondary research, this section discusses the Egyptian mobile telecommunication market including issues of competition and market share serving the poor. This analysis provides a base of our discussion about the potential entry mode for any candidate telecoms aim to access the market.

An increase in the number of low-income subscribers from 1 million to approximately 20 million during the last five years makes Egypt a promising market for mobile network providers (Egypt state information service, 2012). According to Vodafone report in 2007, Africa, Egypt and Algeria in particular are new markets that allow Vodafone to utilize their capacity and experience in mobile telecommunication and escape saturated markets (e.g. the United Kingdom). Egypt’s population is 85.3 million, which is the largest in the Middle East and North Africa (National statistical offices, 2012). By the end of the first quarter of 2012, the number of mobile subscribers reached 63 million subscribers (i.e. 71% of the population) (Ministry of communication and technology, 2012). Euro monitor International reported in March 2012 that 50% of the Egyptian population are between the ages of 20 and 40. 70.2% of that age group earn less than US$2 per day (Euro monitor International, 2012). Accordingly, potential low income users are between 11 and 44 years old and earn less than a US$2/day. This socio-economic class is 59% female, 41% male (i.e. females should be considered as potential mobile users) (CAPMAS, 2011). This class is expected to grow due to two factors: (1) Due to 7% population growth, the mobile market is expected to grow by 3% (Donner, 2008) and (2) 27% of the population are under the age of 11, enlarging the base of subscribers (Kamel, 2009). See figure 1 that summarizes the above mentioned information.

Vodafone Egypt\(^3\), Mobinil, and Etisalat are the only licensed mobile telecoms operators in Egypt. All of these companies are private for-profit corporations. Mobinil is an Egyptian mobile telecom founded in 1998. Since that time the company has strived to maintain its percentage of market share (see figure 2). Despite the competition among the other telecoms, Mobinil still serves 45% of the mobile subscribers in Egypt. Mobinil provides the highest quality mobile telecommunication services to the upper and middle classes (NTRA, 2010).

Launched in 1998, Vodafone Egypt is a MNC investing in Egypt to cover a wide array of voice and data exchange services, as well as 3G and ADSL internet services for all classes. Recently, Vodafone used distinctive marketing strategies to cover the rural areas in Egypt (ITU, 2011). Vodafone’s worldwide presence allowed them to use their knowledge and innovative services portfolios to serve the poor customers. Vodafone has the largest services revenue market share 62 % (American chamber of commerce in Egypt, 2011). See figure 2 that shows the revenue market share for the three companies.

\(^3\)75% of Vodafone Egypt is owned by Vodafone UK and 25% is owned by Orange telecoms.
Figure 1: the target market of Mobile telecoms

Note: This figure has been designed based on the archival and documentary analysis of the Egyptian telecommunication market and the Egyptian Economy.

In March 2012 the American chamber in Egypt reported 60.9% increase in the number of mobile subscribers against only 39.7% in the telecoms’ revenues (See table 1). This effect is typical of markets where growth is achieved through low-income customers and changing the subscribers base mix (American chamber in Egypt, 2010).

In January 2008, a third mobile telecom company, Etisalat⁴, entered the Egyptian market to target adults and children in rural areas and in Upper Egypt. Both Vodafone and Mobinil suffered a loss of market share, due to the orientation of the two companies towards the upper and middle classes rather than the poor (Aly, 2010).

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⁴ Etisalat is a MNCs owned by the United Arab Emirates. This company started to offer mobile telecommunication services for the poor students. However, it is still experiencing some technical problems that affect the quality of its services (NTRA, 2010)

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After Etisalat’s entry, Vodafone has maintained its customer base and its leadership in revenues, while Mobinil has continued to acquire customers at a high pace, but has sacrificed revenues (Lynch, 2011). This is because of the wide range of services that Vodafone offers and its exclusive right to provide mobile 2.0 services such as mobile banking, mobile microfinance, Skype calls, and social networking services (Aly, 2010).

To sum up this discussion, Vodafone has the exclusive rights to provide financial services to the Egyptian people. As Vodafone’s upper and middle class market became saturated, the company began to target low income users aged between 11 and 44.
An important issue that needs to be considered is the oligopolistic power of these three companies over mobile user. According to Karnani (2009), this power may result in unethical marketing and exploitation of the poor. In response, the NGOs and the National Telecommunication Regulatory Authority (NTRA) started to control the malpractices of the mobile telecoms. Furthermore, they built a partnership with them mobile telecoms to extend the benefits of mobile services to the poor in Egypt (see the “My village” case study).

Out of 83 NGOs, only two have sufficient coverage and resources to enhance the sustainable development projects in Egyptian society (Homat Al Mostakbal Association 6 (HAMA) and Alashanek Ya Balady 7 for Sustainable Development) (EFSA, 2011).

Mobile retails represent a huge part of the telecoms market. These retails take the form of franchising agreements or sole proprietorship businesses that work for their own benefit (Aly, 2010). 90% of these retailers are operated by skilled employees who can deal with the middle and lower classes, but not with the illiterate poor (Vodafone Egypt, 2010).

Donner (2008) and Aly (2010) refers to some environmental and user challenges in the market. Environmental challenges such as long travel times, variable population density, and lack of secure storage. Examples of the user challenges are 40% illiteracy and a 35% underemployment rate (CAPMAS, 2011). However, Aly (2010) argues that Egyptians need mobile telecommunications in their day-to-day life and this why they spend 11.2% of their disposable income in it.

In conclusion, Vodafone is expected to take the leadership in the BoP market. In doing so, poor Egyptians between the ages of 11 and 44 earning less than US$2/day will be the targeted customers. Such expansion allows Vodafone to enhance its revenue leadership and at the same time creates job chances for retail and kiosks managers as well as improves the wellbeing of the poor users.

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6 This name is the Arabic expression of “protecting the future”. It is a profitable organization that spreads in 5 main governorates in Egypt.

7 This name is the Arabic expression of “For the sake of my country”. It is a non-for-profit organization that works for the sustainable development in Egypt. Moreover, it has a full technical and financial support of the American university in Egypt and spreads along 15 Egyptian governorates.
1.3. Microfinance in Egypt:

Microfinance Institutions (MFIs) provide small loans and saving services to the poor people to help them set up their own microenterprises and generate sufficient income to take care of themselves and their families (Microcredit Summit, 1997). Till 2008, 93% of the potential demand for microfinance has not been met (Riria, 2008). MFIs represent 91% of the private sector in Egypt (Sander, 2009) that created 57% of private employment till 2008 (Moussa, 2008). These facts demonstrate how important MFIs are in the Egyptian economy. In Egypt, MFIs depend on self-financiering or costly informal financing (e.g. rotating savings, credit schemes, supplier credits, and local moneylenders) with a very limited role for the state, international aid organizations or the commercial banks (Osama, 2004). Moussa (2008) identified four sources of finance to MFIs: The first is the international donors such as the World Bank, the United Nations, US agency for international development USAID; the second provider is the Social Development Fund, which grants government-subsidized interest rates and (sometimes) gets loans from the World Bank and the European Union to increase its loan portfolio (Mitchell, 1991); The third source is the Commercial Banks like the National Bank for Development (NBD) and the Faisal Islamic Bank (Baydas and Graham, et al., 1997); the last is big private social enterprises such as “Sekem for social development” and “Lead foundation” (Lapenu and Zeller, 2001)

In cooperation with the US agency for international development, the NBD started the first microfinance project in Egypt in 1987. This project aimed to offer microloans to poor Egyptians who have microenterprises. The amounts of these microloans ranged from $300 to $1500, with maturity periods ranging from 3 to 11 months. Simple interest was at 16% and transportation costs were 3% (Osama, 2004: 210).

In 1997, the United Nations called for more participation from commercial banks to serve the marginalized poor in Egypt who have no access to the financial system (United Nation, 1997). The well-established branch networks that commercial banks have enable them to reach rural areas and provide the poor with tailored loan mechanisms (Baydas and Graham, et al., 1997). NBD, for example, established their first four branches with the financial support of USAID and then expanded. By 1993 the number of branches providing micro-lending had increased by 13 in the Greater Cairo region, with a total of 20 branches nationwide in seven governorates (Iqbal, and Riad, 2004). In 1998, the NBD succeeded in implementing micro-lending programs in 38 of 66 NBD branches, serving poor people in Cairo and in Upper and Lower Egypt (Singh and Dhumale, 1999). By 2004, NBD increased the number of branches with microcredit services to 44 in 16 governorates. 26 branches of those 44 are specialized in microcredit services. In 2009 NBD became the main provider of microcredit in Egypt, with about 22,600 outstanding loans and a loan portfolio of $8.2 million (Iqbal, and Riad, 2004).

In addition to their capacity, commercial banks have extended financial networks with other financial intermediaries, and can provide a wide range of services. Deposits, savings, and money transfer are particularly attractive to the poor who are looking for microfinance (Iqbal and Riad, 2004). Additionally, the performance of microfinance portfolios is greater than the investment portfolios of other Egyptian banks (Iqbal, and Riad, 2004). Osama (2004) referred to two reasons for this enhanced portfolio quality: (1) the microenterprise sector represents a significant part of the Egyptian economy; (2) high demand by microenterprises for microloans. Following Osama’s explanations, Iqbal and Riad (2004) argue that the huge demand of microenterprises borrowers presents a strong motive for commercial banks. Iqbal and Riad also emphasise the need by commercial banks for specific requirements to succeed
in any microfinance programs: (1) Staff intensive system; (2) good client relationships; (3) effective management and training; and (4) accountability and control systems. They also discussed some challenges that face commercial banks that provide microcredit services, such as the high cost of reaching microfinance clients.

The above discussion shows a gap in the role of private business, MNCs in specific, as sponsors for microfinance services. Accordingly, we argue that the application of BoP strategy is still limited in Egypt which makes “My Village Phone” a unique case and interesting study to investigate. Overall, our analysis may be the road map for the potential MNCs aiming to invest as the BoP in Egypt.

2. Case of “My Village Phone”:

In September 2008, Vodafone Egypt started a series of sustainable development projects. One of these projects intended to serve the poor Egyptians titles as “My Village Phone”. Vodafone lacked trust amongst poor people and needed to gain more experience of the poor market. Accordingly, the company formed a partnership with AYB-SD to get access to the poor market. The first stage of this project started in October 2008 by recruiting 400 poor young people from the poor populace. For three months from January 2009 a training program was held by AYB-SD to improve the skills of those 400 recruits to work as sales representatives for Vodafone. The training program covered how to use mobile phones and to sell calls and airtime top-up for neighbour villagers. All successful trainees have got kiosks and motorcycle in a condition of paying back the full cost in instalments after they proceed.

The second stage started in May 2009 in which those 400 youth were responsible to create loan groups as a step forward to provide microloans in terms of airtime top-up. So every group member can gets airtime slot, sell it to other villagers and back pack after collecting his money. Each group included 5 persons. In forming these groups, the new retailers conducted field visits to the poorest poor in the close villages to attract them as well as to rate the group’s ability to sell airtime and payback the loan on the due time. In doing so, this project could create microenterprises for the poor youth (small retails and fixed source of income) and provided more telecommunication as well as sources of income for loan groups.

However, the NTRA interfered at the mid of the project in 2009 and set some regulatory rules to control the new initiative. A team of 15 official representatives are allocated in the 9 governorates to observe and be involved in this mobile microfinance project. See Box 1 summarizes the main objectives and geographic footprint of “My Village Phone”. Then see Table 2 that shows the project action plan.

<table>
<thead>
<tr>
<th>Box 1: “My village” Case study</th>
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<tbody>
<tr>
<td><strong>Founders:</strong> Vodafone Egypt and &quot;Alashanek Ya Balady&quot; Association for Sustainable Development (AYB-SD).</td>
</tr>
</tbody>
</table>

**Goals:** Improving social Development via creating Job Opportunities for Youth and providing affordable mobile technology in Villages and remote Areas.

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8 Those 400 youth will be recruited from 9 governorates namely; Ciaro, Fayyoum, Beni- Suef, Minya, Qena, Sharkia, Dakahlia, Tanta and Menoufia.
**Social benefits:**
- Poor entrepreneurial can get training, jobs/SMEs, and loans.
- Poor subscribers in villages and hamlets with (affordable mobile telecommunication services).

**Financial benefits:** Since 20% of the Egyptian society is poor who mostly live in villages and hamlets, Vodafone’s sales are expected to increase by 60% after accessing at the new market.

**Geographical expansion:** within the local community in a number of villages and hamlets in Fayyoum, Beni- Suef, Minya, Qena, Sharkia, Dukahlia, Tanta and Menoufia. In addition to Cairo as a main city the other names are for cities in upper and mid Egypt in which the poverty is high.

The project follows the action plan I that is presented in Table 2 below:

<table>
<thead>
<tr>
<th>Time period</th>
<th>Action</th>
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<tbody>
<tr>
<td>09/2008-12/2008</td>
<td>AYB-SD is recruiting youth from different villages and hamlets.</td>
</tr>
<tr>
<td>01/2009-06/2009</td>
<td>Assessing and screening to select the best 400 youth to be employed by Vodafone as sales agents in different poor villages in Egypt.</td>
</tr>
</tbody>
</table>
| 07/2009-12/2009   | - Once employed, AYB-SD provides training and on-the-job coaching for these poor youth to make sure they continue in their jobs and secure fixed monthly income.  
                     - In the same period microloans AYB-SD offers loans to the selected candidates to buy motorcycles, which are used by youth to sell Vodafone’s products around the villages. 
                     - Vodafone employ the 400 youth in 9 governorates to target the poor student, workers and farmers. A new market access is developed for those categories. |
| 01/2010-          | AYB-SD is also training NGOs in different governorates to adopt the same training, employment, and loans model, and thus pass experience and empower them to adopt the same model and sustain it in the future. |
| --------          |                                                                        |

3. **Research Methodology:**

3.1. **Research Problems:**

In the demand side, this case shows how the poor Egyptian are abusing their resources by spending a big share of their income on mobile telecommunication without increasing in their purchasing power (The Egyptian Cabinet, 2012). In the supply side, MNCs represented in Vodafone and Mobinil who lost a significant market share to Etisalat (the new comer) who targets the poor specially students (Ministry of communication and technology, 2012). If both of these statements are true, we argue that the telecoms in Egypt are wasting resources by targeting markets that are less profitable. At the national level, there is a limited increase (12%) in 2011 GDP, despite the aforementioned increase in the spending for mobile telecommunication of the same year (National statistical offices, 2012).
Theoretically, the above dilemma results of formal economic theories that target the upper and middle classes than the lower class. Those formal theories stay at some distance from the applied work and fail to interpret what is going on and explain relationships among the actors in the Egyptian poor market.

The questions that this analysis draws are about how the interactions among Vodafone, AYB-SD, state officials, and low income users—the context within which the BoP model is implemented—influence its success on the ground? Another question that should be answered is; how could the interpretations and dilemmas of multiple actors shape the development impacts of mobile telecommunications?

Answering the above questions may result in achieving the following objectives:

- **Explain the role of the MNCs, the state, and consumers in spreading the mobile telecommunication at the Egyptian BoP.**
- **Helps prospective MNCs to determine their own initial steps toward becoming involved at BoP.**
- **Helps the NGOs and the state doing a mediator role to balance the demand of the poor and the supply of the MNCs.**
- **It provides a clear view for the poor customers on how the MNCs may improve their wellbeing more/less than the state can do.**

### 3.2. Data collection:

We conducted a documentary research triangulated with semi-structured & group interviews with different sets of stakeholders. A snowball sample has been designed to collect data from villagers and executives from Vodafone, AYB-SD, the NTRA following the snowball sampling. The documentary analysis resulted in the stakeholder analysis explained in table 3.

**Table 3: Stakeholder analysis for “My Village Phone”:**

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>World Trade Organization (WTO)</strong></td>
<td>Grants a huge amount of financial support and tariffs exemptions to the MNCs to invest in the developing countries especially in African and the sub-Saharan countries (Donner, 2008).</td>
</tr>
<tr>
<td><strong>Low income users</strong></td>
<td>50 millions poor see mobile as productive tool. Those millions accounts for 40% of the Egyptian society who earn less than 2$ per day (The Egyptian Cabinet, 2012). Moreover, those poor users spend 15% of their daily income on the mobile telecommunication while spend only 11% of their daily income on health care (National statistical offices, 2011).</td>
</tr>
<tr>
<td><strong>Multi-national mobile telecoms</strong></td>
<td>Only three mobile telecoms who have licenses for mobile telecommunication in the Egyptian Market, namely Vodafone, Etisalat and Mobinil. Out of them, Vodafone has Largest market share 43% (American chamber in Egypt, 2011).</td>
</tr>
</tbody>
</table>
structure of competition in the mobile telecoms market is oligopoly (a phase of imperfect competition) (ITU, 2011). Focuses in the top and middle classes of users in the Egyptian mobile telecommunication markets.

This sector of mobile telecommunication is represented in small to Medium enterprises who distribute the services either via franchising agreements or via sole proprietorship that work for their own benefit (retailers). 90% of these retails and franchises are managed and functioned by skilled employees who can deal with the middle and lower class, but not with the poor illiterate (Vodafone Egypt, 2010).

Out of 83 Non-governmental organizations, only two of them have sufficient spread and sources to support an effective sustainable development’s project in the Egyptian society (Homat Al Mostakbal Association \(^9\) and Alashanek Ya Balady \(^{10}\) For Sustainable Development).

Both of the Ministry of communications and information technology and National telecommunication Regulatory Authority (NTRA) set rules to prevent the malpractices.

### 3.2.1. Entry mode scenarios:

In between May and Sep 2011, semi-structured qualitative interviews have been conducted according to snowball convenient sample including, Vodafone’s senior managers, AYB SD representatives, NTRA officials, and recruited retailer. Participants have reflected their ethnographic accounts and social discourses. Rather than relying on theoretical claims, translating the executives’ perceptions was the main focus. At the endline, we could get an in-depth understanding of tensions/collaborations among the main participants.

### 3.2.2. Development scenarios:

In the second stage of data collection, we conducted field visits and group interviews to the new retails, loan groups and mobile end users from three villages explore their different uses of mobile telecommunications as well as of microcredit. This helped us to get ideas about the degree of empowerment and improve in the poor’s life standard. Second- to design a scenario matrix that help setting a future plan for the development role of mobile at the BoP market.

### 3.3. Data analysis:

All interviews have been recorded and transcript. Then transcriptions have been sent to the relevant participants to remove any misunderstanding and to improve the data reliability.

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\(^9\) This name is the Arabic expression of “protecting the future”. It is a profitable organization that spreads in 5 main governorates in Egypt.

\(^{10}\) This name is the Arabic expression of “For the sake of my country”. It is a non-for-profit organization that works for the sustainable development in Egypt. Moreover, it has a full technical and financial support of the American university in Egypt and spreads along 15 Egyptian governorates.
Then a template analysis has been developed using Saritas’s Systematic foresight model (See figure 2).

**Figure 2: Systematic foresight model**

4. Discussion:

4.1. Entry modes scenarios:

Our data pinpoint to two extremes for supplying mobile telecommunications (the governments, and the MNCs). The reason is that these complicated technologies need skilled employees, huge investment and technical infrastructure. The demand side includes high-income class in the top of the Egyptian economic pyramid and the lower-income class that needs to be tapped. Based on these four pillars, we developed Matrix 1 to show different scenarios for the entry mode:

*Capitalists’ mode:* This mode is a state driven in which a limited number of mobile services are provided for the Business to Business market. It is characterized by high prices and restricted institutional use. The high sales tax and multilink services are the main indicators of this entry mode. For example, “Telecom Egypt” is the only governmental network provider of mobile telecommunications who granted the operation licence for the three corporations “Vodafone”, “estisalat” and “mobinil” and provides them with needed infrastructure and technical support. “Telecom Egypt” can also provide big airtime slots to MFIs to allocate them to loan groups in villages.
**Skimming mode**: it includes the traditional marketing strategies that the MNCs follow to enter the telecommunication market in the developing countries. This entry mode is characterized by high quality and high technology telecommunications with high prices. Accordingly, it targets the high and middle income people than the poor.

This entry mode is the best for advanced mobile telecommunication services such as web 2.0 applications and the social network facilities. It also helps the developing countries to simulate the growing technological changes. However, it lacks the “going concern” principle due to the high sales taxes and the short life cycle of the services that need to be developed to match the need of the elite business people. Another defect of this entry mode is that it targets only 20% of the Egyptian population, while it disregards 80% of the Egyptian population. The requirements of this phase are simply: high pricing, high sales tax, and number of available mobile services, personal use, and centrality of the distribution channels (i.e. doesn’t spread in the rural areas).

**Social responsibility mode**: a private-sector driven mode in which the MNCs collaborates with NGOs to deep in the poor communities. This entry mode starts as a trial from the MNCs to increase its reputation by helping the needy. This help can be in forms of financial grants or by selling the mobile telecommunication services with special prices for the poor community.

The first step of this mode is to achieve a mass production then to achieve surplus to support the poor. In this mode, the MNCs try to amend their traditional marketing mix little bit to reach to the poor. However, this mode is a temporarily mode and always is scope limited (i.e. specific governorates). The mode lacks the deskilled people who can serve the poor in their dialect and state of mind. Moreover, it marginalises the Egyptian government both
technically and administratively. The main characteristics of this mode are: low prices for the poor, limited time, limited places, and low quality services.

**Sustainability mode:** a state driven market policy that sets a whole strategy to serve the poor communities. Further, it includes a full participation from NGOs to collect accurate information about the targeted classes to facilitate delivering these services. This mode is non-profitable and time limited. However, it aims to help the poor community to build entrepreneurs by using mobile services. For instance, the social fund for development recruits poor youth and develops their skills to work as operators for “Egypt Telecom” and then asks them to train others in the poor community on how to build telecentres for mobile telecommunication. The indicators of this mode are: unlimited spread in the rural areas, short-time existence, non-profitable activities, and low prices.

**Base of the Pyramid mode:** an entry mode that should be adopted by the MNCs with a full collaboration with the state and the NGOs (Prahalad, 2004). The aim of this mode is to achieve multi-directions profit for all of the Egyptian society. Spread for mobile telecommunication in the rural areas and Hamlets. Moreover, it considers the mobile services as not only productive tools, but as a main stream for other development services such as mobile banking and m-government.

Special customer services branches for the poor community, special pricing techniques, and innovative technologies for the poor. Example of that; is using mobile Skype services to call a carpenters. At then you can open the mobile ID book to find a carpenter then enter his user name on your Skype mobile, call him/her and ask him/her to fix something for you. If we supposed that this carpenter is a poor man, then he can get a job and more income if he has a mobile Skype to receive your call.

**4.2. Development scenarios:**

Based on the BoP scenario, other scenarios for mobile telecommunications’ use innovation in this use and its development impact. Matrix 2 sets two main axes of the development scenarios: development location and sources. The sources of development can come from the MNCs who supply the mobile telecommunications at the BoP market, or from the poor themselves (Prahalad, 2004). Then the development process may take place either in the poor communities or overseas then to be transferred to local markets.
Heeks (2008) set three main concepts for the second phase of ICT for development: pro-poor, para-poor, and per-poor (Heeks, 2008; 30). Accordingly, I will borrow these expressions to be applied in the mobile telecommunications. However, I added two more concepts which is the per-poor exports and networked. All of them are described blow:

**Pro-poor:** In this metaphor the MNCs will design the mobile telecommunication services for the poor communities, and then it will do FDI to transfer the technologies to the poor communities. This type of development is a direct type, in which the development will be temporarily. The poor will absorb the new mobile services to build social networks and to create some profitable small business using collected financial resources (Ravallion & Chen, 2003). They also will be communicated with the business sector to find more job chances. Time and cost saving are also expected. The problem is that the type of mobile telecommunication will not be fully customized for the poor (digital divide) (Kappel et al. 2005). Moreover, there is no guarantee that the FDI investment will continue until the results of development are grasped (i.e. it can be interrupted). Above all, the high quality of the mobile telecommunications will not be the same after the end of the FDI (Costa & Filippov,
We argue that; only the pricing methods that the western MNCs follow can be applied in Egypt.

Para-poor: This metaphor is characterized by locally centric development, in which the MNCs process the mobile telecommunication in the Egyptian market will full participation from the Egyptian communities. However, this participation in designing and processing of mobile technologies will be from the elite classes than from the poor. Accordingly, the digital divide is expected to continue (Heeks, 2008: 31). This type of development collaborate the efforts of individuals and groups to build small businesses with and around the mobile telecommunications.

Per-poor: In this metaphor the processing, designing, and consumption is in the Egyptian community and by their hands. Some innovative needs will come from the poor who can be trained to be producers for the services than consumers. According to Heeks (2008) new process, new business models and new products will arise. New processes such as; the street vendors can be communicated via a message -without completing the phone call- to ask for a purchase request (Donner, 2008). New business models, using the air time as value holding tool i.e. (currency). New products such as used mobile luxuries will be accompanied.

Per-poor exports: In this phase the developed mobile telecommunication services can be exported to other poor communities in Africa and the Middle East. It curries the same characteristics of the per-poor phase but the surplus will be exported overseas (Chen and Watanabe, et al., 2007).

Networked: This metaphor occurs only through the state and the market, but also via a mesh of actors and institutions that connected and can act together through mobile telecommunications.

The above analysis clarifies how an innovative organizational strategy like BoP enables multinational mobile telecoms collaborate with NGOs, the state, and consumers to expand its services. Additionally, it helps the NGOs and the state doing a mediator role to balance the demand of the poor and the supply of the MNCs. Furthermore, it provides a clear view for the poor customers on how the MNCs may improve their wellbeing more/less than the state can do.

Following Albin (1997) power model, I constructed an overview of BoP as an innovative organizational strategy for development (See Figure 3). It shows how different organizational structure and different types of partnerships are required to redistribute the economic powers and increase the development outcomes. Each agency provides different sources of technical, financial, and cultural capabilities. MNCs for instance have huge financial and technical capacities. While NGOs have social and demographic information in addition to the existing trust they hold with poor customers. Complementary, the state has a significant role to set the legal framework and issues of transparency.
Figure 3: the conceptual system of Mobile for development (Based on Albin, 1997: 5).

FR=Financial resources  GR=geographical resources  I= information
ER=Educational resources  PR=Psychological resources  CR=Cultural resources
SR=social resources  NR=National resources  MR=Material resources
The second block presents the required technical and process innovation that need to complement with the BoP organizational innovation. Mobile telecoms need to decentralise their management to be able to handle problems in Hamlet and far areas. Moreover, they need to use SIM toolkit and voice commands as mobile interfaces to improve the usability of mobile services among the illiterate Egyptians.

NGOs need to improve their marketing strategies to help promoting mobile services as tools for improvement than as an entertainment facility. More comprehensive databases are also required to facilitate customers monitoring, follow up and impact analysis.

The governmental organizations need to keep periodical reports and to conduct urgent visits to poor customers to secure ethical marketing practices and save the poor community from any monopolistic practise.

All of the above may help the poor Egyptians build microenterprise and by product of increase their income and well-being. And finally it facilitates higher degree of development at the national level (democracy), at the institutional level (MNCs, NGOs, and SMEs), and at the individual level (social capital and decision making to improve income) (See Bessant and Tidd, 2007).

5. Conclusion:

We think that there is a mutual effect between the entry mode (inside) to the BoP market and the development effect (outside) the BoP. See the conceptual model in figure 3 above. We argue that the BoP strategy helps the poor to get more income and purchasing power, but it depends on how the actors of the BoP play together to achieve this strategy. The power can be transferred to the poor without help from the capitalists. Here we think that the theory of invisible hand by Adam smith should be revised. The BoP strategy takes the path of the incremental change and results in radical changes in terms of new mobile uses and developmental impact (Fagerberg, Mowery and Nelson, 2006).

In conclusion, the context of “My village Phone” shows the main sources of this essential organizational change. Also, entry modes, structural changes, and agencies resources represent the main requirements of this innovation. In the other side, all the aforementioned sorts of impact represent the strategic potential of this organizational strategy.

References:


